

WALKER COUNTY, GEORGIA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017



CERTIFIED PUBLIC ACCOUNTANTS

WALKER COUNTY, GEORGIA

TABLE OF CONTENTS

SEPTEMBER 30, 2017

	PAGE
Financial Section	
Independent Auditor's Report	iii-v
Management's Discussion and Analysis (unaudited)	vi-xiv
Basic Financial Statements	
Government-Wide Financial Statements –	
Statement of Net Position	1
Statement of Activities	2-3
Fund Financial Statements –	
Balance Sheet – Governmental Funds	4-5
Reconciliation of the Balance Sheet of Governmental	
Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in	
Fund Balances – Governmental Funds	7-8
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position	
- Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Position – Fiduciary Funds	13
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	14
Notes to Financial Statements	15-39
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	40-43
Budgetary Comparison Schedule – Fire and Rescue Fund	44
Notes to Required Supplementary Information	45
Schedule of Changes in the Net Pension Liability and Related Ratios	46
Schedule of Contributions	47
Notes to Pension Schedules	48
Supplementary Information	
Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	49
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Governmental Funds	50
Fiduciary Funds	
Combining Statement of Fiduciary Net Assets and Liabilities – Agency Funds	51

(Continued)

WALKER COUNTY, GEORGIA

TABLE OF CONTENTS

SEPTEMBER 30, 2017

Other Supplementary Information (Continued)

Budgetary Comparison Schedules	
Budgetary Comparison Schedule – E911 Fund	52
Budgetary Comparison Schedule – Law Library Fund	53
Budgetary Comparison Schedule – Multiple Grant Fund	54
Budgetary Comparison Schedule – Court Supervision Fund	55
Budgetary Comparison Schedule – Connection Fund	56
Budgetary Comparison Schedule – Transportation Fund	57

Compliance Section

Schedule of Projects Constructed with 2013 Special Purpose Local Option Sales Tax Proceeds	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
Schedule of Findings and Responses	61-62
Summary Schedule of Prior Year Audit Findings and Responses	63



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

Commissioner
Walker County, Georgia
LaFayette, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Walker County, Georgia's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We did not audit the financial statements of the Walker County Health Department (a discretely-presented component unit), whose statements reflect total assets of \$1,447,263 and total net position of \$259,467 as of September 30, 2017, and total revenues of \$1,413,155 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Walker County Health Department, is based solely on the report of the other auditors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of September 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund, the E-911 special revenue fund, and the law library special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vi through xiv of the Financial Section and the required supplementary information on pages 40 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Walker County, Georgia's basic financial statements. The combining nonmajor fund statements, agency fund statements, and nonmajor fund budgetary comparison schedules included as other supplementary information, and the schedule of projects constructed with special purpose local option sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund statements, agency fund statements, and nonmajor fund budgetary comparison schedules included as other supplementary information, and the schedule of projects constructed with special purpose local option sales tax proceeds are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining nonmajor fund statements, agency fund statements, and nonmajor fund budgetary comparison schedules included as other supplementary information, and the schedule of projects constructed with special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 on our consideration of Walker County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walker County, Georgia's internal control over financial reporting and compliance.

Chattanooga, Tennessee
April 30, 2018

Henderson Hutcherson
& McCullough, PLLC

WALKER COUNTY, GEORGIA MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of Walker County’s financial performance provides an overview of the County’s financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the County’s financial statements which follow this analysis.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of Walker County exceeded its liabilities and deferred inflows of resources at September 30, 2017 by \$63,219,168 (Net Position), an increase of \$2,905,399 from the prior year. Of the net position, \$70,372,405 is restricted as to what the funds may be expended for. The remaining deficit balance, \$7,153,237, is what is available to meet the ongoing obligations to citizens and creditors.

In the County’s business-type activities, operating expenditures exceeded operating revenues by \$242,339. Revenues were insufficient to recoup costs largely due to high depreciation expense and accrued postclosure costs.

The County’s governmental activities reported combined ending net position of \$64,164,791, an increase of \$3,147,738 from the prior year net position. Of this amount, a deficit balance of \$4,065,062 remains in the various funds as unrestricted.

Debt decreased by \$2,671,121. There were bond payments of \$4,380,000 and \$490,000, a net decrease in leases of \$843,083, the retirement of a tax anticipation note for \$5,000,000, and the addition of a tax anticipation note for \$7,000,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County’s finances. Fund financial statements start on page 4. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County’s operations in more detail than the government-wide statements by providing information about the County’s most significant funds. The remaining statements provide financial information about activities for which the County acts solely as trustee or agent for the benefit of those outside the government.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the County’s finances is, “Is the County as a whole better or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the County’s net position and changes in net position. One can think of the County’s net position – the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources – as one way to measure the County’s financial health, or financial position. Over time, increases or decreases in the County’s net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors will need to be considered, such as changes in the County’s property tax base and the condition of the County’s roads, to assess the overall health of the County.

WALKER COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

In the Statement of Net Position and the Statement of Activities, we divide the County into the following:

Governmental activities – Most of the County's basic services are reported here: public safety (law enforcement and traffic control, fire and rescue services, and corrections and detention); health and welfare (health and social services); recreation and culture (including libraries); community development (planning, environmental management and cooperative extension); public works (roads); and general government administration (legislative, general and financial, elections and judicial). Property taxes, other local taxes, and state and federal grants finance most of these activities.

Business-type activities – The County charges fees to customers to cover the cost of operations for its enterprise funds. The county maintains two enterprise funds. The Landfill maintains the County transfer station, the construction and demolition landfill, and the solid waste landfill, which was closed in 1998. Under federal guidelines, the County must maintain the solid waste landfill for 30 years after it is closed. The Special Facilities fund operates the Mountain Cove convention and recreation area. It is being developed to host weddings, small conventions, and leisure outings.

Component unit – The County includes the following separate entity in its report – Walker County Health Department. Although legally separate, this "component unit" is included because the County is financially accountable and provides operating and capital funding as well as oversight. The Health Department has a June 30 year end. Complete financial statements of the Health Department can be obtained from their office: 603 E. Villanow St., LaFayette, Georgia 30728.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the County's most significant funds. The fund financial statements provide more information about these individual funds – not the County as a whole.

The County has three kinds of funds:

Governmental funds – Most of the County's basic services are included in governmental funds, which focus on balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in an accompanying schedule of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary funds – These funds are used to account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is upon determination of net income, financial position and cash flows. Cash and temporary investments related to these proprietary funds are all highly liquid cash equivalents. The County's proprietary fund types consist of the Walker County Landfill and the Special Facilities fund. The operation of these funds are generally intended to be self-supporting.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statement – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's schedule of budgetary comparisons, changes in net position liability and related ratios, contributions, and pension investment returns.

WALKER COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. At the end of the current fiscal year, the County's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$63,219,168. This excess is divided into three net position categories. Investment in capital assets less any outstanding debt used to acquire these assets is one of the components of net position. Walker County uses these assets to provide service to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Another component is restricted net position, the balance of which is subject to external restrictions. The final component is unrestricted net position. The amount in this category normally represents amounts that may be used to meet the ongoing obligations to its citizens and creditors. The balance at September 30, 2017, is a deficit balance of \$7,153,237, which may be used to meet the County's ongoing obligations.

Net Position
September 30, 2017 and 2016

	Governmental Activities		Business -type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 31,050,694	\$ 23,759,371	\$ 291,930	\$ 441,497	\$ 31,342,624	\$ 24,200,868
Capital assets	99,502,492	103,115,269	2,142,552	2,304,501	101,645,044	105,419,770
Total assets	\$ 130,553,186	\$ 126,874,640	\$ 2,434,482	\$ 2,745,998	\$ 132,987,668	\$ 129,620,638
Deferred outflow of resources	\$ 1,432,437	\$ 1,418,707			\$ 1,432,437	
Liabilities						
Long-term liabilities	\$ 51,737,839	\$ 56,604,880	\$ 3,210,334	\$ 3,014,414	\$ 54,948,173	\$ 59,619,294
Other liabilities	11,242,661	9,871,610	169,771	434,868	11,412,432	10,306,478
Total liabilities	\$ 62,980,500	\$ 66,476,490	\$ 3,380,105	\$ 3,449,282	\$ 66,360,605	\$ 69,925,772
Deferred inflow of resources	\$ 4,840,332	\$ 799,804			\$ 4,840,332	\$ 799,804
Net position						
Net investment in capital assets	\$ 64,054,254	\$ 65,295,006	\$ 2,142,552	\$ 1,460,030	\$ 66,196,806	\$ 66,755,036
Restricted	4,175,599	1,102,727			4,175,599	1,102,727
Unrestricted	(4,065,062)	(5,380,680)	(3,088,175)	(2,163,314)	(7,153,237)	(7,543,994)
Total net position	\$ 64,164,791	\$ 61,017,053	\$ (945,623)	\$ (703,284)	\$ 63,219,168	\$ 60,313,769

Net position of the County's governmental activities increased by \$3,147,738 while the net position of the business type activities decreased by \$242,339. The County's two business activities are the Walker County Landfill and the Special Facilities recreation area. The landfill operated at a loss due to closure and depreciation expense while the Special Facilities had a loss due to operating costs.

Walker County's overall revenue showed a slight increase in 2017 as compared to 2016, increasing by 3%. Property tax revenue increased 19% due to a millage rate increase, and Local Option sales tax revenue increased 2%. Approximately 42% of the County's total revenue from governmental activities came from property taxes and 33% from other taxes. Charges for services fell to about 18% of governmental revenue, with grants and contributions contributing approximately 5%.

The County's largest expenditures were for the sheriff (23% of total governmental expenses), public safety (20%), general government (17%), public works (16%) and judicial (11%).

WALKER COUNTY, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

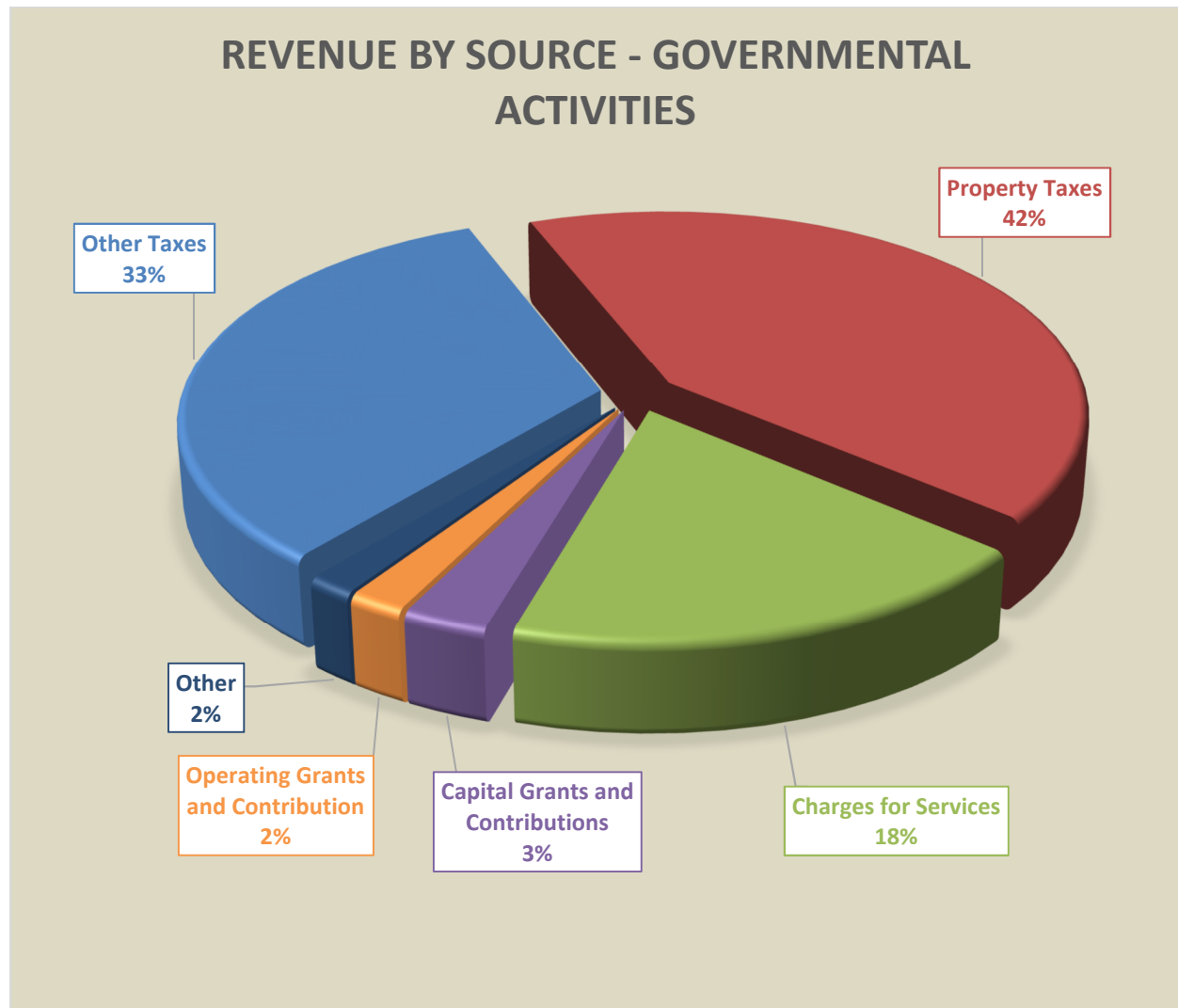
Changes in Net Position For the Years Ended September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,897,890	\$ 7,261,341	\$ 1,665,034	\$ 1,636,576	\$ 8,562,924	\$ 8,897,917
Operating Grants & Contributions	725,641	726,290	15,870		741,511	726,290
Capital Grants & Contributions	1,086,845	2,136,648			1,086,845	2,136,648
General Revenues:						
Property Taxes	15,703,529	13,170,719			15,703,529	13,170,719
Other Taxes	12,287,378	11,452,048			12,287,378	11,452,048
Other	611,681	1,453,779		949,974	611,681	2,403,753
Total Revenues	\$ 37,312,964	\$ 36,200,825	\$ 1,680,904	\$ 2,586,550	\$ 38,993,868	\$ 38,787,375
Expenses:						
General government	\$ 5,838,985	\$ 5,284,349			\$ 5,838,985	\$ 5,284,349
Judicial	3,830,732	3,711,166			3,830,732	3,711,166
Sheriff	7,902,505	7,743,417			7,902,505	7,743,417
Public Safety	6,754,936	6,894,558			6,754,936	6,894,558
Public Works	5,434,463	5,768,045			5,434,463	5,768,045
Health and Welfare	1,276,835	10,135,099			1,276,835	10,135,099
Culture and Recreation	513,819	482,188	350,510	557,066	864,329	1,039,254
Housing and Development	898,028	789,047			898,028	789,047
Intergovernmental	427,524	407,036			427,524	407,036
Interest	1,287,399	1,617,882		1,100	1,287,399	1,618,982
Solid Waste			1,572,733	2,123,596	1,572,733	2,123,596
Total Expenses	\$ 34,165,226	\$ 42,832,787	\$ 1,923,243	\$ 2,681,762	\$ 36,088,469	\$ 45,514,549
Increase (decrease) in net position before transfers	3,147,738	(6,631,962)	(242,339)	(95,212)	2,905,399	(6,727,174)
Transfers		4,449,686		(4,449,686)	-	-
Increase (decrease) in net position	3,147,738	(2,182,276)	(242,339)	(4,544,898)	2,905,399	(6,727,174)
Net position - October 1	61,017,053	63,199,329	(703,284)	3,841,614	60,313,769	67,040,943
Net position - September 30	\$ 64,164,791	\$ 61,017,053	\$ (945,623)	\$ (703,284)	\$ 63,219,168	\$ 60,313,769

WALKER COUNTY, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Total government-wide revenue of \$38,993,868 was comprised of governmental activities (\$37,312,964) and business-type activities (\$1,680,904). The revenue of the business-type activities were almost solely charges for services. The following graph illustrates the distribution of the governmental activities revenue. The predominate sources of revenue are property taxes and other taxes, which are primarily comprised of Local Option Sales Tax, Special Purpose Local Option Sales Tax, and business taxes. Special Purpose Local Option Sales Tax revenue, which totaled \$4,858,227, is specifically earmarked and cannot be used to finance the normal operations of the County.

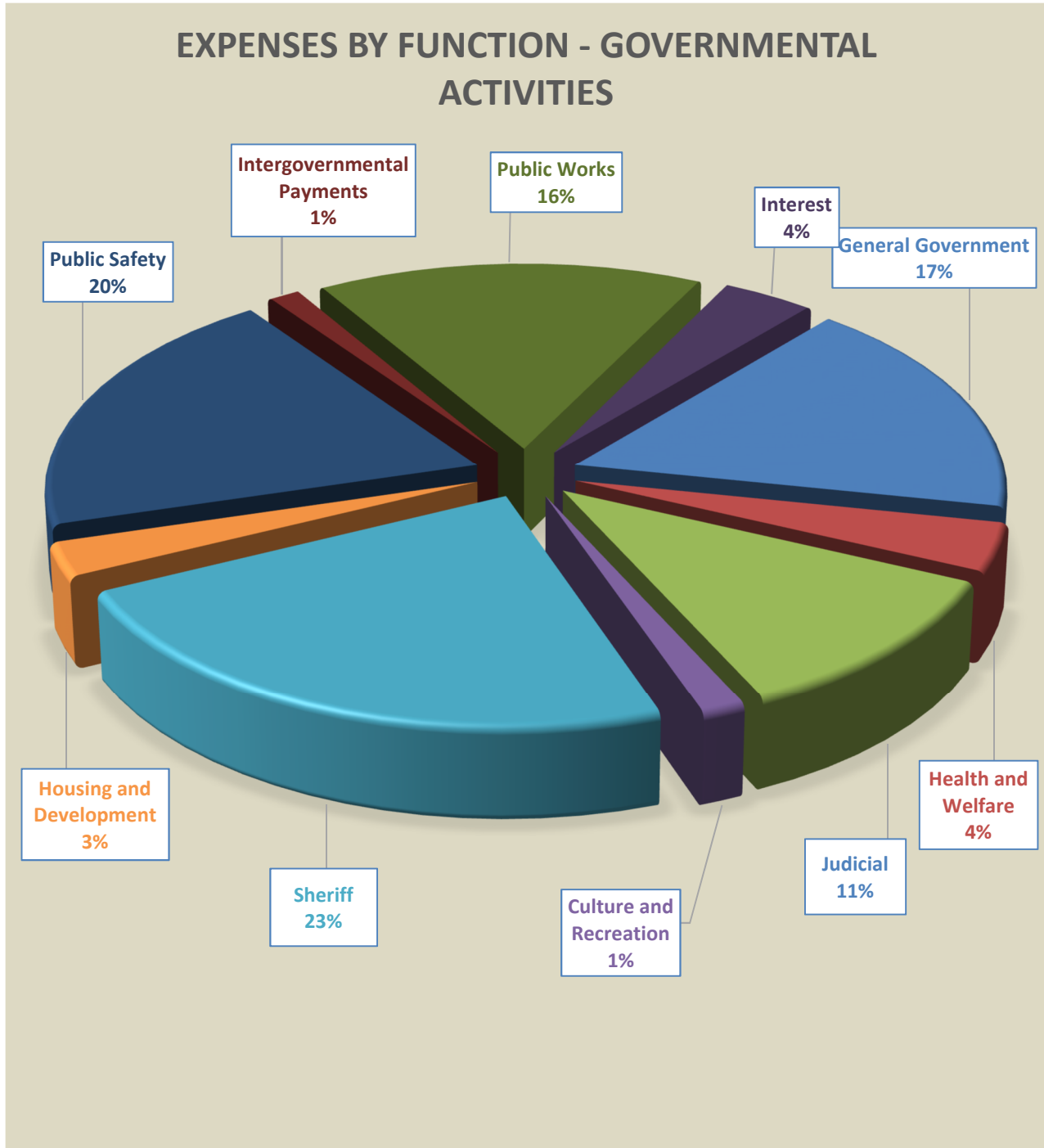
The County continues to be dependent upon property taxes and sales taxes as its major sources of revenue. The property tax net M&O digest again fell slightly following a downward trend from a high in 2009. The effect of the current year's millage rate increase was reflected in the current year financial statements by increasing property taxes from 35% of total revenue in 2016 to 42% of total revenue in 2017.



WALKER COUNTY, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide expenses totaled \$36,088,469 for fiscal year 2017, including governmental activity expense of \$34,165,226 and business-type activity expense of \$1,923,243. The following graph provides a visual depiction of expenditures of the governmental activities by function for fiscal year 2017.

Overall, expenses were down in 2017 by \$8,667,561 from 2016. This was due to recognizing a court ordered judgement in connection to a onetime claim by Hutchison Medical Center in 2016.



WALKER COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the County completed the year, its governmental funds reported a combined fund balance of \$4,543,347. Restricted fund balance is \$4,175,599 which represents funds that are subject to externally enforceable legal restrictions. The difference represents a deficit unassigned fund balance.

The General fund is the chief operating fund of Walker County. At the end of the current fiscal year, the unassigned fund balance of the General fund was a deficit \$237,878. The unassigned fund balance increased by \$201,706 during the current year. This increase included transfers of \$3,335,356 made to supplement operations of other funds. Among the transfers were \$1,004,326 to E911, \$685,267 to SPLOST, \$370,640 to the County transportation system, \$1,183,265 to the Walker County Development Authority for debt service, and \$63,001 required by federal and/or state grants as the County's matching share.

The focus of the fund financial statements is on major funds which generally represent the government's most important funds. Non-major funds are aggregated and presented in single columns. The major funds of Walker County, other than the General fund, and their fund balances at year-end are: Fire and Rescue, (\$302,689), SPLOST, \$3,729,956 and the Walker County Development Authority, \$689,859. The SPLOST fund balance increased by \$427,453. This was a result of debt service of \$4,703,781, expenditures on SPLOST projects of \$2,350, and disbursements to municipalities of \$427,524. The Development Authority fund balance increased by \$50,029. This was the result of industrial development expenditures of \$69,052, debt service of \$1,183,265 and transfers from the General Fund of \$1,183,265 for the retirement of the revenue bonds.

Proprietary Funds – Walker County's proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements; therefore, the discussion of current year activity in the government-wide section is not duplicated here.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues and other financing sources exceeded budgeted revenues and other financing sources by \$2,290,342. The excess of actual revenues over budgeted revenues was primarily due to actual property tax revenues exceeding budgeting property tax revenues by \$1,355,898, other taxes exceeding budget by \$603,249, licenses and permits exceeding budget by \$154,948, charges for services exceeding budgeted by \$64,103 and contribution revenue exceeding budgeted revenue by \$61,217. Fines and forfeitures came in below budget by \$53,508. The County does not normally budget for contributions unless it is certain that the contribution will be made and the amount is determinable. The excess of expenditures and other financing uses over budgeted expenditures and other financing uses was \$2,093,205. This was primarily due to transfers exceeding budgeted transfers by \$1,521,609.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The County's investment in capital assets for its governmental funds as of September 30, 2017, totaled \$99,502,492, net of accumulated depreciation. This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and infrastructure. The County's investment in capital assets for the current fiscal year decreased by \$3,612,717, net of accumulated depreciation. This was comprised primarily of depreciation expense of \$4,905,405, paving 10 roads for \$1,065,734, purchase of voting machines for \$29,317 and sewer lines for \$26,365. There was also a sale of 21 surplus sheriff vehicles and 6 other surplus county vehicles which proceeds amounted to \$528,839.

WALKER COUNTY, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets at Year-end September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land	\$ 9,111,953	\$ 9,111,954	\$ 169,000	\$ 169,000	\$ 9,280,953	\$ 9,280,954
Construction in progress	1,068,571	1,466,972	643,216	552,778	1,711,787	2,019,750
						-
Depreciable assets:						
Buildings and improvements	42,650,896	42,632,139	667,026	652,959	43,317,922	43,285,098
Machinery and equipment	25,294,861	25,261,526	1,896,369	1,890,945	27,191,230	27,152,471
Infrastructure	100,932,802	99,840,703	-	-	100,932,802	99,840,703
C&D Landfill			4,985,021	4,985,021	4,985,021	4,985,021
Total	179,059,083	178,313,294	8,360,632	8,250,703	187,419,715	186,563,997
Less: accumulated depreciation	(79,556,591)	(75,198,025)	(6,218,080)	(5,946,202)	(85,774,671)	(81,144,227)
Net capital assets	\$ 99,502,492	\$ 103,115,269	\$ 2,142,552	\$ 2,304,501	\$ 101,645,044	\$ 105,419,770

Additional information on the County's capital assets can be found in Note 3 to the financial statements in this report.

Debt – At the end of the current fiscal year, the County had total debt outstanding of \$61,948,173. This consisted of general obligation bonds, lease obligations, a tax anticipation note, a GEFA note, landfill closure and postclosure costs, and compensated absences.

Outstanding Debt at Year End September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 32,332,550	\$ 37,197,811			\$ 32,332,550	\$ 37,197,811
Lease Obligations	3,115,688	3,897,377	260,196	321,590	3,375,884	4,218,967
Note Payable	7,000,000	5,000,000	654,253	522,881	7,654,253	5,522,881
Compensated Absences	991,244	825,154	6,243	6,900	997,487	832,054
Landfill Closure Costs	2,196,279	2,168,094	2,289,642	2,163,043	4,485,921	4,331,137
Nonexchange Financial Guarantee	8,705,000	8,705,000			8,705,000	8,705,000
Net Pension Liability	4,397,078	3,811,444			4,397,078	3,811,444
Totals	\$ 58,737,839	\$ 61,604,880	\$ 3,210,334	\$ 3,014,414	\$ 61,948,173	\$ 64,619,294

Additional information on the County's debt can be found in Notes 4 and 5 to the financial statements in this report.

PENSION BENEFITS

Walker County, Georgia sponsors a single-employer defined benefit pension plan for all of its full-time employees. Annually, an independent actuary engaged by the Trustees of the retirement system calculates the amount of the annual contribution that the County must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. The County funds the annually determined contribution to the retirement system as determined by the actuary. The County contributed \$859,582 for the fiscal year ending September 30, 2017.

WALKER COUNTY, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 67 went into effect on July 1, 2013. This statement related to the pension plan accounting and resulted in significant changes to the actuarial reporting and financial report footnotes. The provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, were effective July 1, 2016 and significantly changed the County's accounting for pension amounts. GASB asserts that the new standard will improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 68 relates to employer accounting and results in changes to the County's accounting and financial reporting for its net pension liability and related amounts. Readers of the financial report will see the addition of the net pension liability to the government-wide financial statements. The net pension liability is the difference between the Total Pension Liability and Plan Fiduciary Net Position. Essentially, the net pension liability is the plan's unfunded pension obligation which GASB has determined meets the definition of a liability and should be recognized in the basic financial statements.

It is important to note that the GASB statements refer to plan accounting, not funding. The County continues to use the actuarially determined contribution (ARC) to determine appropriate funding of the pension plan.

At September 30, 2017, the County's total pension liability was \$7,532,891. The plan fiduciary net position was \$3,135,813, resulting in the County's net pension liability of \$4,397,078. The plan fiduciary net position as a percentage of the total pension liability was 41.6%.

ECONOMIC FACTORS AND THE 2017 BUDGET

- Local Option Sales Tax continued its downward trend, with a drop of 1.2% from FY16 to FY17. This reflects a drop of retail trade within the county.
- The property tax gross M&O digest decreased slightly after having risen approximately 3% the previous year. The effect was a decrease in taxable value of 1.1%. The net millage rate in the unincorporated area of the County increased by 2.0 mills while the millage rate in the incorporated areas increased by 2.189 mills. The millage rate increase resulted in a 22.06% increase in property taxes levied over the prior year.
- A Public Health Service fee was enacted and earmarked for the debt due to Erlanger Health Systems. The fee, set to expire in 3 years, is expected to bring in sufficient funds to retire the debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Walker County Accounting Department, P.O. Box 445, LaFayette, Georgia 30728.

WALKER COUNTY, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health Department
ASSETS				
Cash and cash equivalents	\$ 3,005,829	\$ 25,071	\$ 3,030,900	\$ 1,237,435
Restricted cash	1,239,587	-	1,239,587	-
Investments	3,935,212	-	3,935,212	-
Taxes receivable	13,115,482	-	13,115,482	-
Accounts receivables	4,868,837	66,047	4,934,884	1,087
Due from other governments	4,368,171	-	4,368,171	187,575
Due from (to) other funds	(200,812)	200,812	-	-
Inventory	-	-	-	12,170
Prepaid expenses	172,002	-	172,002	-
Note receivable	546,386	-	546,386	-
Capital assets -				
Nondepreciable	10,180,524	812,216	10,992,740	-
Depreciable, net	<u>89,321,968</u>	<u>1,330,336</u>	<u>90,652,304</u>	<u>8,996</u>
Total assets	<u>130,553,186</u>	<u>2,434,482</u>	<u>132,987,668</u>	<u>1,447,263</u>
DEFERED OUTFLOWS OF RESOURCES				
Pension related items	<u>1,432,437</u>	<u>-</u>	<u>1,432,437</u>	<u>329,877</u>
LIABILITIES				
Accounts payable and accrued expenses	3,087,569	169,771	3,257,340	1,321
Due to other governments	58,191	-	58,191	71,666
Due to heirs, litigants, and others	716,141	-	716,141	-
Accrued interest payable	380,760	-	380,760	-
Tax anticipation note	7,000,000	-	7,000,000	-
Long-term liabilities:				
Due within one year	8,727,017	76,170	8,803,187	60,823
Due in more than one year	<u>43,010,822</u>	<u>3,134,164</u>	<u>46,144,986</u>	<u>1,303,656</u>
Total liabilities	<u>62,980,500</u>	<u>3,380,105</u>	<u>66,360,605</u>	<u>1,437,466</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - intergovernmental	4,840,332	-	4,840,332	-
Pension related items	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,207</u>
Total deferred inflows of resources	<u>4,840,332</u>	<u>-</u>	<u>4,840,332</u>	<u>80,207</u>
NET POSITION				
Net investment in capital assets	64,054,254	2,078,632	66,132,886	8,996
Restricted for:				
SPLOST capital project	3,729,956	-	3,729,956	-
Program purposes	1,353,958	-	1,353,958	-
Unrestricted	<u>(4,973,377)</u>	<u>(3,024,255)</u>	<u>(7,997,632)</u>	<u>250,471</u>
Total net position	<u>\$ 64,164,791</u>	<u>\$ (945,623)</u>	<u>\$ 63,219,168</u>	<u>\$ 259,467</u>

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues		
	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 5,838,985	\$ 1,071,578	\$ -	\$ 21,111
Judicial	3,830,732	1,405,210	259,095	-
Sheriff	7,902,505	8,407	-	-
Public safety	6,804,936	4,262,726	152,880	-
Public works	5,434,463	-	41,601	1,065,734
Health and welfare	1,276,835	127,279	272,065	-
Culture and recreation	513,819	22,690	-	-
Housing and development	898,028	-	-	-
Intergovernmental	427,524	-	-	-
Interest	1,287,399	-	-	-
Total governmental activities	34,215,226	6,897,890	725,641	1,086,845
BUSINESS-TYPE ACTIVITIES				
Landfill	1,572,733	1,555,027	-	-
Special facilities	350,510	110,007	15,870	-
Total business-type activities	1,923,243	1,665,034	15,870	-
TOTAL PRIMARY GOVERNMENT	\$ 36,138,469	\$ 8,562,924	\$ 741,511	\$ 1,086,845
COMPONENT UNITS				
Health department	\$ 1,299,337	\$ 369,591	\$ 878,278	\$ -
TOTAL COMPONENT UNITS	\$ 1,299,337	\$ 369,591	\$ 878,278	\$ -

General revenues:

Taxes

General property taxes

Sales and use tax

Business taxes

Penalties and interest on delinquent taxes

In lieu of taxes

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Miscellaneous

Total general revenues and special items

Changes in net position

Net position, beginning of period

Net position, end of period

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Health Department
\$ (4,746,296)	\$ -	\$ (4,746,296)	\$ -
(2,166,427)	-	(2,166,427)	-
(7,894,098)	-	(7,894,098)	-
(2,389,330)	-	(2,389,330)	-
(4,327,128)	-	(4,327,128)	-
(877,491)	-	(877,491)	-
(491,129)	-	(491,129)	-
(898,028)	-	(898,028)	-
(427,524)	-	(427,524)	-
(1,287,399)	-	(1,287,399)	-
(25,504,850)	-	(25,504,850)	-
-	(17,706)	(17,706)	-
-	(224,633)	(224,633)	-
-	(242,339)	(242,339)	-
\$ (25,504,850)	\$ (242,339)	\$ (25,747,189)	\$ -
\$ -	\$ -	\$ -	\$ (51,468)
-	-	-	(51,468)
15,703,529	-	15,703,529	-
8,793,042	-	8,793,042	155,394
3,208,750	-	3,208,750	-
285,586	-	285,586	-
386,986	-	386,986	-
17,973	-	17,973	8,487
33,605	-	33,605	-
-	-	-	-
223,117	-	223,117	1,405
28,652,588	-	28,652,588	165,286
3,147,738	(242,339)	2,905,399	113,818
61,017,053	(703,284)	60,313,769	145,649
\$ 64,164,791	\$ (945,623)	\$ 63,219,168	\$ 259,467

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA**BALANCE SHEET - GOVERNMENTAL FUNDS****SEPTEMBER 30, 2017**

	General	Fire and Rescue	Capital Projects
ASSETS			
Cash and cash equivalents	\$ 1,996,450	\$ 37,463	\$ -
Restricted cash and cash equivalents	1,074,941	-	7,201
Investments	-	-	3,935,212
Taxes receivable	13,115,482	-	-
Accounts receivable	4,386,620	203,347	-
Prepaid expenses	172,002	-	-
Due from other funds	683,172	-	-
Due from other governments	3,839,288	-	409,828
Total assets	<u>25,267,955</u>	<u>240,810</u>	<u>4,352,241</u>
LIABILITIES			
Tax anticipation note	7,000,000	-	-
Accounts payable and accrued expenses	2,515,516	353,210	72,296
Due to other funds	673,507	-	513,924
Due to other governments	22,126	-	36,065
Due to heirs, litigants, and others	716,141	-	-
Accrued interest payable	84,179	-	-
Total liabilities	<u>11,011,469</u>	<u>353,210</u>	<u>622,285</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	9,984,260	-	-
Unavailable revenue - fire fees	-	190,289	-
Unearned revenue - intergovernmental	4,181,440	-	-
Total deferred inflows of resources	<u>14,165,700</u>	<u>190,289</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Capital projects	-	-	3,729,956
Judicial	-	-	-
Public safety	309,795	-	-
Public works	-	-	-
Health and welfare	-	-	-
Housing and development	-	-	-
Health insurance	1,902	-	-
Other purposes	16,967	-	-
Unassigned	(237,878)	(302,689)	-
Total fund balances	<u>90,786</u>	<u>(302,689)</u>	<u>3,729,956</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,267,955</u>	<u>\$ 240,810</u>	<u>\$ 4,352,241</u>

The accompanying notes are an integral part of these financial statements.

Development Authority	Other Governmental Funds	Total Governmental Funds
\$ 541,914	\$ 430,002	\$ 3,005,829
157,445	-	1,239,587
-	-	3,935,212
-	-	13,115,482
-	278,870	4,868,837
-	-	172,002
-	324,337	1,007,509
-	119,055	4,368,171
<u>699,359</u>	<u>1,152,264</u>	<u>31,712,629</u>
-	-	7,000,000
3,500	143,047	3,087,569
6,000	14,890	1,208,321
-	-	58,191
-	-	716,141
-	-	84,179
<u>9,500</u>	<u>157,937</u>	<u>12,154,401</u>
-	-	9,984,260
-	-	190,289
-	658,892	4,840,332
<u>-</u>	<u>658,892</u>	<u>15,014,881</u>
-	-	3,729,956
-	82,013	82,013
-	213,946	523,741
-	17,020	17,020
-	22,456	22,456
689,859	-	689,859
-	-	1,902
-	-	16,967
-	-	(540,567)
<u>689,859</u>	<u>335,435</u>	<u>4,543,347</u>
<u>\$ 699,359</u>	<u>\$ 1,152,264</u>	<u>\$ 31,712,629</u>

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

YEAR ENDED SEPTEMBER 30, 2017

Differences in amounts reported for governmental activities in the statement
of net position:

Fund balances - total governmental funds	\$ 4,543,347
--	--------------

Amounts reported for governmental activities in the statement of net position
are difference because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	99,502,492
---	------------

Certain revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds	10,174,549
---	------------

Amounts related to the pension plan are not expected to be liquidated with expendable financial resources and, therefore, are not reported in the funds	(2,964,641)
--	-------------

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the funds. Interest
on long-term debt is not accrued in governmental funds, but
rather is recognized as an expenditure when due. All
liabilities, both current and long-term, are reported in the
statement of net position. This item consists of the following:

Note receivable	546,386	
Accrued interest	(296,581)	
Bonds payable	(32,332,550)	
Capital leases	(3,115,688)	
Compensated absences	(991,244)	
Landfill closure and postclosure care cost	(2,196,279)	
Nonexchange financial guarantee	<u>(8,705,000)</u>	<u>(47,090,956)</u>

Net position of governmental activities	<u>\$ 64,164,791</u>
---	----------------------

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS**

YEAR ENDED SEPTEMBER 30, 2017

	General	Fire and Rescue	Capital Projects
REVENUES:			
General property taxes	\$ 13,752,658	\$ -	\$ -
Other taxes	7,940,692	-	4,858,227
Licenses and permits	295,048	-	-
Intergovernmental	367,602	-	-
Charges for services	798,603	3,183,733	-
Fines and forfeitures	1,423,892	-	-
Investment income	17,888	-	17,614
Contributions and donations	61,217	-	-
Rental income	56,144	-	-
Other	71,306	65	-
Total revenues	<u>24,785,050</u>	<u>3,183,798</u>	<u>4,875,841</u>
EXPENDITURES:			
Current:			
General government	4,852,388	-	2,350
Judicial	3,457,776	-	-
Sheriff	7,474,509	-	-
Public safety	1,088,957	3,261,095	-
Public works	2,748,364	-	-
Health and welfare	307,884	-	-
Culture and recreation	375,788	-	-
Housing and development	412,405	-	-
Debt service:			
Principal	337,287	168,304	4,380,000
Interest	218,337	48,242	323,781
Capital outlay	-	37,703	-
Intergovernmental	-	-	427,524
Total expenditures	<u>21,273,695</u>	<u>3,515,344</u>	<u>5,133,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,511,355</u>	<u>(331,546)</u>	<u>(257,814)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	33,605	-	-
Transfers in	-	28,857	685,267
Transfers out	(3,335,356)	-	-
Total other financing sources (uses)	<u>(3,301,751)</u>	<u>28,857</u>	<u>685,267</u>
Net change in fund balances	209,604	(302,689)	427,453
FUND BALANCE - beginning of period	<u>(118,818)</u>	<u>-</u>	<u>3,302,503</u>
FUND BALANCE - end of period	<u>\$ 90,786</u>	<u>\$ (302,689)</u>	<u>\$ 3,729,956</u>

The accompanying notes are an integral part of these financial statements.

Development Authority	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 13,752,658
-	-	12,798,919
-	-	295,048
-	1,791,375	2,158,977
-	1,105,154	5,087,490
-	21,928	1,445,820
3,497	85	39,084
-	7,717	68,934
96,200	-	152,344
19,384	-	90,755
<u>119,081</u>	<u>2,926,259</u>	<u>35,890,029</u>
-	2,173	4,856,911
-	315,426	3,773,202
-	500	7,475,009
-	1,585,029	5,935,081
-	-	2,748,364
-	754,325	1,062,209
-	-	375,788
42,687	-	455,092
490,000	276,098	5,651,689
693,265	35,500	1,319,125
26,365	1,172,398	1,236,466
-	-	427,524
<u>1,252,317</u>	<u>4,141,449</u>	<u>35,316,460</u>
<u>(1,133,236)</u>	<u>(1,215,190)</u>	<u>573,569</u>
-	-	33,605
1,183,265	1,437,967	3,335,356
-	-	(3,335,356)
<u>1,183,265</u>	<u>1,437,967</u>	<u>33,605</u>
50,029	222,777	607,174
<u>639,830</u>	<u>112,658</u>	<u>3,936,173</u>
<u>\$ 689,859</u>	<u>\$ 335,435</u>	<u>\$ 4,543,347</u>

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement
of activities are different because:

Net change in fund balances – total governmental funds	\$	607,174
--	----	---------

Capital outlay, reported as expenditures in governmental funds, are shown as capital assets and due from other governments in the statement of net position		1,292,628
---	--	-----------

Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities		(4,905,405)
--	--	-------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		1,439,330
---	--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount is the net effect of these differences in the treatment on long-term debt and related items.

Bond principal payments	4,870,000	
Capital lease obligation payments	781,689	
Amortization of bond discount	<u>(4,739)</u>	<u>5,646,950</u>

The effect of the change in assets which were not reported in the governmental funds in the prior year as it was not available to provide current financial resources		(203,225)
---	--	-----------

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. The items consist of:

Accrued interest	36,465	
Compensated absences	(166,090)	
Landfill closure and postclosure care costs	(28,185)	
Pension liability	<u>(571,904)</u>	<u>(729,714)</u>

Change in net position of governmental activities	\$	<u>3,147,738</u>
---	----	------------------

WALKER COUNTY, GEORGIA**STATEMENT OF NET POSITION
PROPRIETARY FUNDS****SEPTEMBER 30, 2017**

	Landfill	Special Facilities	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 897	\$ 24,174	\$ 25,071
Receivables, net of allowance	66,047	-	66,047
Due from other funds	349,170	-	349,170
Total current assets	416,114	24,174	440,288
NONCURRENT ASSETS			
Capital assets -			
Nondepreciable	643,216	169,000	812,216
Depreciable, net	969,171	361,165	1,330,336
Total noncurrent assets	1,612,387	530,165	2,142,552
Total assets	2,028,501	554,339	2,582,840
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	123,890	45,881	169,771
Due to other funds	-	148,358	148,358
Capital lease and note payable, current portion	69,927	-	69,927
Compensated absences	5,210	1,033	6,243
Total current liabilities	199,027	195,272	394,299
LONG-TERM LIABILITIES			
Capital lease payable, less current portion	196,276	-	196,276
Note payable, less current portion	648,246	-	648,246
Landfill closure and postclosure care costs	2,289,642	-	2,289,642
Total long-term liabilities	3,134,164	-	3,134,164
Total liabilities	3,333,191	195,272	3,528,463
NET POSITION			
Net investment in capital assets	1,542,460	530,165	2,072,625
Unrestricted (deficit)	(2,847,150)	(171,098)	(3,018,248)
Total net position	\$ (1,304,690)	\$ 359,067	\$ (945,623)

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Landfill</u>	<u>Special Facilities</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,555,027	\$ 110,007	\$ 1,665,034
Contributions	<u>-</u>	<u>15,870</u>	<u>15,870</u>
Total operating revenues	<u>1,555,027</u>	<u>125,877</u>	<u>1,680,904</u>
OPERATING EXPENSES			
Salaries	359,115	133,413	492,528
Employee benefits	175,835	77,879	253,714
Purchased services	508,901	60,392	569,293
Landfill closure/postclosure care costs	126,599	-	126,599
Professional fees	25,408	-	25,408
Equipment rental	4,023	13,826	17,849
Repairs and maintenance	31,416	17,612	49,028
Depreciation	261,429	10,450	271,879
Supplies	<u>49,487</u>	<u>36,938</u>	<u>86,425</u>
Total operating expenses	<u>1,542,213</u>	<u>350,510</u>	<u>1,892,723</u>
OPERATING INCOME (LOSS)	<u>12,814</u>	<u>(224,633)</u>	<u>(211,819)</u>
NONOPERATING EXPENSES			
Interest expense	(22,520)	-	(22,520)
Debt issuance costs	<u>(8,000)</u>	<u>-</u>	<u>(8,000)</u>
Total nonoperating expenses	<u>(30,520)</u>	<u>-</u>	<u>(30,520)</u>
CHANGE IN NET POSITION	<u>(17,706)</u>	<u>(224,633)</u>	<u>(242,339)</u>
NET POSITION			
Beginning	<u>(1,286,984)</u>	<u>583,700</u>	<u>(703,284)</u>
Ending	<u>\$ (1,304,690)</u>	<u>\$ 359,067</u>	<u>\$ (945,623)</u>

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS****YEAR ENDED SEPTEMBER 30, 2017**

	Landfill	Special Facilities	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,614,780	\$ 125,877	\$ 1,740,657
Payments to suppliers	(1,023,095)	(128,768)	(1,151,863)
Payments to employees	(535,476)	(30,693)	(566,169)
Net cash provided (used) by operating activities	<u>56,209</u>	<u>(33,584)</u>	<u>22,625</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(95,188)	(14,742)	(109,930)
Proceeds from notes	131,372	-	131,372
Debt issuance costs	(8,000)	-	(8,000)
Principal paid on capital lease obligations	(61,394)	-	(61,394)
Interest paid under capital lease obligations	(22,520)	-	(22,520)
Net cash used by capital and related financing activities	<u>(55,730)</u>	<u>(14,742)</u>	<u>(70,472)</u>
Net increase (decrease) in cash and cash equivalents	479	(48,326)	(47,847)
Cash and cash equivalents, beginning of year	<u>418</u>	<u>72,500</u>	<u>72,918</u>
Cash and cash equivalents, end of year	<u>\$ 897</u>	<u>\$ 24,174</u>	<u>\$ 25,071</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 12,814	\$ (224,633)	\$ (211,819)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	261,429	10,450	271,879
Landfill closure/postclosure care costs	126,599	-	126,599
Changes in assets and liabilities-			
Decrease in accounts receivable	59,753	-	59,753
Increase (decrease) in due to/from other funds	(132,906)	174,873	41,967
Increase (decrease) in payables, accrued expenses	(270,954)	5,857	(265,097)
Decrease in compensated absences	(526)	(131)	(657)
Net cash provided (used) by operating activities	<u>\$ 56,209</u>	<u>\$ (33,584)</u>	<u>\$ 22,625</u>

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

YEAR ENDED SEPTEMBER 30, 2017

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 2,119,205
Investments, at fair value:		
Guaranteed fixed income account	3,277,250	-
Mutual funds	<u>162,620</u>	<u>-</u>
Total assets	<u>3,439,870</u>	<u>2,119,205</u>
LIABILITIES		
Accounts payable	-	210,631
Due to other governments	-	853,040
Due to heirs, litigants, and others	<u>-</u>	<u>1,055,534</u>
Total liabilities	<u>-</u>	<u>2,119,205</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 3,439,870</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND**

YEAR ENDED SEPTEMBER 30, 2017

	<u>Pension Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 804,089
Investment appreciation in fair value of investments	139,018
Less: investment expense	<u>27,986</u>
Net appreciation in fair value of investments	<u>111,032</u>
Total additions	<u>915,121</u>
DEDUCTIONS	
Benefits	845,287
Insurance premiums	<u>11,124</u>
Total deductions	<u>856,411</u>
CHANGE IN NET POSITION	58,710
NET POSITION - RESTRICTED FOR PENSION BENEFITS	
Beginning	<u>3,381,160</u>
Ending	<u>\$ 3,439,870</u>

WALKER COUNTY, GEORGIA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Walker County, Georgia, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The significant accounting policies of the County are described below.

Reporting Entity

Walker County, Georgia, was established under the laws of the State of Georgia and operates under an elected Sole County Commissioner (“Commissioner”) form of government.

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,”* and GAAP. This statement requires that the financial statements present Walker County, Georgia (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria: the primary government is accountable for the component unit (i.e., the primary government appoints the voting majority of the component unit board and the primary government is able to impose its will upon the potential component unit) or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Discretely-presented component units are reported in a separate column from the primary government in the government-wide financial statements to emphasize they are legally separate from the County.

Blended Component Unit – Walker County Development Authority

The County’s financial statements include the financial statements (the only ones available) of the Walker County Development Authority (the Development Authority). The Development Authority is reported as a blended component unit. The Development Authority was created by legislative act in the state of Georgia. The board of the Development Authority is comprised of the County Commissioner, one representative appointed by three of the largest five municipalities within the County, and two members appointed at large by the existing board members. The purpose of the Development Authority is to develop industry in the County by assisting in the purchase and financing of property through bond issues and other debt. This component unit operates as a special revenue fund.

Discretely-Presented Component Unit - Walker County Health Department

The Walker County Health Department provides health care services and health education to the residents of Walker County, Georgia. The Board of the Health Department is composed of seven members, which includes the Commissioner of the County and several members appointed jointly by the area governments’ governing bodies. Complete financial statements may be obtained at the Walker County Health Department’s administrative office at: Walker County Health Department, 603 E. Villanow St. Lafayette, Georgia, 30728.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

The following related organizations are excluded from the financial reporting entity:

Walker County Water and Sewerage Authority – This is an entity legally separate from the County and is governed by a five-member board appointed by the Commissioner. The Authority provides water and sewerage services to citizens in a portion of the County. The Authority is excluded because the County's accountability does not extend beyond making appointments. The Authority selects its own management staff, sets user charges, establishes budgets, issues debt, and controls all aspects of the daily operations.

Walker County Department of Family and Children's Services – This organization's board has been appointed solely by the Commissioner. It is an independent unit that selects management staff, sets user charges, establishes budgets, and controls all aspects of its daily activities.

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenue and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

The County's government-wide financial statements include a Statement of Net Position and a Statement of Activities that report information on all nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. These statements present a summary of governmental activities for the County. They also include separate columns for information on the County's discretely-presented component units.

These statements are presented on an "economic resources measurement focus" and the accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, all of the County's assets, deferred outflows, liabilities and deferred inflows, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the County are reported in three categories 1) charges for services; 2) operating grants and contributions; and 3) capital grants and contributions. Expenses are classified by function for governmental activities. Administrative overhead charges are made to various functions and are included in direct expenses. When an expense is incurred for which both restricted and unrestricted net position are available, restricted resources are applied first.

Government Fund Financial Statements

Government fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The County has presented all major funds that met those qualifications.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Fund Financial Statements (Continued)

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available for financial expenditures of the current period. Accordingly, revenues are recognized when received in cash, except that revenues subject to accrual (generally sixty days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax and sales tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The County reports the following major funds:

General Fund – The general fund is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire and Rescue Fund – This fund is used to account for fees collected by the Tax Commissioner on behalf of the County that are specifically restricted to providing fire and rescue services.

Capital Projects Fund – This fund accounts for the accumulation of resources provided by the SPLOST, approved by the voters of Walker County, for use in the purchase or construction of capital projects.

Development Authority Fund – This fund accounts for the activity and operations of the Walker County Development Authority. The Development Authority is reported as a blended component unit of the County.

Additionally, the County reports the following fund types:

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds. The County reports the following major enterprise fund:

Landfill – This fund accounts for the operation, maintenance, and development of the County’s transfer station and construction and demolition landfill.

Special Facilities – This fund accounts for the operations of the Mountain Cove convention and recreation area.

Fiduciary funds are used to report assets that are held in a trustee or agency capacity for others and that cannot be used to support the County’s own programs. The County reports the following fiduciary funds:

Pension Trust Fund – This fund accounts for the activities of the County’s defined benefit pension plan.

Agency Funds – The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the County holds for others in an agency capacity.

Accounting Period

All funds of the County are on fiscal year basis with the year ending September 30, 2017, except for the Health Department discretely presented component unit. The component unit operates on a fiscal year ending June 30, 2017.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data and Process

The Commissioner prepares a proposed budget for the upcoming fiscal year and makes it available for public inspection at the county courthouse. After two public hearings on the proposed budget are held, the proposed budget is adopted by resolution of the Commissioner.

The budget amounts for the fiscal year may be amended by the Commissioner to actual operating figures. The County prepares an annual operating budget for all governmental funds. At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Commissioner, budgetary transfers between departments can be made. The legal level of budgeting control is at the department level or elected office level. All appropriations lapse at the end of the each fiscal year.

The capital projects fund has a project length budget, which was adopted when the fund was formed. The SPLOST budget was prepared from the projected total SPLOST tax revenues and capital outlays.

There is not an annual operating budget prepared or presented for the Walker County Development Authority.

Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments, including restricted cash, with a maturity of three months or less when purchased to be cash equivalents.

Investments in the local government investment pool are specifically invested in “Georgia Fund 1”. Georgia Fund 1, created by OCGA 36-83-8, is a Standard and Poor’s AA+ rated investment pool which is managed by the Office of the State Treasurer to maintain principal stability. The pool is not registered with the SEC as an investment company and the State does not consider Georgia Fund 1 to be a 2a-7 like pool. The investment is valued at the pool’s share price, \$1.00 per share. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker’s acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value. The fair values of investments in external investment pools are the same as the value of the pool shares.

Investments of the County are reported at fair value.

The County has no custodial credit risk policy, however, the County is permitted under state law to invest in obligations of Georgia or any other state, obligations issued by the U.S. government, obligations fully insured or guaranteed by the U.S. government, or by a government agency of the United States, obligations of any corporation of the U.S. government, prime bankers’ acceptances, the local government investment pool (i.e., Georgia Fund I), repurchase agreements, and obligations of other political subdivisions of Georgia. It is the County’s policy to follow state guidelines for investments.

The County has no custodial credit risk policy, however, the County is permitted under state law to invest in obligations of Georgia or any other state, obligations issued by the U.S. government, obligations fully insured or guaranteed by the U.S. government, or by a government agency of the United States, obligations of any corporation of the U.S. government, prime bankers’ acceptances, the local government investment pool (i.e., Georgia Fund I), repurchase agreements, and obligations of other political subdivisions of Georgia. It is the County’s policy to follow state guidelines for investments.

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible, where applicable. The County uses the allowance method to estimate uncollectible accounts based on a projection of balances unlikely to be collected. Individual accounts are written off only when they are determined to be uncollectible.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 for governmental fund and \$500 for business-type activities and an estimated useful life in excess of two years. An exception to the threshold is capital lease assets. The County capitalizes all capital lease assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

	Useful Life
Buildings and improvements	20-50 years
C and D landfill	15-20 years
Infrastructure	30-75 years
Machinery and equipment	5-15 years
Vehicles	6 years
Construction equipment	12-15 years
Furniture and fixtures	20 years
Software	5 years
Computers, radios, and electronics	5-7 years

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Amounts receivable from or payable to fiduciary funds are included in the statement of net position as receivable from and payable to external parties, not as internal balances. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Compensated Absences

It is the County’s policy to permit employees to accumulate earned but unused vacation and half of their sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are reported as expenses in the periods in which they are incurred.

In the fund financial statement, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources. Bond issuance costs are reported as debt service expenditures.

Fund Balance

Generally, fund balance represents the difference between the current assets, deferred outflows, current liabilities and deferred inflows. In the fund statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints to specific purposes by the County itself, using its highest level of decision-making authority (i.e., Commissioner). The Commissioner also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. Intent can be expressed by the Commissioner or by an official or body to which the Commissioner delegates the authority.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions

When both restricted and unrestricted amounts of fund balance are available for use of expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order: committed, assigned, unassigned.

Net Position

Net position represents the residual of all elements presented in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used (i.e., the amount that the County has not spent) for the acquisition, construction, or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The County has deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments are also recorded as deferred outflows of resources and amortized against pension expense over a five year period.

The County reports as deferred inflows of resources items that arise from the revenue recognition of property taxes and intergovernmental revenues. The first item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fire fee and intergovernmental revenue as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item, *unearned revenue*, which is reported in both the governmental funds balance sheet and the government-wide statement of net position, pertains to intergovernmental revenues received by the County before time requirements are met and thus will be recognized as inflows (revenue) in future periods once those requirements are met.

Property Tax Revenues

Property taxes are generally levied around July 31st for the following fiscal year based on the assessed value of property as listed on the previous January 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Assessed values are 40% of the 100% fair market value. Revaluation of real property must be made when the average assessed value falls below 40% of the sales price on property sold within the previous year. The last valuation date was January 1, 2017 for residential property, other real property and commercial property.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible and delinquent accounts.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2018
Levy date	August 24, 2017
Due date	December 20, 2017
Delinquency date	December 21, 2017

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental and business-type activities are eliminated.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Defined Benefit Pension Plan

The Pension Plan for Employees of the Walker County Commissioner and Sheriff's Department uses a single fiduciary fund to maintain its financial records. The fiduciary fund is accounted for on a flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized at the time they are incurred. Employer contributions are recognized when due. Benefit payments are recognized when due and payable in accordance with the terms of the Plan. Contribution refunds are recognized when due and payable in accordance with the terms of the Plan and County procedures for termination.

Payments Between the County and Discretely-Presented Component Units

Resource flows (except those that effect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Payments from the County consist of funds necessary to sustain the operations of the discretely-presented component unit.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Primary Government

The County has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent, and certificates of deposits. Investments are stated at cost, which approximates fair value. State statutes authorize the County to invest in obligations guaranteed by the U.S. Government and agencies of the U.S. Government; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC); prime bankers acceptances; repurchase agreements; and the Georgia Fund 1.

At September 30, 2017, the carrying amount of the County's deposits was \$6,389,692 and the bank balance was \$6,790,253. The bank balance is categorized below as to credit risk. Category 1 includes deposits either covered by federal depository insurance, by collateral held by the County's agent in the County's name or by the Federal Reserve Banks acting as third party agents. Category 2 includes deposits covered by collateral held by the pledging bank's agent in the County's name. Category 3 includes deposits either uninsured, uncollateralized or covered by collateral held by the pledging bank or its agent, but not in the County's name. All of the County's deposits were category 2 and insured.

(Continued)

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)

Primary Government (Continued)

The deposits of the County are included in the following classifications at September 30, 2017.

Cash and cash equivalents	\$ 3,030,900
Restricted cash	1,239,587
Cash and cash equivalents – agency funds	<u>2,119,205</u>
Total deposits with financial institutions	<u>\$ 6,389,692</u>

The following schedule of investments of all of the County's funds (including fiduciary funds) as of September 30, 2017:

	Fair Value	Carrying Amount	Credit Rating	Weighted Average Maturity Days
<u>Investments</u>				
Georgia Fund 1	<u>\$ 3,935,212</u>	<u>\$ 3,935,212</u>	AAAf	13
<u>Pension Trust Fund Investments</u>				
Guaranteed fixed income account	\$ 3,277,250	\$ 3,277,250	N/A	N/A
Mutual funds	<u>162,620</u>	<u>162,620</u>	N/A	N/A
	<u>\$ 3,439,870</u>	<u>\$ 3,439,870</u>		

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value for certain assets and liabilities using a consistent definition and accepted valuation techniques. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets and for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

Level 2 - Inputs to the valuation methodology other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The pension trust fund investments have been valued using prices quoted in active markets for those investments classified in Level 1. All of the County's investments are considered Level 1 investments.

The Georgia Fund 1 is not classified within the fair value hierarchy because it represents an external investment pool for which fair value is measured using a fair value per share methodology.

NOTE 3 - RECEIVABLES

Amounts in the financial statements are shown net of allowance for uncollectibles. Below is the detail of receivables including the applicable allowances for uncollectible accounts:

	Governmental Activities Funds					Business-Type Activities	Total
	General	Fire and Rescue	Capital Projects	Other Funds			
Primary Government							
Receivables:							
Taxes	\$ 13,809,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,809,682
Accounts	4,471,620	268,347	-	278,870	69,547		5,088,384
Intergovernmental	<u>3,839,288</u>	<u>-</u>	<u>409,828</u>	<u>119,055</u>			<u>4,368,171</u>
Gross receivables	22,120,590	268,347	409,828	397,925	69,547		23,266,237
Less:							
Allowance for uncollectibles	<u>(779,200)</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>(3,500)</u>		<u>(847,700)</u>
Net receivables	<u>\$ 21,341,390</u>	<u>\$ 203,347</u>	<u>\$ 409,828</u>	<u>\$ 397,925</u>	<u>\$ 66,047</u>		<u>\$ 22,418,537</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets				
Land	\$ 9,111,954	\$ -	\$ -	\$ 9,111,954
Construction-in-process	<u>1,466,972</u>	<u>-</u>	<u>398,402</u>	<u>1,068,570</u>
Total non-depreciable assets	<u>10,578,926</u>	<u>-</u>	<u>398,402</u>	<u>10,180,524</u>
Depreciable assets				
Infrastructure	99,840,703	1,092,099	-	100,932,802
Buildings and improvements	42,632,139	18,757	-	42,650,896
Machinery and equipment	8,686,277	164,294	-	8,850,571
Vehicles	12,934,079	415,880	528,389	12,821,570
Construction equipment	<u>3,641,170</u>	<u>-</u>	<u>18,450</u>	<u>3,622,720</u>
Total depreciable assets	<u>167,734,368</u>	<u>1,691,030</u>	<u>546,839</u>	<u>168,878,559</u>
Less accumulated depreciation for:				
Infrastructure	47,536,179	2,618,398	-	50,154,577
Buildings and improvements	8,284,530	936,052	-	9,220,582
Machinery and equipment	5,407,514	719,606	-	6,127,120
Vehicles	10,210,631	586,209	528,389	10,268,451
Construction equipment	<u>3,759,171</u>	<u>45,140</u>	<u>18,450</u>	<u>3,785,861</u>
Total accumulated depreciation	<u>75,198,025</u>	<u>4,905,405</u>	<u>546,839</u>	<u>79,556,591</u>
Total depreciable assets	<u>92,536,343</u>	<u>(3,214,375)</u>	<u>-</u>	<u>89,321,968</u>
Capital assets, net	<u>\$ 103,115,269</u>	<u>\$ (3,214,375)</u>	<u>\$ -</u>	<u>\$ 99,502,492</u>

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Governmental activities depreciation expense was as follows:

General government	\$ 235,024
Judicial	56,887
Sheriff	381,350
Public safety	785,816
Public works	2,686,099
Health and welfare	205,627
Culture and recreation	138,031
Housing and development	<u>416,571</u>
	<u>\$ 4,905,405</u>

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Landfill:				
Non-depreciable assets				
Construction-in-process	<u>\$ 552,778</u>	<u>\$ 90,438</u>	<u>\$ -</u>	<u>\$ 643,216</u>
Depreciable assets				
C and D landfill	4,985,021	-	-	4,985,021
Buildings and improvements	306,771	-	-	306,771
Machinery and equipment	1,743,974	4,750	-	1,748,724
Vehicles	49,148	-	-	49,148
Furniture and fixtures	2,172	-	-	2,172
Software	1,508	-	-	1,508
Computers, radios, electronics	<u>21,150</u>	<u>-</u>	<u>-</u>	<u>21,150</u>
Total depreciable assets	<u>7,109,744</u>	<u>4,750</u>	<u>-</u>	<u>7,114,494</u>
Less accumulated depreciation for:				
C and D landfill	4,436,669	199,401	-	4,636,070
Buildings and improvements	145,002	7,740	-	152,742
Machinery and equipment	1,234,017	52,343	-	1,286,360
Vehicles	45,294	1,445	-	46,739
Furniture and fixtures	1,103	109	-	1,212
Software	1,508	-	-	1,508
Computers, radios, electronics	<u>20,301</u>	<u>391</u>	<u>-</u>	<u>20,692</u>
Total accumulated depreciation	<u>5,883,894</u>	<u>261,429</u>	<u>-</u>	<u>6,145,323</u>
Total depreciable assets, net	<u>1,225,850</u>	<u>(256,679)</u>	<u>-</u>	<u>969,171</u>
Landfill capital assets, net	<u>\$ 1,778,628</u>	<u>\$ (166,241)</u>	<u>\$ -</u>	<u>\$ 1,612,387</u>

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)**Business-Type Activities:****Special Facilities:**

Non-depreciable assets

Land	\$ 169,000	\$ -	\$ -	\$ 169,000
------	------------	------	------	------------

Depreciable assets

Buildings and improvements	346,188	14,067	-	360,255
----------------------------	---------	--------	---	---------

Furniture and fixtures	72,993	-	80	72,913
------------------------	--------	---	----	--------

Computers, radios, electronics	-	755	-	755
--------------------------------	---	-----	---	-----

Total depreciable assets	419,181	14,822	80	433,923
--------------------------	---------	--------	----	---------

Less accumulated depreciation for:

Buildings and improvements	46,085	6,520	-	52,605
----------------------------	--------	-------	---	--------

Furniture and fixtures	16,223	3,842	-	20,065
------------------------	--------	-------	---	--------

Computers, radios, electronics	-	88	-	88
--------------------------------	---	----	---	----

Total accumulated depreciation	62,308	10,450	-	72,758
--------------------------------	--------	--------	---	--------

Total depreciable assets, net	356,873	4,372	80	361,165
-------------------------------	---------	-------	----	---------

Special facilities capital assets, net	\$ 525,873	\$ 4,372	\$ 80	\$ 530,165
--	------------	----------	-------	------------

	Beginning Balance	Additions	Retirements	Ending Balance
Walker County Health Department:				
Depreciable assets				
Machinery and equipment	\$ 50,741	\$ -	\$ -	\$ 50,741
Total depreciable assets	50,741	-	-	50,741
Less accumulated depreciation for:				
Machinery and equipment	39,175	2,570	-	41,745
Total accumulated depreciation	39,175	2,570	-	41,745
Total depreciable assets, net	11,566	(2,570)	-	8,996
Health Department capital assets, net	\$ 11,566	\$ (2,570)	\$ -	\$ 8,996

NOTE 5 – TAX ANTICIPATION NOTE

On January 12, 2017, the County obtained Tax Anticipation Note (TAN), in the amount of \$4,000,000 from Bank of Lafayette. The proceeds of the TAN were provided to the general fund as operating resources for the County. Interest at 2.95% is due on maturity. The balance as of September 30, 2017 is \$4,000,000 and is due and payable on December 31, 2017.

On June 30, 2017, the County obtained Tax Anticipation Note (TAN), in the amount of \$4,000,000 from First Volunteer Bank. The proceeds of the TAN were provided to the general fund as operating resources for the County. Interest at 3.25% is due on maturity. The balance as of September 30, 2017 is \$3,000,000 and is due and payable on December 31, 2017.

NOTE 6 – LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Governmental Activities:					
Bonds payable	\$ 37,345,000	\$ -	\$ 4,870,000	\$ 32,475,000	\$ 4,985,000
Bond discount	(147,189)	-	(4,739)	(142,450)	-
Capital leases	3,897,377	-	781,689	3,115,688	800,773
Compensated absences	825,154	991,244	825,154	991,244	991,244
Landfill postclosure	2,168,094	28,185	-	2,196,279	-
Nonexchange financial guarantee	8,705,000	-	-	8,705,000	1,950,000
Net pension liability	<u>3,811,444</u>	<u>585,634</u>	<u>-</u>	<u>4,397,078</u>	<u>-</u>
	<u>\$ 56,604,880</u>	<u>\$ 1,605,063</u>	<u>\$ 6,472,104</u>	<u>\$ 51,737,839</u>	<u>\$ 8,727,017</u>
Business-type Activities:					
Capital leases	\$ 321,590	\$ -	\$ 61,394	\$ 260,196	\$ 63,920
Notes payable	522,881	131,372	-	654,253	6,007
Compensated absences	6,900	6,243	6,900	6,243	6,243
Landfill closure and postclosure	<u>2,163,043</u>	<u>126,599</u>	<u>-</u>	<u>2,289,642</u>	<u>-</u>
	<u>\$ 3,014,414</u>	<u>\$ 264,214</u>	<u>\$ 68,294</u>	<u>\$ 3,210,334</u>	<u>\$ 76,170</u>

For governmental activities compensated absences and the net pension liability typically have been liquidated in the general and other governmental funds. For business-type activities, compensated absences are liquidated by the landfill and special facilities fund. The capital lease debt is paid by the fund leasing the corresponding assets. The bonds payable will be paid by the special purpose local option sales tax, ad valorem property taxes and payment in lieu of taxes received from various industries. The landfill closure and postclosure care costs will be liquidated in the general and landfill fund. The note payable will be paid from operations of the landfill. The nonexchange financial guarantee will be paid by ad valorem property taxes.

Bonds Payable

Future debt service requirements on bonds payable at September 30, 2017, are as follows:

	Governmental Activities	
	Bonds	
	Principal	Interest
Year ending September 30, 2018	\$ 4,985,000	\$ 935,218
2019	5,100,000	849,609
2020	5,220,000	760,143
2021	4,505,000	672,981
2022	560,000	621,865
2023-2027	3,145,000	2,763,438
2028-2032	3,915,000	1,987,140
2033-2037	<u>5,045,000</u>	<u>858,130</u>
	<u>\$ 32,475,000</u>	<u>\$ 9,448,524</u>

(Continued)

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

On December 20, 2013, the County issued Walker County, Georgia General Obligation Bonds, Series 2013 in the amount of \$26,400,000 maturing January 1, 2021, with an average interest rate of 1.63%. Principal payments due range in amounts from \$4,285,000 to \$3,965,000. Principal payments began January 2016 and mature in January 2021. Interest is due semi-annually while principal payments are due on an annual basis. The bonds are payable from proceeds of the 2013 special purpose local option sales tax referendum.

On September 24, 2015, the Development Authority issued Walker County Development Authority Taxable Revenue Bonds, Series 2015 in the amount \$15,230,000 maturing August 1, 2037. The interest rates on the bonds range from 2.00% to 5.50% with principal payments due in the amounts ranging from \$490,000 to \$1,120,000. Principal payments began August 2017 and mature in August 2037. Interest is due semi-annually while principal payments are due on an annual basis. The bonds are payable from proceeds of ad valorem property taxes and payment in lieu of taxes received from various industries.

Capital Lease Payable

The County lease building improvements, vehicles and equipment with a historical cost and accumulated amortization under capital lease arrangements as follows:

	Governmental Activities	Business-Type Activities Landfill	Total
Buildings and improvements	\$ 1,848,309	\$ -	\$ 1,848,309
Machinery and equipment	2,102,035	357,700	2,459,735
Vehicles	<u>1,499,015</u>	<u>-</u>	<u>1,499,015</u>
Total capital lease assets	5,449,359	357,700	5,807,059
Accumulated amortization	<u>2,821,764</u>	<u>77,502</u>	<u>2,899,266</u>
Capital lease assets, net	<u>\$ 2,627,595</u>	<u>\$ 280,198</u>	<u>\$ 2,907,793</u>

Minimum future lease payments required to maturity for the capital lease payables of the County are as follows:

	Governmental Activities	Business-Type Activities Landfill	Total
Year ending September 30, 2018	\$ 944,642	\$ 73,258	\$ 1,017,900
2019	1,461,605	202,048	1,663,653
2020	434,868	-	434,868
2021	345,915	-	345,915
2022	<u>216,547</u>	<u>-</u>	<u>216,547</u>
Total minimum lease payments	3,403,577	275,306	3,678,883
Less: deferred interest	<u>287,889</u>	<u>15,110</u>	<u>302,999</u>
Present value minimum lease payments	<u>\$ 3,115,688</u>	<u>\$ 260,196</u>	<u>\$ 3,375,884</u>

The interest rates on the capitalized leases range from 3.67% to 5.69% and are imputed based on the County's incremental borrowing rate at the inception of the lease. All capital leases have a bargain purchase option for a nominal amount. Amortization expense for assets recorded under capital lease is included with depreciation expense.

(Continued)

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

Note Payable

The County has a promissory note and loan agreement with the Georgia Environmental Finance Authority (GEFA) to borrow up to \$1,000,000 to finance the construction of a new construction and demolition (C&D) cell at the landfill. Interest at 3.03% on outstanding draws is due monthly through the earlier of the date of completion of the draws or July 1, 2018. Principal and interest payments will be due commencing in the next month and for 239 consecutive months in an amount necessary to pay all outstanding principal and interest by the end of the payment period. At September 30, 2017, outstanding principal was \$654,253, and \$345,747 remains available for disbursement. Under the terms of the loan agreement with GEFA, financial covenants will be in effect once payments begin.

Projected future debt service requirements on the note payable based on the outstanding principal balance at September 30, 2017, are as follows:

	Business-Type Activities	
	Notes Payable	
	Principal	Interest
Year ending September 30, 2018	\$ 6,007	\$ 19,809
2019	24,489	19,304
2020	25,241	18,551
2021	26,017	17,776
2022	26,816	16,976
2023-2027	146,958	72,005
2028-2032	170,964	47,998
2033-2037	198,892	20,070
2038	28,869	329
	<u>\$ 654,253</u>	<u>\$ 232,818</u>

NOTE 7 – CONDUIT DEBT

The Development Authority has special limited obligations related to various projects that represent conduit debt obligations. Conduit debt obligations are limited-obligation bonds or similar instruments issued by a governmental unit to provide capital financing for a third party that is not part of the reporting entity. Debt proceeds are typically used to finance development of industry, hospital, or environmental facilities within the governmental unit's jurisdiction that are transferred to the third party by sale or lease. The governmental unit has no obligation for the debt beyond the resources received from the third party by sale or lease. The obligations issued by the Development Authority do not constitute an indebtedness or pledge of the faith and credit of the Development Authority or the County.

As of September 30, 2017, the aggregate principal amount of debt issued by the Development Authority as conduit debt totaled \$175,000,000.

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Summary of balances due to/from other funds reported in fund financial statements:

Nonmajor governmental funds to general fund	\$ 14,890
Special facilities to general fund	148,358
Development Authority to general fund	6,000
Capital projects to general fund	513,924
General fund to nonmajor governmental funds	324,337
General fund to landfill	<u>349,170</u>
	<u>\$ 1,356,679</u>

Interfund balances in the general fund are created mainly from payment of invoices on behalf of other funds.

(Continued)

NOTE 8 – INTERFUND BALANCES AND ACTIVITY (Continued)

Interfund balances in the nonmajor governmental funds are created mainly by local matching requirements of grants and from payment of invoices on behalf of other funds.

The due to capital projects fund from a nonmajor governmental fund was created by grant funds associated with SPLOST capital projects deposited into the bank account designated for grant funds. These funds are held in the multiple grant fund until such time as the grant project begins. The funds are then transferred to the capital projects fund for expenditure.

The due from general fund to the landfill is due to an over reimbursement for expenses.

The due to the general fund from the special facilities fund is the result of the transfer of the Mountain Cove Farm.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Primary Government

Plan Administration

Seventy-eight (78) of the County's full time employees are covered by the Pension Plan for Employees of the Walker County Commissioner and Sheriff's Department. This self-administered plan is a single employer, noncontributory, defined benefit plan established January 1, 1973, restated effective January 1, 1984 and amended effective December 31, 2005. Authority to establish, amend or discontinue the plan is assigned to the County. The plan is included in this report because the County has oversight responsibility as prescribed by the GASB. The plan does not issue separate financial statements but includes the financial statements and required supplementary information in the County's annual financial report.

Plan Membership:

As of January 1, 2017, the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees, beneficiaries and disabled	22
Terminated employees entitled to benefits but not yet receiving them	38
Active participants - below retirement age	77
Active participants - at or above retirement age	<u>1</u>
	<u>138</u>

Benefits:

The plan provides retirement, disability, and death benefits to all employees hired prior to December 31, 2005, and their beneficiaries, that have been employed full time for one year. Employees begin vesting after 3 years of service and are fully vested after 7 years. Members may retire at age 65 with 3 years of service, age 60 with 20 years of service, or age 55 with 25 years of service. Benefits are calculated at 1.10% of five years average earnings multiplied by credited service plus 0.65% of average earnings in excess of \$10,000 multiplied by credited service up to 35 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable after 6 months of disablement. Death benefits before retirement are payable on an insured death benefit equal to the greater of 60 times his monthly projected benefit, \$10,000, or the lump sum value of the vested benefit commencing at normal retirement age. No death benefit is payable after retirement unless an optional form of benefit had been elected which provides one. The plan was amended effective December 31, 2005, and participation was frozen for individuals who were not active employees or participants on that date and who were hired or rehired after that date.

Contributions:

Contribution requirements are actuarially determined and may be amended by the County. Plan members are not allowed to contribute to the plan. The funding policy for the plan is to make annual contributions at least equal to the minimum contribution required for public retirement systems under Section 47-20-10 of the Official Code of Georgia Annotated. This minimum contribution is equal to the normal cost for the year plus annual payments to amortize increases (decreases) in the unfunded actuarial accrued liability over 15 years. As of January 1, 2017, the County's contribution rate was 5.17% of covered payroll.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Primary Government (Continued)

Net Pension Liability -

The County's net pension liability was measured as of January 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions -

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Projected salary increases	4.00% per year
Investment rate of return	5.00% per year, net of investment expense

Mortality rates were based upon the RP-2014 Mortality Table (2006 base year) projected using improvement Scale MP 2015 applied on a generational basis and RP-2014 Disabled Mortality Table (2006 base year) projected using improvement Scale MP 2015 applied on a generational basis.

The actuarial assumptions used in the January 1, 2017 valuations were based on the results of the most recent experience study which was completed December 2017.

The long-term expected rate of return on assets of 5.00% was based upon a review of the existing portfolio structure, a review of recent experience, and future long-term expectations of rates of return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%

Discount Rate -

The discount rate used to measure the total pension liability was 4.94%. The projection of cash flows used to determine the discount rate assumed that the County contributions will continue to follow the current funding policy of contributing employer normal cost plus plan expenses plus a 15 year amortization of unfunded liabilities. Based on this assumption, the plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. A municipal bond rate of 3.71% was used in the development of the blended discount rate after that point. The 3.71% rate is based on the S&P Municipal Bond 20 Year High Grade Rated Index. Based on the long-term rate of return of 5.00% and the municipal bond rate of 3.71%, the blended discount rate would be 4.94%

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**Primary Government (Continued)***Changes in the Net Position Liability -*

The changes in the components of the net pension liability for the year are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Position Liability (Asset) (a) – (b)
Balance at January 1, 2016	\$ 9,483,573	\$ 5,672,129	\$ 3,811,444
Changes for the year:			
Service cost	251,876	-	251,876
Interest	397,057	-	397,057
Change in benefit terms	352,565	-	352,565
Differences between expected and actual experience	586,414	-	586,414
Changes in assumptions	(35,676)	-	(35,676)
Contributions	-	859,582	(859,582)
Net investment income	-	126,602	(126,602)
Benefit payments	(3,502,918)	(3,502,918)	-
Administrative expense	-	(19,582)	19,582
Net changes	(1,950,682)	(2,536,316)	585,634
Balance at January 1, 2017	<u>\$ 7,532,891</u>	<u>\$ 3,135,813</u>	<u>\$ 4,397,078</u>

The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -

The following table presents the net pension liability, calculated using the discount rate of 4.94%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.94%) or 1-percentage-point higher (5.94%) than the current rate:

	1% Decrease	Current	1% Increase
Discount rate	3.94%	4.94%	5.94%
Net pension liability	\$ 5,106,438	\$ 4,397,078	\$ 3,791,236

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectation and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on substantive plan in effect as of January 1, 2017.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**Primary Government (Continued)***Pension Expense and Deferred Outflows of Resources:*

For the year ended September 30, 2017, the County recognized pension expense of \$1,148,354. At September 30, 2017, the County reported deferred outflows of resources related to pension items from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 486,188
Differences resulting from changes in actuarial assumptions	400,007
Net difference between projected and actual earnings on Pension plan investments	227,371
Contributions subsequent to the measurement date of January 1, 2017*	318,871
	<u>\$ 1,432,437</u>

*The amount shown for “contribution subsequent to the measurement date of January 1, 2017,” will be recognized as a reduction to net pension liability in the next fiscal year.

Other amounts reported as deferred outflows of resources related to pension items will be recognized in pension expense as follows:

Year ending September 30,	2018	\$ 352,798
	2019	352,798
	2020	308,186
	2021	99,784
		<u>\$ 1,113,566</u>

Investments:

The investments in the pension plan are held by the Lincoln Financial Group and invested in compliance with the pension document.

A summary of these investments as of September 30, 2017, were as follows:

	Fair Value	% of Total
Guaranteed fixed income	\$ 3,277,250	95.27%
Balanced funds	79,122	2.30%
Government/Corporate bond funds	7,489	0.22%
Equity growth funds	76,009	2.21%
	<u>\$ 3,439,870</u>	<u>100.00%</u>

Component Unit

Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**Component Unit (Continued)**

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Member contributions under the old plan are 4.00% of annual compensation, up to \$4,200, plus 6.00% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Health Department's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 201 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Health Department's contributions to ERS totaled \$15, for the year ended June 30, 201. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

At June 30, 2017, the Health Department reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The Health Department's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2016. At June 30, 2016, the Employer's proportion was 0.027559%, which was an increase of 0.003121% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Health Department recognized pension expense of \$97,398. At June 30, 2017, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,011
Change in assumptions	11,042	-
Net differences between projected and actual earnings on pension plan investments	132,545	-
Changes in proportion and differences between employer contributions and proportionate share contributions	30,516	77,196
Employer contributions subsequent to the Measurement date	<u>155,774</u>	<u>-</u>
	<u>\$ 329,877</u>	<u>\$ 80,207</u>

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**Component Unit (Continued)**

Health Department contributions subsequent to the measurement date of \$155,774 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30, 2018	\$	(14,981)
2019		(6,883)
2020		71,461
2021		44,299
		<u>93,896</u>

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	5.45% - 9.25%, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Fixed income	30.00%	-0.50%
Domestic large equities	37.20%	9.00%
Domestic mid equities	3.40%	12.00%
Domestic small equities	1.40%	13.50%
International developed market equities	17.80%	8.00%
International emerging market equities	5.20%	12.00%
Alternative	5.00%	<u>10.50%</u>
		<u>100.00%</u>

*Rates shown are net of the 3.00% assumed rate of inflation.

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**Component Unit (Continued)**

The following presents the Health Department's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Health Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Discount rate	6.50%	7.50%	8.50%
Net pension liability	\$ 1,766,696	\$ 1,303,656	\$ 909,055

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publicly available at www.ers.ga.gov/formspubs/formspubs.

NOTE 10 – DEFINED CONTRIBUTION PLAN

Effective January 1, 2007, the County established the Walker County Commissioner Employees 401(a) plan. The County began funding the plan in May 2009. Plan members are not allowed to contribute to the plan. Authority to establish, amend or discontinue the plan is assigned to the County. This Plan covers employees who are not covered under the defined benefit pension plan and have attained age 18 and completed one year of service. This Plan is administered by the Standard. The County will contribute a percentage of gross wages based on the following contribution schedule:

<u>Age</u>	<u>Percent of Contribution</u>
Up to 29	3.00%
30-39	4.00%
40-49	5.00%
50-59	6.00%
60 and up	7.00%

Plan participants vest 50% after five years of service and 100% after ten years of service. Forfeited funds are used to reduce future employer contributions. There were no payments made during the year ended September 30, 2017 for employer contributions. The County recognized pension expense \$19,975 with no forfeitures available to reduce this amount for the year ended September 30, 2017. As of September 30, 2017, the County has \$823,375 of pension expense accrued.

NOTE 11 – DEFERRED COMPENSATION PLAN

The Walker County Deferred Compensation Plan is a defined contribution plan under Code Section 457(b) established by the County to provide benefits at retirement to all employees. Membership in the plan is voluntary. Employees can contribute up to the maximum allowed by law. The County makes no contributions to the plan. Plan provisions and contribution requirements are established and may be amended by the County Commissioner. The Plan is administered by Lincoln Financial Group. Participants and contributions for the 2017 plan year are:

Number of participants	33
Participant contributions	\$ 33,885

NOTE 12 – TERMINATION BENEFITS

Over the past several years, the County has offered post-employment benefits to a select group of employees. These employees had attained age 60 with at least twenty years of service, and retired from the County with no other medical insurance. The retired employee will be allowed to continue the medical insurance coverage they were receiving as of the date of retirement, with the County continuing to pay the employer portion of the cost until the employee attains age 65. The employee must contribute the amount that would be withheld from payroll if still employed. These benefits are financed on a pay-as-you-go basis.

(Continued)

NOTE 12 – TERMINATION BENEFITS (Continued)

The benefit expenditure at September 30, 2017, was \$1,163,064, net of any participant contributions. Thirty-one retirees were receiving benefits at September 30, 2017. Although these benefits fall under the definition of other post-employment benefits according to governmental reporting standards, the annual expenditures made by the County are immaterial to the financial statements.

NOTE 13 – FUND DEFICITS

At September 30, 2017, the fire and rescue fund had a deficit fund balance of \$302,689. This deficit will be reduced through general fund appropriation, as needed.

At September 30, 2017, the landfill had a deficit net position of \$1,304,690. This deficit will be reduced through increased user charges, a decrease in contracted services and general fund appropriation, as needed.

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

NOTE 14 – RISK MANAGEMENT

The County is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Being unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable, the County joined together with other counties in the state in participation in the Association of County Commissioners of Georgia - Group Self-Insured Workers' Compensation Fund (the Fund). These are public entity risk pools currently operating as a common risk management and insurance program for many of the counties in the State. The County pays an annual premium to the Fund for workers' compensation insurance coverage. The agreement between the members of the public entity risk pools provides that members may be required to pay additional assessments as shall be established by the board of the pool. However, no additional assessments have been required of the members since formation of the pools.

The County is obligated to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the Fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the Fund being required to pay any claim of loss. The County is also to allow the pools' agents and attorneys to represent the County in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The Fund is to defend and protect the members of the Fund against liability or loss as prescribed in the member government's contracts and in accordance with the workers' compensation laws of Georgia. The Fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation, or defense.

The County continues to carry commercial insurance for general liability, employee health, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The County maintains a medical benefit plan to self-insure claims up to \$110,000 per year for each individual covered; claims above \$110,000 are covered by a stop-loss insurance policy. The County also had an aggregate stop-loss insurance policy which covers claims above \$204,147 monthly and \$2,449,759 annually. The County and its covered employees contribute to the fund to pay the claims and stop-loss insurance premiums. At September 30, 2017, management believes that the County has made provisions sufficient to cover estimated claims, including claims incurred but not yet reported.

(Continued)

NOTE 14 – RISK MANAGEMENT (Continued)

A summary of the changes in claims liability for the last two fiscal years:

Unpaid claims – September 30, 2015	\$ 213,097
Incurring claims (including claims incurred but not reported)	3,582,037
Claims paid during fiscal year 2015	<u>3,667,992</u>
Unpaid claims – September 30, 2016	127,142
Incurring claims (including claims incurred but not reported)	3,284,738
Claims paid during fiscal year 2017	<u>3,006,604</u>
Unpaid claims – September 30, 2017	<u>\$ 278,134</u>

NOTE 15 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County currently owns a solid waste landfill and a construction and demolition disposal area. State and federal laws and regulations require the County to close the landfills once capacity is reached and to monitor and maintain the site for thirty subsequent years. Although certain closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

At September 30, 2017, the County had incurred a liability of approximately \$2,289,642 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately 90 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$267,342 which will be recognized as the remaining capacity is used (estimated to be approximately two years).

The estimated costs of closure and postclosure care, as determined by the Georgia Environmental Protection Division, are subject to change including the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure, and other variables. The County also owns a solid waste landfill which discontinued operations in June 1998. The solid waste is accepted at a transfer station and transported to a location out of the County by an outside contractor. The landfill will continue to incur costs associated with the closing of the landfill in order to comply with Environmental Protection Agency requirements. In addition, the County will be required to monitor various wells for a period of time. At September 30, 2017, a liability for postclosure care costs is recorded in the amount of \$2,196,279, which is based on engineering reports, for maintaining the landfill site in future years. However, management's estimate of postclosure costs is contingent upon its ability to satisfy EPA requirements, and costs could be significantly higher if full compliance is not achieved. These costs will be met with future County revenues.

NOTE 16 – JOINT VENTURE

The County is a member of the Northwest Georgia Regional Commission (RC). The RC was created under the laws of the State of Georgia. Cities and Counties in the area served by the RC are required to be members under the Official Code of Georgia Annotated Section 36-70-4. The membership of the RC includes 15 counties and 49 municipalities. The County has no equity interest in the RC. The County contributes \$1.00 per capita yearly to the RC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RC ceases operation, the members can be assessed for any debt or obligation for the RC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, P. O. Box 1798, Rome, Georgia 30162.

NOTE 17 – COMMITMENTS AND CONTINGENCIES**Litigation**

The County is subject to claims and suits arising principally in the normal course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in the basic financial statements.

(Continued)

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Grant Contingencies

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the County believes such disallowances, if any, will be immaterial.

Contingency

The County had a contract with the Hospital Authority of Walker, Dade and Catoosa Counties (the Authority) to ensure medical care and hospitalization is provided to indigent individuals residing in the County. The Authority owned or leased certain hospital buildings and related facilities (the Hospital), including, but not limited to, Hutcheson Medical Center. Hutcheson Medical Center, Inc. (HMC), a nonprofit corporation organized under the laws of the State of Georgia, leased from the Authority and operated the Hospital.

The Authority, in order to obtain additional funding for the operation and maintenance of the Hospital, entered into a line of credit note (the Note) with Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System, a hospital authority organized under the Tennessee Hospital Authority Law. The line of credit may not exceed \$20,000,000 in principal with loan proceeds being paid to Hutcheson Medical Center, Inc. The Authority agreed to execute and deliver to the holder a Deed to Secure Debt and Security Agreement (the Security Deed) to which it shall grant security title to its interest in certain real estate (the Property) on which the Hospital is located as security for repayment of the Note. In order to assist the Authority in obtaining the necessary funding provided under the Note, the County along with the Board of Commissioners of Catoosa County had guaranteed the line of credit in the event of an uncured default by the Authority. Walker and Catoosa counties separately agreed to pay the Authority, or its assigns, an amount equal to one-half of the principal and interest then due and payable on the note with a maximum liability of \$10,000,000 each.

To the extent necessary, the County may levy an annual tax of up to 7 mills on taxable property located within the boundaries of the County for the purpose of providing medical care or hospitalization for the indigent sick and others entitled to use of the Hospital, within the limits now prescribed or such higher limits as may hereafter be prescribed by the Hospital Authorities Law, as may be necessary to make the payments called for by the agreement. However, the Counties cannot be held liable for any amount under the Erlanger line of credit note until, and unless, Erlanger first forecloses on the hospital real estate, then successfully sues the hospital for a deficiency judgment. Erlanger and the Hospital Authority are in a lawsuit, wherein the Authority has sued Erlanger for over \$100,000,000 in damage, with a set off claim against the \$20,000,000 line of credit.

The courts had a sale and order of part of the HMC property, which provided a \$1,295,000 credit toward any ultimate liability for the \$10 million cap on the line of credit guarantee. The County has recorded a long-term obligation reported as a nonexchange financial guarantee liability of \$8,705,000 plus accrued interest on the statement of net position at September 30, 2017.

NOTE 18 – RELATED PARTY TRANSACTIONS

The County is governed by a sole Commissioner. The Commissioner is also listed as the CEO of Whitfield Oil Company. Whitfield Oil Company is a vendor for the County. Prior to being elected into office, the County purchased fuel and other lubricants from Whitfield Oil Company totaling \$248,630, \$788,138, and \$1,032,008 for the years ended September 30, 2016, 2015, and 2014, respectively. During the current fiscal year, the County paid a total of \$25,434 to Whitfield Oil Company for lubricants and specialty products that were competitively priced with other local vendors.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2018, the date which this financial statement was available for issue.

On January 8, 2018 the County entered into a forbearance agreement with Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System in relation to the contingency from Note 17. Under the agreement, the County is required to pay the amount of \$8,700,000 in thirteen quarterly installments beginning January 20, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND****YEAR ENDED SEPTEMBER 30, 2017**

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUE:				
Taxes	\$ 12,396,760	\$ 12,396,760	\$ 13,752,658	\$ 1,355,898
Other taxes	7,337,443	7,337,443	7,940,692	603,249
Licenses and permit	140,100	140,100	295,048	154,948
Intergovernmental	340,650	340,650	367,602	26,952
Charges for services	734,500	734,500	798,603	64,103
Fines and forfeitures	1,477,400	1,477,400	1,423,892	(53,508)
Investment earnings	15,000	15,000	17,888	2,888
Contributions and donations	-	-	61,217	61,217
Rental income	57,360	57,360	56,144	(1,216)
Other	29,100	29,100	71,306	42,206
Total revenue	22,528,313	22,528,313	24,785,050	2,256,737
EXPENDITURES:				
General Government -				
Governing body	657,907	657,907	683,941	26,034
Elections	336,464	336,464	253,032	(83,432)
Accounting	368,600	368,600	371,615	3,015
Licensing	4,000	4,000	6,009	2,009
Legal	193,062	193,062	118,614	(74,448)
Data processing	77,210	77,210	141,051	63,841
Human resources	-	-	40,553	40,553
Employee health clinic	-	-	304,108	304,108
Tax commissioner	1,000,000	1,000,000	1,103,610	103,610
Tax assessor	1,183,526	1,183,526	953,235	(230,291)
Board of equalization	2,500	2,500	16,572	14,072
Risk management	-	-	318,809	318,809
General government buildings and plant	385,000	385,000	382,134	(2,866)
Marsh Warthen house	10,000	10,000	7,703	(2,297)
Records management	66,816	66,816	50,928	(15,888)
General administration fees	63,500	63,500	57,541	(5,959)
Special projects	75,205	75,205	42,933	(32,272)
Total general government	4,423,790	4,423,790	4,852,388	428,598

(Continued)

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
(Continued)				
Judicial -				
Clerk of courts	697,000	697,000	625,121	(71,879)
Drug court	-	-	20,283	20,283
Superior court	117,206	117,206	107,257	(9,949)
District attorney	415,215	415,215	420,131	4,916
State court	279,210	279,210	350,758	71,548
State court solicitor	276,845	276,845	275,816	(1,029)
Magistrate court	340,000	340,000	367,342	27,342
Probate court	280,000	280,000	281,975	1,975
Juvenile court	580,600	580,600	653,919	73,319
Public defender	293,244	293,244	296,928	3,684
Court reporter	52,786	52,786	58,246	5,460
	<u>3,332,106</u>	<u>3,332,106</u>	<u>3,457,776</u>	<u>125,670</u>
Total judicial				
Sheriff -				
Law enforcement administration	1,030,729	1,030,729	1,052,861	22,132
Criminal investigation	866,030	866,030	905,563	39,533
Vice control	102,747	102,747	113,754	11,007
Patrol	1,852,814	1,852,814	1,830,244	(22,570)
Custody of prisoners	2,505,073	2,505,073	2,386,112	(118,961)
Champs program	206,856	206,856	109,711	(97,145)
Training	126,489	126,489	143,053	16,564
Special detail services	4,500	4,500	11,114	6,614
Sheriff's office and buildings	126,400	126,400	33,816	(92,584)
Court services	914,862	914,862	884,648	(30,214)
Bailiff	13,500	13,500	3,633	(9,867)
	<u>7,750,000</u>	<u>7,750,000</u>	<u>7,474,509</u>	<u>(275,491)</u>
Total sheriff				
Public Safety -				
County police	450,000	450,000	469,681	19,681
Medical services	250,000	250,000	229,167	(20,833)
Coroner/medical examiner	66,424	66,424	87,304	20,880
Animal control	260,000	260,000	302,805	42,805
	<u>1,026,424</u>	<u>1,026,424</u>	<u>1,088,957</u>	<u>62,533</u>
Total public safety				

(Continued)

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND****YEAR ENDED SEPTEMBER 30, 2017**

	Budget			Variance with Final Budget
	Original	Final	Actual	
(Continued)				
Highways and Streets -				
Highways and street administration	368,232	368,232	414,025	45,793
Paved streets	667,798	667,798	1,092,931	425,133
Other maintenance	445,158	445,158	458,930	13,772
Traffic engineering	55,000	55,000	21,202	(33,798)
Closure and postclosure costs	113,200	113,200	55,650	(57,550)
Maintenance and shop	551,253	551,253	705,626	154,373
Total highways and streets	2,200,641	2,200,641	2,748,364	547,723
Health and Welfare -				
Public health administration	136,654	136,654	155,339	18,685
Children's crisis center	10,000	10,000	10,000	-
Health department building and plant	20,000	20,000	19,545	(455)
Intergovernmental welfare payments	48,000	48,000	41,150	(6,850)
Other welfare payments	1,000	1,000	-	(1,000)
DFACS building and plant	16,000	16,000	11,376	(4,624)
Meals on wheels	86,000	86,000	64,742	(21,258)
Senior center	4,800	4,800	5,732	932
Total health and welfare	322,454	322,454	307,884	(14,570)
Culture and Recreation -				
Civic center	200,000	200,000	176,899	(23,101)
Other recreational facilities	18,000	18,000	25,203	7,203
Agricultural center	18,000	18,000	16,792	(1,208)
Historical preservation	3,560	3,560	3,069	(491)
Library administration	153,824	153,824	153,825	1
Total culture and recreation	393,384	393,384	375,788	(17,596)
Housing and Development -				
County agent	82,000	82,000	54,570	(27,430)
Forest resources	-	-	9,567	9,567
Planning and zoning	135,855	135,855	134,601	(1,254)
Economic development	287,200	287,200	213,667	(73,533)
Total housing and development	505,055	505,055	412,405	(92,650)

(Continued)

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND****YEAR ENDED SEPTEMBER 30, 2017**

	Budget			Variance with Final Budget
	Original	Final	Actual	
(Continued)				
Debt Service -				
Principal	748,245	748,245	337,287	(410,958)
Interest	-	-	218,337	218,337
Total debt service	748,245	748,245	555,624	(192,621)
Total expenditures	20,702,099	20,702,099	21,273,695	571,596
Excess revenues over expenditures	1,826,214	1,826,214	3,511,355	1,685,141
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	33,605	33,605
Transfers to other funds	(1,813,747)	(1,813,747)	(3,335,356)	(1,521,609)
Total other financing sources (uses)	(1,813,747)	(1,813,747)	(3,301,751)	(1,488,004)
NET CHANGE IN FUND BALANCES	\$ 12,467	\$ 12,467	209,604	\$ 197,137
FUND BALANCES:				
Beginning			(118,818)	
Ending			\$ 90,786	

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
FIRE & RESCUE****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE	\$ 3,010,000	\$ 3,010,000	\$ 3,183,798	\$ 173,798
EXPENDITURES	<u>3,010,000</u>	<u>3,010,000</u>	<u>3,465,344</u>	<u>455,344</u>
Excess revenues over expenditures	<u>-</u>	<u>-</u>	<u>(281,546)</u>	<u>(281,546)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	-	(50,000)	(50,000)
Transfers in	<u>-</u>	<u>-</u>	<u>28,857</u>	<u>28,857</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(21,143)</u>	<u>(21,143)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	(302,689)	<u>\$ (302,689)</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ (302,689)</u>	

WALKER COUNTY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

The County adopted a budget on the modified accrual basis of accounting, which is the same basis of accounting as that used to reflect actual revenues and expenditures in the fund financial statements.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2017, the County had expenditures exceed appropriations in the following funds and departments:

General fund –	
General government	\$ 428,598
Judicial	125,670
Public safety	62,533
Highway and streets	547,723
Fire and rescue fund –	
Public safety	455,344

WALKER COUNTY, GEORGIA**DEFINED BENEFIT PENSION PLAN****SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND
RELATED RATIOS****YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY:			
Service cost	\$ 251,876	\$ 226,555	\$ 274,417
Interest on total pension liability	397,057	505,649	554,233
Changes in benefit terms	352,565	-	-
Difference between expected and actual experience	586,414	7,761	47,438
Changes in actuarial assumptions	(35,676)	681,701	-
Benefit payments	<u>(3,502,918)</u>	<u>(413,705)</u>	<u>(2,840,762)</u>
Net change in total pension liability	(1,950,682)	1,007,961	(1,964,674)
PENSION LIABILITY:			
Beginning	<u>9,483,573</u>	<u>8,475,612</u>	<u>10,440,286</u>
Ending (a)	<u><u>\$ 7,532,891</u></u>	<u><u>\$ 9,483,573</u></u>	<u><u>\$ 8,475,612</u></u>
PLAN FIDUCIARY NET PENSION:			
Contributions - employer	859,582	790,436	780,000
Net investment income	126,602	122,382	272,621
Benefit payments	(3,502,918)	(413,705)	(2,840,762)
Administrative expenses	<u>(19,582)</u>	<u>(20,436)</u>	<u>(31,334)</u>
Net change in plan fiduciary net position	(2,536,316)	478,677	(1,819,475)
PLAN FIDUCIARY NET POSITION:			
Beginning	<u>5,672,129</u>	<u>5,193,452</u>	<u>7,012,927</u>
Ending (b)	<u><u>3,135,813</u></u>	<u><u>5,672,129</u></u>	<u><u>5,193,452</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 4,397,078</u></u>	<u><u>\$ 3,811,444</u></u>	<u><u>\$ 3,282,160</u></u>
Plan fiduciary net position as a percentage of the total pension liability	41.63%	59.81%	61.28%
Covered-employee payroll	\$ 3,271,128	\$ 4,536,786	\$ 5,285,342
Net pension liability as a percentage of covered-employee payroll	134.42%	84.01%	62.10%

*The schedule will present 10 years of information once it is accumulated.

WALKER COUNTY, GEORGIA**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS****YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 597,452	\$ 573,095	\$ 551,476	\$ 167,932	\$ 565,166
Contributions in relation to the actuarially determined contribution	<u>859,582</u>	<u>790,436</u>	<u>804,705</u>	<u>941,295</u>	<u>945,118</u>
Contribution excess	<u><u>\$ (262,130)</u></u>	<u><u>\$ (217,341)</u></u>	<u><u>\$ (253,229)</u></u>	<u><u>\$ (773,363)</u></u>	<u><u>\$ (379,952)</u></u>
Covered employee payroll	\$3,271,128	\$4,536,786	\$5,347,289	\$5,682,532	\$6,354,848
Contributions as a percentage of covered employee payroll	26.28%	17.42%	15.05%	16.56%	14.87%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 796,609	\$ 826,330	\$ 777,960	\$ 774,137	\$ 978,839
Contributions in relation to the actuarially determined contribution	<u>1,290,355</u>	<u>1,017,442</u>	<u>1,124,332</u>	<u>1,078,215</u>	<u>1,195,458</u>
Contribution excess	<u><u>\$ (493,746)</u></u>	<u><u>\$ (191,112)</u></u>	<u><u>\$ (346,372)</u></u>	<u><u>\$ (304,078)</u></u>	<u><u>\$ (216,619)</u></u>
Covered employee payroll	\$6,531,854	\$7,087,233	\$7,317,071	\$7,266,593	\$7,312,827
Contributions as a percentage of covered employee payroll	19.75%	14.36%	15.37%	14.84%	16.35%

*The schedule will present 10 years of information once it is accumulated.

WALKER COUNTY, GEORGIA

DEFINED BENEFIT PENSION PLAN NOTES TO PENSION SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

VALUATION DATE

The actuarially determined contribution rates are determined as of January 1, 2017.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION

Actuarial cost method	Entry age normal
Amortization method	Level dollar for 15 years
Remaining amortization period	Closed
Asset valuation method	Market value

Actuarial Assumptions

Investment rate of return	5.00% per year, net of investment expenses
Projected salary increases	4.00% per year
Inflation	4.00%

CHANGES OF ASSUMPTIONS

The Discount Rate was changed from 6.00% to 5.00%

The Municipal Bond Rate was updated from 3.20% to 3.71%

The Blended Rate changed from 4.96% to 4.94%

SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	E911	Law Library	Multiple Grant Fund	Court Supervision	Connection	Transportation	Total Nonmajor Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ 59,229	\$ 332,919	\$ 37,854	\$ -	\$ -	\$ 430,002
Accounts receivable	278,870	-	-	-	-	-	278,870
Due from other funds	-	-	318,098	-	6,239	-	324,337
Due from other governments	-	-	43,129	-	11,707	64,219	119,055
	<u>-</u>	<u>-</u>	<u>43,129</u>	<u>-</u>	<u>11,707</u>	<u>64,219</u>	<u>119,055</u>
Total assets	<u>278,870</u>	<u>59,229</u>	<u>694,146</u>	<u>37,854</u>	<u>17,946</u>	<u>64,219</u>	<u>1,152,264</u>
LIABILITIES							
Accounts payable and accrued expenses	64,924	-	18,234	180	-	59,709	143,047
Due to other funds	-	-	-	14,890	-	-	14,890
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,890</u>	<u>-</u>	<u>-</u>	<u>14,890</u>
Total liabilities	<u>64,924</u>	<u>-</u>	<u>18,234</u>	<u>15,070</u>	<u>-</u>	<u>59,709</u>	<u>157,937</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned revenues - intergovernmental	-	-	658,892	-	-	-	658,892
	<u>-</u>	<u>-</u>	<u>658,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>658,892</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>658,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>658,892</u>
FUND BALANCES							
Restricted for:							
Judicial	-	59,229	-	22,784	-	-	82,013
Public works	-	-	17,020	-	-	-	17,020
Health and welfare	-	-	-	-	17,946	4,510	22,456
Public safety	213,946	-	-	-	-	-	213,946
	<u>213,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,946</u>
Total fund balances	<u>213,946</u>	<u>59,229</u>	<u>17,020</u>	<u>22,784</u>	<u>17,946</u>	<u>4,510</u>	<u>335,435</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 278,870</u>	<u>\$ 59,229</u>	<u>\$ 694,146</u>	<u>\$ 37,854</u>	<u>\$ 17,946</u>	<u>\$ 64,219</u>	<u>\$ 1,152,264</u>

WALKER COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2017

	E911	Law Library	Multiple Grant Fund	Court Supervision	Connection	Transportation	Total Nonmajor Funds
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 1,519,310	\$ -	\$ 47,789	\$ 224,276	\$ 1,791,375
Charges for services	977,875	-	-	-	-	127,279	1,105,154
Fines and forfeitures	-	20,078	-	1,850	-	-	21,928
Investment income	-	-	-	85	-	-	85
Contributions and donations	-	-	7,717	-	-	-	7,717
Total revenues	<u>977,875</u>	<u>20,078</u>	<u>1,527,027</u>	<u>1,935</u>	<u>47,789</u>	<u>351,555</u>	<u>2,926,259</u>
EXPENDITURES							
Current:							
General government	-	-	2,173	-	-	-	2,173
Judicial	-	18,800	290,231	6,395	-	-	315,426
Sheriff	-	-	500	-	-	-	500
Public safety	1,452,777	-	132,252	-	-	-	1,585,029
Health and welfare	-	-	-	-	47,445	706,880	754,325
Debt service:							
Principal	276,098	-	-	-	-	-	276,098
Interest	35,500	-	-	-	-	-	35,500
Capital outlay	<u>3,880</u>	<u>-</u>	<u>1,159,519</u>	<u>-</u>	<u>-</u>	<u>8,999</u>	<u>1,172,398</u>
Total expenditures	<u>1,768,255</u>	<u>18,800</u>	<u>1,584,675</u>	<u>6,395</u>	<u>47,445</u>	<u>715,879</u>	<u>4,141,449</u>
Excess (deficiency) of revenues over (under) expenditures	(790,380)	1,278	(57,648)	(4,460)	344	(364,324)	(1,215,190)
Other financing sources							
Transfers in	<u>1,004,326</u>	<u>-</u>	<u>63,001</u>	<u>-</u>	<u>-</u>	<u>370,640</u>	<u>1,437,967</u>
Net change in fund balances	213,946	1,278	5,353	(4,460)	344	6,316	222,777
FUND BALANCE - beginning of period	<u>-</u>	<u>57,951</u>	<u>11,667</u>	<u>27,244</u>	<u>17,602</u>	<u>(1,806)</u>	<u>112,658</u>
FUND BALANCE - end of period	<u>\$ 213,946</u>	<u>\$ 59,229</u>	<u>\$ 17,020</u>	<u>\$ 22,784</u>	<u>\$ 17,946</u>	<u>\$ 4,510</u>	<u>\$ 335,435</u>

WALKER COUNTY, GEORGIA**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Tax Commissioner</u>	<u>Clerk of Courts</u>	<u>Probate Judge</u>	<u>Magistrate Judge</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	<u>\$ 958,204</u>	<u>\$ 1,140,351</u>	<u>\$ 3,943</u>	<u>\$ 16,707</u>	<u>\$ 2,119,205</u>
Total assets	<u>958,204</u>	<u>1,140,351</u>	<u>3,943</u>	<u>16,707</u>	<u>2,119,205</u>
LIABILITIES					
Accounts payable	210,631	-	-	-	210,631
Due to other governments	747,573	101,456	1,370	2,641	853,040
Due to heirs, litigants, and others	<u>-</u>	<u>1,038,895</u>	<u>2,573</u>	<u>14,066</u>	<u>1,055,534</u>
Total liabilities	<u>958,204</u>	<u>1,140,351</u>	<u>3,943</u>	<u>16,707</u>	<u>2,119,205</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE****E911 FUND****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE	\$ 1,604,647	\$ 1,604,647	\$ 977,875	\$ (626,772)
EXPENDITURES	<u>1,604,647</u>	<u>1,604,647</u>	<u>1,768,255</u>	<u>163,608</u>
EXCESS OF REVENUES OVER EXPENDITURE	<u>-</u>	<u>-</u>	<u>(790,380)</u>	<u>(790,380)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>-</u>	<u>1,004,326</u>	<u>1,004,326</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,004,326</u>	<u>1,004,326</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	213,946	<u>\$ 213,946</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ 213,946</u>	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE

LAW LIBRARY FUND

YEAR ENDED SEPTEMBER 30, 2017

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE	\$ 40,000	\$ 40,000	\$ 20,078	\$ (19,922)
EXPENDITURES	<u>40,000</u>	<u>40,000</u>	<u>18,800</u>	<u>(21,200)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	1,278	<u>\$ 1,278</u>
FUND BALANCES:				
Beginning			<u>57,951</u>	
Ending			<u>\$ 59,229</u>	

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
MULTIPLE GRANT FUND****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE	\$ 831,800	\$ 831,800	\$ 1,527,027	\$ 695,227
EXPENDITURES	<u>831,800</u>	<u>831,800</u>	<u>1,584,675</u>	<u>752,875</u>
Excess revenues over expenditures	<u>-</u>	<u>-</u>	<u>(57,648)</u>	<u>(57,648)</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>63,001</u>	<u>63,001</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>63,001</u>	<u>63,001</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	5,353	<u>\$ 5,353</u>
FUND BALANCES:				
Beginning			<u>11,667</u>	
Ending			<u>\$ 17,020</u>	

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
COURT SUPERVISION FUND****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE	\$ 2,500	\$ 2,500	\$ 1,935	\$ (565)
EXPENDITURES	<u>2,500</u>	<u>2,500</u>	<u>6,395</u>	<u>3,895</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	(4,460)	<u>\$ (4,460)</u>
FUND BALANCES:				
Beginning			<u>27,244</u>	
Ending			<u>\$ 22,784</u>	

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
CONNECTION FUND****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE	\$ 47,000	\$ 47,000	\$ 47,789	\$ 789
EXPENDITURES	<u>47,000</u>	<u>47,000</u>	<u>47,445</u>	<u>445</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	344	<u>\$ 344</u>
FUND BALANCES:				
Beginning			<u>17,602</u>	
Ending			<u>\$ 17,946</u>	

WALKER COUNTY, GEORGIA**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND****YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE	\$ 729,156	\$ 729,156	\$ 351,555	\$ (377,601)
EXPENDITURES	<u>729,156</u>	<u>729,156</u>	<u>715,879</u>	<u>(13,277)</u>
Excess revenues over expenditures	<u>-</u>	<u>-</u>	<u>(364,324)</u>	<u>(364,324)</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>370,640</u>	<u>370,640</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>370,640</u>	<u>370,640</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	6,316	<u>\$ 6,316</u>
FUND BALANCES:				
Beginning			<u>(1,806)</u>	
Ending			<u>\$ 4,510</u>	

COMPLIANCE SECTION

WALKER COUNTY, GEORGIA

**SCHEDULE OF PROJECTS CONSTRUCTED WITH
2013 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**

YEAR ENDED SEPTEMBER 30, 2017

Project	Original Estimated Cost	Prior Years	Expenditures Current Year	Total	Percentage of Completion	Cumulative Other Funding
Industrial Park	\$ 6,600,000	\$ 4,268,831	\$ -	\$ 4,268,831	65%	\$ -
Road resurfacing and other capital roadwork improvements	9,100,000	5,443,773	-	5,443,773	60%	2,263,718
Equipment and vehicles for law enforcement	1,900,000	455,353	-	455,353	24%	-
Bridges and right of way acquisitions and maintenance	250,000	45,960	-	45,960	18%	-
Emergency services equipment including vehicles, fire hydrants and radio repeater for E-911	1,000,000	973,188	-	973,188	97%	-
Shooting range for Sheriff's office	30,000	-	-	-	0%	-
State patrol bar code readers and 10 assault rifles	30,000	30,000	-	30,000	100%	-
Industrial Park Development	1,300,000	9,101,025	-	9,101,025	100%	-
Library-Lafayette project	300,000	507,173	-	507,173	100%	-
Library-Rossville project	600,000	-	-	-	0%	-
Multipurpose emergency facility-Mt. Pleasant community	400,000	-	-	-	0%	-
Multipurpose emergency facility-Hinkle community	250,000	1,094,897	-	1,094,897	100%	-
Emergency facility and community center-Cedar Grove	1,500,000	1,447,308	-	1,447,308	96%	-
Recreational facilities	1,000,000	617,584	-	617,584	62%	-
Water and Sewer improvements, including Armuchee	2,000,000	2,464,526	-	2,464,526	100%	-
Office equipment and furnishings	100,000	172,117	-	172,117	100%	-
Payments to Cities:						
Lafayette	2,904,660	810,886	427,524	1,238,410	43%	-
Rossville	1,674,420	1,282,825	-	1,282,825	77%	-
Chickamauga	1,265,220	968,860	-	968,860	77%	-
Lookout Mountain	653,400	511,291	-	511,291	78%	-
Ft. Oglethorpe	102,300	74,871	-	74,871	73%	-
	<u>\$32,960,000</u>	<u>\$30,270,468</u>	427,524	<u>\$30,697,992</u>		<u>\$2,263,718</u>

Reconciliation of SPLOST expenditures per financial statements to schedule of projects:

SPLOST 2013 expenditures per financial statements	5,133,655
Less debt service:	
Principal	4,380,000
Interest and fiscal agent fees	326,131
SPLOST 2013 expenditures per schedule of projects	<u>\$ 427,524</u>



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Commissioner
Walker County, Georgia
Lafayette, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Walker County, Georgia's basic financial statements, and have issued our report thereon dated April 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Walker County Health Department, as described in our report on Walker County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walker County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walker County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Walker County, Georgia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses in which the findings are reported that we consider to be significant deficiencies as items 2007-001, 2015-004, 2017-001, and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walker County, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs.

Walker County, Georgia's Response to Findings

Walker County, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Walker County, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
April 30, 2018

WALKER COUNTY, GEORGIA

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

SEPTEMBER 30, 2017

FINANCIAL STATEMENT FINDINGS

Finding 2007-001

Condition: Some material balance sheet accounts were not reconciled to supporting documentation at year end. Also, the Jury Fund bank account was not reconciled for the year. In some instances, the ending balances were identified and supporting worksheets were prepared, however, circumstances prevented the accounting department from having all pertinent information necessary to determine the correct balance in a timely manner.

Criteria: Accounting tasks such as monthly and annual reconciliations play a key role in providing the accuracy of accounting data and information included in the financial statements. Operational accountability requires the County to “report the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purposes and whether it can continue to meet its objectives for the foreseeable future”. Without meaningful and timely financial information, the sole commissioner, who is ultimately responsible, can’t demonstrate operational accountability.

Effect: Balance sheet accounts that are not reconciled could result in undetected material misstatements in the financial statements. Appropriate account reconciliations could avoid errors being undetected in the financial statements that management uses as part of its decision making process and provide management with more confidence in the financial statements. Reconciling and adjusting the financial records in a timely manner provides relevant information to the sole commissioner.

Recommendation: A reconciliation of all balance sheet accounts should be prepared to determine that all transactions have been recorded and to discover any potential errors. These reconciliations should be prepared in a timely manner to ensure the financial information is relevant.

Views of the Responsible Officials: The officials concur with the finding.

Planned Corrective Plan: See Management’s response letter.

Finding 2015-004

Condition: The Clerks of Superior, State, and Juvenile Courts were unable to provide reconciliations of funds being held for others. These funds represent amounts collected in years prior to the current clerks assuming office.

Criteria: The Clerks of Courts should implement a process to determine the origin of funds being held on others’ behalf. The cash balances should reconcile to the amounts reported as due to others.

Effect: The Clerks of Courts are currently holding funds with little support and are unable to provide documentation of how the funds are to be disbursed.

Recommendation: The Clerks of Courts should work with the County Attorney through the judicial process to determine how funds are to be disbursed.

Views of the Responsible Officials: The officials concur with the finding.

Planned Corrective Plan: See Management’s response letter.

(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2017-001

Condition: There is not a reconciliation process for funds that are received by the Transit Department and deposited by the Finance Department. Revenue is recorded based on the deposit slip provided by the Transit Department to the Finance Department. There is not reconciliation process to ensure that all funds received are being accounted for.

Criteria: Procedures should be in place to verify that funds received by the Transit office agrees to the deposits made and recorded by the Finance Department

Effect: Due to the lack of reconciliation and control procedures, there is no method to ensure that all funds collected are properly deposited into the County's account.

Recommendation: A daily or weekly reconciliation should be developed that balances cash received by the Transit office to the amount that is deposited into the bank.

Views of the Responsible Officials: The officials concur with the finding

Planned Corrective Plan: See Management's response letter.

Finding 2017-002

Condition: Lincoln Financial is currently remitting pension payments to the County for plan beneficiaries. These payments are deposited into the General Fund and then disbursed to the beneficiary.

Criteria: These pension payments should be made directly from Lincoln Financial to the beneficiary and not pass through the County's General Fund.

Effect: This process subjects the County to added risk as they are acting in a custodial capacity.

Recommendation: The process of disbursing payments to beneficiaries should be delegated back to Lincoln Financial.

Views of the Responsible Officials: The officials concur with the finding

Planned Corrective Plan: See Management's response letter.

WALKER COUNTY, GEORGIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

SEPTEMBER 30, 2017

PRIOR FINANCIAL STATEMENT FINDINGS

Finding Control Number and Status –

- | | |
|------|--|
| 07-1 | The County has not fully implemented the corrective action plan. Journal entries were made during the audit process to adjust balance sheet accounts due to an extended annual financial closeout process. |
| 15-2 | Previously reported corrective action plan implemented. The finding is closed. |
| 15-3 | Previously reported corrective action plan implemented. The finding is closed. |
| 15-4 | The County has failed to implement the corrective action plan. The Clerk of Superior, State, and Juvenile Courts for Walker County are still unable to provide a reconciliation of cash balances to amounts held for others. These funds are being held by the respective Courts |
| 16-1 | Previously reported corrective action plan implemented. The finding is closed. |