

WALKER COUNTY, GEORGIA

LaFayette, Georgia

**ANNUAL FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2016

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

TABLE OF CONTENTS

	<u>P a g e</u>
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	iii
MANAGEMENT'S DISCUSSION AND ANALYSIS	vi
BASIC FINANCIAL STATEMENTS:	
GOVERNMMENT WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS:	
Governmental Funds -	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Proprietary Funds -	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Fund Net Position	8
Statement of Cash Flows	9
Fiduciary Funds -	
Statement of Fiduciary Net Position	10
Statement of Changes in Fiduciary Net Position	11
NOTES TO THE BASIC FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	51
Budgetary Comparison Schedule - Fire and Rescue Fund	54
Budgetary Comparison Schedule - Development Authority	55
Notes to Required Supplementary Information	56
Defined Benefit Pension Plan -	
Schedule of Changes in the Net Pension Liability and Related Ratios	57
Schedule of Contributions	58
Schedule of Pension Investment Returns	59
Notes to Required Supplementary Information	60
SUPPLEMENTARY INFORMATION:	
Combining Financial Statements - Nonmajor Governmental Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	63

TABLE OF CONTENTS

	<u>P a g e</u>
SUPPLEMENTARY INFORMATION (Continued):	
Agency Funds -	
Combining Statement of Fiduciary Assets and Liabilities	64
Combining Statement of Changes in Assets and Liabilities	65
Statement of Changes in Assets and Liabilities - Tax Commissioner	66
Statement of Changes in Assets and Liabilities - Clerk of Courts	67
Statement of Changes in Assets and Liabilities - Probate Judge	68
Statement of Changes in Assets and Liabilities - Magistrate Judge	69
Statement of Expenditures to Budget - Family Connection Program	70
Budgetary Comparison Schedules:	
E911	71
Law Library	72
Multiple Grant Fund	73
Court Supervision	74
Connection	75
Transportation	76
COMPLIANCE:	
Federal Compliance and Internal Control Reports -	
Independent Auditors' 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>	78
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	80
Schedule of Expenditures of Federal Awards	82
Notes to Schedule of Expenditures of Federal Awards	83
Summary Schedule of Prior Audit Findings and Questioned Costs	84
Schedule of Findings and Questioned Costs	85
State Compliance -	
Schedule of Projects Constructed with 2013 Special Purpose Local Option Sales Tax Proceeds	89
CORRECTIVE ACTION PLAN	90



INDEPENDENT AUDITORS' REPORT

**Commissioner
Walker County, Georgia
LaFayette, Georgia:**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Walker County, Georgia's basic financial statements as listed in the table of contents. We did not audit the financial statements of the aggregate discretely presented component unit, which is 100 percent of the assets, net position and revenues of the component unit activities.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Walker County Health Department, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those 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 Walker County Health Department, is based solely on the report of the other auditors. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 purpose 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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 and other required supplementary information on page vi through xiv and 51 through 60 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 an appropriate operational, economic, or historical context. We and other auditors 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 financial statements, agency fund statements and nonmajor fund budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of projects constructed with special purpose local option sales tax proceeds as required by Georgia code section OCGA 48-8-121 are also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, agency fund statements, nonmajor fund budgetary comparison information, the schedule of expenditures of federal awards, and the schedule of projects constructed with special purposes local option sales tax proceeds are the responsibility of management and were derived from and relate 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining nonmajor fund financial statements, agency fund statements, nonmajor fund budgetary comparison information, the schedule of expenditures of federal awards, 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 July 20, 2017, 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.

Johnson, Nicky & Menckem, P.C.

July 20, 2017
Chattanooga, Tennessee

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, 2016. 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, 2016 by \$60,313,769 (Net Position), a decrease of \$6,727,174 from the prior year before the effect of the blending of the Walker County Development Authority. Of the net position, \$67,857,763 is restricted as to what the funds may be expended for. The remaining deficit balance, \$7,543,994, 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 \$1,034,086. Revenues were insufficient to recoup costs largely due to high depreciation expense, accrued postclosure costs, and operating losses. A transfer from the General fund was made to cover most of the loss.

The County's governmental activities reported combined ending net position of \$61,017,053, an increase of \$10,637,701 from the prior year net position. Of this amount, a deficit balance of \$5,380,680 remains in the various funds as unrestricted.

Debt decreased by \$517,565. There was a bond payment of \$4,285,000, a net increase in leases of \$42,695, the retirement of a tax anticipation note for \$10,000,000, the addition of a tax anticipation note for \$5,000,000, and the addition of a payable for a court ordered judgement in conjunction with a law suit involving Erlanger Medical Center of \$8,705,000.

The County sold the Mountain Cove recreation area to the Walker County Development Authority to provide funds for the repayment of the debt.

The Walker County Development Authority was blended with Walker County for the current fiscal year. This had the effect of increasing beginning net position by \$12,819,977, total governmental fund balance by \$12,564,128, total assets by \$27,902,788 and total liabilities by \$15,082,811.

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 3. 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

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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.

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.

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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.

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 \$60,313,769. 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, 2016, is a deficit balance of \$5,380,680, which may be used to meet the County's ongoing obligations.

In prior years, the Walker County Development Authority operated independently of Walker County. During the year ended September 30, 2016, the Development Authority is being reported as a blended component unit. This change is a result of the primary government guaranteeing repayment of the Development Authority's bond issue by pledging one mill of the county's property taxes. As a result, beginning net position is increased by \$12,819,977. Also, beginning asset balances reflect an increase of \$27,902,788 and bonds payable increased \$15,082,811.

Net Position
September 30, 2016 and 2015

	Governmental Activities		Business -type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 23,759,371	\$ 35,334,028	\$ 441,497	\$ 165,784	\$ 24,200,868	\$ 35,499,812
Capital assets	103,115,269	94,032,185	2,304,501	5,873,761	105,419,770	99,905,946
Total assets	\$ 126,874,640	\$ 129,366,213	\$ 2,745,998	\$ 6,039,545	\$ 129,620,638	\$ 135,405,758
Deferred outflow of resources	\$ 1,418,707	\$ 667,817			\$ 1,418,707	\$ 667,817
Liabilities						
Long-term liabilities	\$ 56,604,880	\$ 61,946,479	\$ 3,014,414	\$ 2,155,250	\$ 59,619,294	\$ 64,101,729
Other liabilities	9,871,610	4,172,843	434,868	42,681	10,306,478	4,215,524
Total liabilities	\$ 66,476,490	\$ 66,119,322	\$ 3,449,282	\$ 2,197,931	\$ 69,925,772	\$ 68,317,253
Deferred inflow of resources	\$ 799,804	\$ 715,379			\$ 799,804	\$ 715,379
Net position						
Net investment in capital assets	\$ 65,295,006	\$ 63,868,975	\$ 1,460,030	\$ 5,730,041	\$ 66,755,036	\$ 69,599,016
Restricted	1,102,727	864,065			1,102,727	864,065
Unrestricted	(5,380,680)	(1,533,711)	(2,163,314)	(1,888,427)	(7,543,994)	(3,422,138)
Total net position	\$ 61,017,053	\$ 63,199,329	\$ (703,284)	\$ 3,841,614	\$ 60,313,769	\$ 67,040,943

Net position of the County's governmental activities decreased by \$2,182,276 while the net position of the business type activities decreased by \$4,544,898. 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, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Walker County's overall revenue remained fairly constant in 2016 compared to 2015, decreasing little more than 1%. Property tax revenue increased 43%, and Local Option sales tax revenue decreased 7%. Approximately 36% of the County's total revenue from governmental activities came from property taxes and 32% from other taxes. Charges for services amounted to about 20% of governmental revenue, with grants and contributions contributing approximately 8%.

The County's largest expenditures were for health and welfare (24% of total governmental expenses), sheriff (18%), public safety (16%), public works (13%), general government (12%), and judicial (9%).

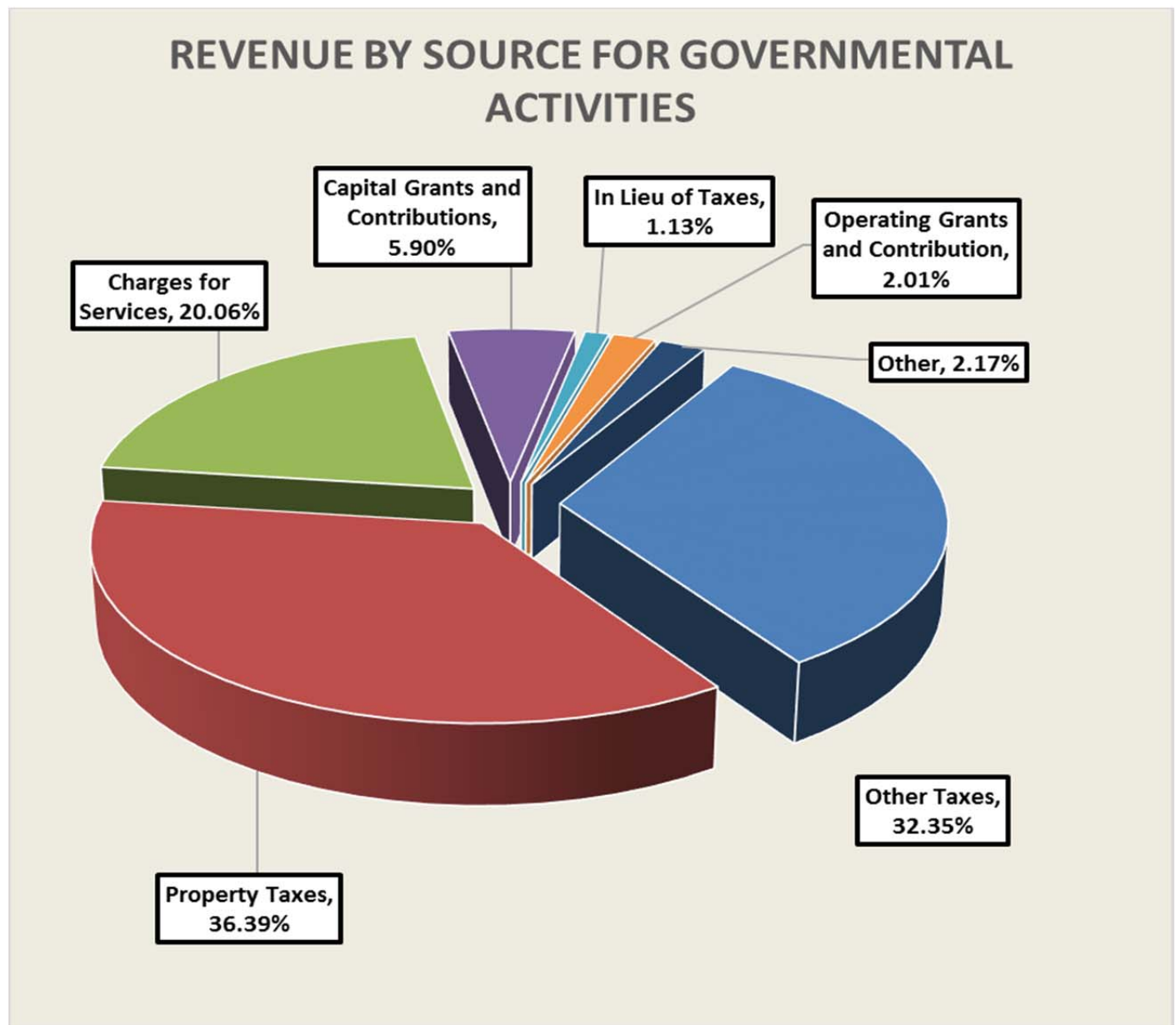
Changes in Net Position
For the Years Ended September 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,261,341	\$ 7,947,608	\$ 1,636,576	\$ 1,681,514	\$ 8,897,917	\$ 9,629,122
Operating Grants & Contributions	726,290	674,312	-	-	726,290	674,312
Capital Grants & Contributions	2,136,648	253,895	-	-	2,136,648	253,895
General Revenues:						
Property Taxes	13,170,719	13,646,733	-	-	13,170,719	13,646,733
Other Taxes	11,452,048	11,826,679	-	-	11,452,048	11,826,679
Other	1,453,779	2,261,877	949,974	-	2,403,753	2,261,877
Total Revenues	\$ 36,200,825	\$ 36,611,104	\$ 2,586,550	\$ 1,681,514	\$ 38,787,375	\$ 38,292,618
Expenses:						
General government	\$ 5,284,349	\$ 5,213,726	\$ -	\$ -	\$ 5,284,349	\$ 5,213,726
Judicial	3,711,166	3,437,963	-	-	3,711,166	3,437,963
Sheriff	7,743,417	8,220,684	-	-	7,743,417	8,220,684
Public Safety	6,894,558	8,610,008	-	-	6,894,558	8,610,008
Public Works	5,768,045	5,191,166	-	-	5,768,045	5,191,166
Health and Welfare	10,135,099	1,841,743	-	-	10,135,099	1,841,743
Recreation and Culture	482,188	716,247	557,066	1,021,455	1,039,254	1,737,702
Housing and Development	789,047	9,087,733	-	-	789,047	9,087,733
Intergovernmental	407,036	-	-	-	407,036	-
Interest on Long Term Debt	1,617,882	1,200,232	1,100	-	1,618,982	1,200,232
Solid Waste	-	-	2,123,596	1,872,860	2,123,596	1,872,860
Total Expenses	\$ 42,832,787	\$ 43,519,502	\$ 2,681,762	\$ 2,894,315	\$ 45,514,549	\$ 46,413,817
Increase (decrease) in net position before transfers	(6,631,962)	(6,908,398)	(95,212)	(1,212,801)	(6,727,174)	(8,121,199)
Transfers	4,449,686	(875,829)	(4,449,686)	875,829	-	-
Increase (decrease) in net position	(2,182,276)	(7,784,227)	(4,544,898)	(336,972)	(6,727,174)	(8,121,199)
Net position - October 1	63,199,329	62,192,130	3,841,614	4,178,586	67,040,943	66,370,716
Prior period adjustment	-	(4,028,551)	-	-	-	(4,028,551)
From discrete to blended presentation	-	12,819,977	-	-	-	12,819,977
Net position beginning of year as adjusted	63,199,329	70,983,556	3,841,614	4,178,586	67,040,943	75,162,142
Net position - September 30	\$ 61,017,053	\$ 63,199,329	\$ (703,284)	\$ 3,841,614	\$ 60,313,769	\$ 67,040,943

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Total government-wide revenue of \$38,787,375 was comprised of governmental activities (\$36,200,825) and business-type activities (\$2,586,550). The revenue of the business-type activity was 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 \$4,625,406, is specifically earmarked and cannot be used to finance the normal operations of the County.

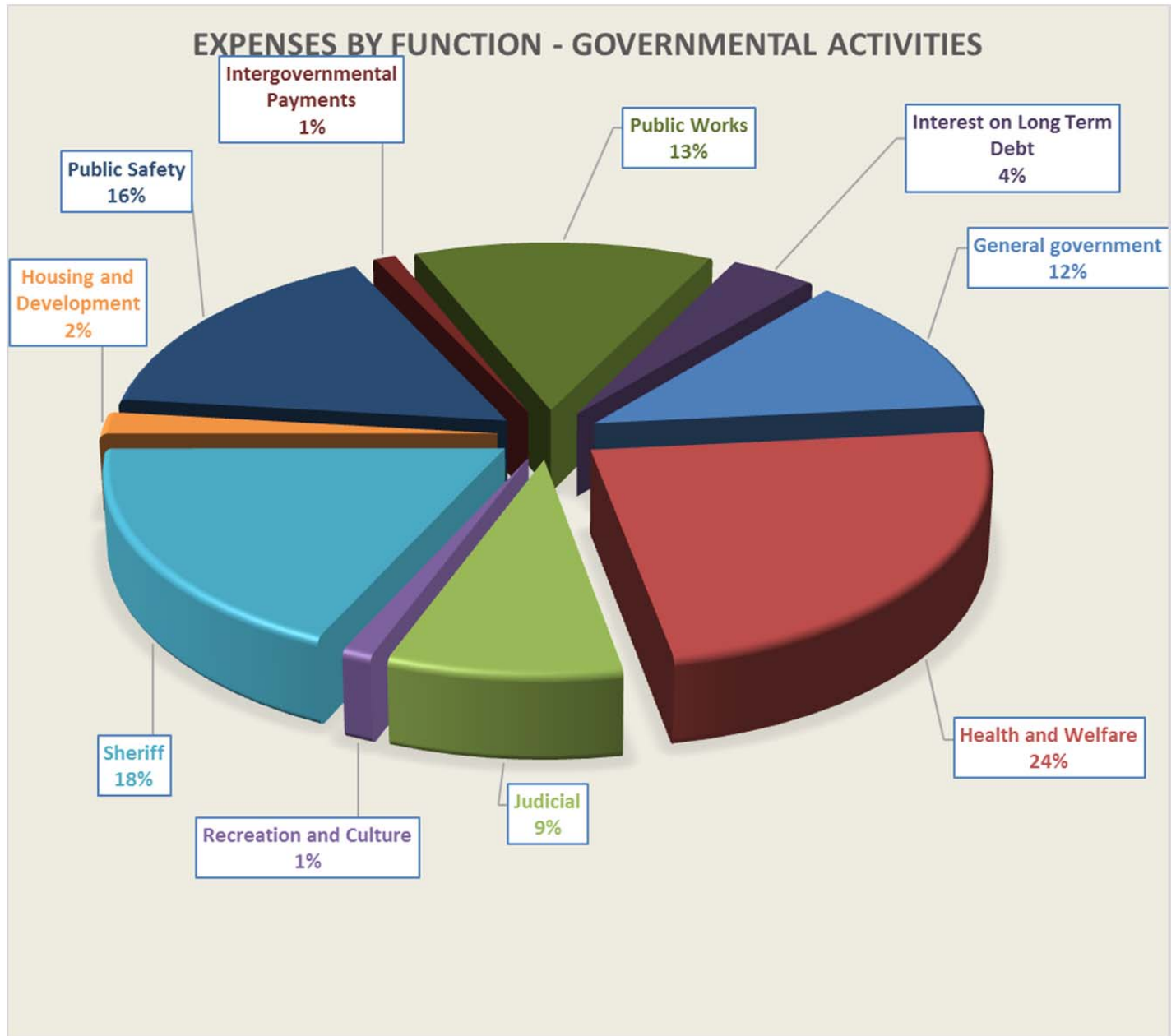
The County continues to be dependent upon property taxes and sales taxes as its major sources of revenue. The property tax net M&O digest leveled off after falling for a number of years. The effect of the current year's millage rate decrease was not reflected in the current year financial statements due to the prior year property taxes being mailed late, thus deferring fiscal year 2015's revenue to fiscal year 2016.



WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Government-wide expenses totaled \$45,514,549 for fiscal year 2016, including governmental activity expense of \$42,832,787 and business-type activity expense of \$2,681,762. The following graph provides a visual depiction of expenditures of the governmental activities by function for fiscal year 2016.

The expenses were largely influenced by Health and Welfare. Health and Welfare expense was up due to recognizing a court ordered judgment in connection to a claim against Hutchison Medical Center.



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.

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

As the County completed the year, its governmental funds reported a combined fund balance of \$3,936,262. Restricted fund balance is \$4,377,652 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 \$439,584. The unassigned fund balance increased by \$7,634,955 during the current year. This increase included transfers of \$3,438,131 made to supplement operations of other funds as well transfers from other funds. Among the transfers were \$582,253 to E911, \$1,531,969 to SPLOST, \$451,730 to the County transportation system, \$591,201 to the Walker County Development Authority for debt service, and \$280,978 required by federal and/or state grants as the County's matching share. The transfers from other funds were \$4,449,686 from the Special Facilities funds, \$2,063,039 from the Walker County Development Authority and \$750,959 from Fire and Rescue.

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, (\$0.00), SPLOST, \$3,302,503 and the Walker County Development Authority, \$639,830. The SPLOST fund balance decreased by \$393,272. This was a result of debt service of \$4,679,184, expenditures on SPLOST projects of \$2,344,655, and disbursements to municipalities of \$407,036. The Development Authority fund balance decreased by \$11,924,298. This was the result of Industrial Park expenditures of \$9,985,441, debt service of \$591,201 and transfers to the General Fund of \$2,063,039 for the purchase of the Civic Center.

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 \$3,571,529. The excess of actual revenues over budgeted revenues was primarily due to actual property tax revenues exceeding budgeting property tax revenues by \$2,028,185, other taxes exceeding budget by \$349,513, fines and actual fine and forfeitures exceeding budgeted by \$156,220 and contribution revenue exceeding budgeted revenue by \$98,937. Other financing sources consisted of two items, a capital lease of \$398,402 and transfers from other funds of \$7,263,684. Neither the lease nor the transfers were budgeted. 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 \$2,897,121. This was primarily due to transfers exceeding budgeted transfers by \$1,603,410.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The County's investment in capital assets for its governmental funds as of September 30, 2016, totaled \$103,115,269, 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 increased by \$9,083,084, net of accumulated depreciation. This was comprised primarily of depreciation expense of \$4,503,290, the sale of the Ambulance Service with a net book value of \$264,843, and the acquisition of buildings and equipment and completion of the industrial park of \$14,197,380.

Major capital asset events during the current fiscal year included the following:

- Sale of the ambulance service
- Sale of Mountain Cove Farm
- Purchase of 11 sheriff vehicles
- Construction work on the Hinkle fire station
- Construction on the Cedar Grove Community Center and fire station
- The paving of 7 roads within the county
- Purchase of new accounting software to replace system no longer supported by vendor

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

**Capital Assets at Year-end
September 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land	\$ 9,111,954	\$ 6,992,340	\$ 169,000	\$ 1,943,284	\$ 9,280,954	\$ 8,935,624
Construction in progress	1,466,972	2,740,540	552,778	143,673	2,019,750	2,884,213
						-
Depreciable assets:						
Buildings and improvements	42,632,139	33,806,136	652,959	2,677,018	43,285,098	36,483,154
Machinery and equipment	25,261,526	26,350,777	1,890,945	2,323,207	27,152,471	28,673,984
Infrastructure	99,840,703	96,565,860			99,840,703	96,565,860
C&D Landfill			4,985,021	4,985,021	4,985,021	4,985,021
Total	178,313,294	166,455,653	8,250,703	12,072,203	186,563,997	178,527,856
Less: accumulated depreciation	(75,198,025)	(72,423,468)	(5,946,202)	(6,198,442)	(81,144,227)	(78,621,910)
Net capital assets	\$ 103,115,269	\$ 94,032,185	\$ 2,304,501	\$ 5,873,761	\$ 105,419,770	\$ 99,905,946

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 \$64,619,294. 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, 2016 and 2015**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 37,197,811	\$ 41,482,811			\$ 37,197,811	\$ 41,482,811
Lease Obligations	3,897,377	4,176,272	321,590		4,218,967	4,176,272
Tax Anticipation Notes	5,000,000	10,000,000	522,881	143,720	5,522,881	10,143,720
Compensated Absences	825,154	858,608	6,900	14,282	832,054	872,890
Landfill Closure Costs	2,168,094	2,146,628	2,163,043	1,997,248	4,331,137	4,143,876
Nonexchange Financial Guarantee	8,705,000				8,705,000	-
Net Pension Liability	3,811,444	3,282,160			3,811,444	3,282,160
Totals	\$ 61,604,880	\$ 61,946,479	\$ 3,014,414	\$ 2,155,250	\$ 64,619,294	\$ 64,101,729

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 \$790,436 for the fiscal year ending September 30, 2016.

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, 2015 and significantly

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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, 2016, the County's total pension liability was \$9,483,573. The plan fiduciary net position was \$5,672,129, resulting in the County's net pension liability of \$3,811,444. The plan fiduciary net position as a percentage of the total pension liability was 59.8%.

ECONOMIC FACTORS AND THE 2016 BUDGET

- Local Option Sales Tax continued its downward trend, with a drop of 6.1% from FY15 to FY16. The trend is partly due to the reduction in the County's portion of sales tax receipts from 80% to 72.5% due to renegotiation with county municipalities in FY14.
- The property tax gross M&O digest increased slightly after having fallen approximately 4% over the previous 5 years while the M&O exemptions continue to increase. The effect was to increase taxable value by 1.67%. The net millage rate in the unincorporated area of the County decreased by 0.754 mills while the millage rate in the incorporated areas decreased by 0.545 mills. The millage rate decrease resulted in a 5.39% decrease in property taxes levied over the prior year.

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health Department
ASSETS:				
Cash and cash equivalents	\$ 3,445,637	\$ 72,918	\$ 3,518,555	\$ 1,204,236
Restricted cash	1,134,801	-	1,134,801	-
Investments	3,274,925	-	3,274,925	-
Taxes receivable	10,703,428	-	10,703,428	-
Accounts receivable	701,258	125,800	827,058	32
Due from (to) other funds	(242,779)	242,779	-	-
Due from other governments	3,992,489	-	3,992,489	171,559
Inventory	-	-	-	8,057
Prepaid expenses	203,237	-	203,237	-
Note receivable	546,375	-	546,375	-
Capital assets -				
Nondepreciable	10,578,926	721,778	11,300,704	-
Depreciable, net	92,536,343	1,582,723	94,119,066	11,566
Total assets	126,874,640	2,745,998	129,620,638	1,395,450
DEFERRED OUTFLOWS OR RESOURCES:				
Pension related items	1,418,707	-	1,418,707	249,952
LIABILITIES:				
Accounts payable and accrued expenses	2,816,661	434,868	3,251,529	611
Due to other governments	1,065,490	-	1,065,490	72,154
Due to heirs, litigants and others	595,025	-	595,025	-
Accrued interest payable	394,434	-	394,434	-
Tax anticipation note	5,000,000	-	5,000,000	-
Long-term liabilities -				
Due within one year:				
Bonds payable	4,870,000	-	4,870,000	-
Capital leases	768,550	61,394	829,944	-
Compensated absences	472,715	6,900	479,615	-
Landfill closure and postclosure care costs	127,535	-	127,535	-
Due greater than one year:				
Bonds payable	32,327,811	-	32,327,811	-
Capital leases	3,128,827	260,196	3,389,023	-
Note payable	-	522,881	522,881	-
Compensated absences	352,439	-	352,439	64,674
Landfill closure and postclosure care costs	2,040,559	2,163,043	4,203,602	-
Nonexchange financial guarantee	8,705,000	-	8,705,000	-
Net pension liability	3,811,444	-	3,811,444	1,242,969
Total liabilities	66,476,490	3,449,282	69,925,772	1,380,408
DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue - intergovernmental	799,804	-	799,804	-
Pension related items	-	-	-	119,345
Total deferred inflows of resources	799,804	-	799,804	119,345
NET POSITION:				
Net investment in capital assets	65,295,006	1,460,030	66,755,036	11,566
Restricted for -				
SPLOST capital projects	27,578	-	27,578	-
Program purposes	1,075,149	-	1,075,149	-
Unrestricted (deficit)	(5,380,680)	(2,163,314)	(7,543,994)	134,083
Total net position	\$ 61,017,053	\$ (703,284)	\$ 60,313,769	\$ 145,649

(The accompanying notes are an integral part of these statements.)

**WALKER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			Component Unit	
					Governmental Activities	Business-Type Activities	Total		
PRIMARY GOVERNMENT:									
Governmental activities:									
General government	\$ 5,284,349	\$ 959,422	\$ -	\$ 33,420	\$ (4,291,507)	\$ -	\$ (4,291,507)	\$ -	
Judicial	3,711,166	1,648,559	229,479	-	(1,833,128)	-	(1,833,128)	-	
Sheriff	7,743,417	10,561	-	-	(7,732,856)	-	(7,732,856)	-	
Public safety	6,894,558	4,480,911	245,500	-	(2,168,147)	-	(2,168,147)	-	
Public works	5,768,045	-	11,666	2,103,228	(3,653,151)	-	(3,653,151)	-	
Health and welfare	10,135,099	137,805	239,645	-	(9,757,649)	-	(9,757,649)	-	
Culture and recreation	482,188	24,083	-	-	(458,105)	-	(458,105)	-	
Housing and development	789,047	-	-	-	(789,047)	-	(789,047)	-	
Intergovernmental	407,036	-	-	-	(407,036)	-	(407,036)	-	
Interest	1,617,882	-	-	-	(1,617,882)	-	(1,617,882)	-	
Total governmental activities	42,832,787	7,261,341	726,290	2,136,648	(32,708,508)	-	(32,708,508)	-	
Business-type activities:									
Landfill	2,124,696	1,486,642	-	-	-	(638,054)	(638,054)	-	
Special facilities	557,066	149,934	-	-	-	(407,132)	(407,132)	-	
Total business-type activities	2,681,762	1,636,576	-	-	-	(1,045,186)	(1,045,186)	-	
Total primary government	45,514,549	8,897,917	726,290	2,136,648	(32,708,508)	(1,045,186)	(33,753,694)	-	
COMPONENT UNIT:									
Health department	\$ 1,342,527	\$ 300,780	\$ 941,729	\$ -	-	-	-	(100,018)	
GENERAL REVENUES:									
Taxes:									
					13,170,719	-	13,170,719	-	
					8,186,603	-	8,186,603	-	
					270,884	-	270,884	-	
					2,994,561	-	2,994,561	-	
					259,945	-	259,945	-	
					408,070	-	408,070	-	
					-	-	-	155,339	
					15,304	-	15,304	8,472	
					852,940	-	852,940	-	
					(346,163)	949,974	603,811	-	
					263,683	-	263,683	1,675	
					26,076,546	949,974	27,026,520	165,486	
TRANSFERS					4,449,686	(4,449,686)	-	-	
CHANGE IN NET POSITION					(2,182,276)	(4,544,898)	(6,727,174)	65,468	
NET POSITION:									
					50,379,352	3,841,614	54,220,966	80,181	
					12,819,977	-	12,819,977	-	
					63,199,329	3,841,614	67,040,943	80,181	
					Ending	\$ 61,017,053	\$ (703,284)	\$ 60,313,769	\$ 145,649

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Fire and Rescue	SPLOST Capital Projects	Development Authority	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 1,935,816	\$ 34,332	\$ -	\$ 458,151	\$ 1,017,338	\$ 3,445,637
Restricted cash and cash equivalents	945,923	-	7,199	181,679	-	1,134,801
Investments	-	-	3,274,925	-	-	3,274,925
Taxes receivable	10,703,428	-	-	-	-	10,703,428
Accounts receivable	208,560	177,726	-	-	314,972	701,258
Due from other funds	467,131	227,931	708,490	-	10,926	1,414,478
Due from other governments	<u>3,488,725</u>	<u>50</u>	<u>315,710</u>	<u>-</u>	<u>188,004</u>	<u>3,992,489</u>
Total assets	<u>\$ 17,749,583</u>	<u>\$ 440,039</u>	<u>\$ 4,306,324</u>	<u>\$ 639,830</u>	<u>\$ 1,531,240</u>	<u>\$ 24,667,016</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued expenses	\$ 2,223,333	\$ 281,007	\$ 180,235	\$ -	\$ 132,086	\$ 2,816,661
Due to other funds	370,523	4,239	-	-	1,282,495	1,657,257
Due to other governments	1,037,708	-	27,782	-	-	1,065,490
Due to heirs, litigants, and others	595,025	-	-	-	-	595,025
Accrued interest payable	61,389	-	-	-	-	61,389
Tax anticipation note	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Total liabilities	<u>9,287,978</u>	<u>285,246</u>	<u>208,017</u>	<u>-</u>	<u>1,414,581</u>	<u>11,195,822</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	8,580,335	-	-	-	-	8,580,335
Unavailable revenue - fire fees	-	154,793	-	-	-	154,793
Unearned revenue - intergovernmental	<u>-</u>	<u>-</u>	<u>795,804</u>	<u>-</u>	<u>4,000</u>	<u>799,804</u>
Total deferred inflows of resources	<u>8,580,335</u>	<u>154,793</u>	<u>795,804</u>	<u>-</u>	<u>4,000</u>	<u>9,534,932</u>
Fund balances:						
Restricted for -						
SPLOST capital projects	-	-	3,302,503	-	-	3,302,503
Judicial	-	-	-	-	85,196	85,196
Public safety	243,429	-	-	-	-	243,429
Public works	-	-	-	-	11,667	11,667
Health and welfare	-	-	-	-	17,602	17,602
Housing and development	-	-	-	639,830	-	639,830
Health insurance	66,320	-	-	-	-	66,320
Other purposes	11,105	-	-	-	-	11,105
Unassigned	<u>(439,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,806)</u>	<u>(441,390)</u>
Total fund balances	<u>(118,730)</u>	<u>-</u>	<u>3,302,503</u>	<u>639,830</u>	<u>112,659</u>	<u>3,936,262</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,749,583</u>	<u>\$ 440,039</u>	<u>\$ 4,306,324</u>	<u>\$ 639,830</u>	<u>\$ 1,531,240</u>	<u>\$ 24,667,016</u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total governmental fund balances	\$ 3,936,262
----------------------------------	--------------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. However, in the statement of net position the cost of these are capitalized and expensed over their estimated lives through annual depreciation expense.

Cost of capital assets	178,313,294	
Less accumulated depreciation	<u>(75,198,025)</u>	103,115,269

Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	203,237
---	---------

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds:

Unavailable revenue - property taxes	8,580,335
Unavailable revenue - fire fees	154,793

Amounts related to the pension plan are not expected to be liquidated with expendable financial resources and, therefore, are not reported in the funds:

Deferred outflows of resources	1,418,707	
Net pension liability	<u>(3,811,444)</u>	(2,392,737)

Assets and liabilities that are not due and payable in the current period, and, therefore, are not reported in the funds:

Note receivable	546,375	
Accrued interest	(333,045)	
Bonds payable	(37,197,811)	
Capital leases	(3,897,377)	
Compensated absences	(825,154)	
Landfill closure and postclosure care costs	(2,168,094)	
Nonexchange financial guarantee	<u>(8,705,000)</u>	<u>(52,580,106)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 61,017,053</u>
--	-----------------------------

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Fire and Rescue	SPLOST Capital Projects	Development Authority	Other Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	\$ 15,075,545	\$ -	\$ -	\$ -	\$ -	\$ 15,075,545
Other taxes	7,576,613	-	4,625,406	-	-	12,202,019
Licenses and permits	210,833	-	-	-	-	210,833
Intergovernmental	408,070	-	874,065	-	1,955,453	3,237,588
Charges for services	790,584	3,262,458	-	-	1,207,131	5,260,173
Fines and forfeitures	1,643,470	-	-	-	24,296	1,667,766
Investment income	15,205	30	6,163	27,257	69	48,724
Contributions and donations	98,937	-	-	-	96,936	195,873
Rental income	67,620	-	-	96,925	-	164,545
Other	74,193	190	-	-	-	74,383
Total revenues	<u>25,961,070</u>	<u>3,262,678</u>	<u>5,505,634</u>	<u>124,182</u>	<u>3,283,885</u>	<u>38,137,449</u>
EXPENDITURES:						
Current -						
General government	5,142,612	-	350	-	-	5,142,962
Judicial	3,380,495	-	-	-	274,720	3,655,215
Sheriff	7,863,291	-	-	-	71,825	7,935,116
Public safety	1,173,041	3,386,903	-	-	1,644,062	6,204,006
Public works	3,156,904	-	-	-	1,479,163	4,636,067
Health and welfare	399,954	-	-	-	830,994	1,230,948
Culture and recreation	407,375	-	-	-	-	407,375
Housing and development	446,582	-	-	9,985,441	-	10,432,023
Capital outlay	-	-	2,344,305	-	-	2,344,305
Debt service -						
Principal	249,900	161,381	4,285,000	-	266,016	4,962,297
Interest	252,814	55,165	394,184	591,201	45,582	1,338,946
Issuance cost	130,939	-	-	-	-	130,939
Intergovernmental	-	-	407,036	-	-	407,036
Total expenditures	<u>22,603,907</u>	<u>3,603,449</u>	<u>7,430,875</u>	<u>10,576,642</u>	<u>4,612,362</u>	<u>48,827,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,357,163</u>	<u>(340,771)</u>	<u>(1,925,241)</u>	<u>(10,452,460)</u>	<u>(1,328,477)</u>	<u>(10,689,786)</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from capital lease	398,402	-	-	-	-	398,402
Transfers from other funds	7,263,684	-	1,531,969	591,201	1,341,014	10,727,868
Transfers to other funds	(3,438,131)	(777,012)	-	(2,063,039)	-	(6,278,182)
Total other financing sources (uses)	<u>4,223,955</u>	<u>(777,012)</u>	<u>1,531,969</u>	<u>(1,471,838)</u>	<u>1,341,014</u>	<u>4,848,088</u>
SPECIAL ITEM:						
Proceeds from sale of ambulance services	-	1,117,783	-	-	-	1,117,783
NET CHANGE IN FUND BALANCES	7,581,118	-	(393,272)	(11,924,298)	12,537	(4,723,915)
FUND BALANCES:						
Beginning, as previously reported	(7,699,848)	-	3,695,775	-	100,122	(3,903,951)
Blending of component unit	-	-	-	12,564,128	-	12,564,128
Beginning, as restated	<u>(7,699,848)</u>	<u>-</u>	<u>3,695,775</u>	<u>12,564,128</u>	<u>100,122</u>	<u>8,660,177</u>
Ending	<u>\$ (118,730)</u>	<u>\$ -</u>	<u>\$ 3,302,503</u>	<u>\$ 639,830</u>	<u>\$ 112,659</u>	<u>\$ 3,936,262</u>

(The accompanying notes are an integral part of these 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, 2016

Net change in fund balances - total governmental funds \$ (4,723,915)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	14,197,380	
Depreciation expense	<u>(4,503,290)</u>	9,694,090

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (611,006)

Repayment of note receivable in rental income in the governmental funds, but the repayment reduces the note receivable asset in the statement of net position. (96,925)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(2,394,852)
Fire fees		48,376

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

Bond principal payments	4,285,000	
Nonexchange financial guarantee	(8,705,000)	
Capital lease proceeds	(398,402)	
Capital lease obligation payments	<u>677,297</u>	(4,141,105)

The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources. (42,536)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Accrued interest		(147,997)
Compensated absences		33,454
Landfill closure and postclosure care costs		(21,466)
Pension expense		<u>221,606</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,182,276)

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities		
	Major Fund	Nonmajor Fund	
	Landfill	Special Facilities	Total
ASSETS:			
CURRENT ASSETS:			
Cash	\$ 418	\$ 72,500	\$ 72,918
Receivables, net of allowances	125,800	-	125,800
Due from other funds	216,264	26,515	242,779
Total current assets	342,482	99,015	441,497
NONCURRENT ASSETS:			
Capital assets -			
Nondepreciable	552,778	169,000	721,778
Depreciable, net	1,225,850	356,873	1,582,723
Total noncurrent assets	1,778,628	525,873	2,304,501
Total assets	2,121,110	624,888	2,745,998
LIABILITIES AND NET POSITION:			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	394,844	40,024	434,868
Capital lease payable	61,394	-	61,394
Compensated absences	5,736	1,164	6,900
Total current liabilities	461,974	41,188	503,162
LONG-TERM LIABILITIES:			
Capital lease payable, net of current portion	260,196	-	260,196
Long-term debt	522,881	-	522,881
Landfill closure and postclosure care costs	2,163,043	-	2,163,043
Total long-term liabilities	2,946,120	-	2,946,120
Total liabilities	3,408,094	41,188	3,449,282
NET POSITION:			
Net investment in capital assets	934,157	525,873	1,460,030
Unrestricted (deficit)	(2,221,141)	57,827	(2,163,314)
Total net position	\$ (1,286,984)	\$ 583,700	\$ (703,284)

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities		
	Major Fund	Nonmajor Fund	
	Landfill	Special Facilities	Total
OPERATING REVENUES:			
Charges for services	\$ 1,486,642	\$ 133,006	\$ 1,619,648
Contributions	-	16,928	16,928
Total operating revenues	1,486,642	149,934	1,636,576
OPERATING EXPENSES:			
Salaries	439,080	217,530	656,610
Employee benefits	259,795	179,058	438,853
Purchased services	563,482	50,495	613,977
Landfill closure/postclosure care costs	165,796	-	165,796
Professional fees	129,984	8,100	138,084
Equipment rental	34,600	2,468	37,068
Repairs and maintenance	102,170	15,758	117,928
Depreciation	361,208	35,103	396,311
Supplies	57,481	48,554	106,035
Total operating expenses	2,113,596	557,066	2,670,662
OPERATING LOSS	(626,954)	(407,132)	(1,034,086)
NONOPERATING REVENUE (EXPENSES):			
Interest expense	(1,100)	-	(1,100)
Debt issuance costs	(10,000)	-	(10,000)
Gain on sale of capital assets	25,000	924,974	949,974
Total nonoperating revenue (expenses)	13,900	924,974	938,874
TRANSFERS OUT	-	(4,449,686)	(4,449,686)
CHANGE IN NET POSITION	(613,054)	(3,931,844)	(4,544,898)
NET POSITION:			
Beginning	(673,930)	4,515,544	3,841,614
Ending	\$ (1,286,984)	\$ 583,700	\$ (703,284)

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities		
	Major Fund	Nonmajor Fund	
	Landfill	Special Facilities	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,423,736	\$ 149,934	\$ 1,573,670
Payments to suppliers	(688,797)	(189,987)	(878,784)
Payments to employees	(682,785)	(389,755)	(1,072,540)
Net cash provided (used) by operating activities	52,154	(429,808)	(377,654)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	-	(4,449,686)	(4,449,686)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(409,105)	(891)	(409,996)
Proceeds from sale of capital assets	-	4,865,618	4,865,618
Proceeds from issuance of long-term debt	379,161	-	379,161
Debt issuance costs	(10,000)	-	(10,000)
Principal paid on capital lease obligations	(11,110)	-	(11,110)
Interest paid under capital lease obligations	(1,100)	-	(1,100)
Net cash used by capital and related financing activities	(52,154)	4,864,727	4,812,573
NET CHANGE IN CASH	-	(14,767)	(14,767)
CASH:			
Beginning	418	87,267	87,685
Ending	\$ 418	\$ 72,500	\$ 72,918
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (626,954)	\$ (407,132)	\$ (1,034,086)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities -			
Depreciation	361,208	35,103	396,311
Provisions for losses on accounts receivable	(4,500)	-	(4,500)
Landfill closure/postclosure care costs	165,796	-	165,796
Changes in assets and liabilities -			
Increase in accounts receivable	(58,406)	-	(58,406)
Increase in due to/from other funds	(163,461)	(64,113)	(227,574)
Increase in accounts payable and accrued expenses	379,172	13,015	392,187
Decrease in compensated absences	(701)	(6,681)	(7,382)
Net cash provided (used) by operating activities	\$ 52,154	\$ (429,808)	\$ (377,654)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital assets purchased with capital lease	\$ 357,700	\$ -	\$ 357,700

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ -	\$ 1,954,713
Investments, at fair value:		
Guaranteed fixed income account	3,186,823	-
Mutual funds	<u>194,337</u>	<u>-</u>
 Total assets	 <u>3,381,160</u>	 <u>1,954,713</u>
 LIABILITIES:		
Accounts payable	-	23,214
Due to other governments	-	825,543
Due to heirs, litigants, and others	<u>-</u>	<u>1,105,956</u>
 Total liabilities	 <u>-</u>	 <u>1,954,713</u>
 NET POSITION - RESTRICTED FOR PENSION BENEFITS	 <u>\$ 3,381,160</u>	 <u>\$ -</u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED SEPTEMBER 30, 2016

	Pension Trust Fund
ADDITIONS:	
Employer contributions	\$ 770,000
Investment appreciation in fair value of investments	329,842
Less investment expense	<u>51,415</u>
Net appreciation in fair value of investments	<u>278,427</u>
Total additions	<u>1,048,427</u>
DEDUCTIONS:	
Benefits	3,053,987
Insurance premiums	<u>20,436</u>
Total deductions	<u>3,074,423</u>
NET DECREASE IN PLAN NET POSITION	(2,025,996)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning	<u>5,407,156</u>
Ending	<u><u>\$ 3,381,160</u></u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity -

Walker County, Georgia (the County) was established under the laws of the State of Georgia and operates under an elected Sole Commissioner form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of its operational or financial relationship with the County. In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the financial reporting entity.

Blended Component Unit -

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. In prior years, the Development Authority was not included in the County's financial statements. In accordance with current guidance, the Development Authority was blended in the current year because the Development Authority's total debt outstanding is now expected to be repaid entirely with resources of the primary government. The statement of activities and the statement of revenues, expenditures and changes in fund balance include an adjustment to net position and fund balance to reflect this change.

Discretely Presented Component Unit -

The Walker County Health Department, an entity legally separate from the County, is governed by a seven-member board which includes the Commissioner of the County and several members appointed jointly by the area government's governing bodies. For financial reporting purposes, the Health Department is reported as if it were part of the County's operations because its purpose is to provide health care services and health education to the citizens of the County. Complete financial statements of the Health Department can be obtained from their office, located at: 603 E. Villanow St., LaFayette, Georgia, 30728.

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 County 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, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Related Organizations (continued) -

Walker County Department of Family and Children's Services:

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

Basis of Presentation -

Government-Wide Statements:

The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The County does not allocate indirect costs.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

Fund Financial Statements:

The County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Fund Accounting:

The County uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The County uses three categories of funds: governmental, proprietary, and fiduciary.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation (continued) -

Governmental Funds:

Governmental funds are the funds through which most functions typically associated with government are financed and accounted. The focus of governmental funds is on current financial resources, accounting for the acquisition, use, and balances of financial resources and related current liabilities as well as deferred outflows and deferred inflows of resources. Financial assets are segregated into a governmental fund according to the purposes for which they may be used, and liabilities are segregated in the governmental fund from which they are paid. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is fund balance. The County reports the following major governmental funds:

General Fund - This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

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. This fund also provided ambulance services on a charge for service basis to all the County residents through November 1, 2015 when the service was sold.

SPLOST Capital Projects Fund - This fund is used to account for the acquisition of assets, and other specific projects, with proceeds from special purpose local option sales tax (SPLOST).

Development Authority - This fund is a blended component unit, which accounts for aid and assistance in the promotion and establishment of new business and recreation within in the County.

Proprietary Funds:

Proprietary fund reporting focuses 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.

Fiduciary Funds:

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 fund types:

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation (continued) -

Fiduciary Funds (continued):

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, 2016, except for the Health Department discretely presented component unit. The component unit operates on a fiscal year ending June 30, 2016.

Measurement Focus -

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting -

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting (continued) -

Revenues - Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, the phrase “available for exchange transactions” means expected to be received within twelve months of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donations. On an accrual basis, revenue from sales taxes are recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest, and federal and state grants.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Budgetary Data -

The County 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 County Commissioner to actual operating figures. The County prepares annual operating budgets 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 each fiscal year.

The capital project funds have 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Encumbrances -

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not used by the County.

Deposits and Investments -

Deposits in excess of current requirements is invested in certificates of deposit with various maturities, transferred to interest-bearing savings accounts, invested in the Georgia local government investment pool, or invested in any corporation of the U.S. government. Deposits in excess of federally insured amounts are required to be collateralized by securities of the depository bank.

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 AAAs 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 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Receivables -

All trade and property tax receivables are reported net of an allowance for uncollectible, where applicable. The amount estimated to be uncollectible from property taxes receivable is \$648,000. Accounts receivable in the fire and rescue fund are estimated to be uncollectible for fire and rescue fees of \$72,000. Also, estimated uncollectible accounts receivable in the landfill proprietary fund are \$6,600.

Prepaid Expenses -

Prepaid assets are not recorded in the governmental funds; all amounts are expended as paid.

Note receivable -

The Development Authority was required to retire an outstanding debt it was a guarantor on in order to issue the 2015 bonds. This resulted in a note receivable from the company that was primarily responsible for the retired debt. The note receivable consists of a 4% fixed interest rate with monthly interest and principal payments of \$7,967 required until March 2023. At September 30, 2016, \$75,112 of the note receivable was current.

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. The County has reported infrastructure assets consistent with the retroactive reporting requirements of GASB Statement No. 34.

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. There was \$8,690 interest expense capitalized for the fiscal year ending September 30, 2016.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets (continued) -

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:

<u>Assets</u>	<u>Years</u>
Infrastructure	30-75
C and D landfill	15-20
Buildings and improvements	20-50
Machinery and equipment	5-15
Vehicles	6
Trucks and construction equipment	12-15
Furniture and fixtures	20
Software	5
Computers, radios, and electronics	5-7

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.”

Accounts Payable and Accrued Liabilities -

All payables and accrued liabilities are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(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 Equity -

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance -

Generally, fund balance represents the difference between the current assets and current liabilities. 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., Sole 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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. For the year ended September 30, 2016, the County had \$243,429 included in restricted net position for program purposes that were restricted by enabling legislation.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Outflows/Inflows of Resources (continued) -

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, 2016 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, 2016
Levy date	September 21, 2016
Due date	December 20, 2016
Delinquency date	December 21, 2016

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.

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 (i.e., they are netted).

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 Unit -

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.

(2) DEPOSITS AND INVESTMENTS:

Primary Government -

The following schedules classify the deposits and investments into three categories to give an indication of the level of risk assumed by the County at year end:

Deposit Categories of Custodial Credit Risk:

1. Insured or collateralized, with securities held by the County or by its agent in the County's name.
2. Collateralized, with securities held by the pledging financial institution's trust department or agent in the County's name.
3. Uncollateralized or collateralized, with securities held by the pledging financial institution or by its trust department or agent, but not in the County's name.

Investment Categories of Custodial Credit Risk:

1. Insured or registered, with securities held by the County or its agent in the County's name.
2. Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the County's name.
3. Uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the County's name.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(2) DEPOSITS AND INVESTMENTS (Continued):

Primary Government (continued) -

The following schedule of cash and cash equivalents and investments of all of the County's funds (including fiduciary funds) as of September 30, 2016, is categorized by custodial credit risk:

	Category			Carrying Amount	Bank Balance
	1	2	3		
<u>Cash and cash equivalents</u>					
Deposits with financial institutions	\$ 1,680,971	\$ 5,203,010	\$ 56,286	\$ 6,608,069	\$ 6,940,267

	Category			Carrying Amount	Credit Rating	Maturities	Weighted Average Maturity Days
	1	2	3				
<u>Investments</u>						less than	
Georgia Fund 1	\$ -	\$ 3,274,925	\$ -	\$ 3,274,925	AAAf	6 months	35
<u>Pension Trust Fund Investments</u>							
Guaranteed fixed income account	\$ -	\$ 3,186,823	\$ -	\$ 3,186,823	N/A	less than 6 months	N/A
Mutual funds	-	194,337	-	194,337	N/A	less than 6 months	N/A
	\$ -	\$ 3,381,160	\$ -	\$ 3,381,160			

The deposits of the County are included in the following classifications at September 30, 2016.

Cash and cash equivalents	\$ 3,518,555
Restricted cash	1,134,801
Cash and cash equivalents - agency funds	<u>1,954,713</u>
Total deposits with financial institutions	<u>\$ 6,608,069</u>

Component Unit -

The Walker County Health Department's cash and cash equivalents are considered to be demand deposits. All deposits were entirely insured or collateralized as of June 30, 2016.

At June 30, 2016, cash and cash equivalents consisted of the following:

Cash and cash equivalents	<u>\$ 1,204,236</u>
---------------------------	---------------------

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(2) DEPOSITS AND INVESTMENTS (Continued):

Fair Value Measurements -

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 County has the following recurring fair value measurements as of September 30, 2016.

	Level 1	Level 2	Level 3	Total Fair Value
<u>Pension Trust Fund Investments</u>				
Guaranteed fixed income account	\$ -	\$ -	\$ 3,186,823	\$ 3,186,823
Mutual funds	<u>194,337</u>	<u>-</u>	<u>-</u>	<u>194,337</u>
	<u>\$ 194,337</u>	<u>\$ -</u>	<u>\$ 3,186,323</u>	<u>\$ 3,381,160</u>
<u>Investments not subject to level disclosure</u>				
Georgia Fund 1				<u>\$ 3,274,925</u>

The pension trust fund investments have been valued using prices quoted in active markets for those investments classified in Level 1. Level 3 investments are valued using third party valuations not currently observable in the market.

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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(3) CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balances</u>
GOVERNMENTAL ACTIVITIES:					
Nondepreciable capital assets:					
Land	\$ 6,992,340	\$ 2,119,614	\$ -	\$ -	\$ 9,111,954
Construction in progress	<u>2,740,540</u>	<u>1,467,021</u>	<u>346,163</u>	<u>(2,394,426)</u>	<u>1,466,972</u>
Total nondepreciable capital assets	<u>9,732,880</u>	<u>3,586,635</u>	<u>346,163</u>	<u>(2,394,426)</u>	<u>10,578,926</u>
Depreciable capital assets:					
Infrastructure	96,565,860	2,678,377	-	596,466	99,840,703
Buildings and improvements	33,806,136	7,402,222	-	1,423,781	42,632,139
Machinery and equipment	8,165,998	416,625	662,086	765,740	8,686,277
Vehicles	14,152,048	113,521	1,331,490	-	12,934,079
Trucks and construction equipment	<u>4,032,731</u>	<u>-</u>	<u>-</u>	<u>(391,561)</u>	<u>3,641,170</u>
Total depreciable capital assets	<u>156,722,773</u>	<u>10,610,745</u>	<u>1,993,576</u>	<u>2,394,426</u>	<u>167,734,368</u>
Less accumulated depreciation:					
Infrastructure	45,132,830	2,403,349	-	-	47,536,179
Buildings and improvements	7,484,664	799,866	-	-	8,284,530
Machinery and equipment	5,229,681	680,439	502,606	-	5,407,514
Vehicles	10,873,862	562,896	1,226,127	-	10,210,631
Trucks and construction equipment	<u>3,702,431</u>	<u>56,740</u>	<u>-</u>	<u>-</u>	<u>3,759,171</u>
Total accumulated depreciation	<u>72,423,468</u>	<u>4,503,290</u>	<u>1,728,733</u>	<u>-</u>	<u>75,198,025</u>
Total depreciable capital assets, net	<u>84,299,305</u>	<u>6,107,455</u>	<u>264,843</u>	<u>2,394,426</u>	<u>92,536,343</u>
Governmental activities capital assets, net	<u>\$ 94,032,185</u>	<u>\$ 9,694,090</u>	<u>\$ 611,006</u>	<u>\$ -</u>	<u>\$ 103,115,269</u>

Beginning capital assets of the governmental activities changed to reflect the addition of the Development Authority as a blended component unit in the current year. See Note 20 for further explanation. The changes reflect an additional \$4,377,151 of nondepreciable capital assets and an increase of \$10,318,209 to depreciable capital assets.

Governmental activities depreciation expense was as follows:

General government	\$ 212,697
Judicial	58,095
Sheriff	340,478
Public safety	791,756
Public works	2,512,615
Health and welfare	205,099
Culture and recreation	87,951
Housing and development	<u>294,599</u>
	<u>\$4,503,290</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(3) CAPITAL ASSETS (Continued):

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balances</u>
BUSINESS-TYPE ACTIVITIES:					
Landfill:					
Nondepreciable capital assets:					
Construction in progress	\$ 143,673	\$ 409,105	\$ -	\$ -	\$ 552,778
Depreciable capital assets:					
C and D Landfill	4,985,021	-	-	-	4,985,021
Buildings and improvements	306,771	-	-	-	306,771
Machinery and equipment	1,756,274	357,700	370,000	-	1,743,974
Vehicles	49,148	-	-	-	49,148
Furniture and fixtures	2,172	-	-	-	2,172
Software	1,508	-	-	-	1,508
Computers, radios, and electronics	<u>21,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,150</u>
Total depreciable capital assets	<u>7,122,044</u>	<u>357,700</u>	<u>370,000</u>	<u>-</u>	<u>7,109,744</u>
Less accumulated depreciation:					
C and D landfill	4,137,568	299,101	-	-	4,436,669
Buildings and improvements	137,262	7,740	-	-	145,002
Machinery and equipment	1,551,837	52,180	370,000	-	1,234,017
Vehicles	43,849	1,445	-	-	45,294
Furniture and fixtures	994	109	-	-	1,103
Software	1,508	-	-	-	1,508
Computers, radios, and electronics	<u>19,668</u>	<u>633</u>	<u>-</u>	<u>-</u>	<u>20,301</u>
Total accumulated depreciation	<u>5,892,686</u>	<u>361,208</u>	<u>370,000</u>	<u>-</u>	<u>5,883,894</u>
Total depreciable capital assets, net	<u>1,229,358</u>	<u>(3,508)</u>	<u>-</u>	<u>-</u>	<u>1,225,850</u>
Landfill capital assets, net	<u>\$ 1,373,031</u>	<u>\$ 405,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,778,628</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(3) CAPITAL ASSETS (Continued):

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balances</u>
BUSINESS-TYPE ACTIVITIES (continued):					
Special Facilities:					
Nondepreciable capital assets:					
Land	\$ 1,943,284	\$ -	\$ 1,774,284	\$ -	\$ 169,000
Depreciable capital assets:					
Buildings and improvements	2,370,247	-	2,024,059	-	346,188
Furniture and fixtures	400,808	891	328,706	-	72,993
Computers, radios, and electronics	92,147	-	92,147	-	-
Total depreciable capital assets	<u>2,863,202</u>	<u>891</u>	<u>2,444,912</u>	<u>-</u>	<u>419,181</u>
Less accumulated depreciation:					
Buildings and improvements	210,775	20,503	185,193	-	46,085
Furniture and fixtures	65,486	10,269	59,532	-	16,223
Computers, radios, and electronics	29,496	4,331	33,827	-	-
Total accumulated depreciation	<u>305,757</u>	<u>35,103</u>	<u>278,552</u>	<u>-</u>	<u>62,308</u>
Total depreciable capital assets, net	<u>2,557,445</u>	<u>(34,212)</u>	<u>2,166,360</u>	<u>-</u>	<u>356,873</u>
Special facilities capital assets, net	<u>\$ 4,500,729</u>	<u>\$ (34,212)</u>	<u>\$ 3,940,644</u>	<u>\$ -</u>	<u>\$ 525,873</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
COMPONENT UNIT:				
Health Department:				
Depreciable capital assets:				
Machinery and equipment	\$ 50,741	\$ -	\$ -	\$ 50,741
Less accumulated depreciation:				
Machinery and equipment	36,605	2,570	-	39,175
Health Department capital assets, net	<u>\$ 14,136</u>	<u>\$ (2,570)</u>	<u>\$ -</u>	<u>\$ 11,566</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(4) TAX ANTICIPATION NOTE:

On June 16, 2016, the County obtained Tax Anticipation Notes (TAN), Series 2016 in the amount of \$5,000,000. The proceeds of the TAN were provided to the general fund as operating resources for the County. Interest at 4.25% is due on maturity. The TAN is due and payable on December 31, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due in One Year</u>	<u>Accrued Interest</u>
Governmental Activities:						
TAN, Series 2015	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -
TAN, Series 2016	-	5,000,000	-	5,000,000	5,000,000	61,389
	<u>\$ 10,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 61,389</u>

(5) LONG-TERM LIABILITIES:

The following is a summary of the County's long-term liabilities transactions for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due in One Year</u>	<u>Accrued Interest</u>
Governmental Activities:						
Bonds payable	\$ 41,630,000	\$ -	\$ 4,285,000	\$ 37,345,000	\$ 4,870,000	\$ 205,386
Bond discount	(147,189)	-	-	(147,189)	-	-
Capital leases	4,176,272	398,402	677,297	3,897,377	768,550	68,751
Compensated absences	858,608	47,054	80,508	825,154	472,715	-
Landfill postclosure care costs	2,146,628	21,466	-	2,168,094	127,535	-
Nonexchange financial guarantee	-	8,705,000	-	8,705,000	-	58,908
Net pension liability	<u>3,282,160</u>	<u>529,284</u>	<u>-</u>	<u>3,811,444</u>	<u>-</u>	<u>-</u>
	<u>\$ 51,946,479</u>	<u>\$ 9,701,206</u>	<u>\$ 5,042,805</u>	<u>\$ 56,604,880</u>	<u>\$ 6,238,800</u>	<u>\$ 333,045</u>

The beginning balances for the changes in long-term liabilities have been adjusted to reflect the addition of the Development Authority as a blended component unit in the current year. See Note 20 for further explanation. The changes reflect an additional \$15,230,000 to bonds payable and a bond discount of \$147,189.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due in One Year</u>	<u>Accrued Interest</u>
Business-Type Activities:						
Capital leases	\$ -	\$ 332,700	\$ 11,110	\$ 321,590	\$ 61,394	\$ -
Note payable	143,720	379,161	-	522,881	-	-
Compensated absences	14,282	-	7,382	6,900	6,900	-
Landfill closure and postclosure care costs	<u>1,997,248</u>	<u>165,795</u>	<u>-</u>	<u>2,163,043</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,155,250</u>	<u>\$ 877,656</u>	<u>\$ 18,492</u>	<u>\$ 3,014,414</u>	<u>\$ 68,294</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(5) LONG-TERM LIABILITIES (Continued):

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, 2016, are as follows:

	Governmental Activities	
	Bonds	
	Principal	Interest
Year ending September 30, 2017	\$ 4,870,000	\$ 1,017,046
2018	4,985,000	935,218
2019	5,100,000	849,609
2020	5,220,000	760,143
2021	4,505,000	672,981
2022-2026	3,025,000	2,885,118
2027-2031	3,735,000	2,167,895
2032-2036	4,785,000	1,115,960
2037	1,120,000	61,600
	<u>\$ 37,345,000</u>	<u>\$ 10,465,570</u>

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 1.625%. Principal payments due range in amounts from \$4,285,000 to \$3,965,000. Principal payments will begin 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 2.0% to 5.5% with principal payments due in the amounts ranging from \$490,000 to \$1,120,000. Principal payments will begin 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(5) LONG-TERM LIABILITIES (Continued):

Capital Leases -

The County leases 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>2,140,009</u>	<u>5,962</u>	<u>2,145,971</u>
 Capital lease assets, net	 <u>\$ 3,309,350</u>	 <u>\$ 351,738</u>	 <u>\$ 3,661,088</u>

Future minimum lease payments at September 30, 2016, are as follows:

	Governmental Activities	Business-Type Activities Landfill	Total
Year ending September 30, 2017	\$ 927,149	\$ 73,258	\$ 1,000,407
2018	944,642	73,258	1,017,900
2019	1,461,605	202,525	1,664,130
2020	434,868	-	434,868
2021	345,915	-	345,915
2022	<u>216,546</u>	<u>-</u>	<u>216,546</u>
 Total minimum lease payments	 4,330,725	 349,041	 4,679,766
Less: deferred interest	<u>433,348</u>	<u>27,451</u>	<u>460,799</u>
 Present value minimum lease payments	 <u>\$ 3,897,377</u>	 <u>\$ 321,590</u>	 <u>\$ 4,218,967</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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(5) LONG-TERM LIABILITIES (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, 2016, outstanding principal was \$522,881, and \$477,119 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, 2016, are as follows:

	<u>Business-Type Activities</u>	
	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending September 30, 2017	\$ -	\$ 15,897
2018	9,671	15,836
2019	19,787	15,330
2020	20,395	14,722
2021	21,021	14,096
2022-2026	115,200	60,384
2027-2031	134,018	41,566
2032-2036	155,911	19,673
2037-2038	<u>46,878</u>	<u>1,114</u>
	<u>\$ 522,881</u>	<u>\$ 198,618</u>

(6) 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, 2016, the aggregate principal amount of debt issued by the Development Authority as conduit debt totaled \$175,000,000.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(7) INTERFUND BALANCES AND ACTIVITY:

Balances Due To/From Other Funds -

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

Nonmajor governmental funds to general fund	\$ 467,131
General fund to fire and rescue	227,931
General fund to nonmajor governmental funds	6,687
General fund to landfill	109,390
General fund to special facilities	26,515
Fire and rescue to nonmajor governmental funds	4,239
Nonmajor governmental funds to SPLOST capital projects	708,490
Nonmajor governmental funds to landfill	<u>106,874</u>
	<u>\$ 1,657,257</u>

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

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 SPLOST 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 SPLOST capital projects fund for expenditure.

The due from the general fund to the fire and rescue fund is the result of the transfer of the sale proceeds from the ambulance service.

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

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(7) INTERFUND BALANCES AND ACTIVITY (Continued):

Transfers To/From Other Funds -

Transfers to/from other funds for the year ended September 30, 2016, consist of the following:

From the general fund to the development authority for bond interest payment	\$ 591,201
From the general fund to the E911 fund for operating expenditures	582,253
From the general fund to the multiple grant fund for county matching requirements	280,978
From the general fund to the transportation fund for operating expenditures	451,730
From the general fund to the SPLOST capital projects fund	1,531,969
From the development authority to the general fund for civic center proceeds	2,063,039
From fire and rescue fund to the general fund	750,959
From fire and rescue fund to the multiple grant fund for required match on a grant award	26,053
From the special facilities fund to the general fund	<u>4,449,686</u>
	<u>\$ 10,727,868</u>

The transfer from the general fund to the SPLOST capital projects fund was for the County's match on certain grants accounted for in the SPLOST capital projects fund and to supplement the fund short fall for debt service.

The transfer from the fire and rescue fund to the general fund was for the excess of revenue over expenditures due to the sale of the ambulance service.

The transfer from the special facilities fund to the general fund was for the excess of revenue over expenditures due to the transfer of Mountain Cove Farm.

(8) DEFINED BENEFIT PENSION PLAN:

Primary Government -

Plan Administration:

One hundred three (103) 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 Governmental Accounting Standards Board. The plan does not issue separate financial statements but includes the financial statements and required supplementary information in the County's annual financial report.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

Plan Membership:

As of January 1, 2016, 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	101
Active participants - at or above retirement age	<u>2</u>
	<u>163</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, 2016, the County's contribution rate was 4.75% of covered payroll.

Net Pension Liability:

The County's net pension liability was measured as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

Net Pension Liability (continued):

Actuarial Assumptions -

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0%
Projected salary increases	4.0% per year
Investment rate of return	5.0% 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, 2016 valuations were based on the results of the most recent experience study which was completed December 2016.

The long-term expected rate of return on assets of 5.0% 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:

	Long-Term Expected Real <u>Rate of Return</u>	Target <u>Allocation</u>
Equity securities	10%	20%
Debt securities	5%	80%
		<u>100%</u>

Discount Rate -

The discount rate used to measure the total pension liability was 4.96%. 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 3.20% was used in the development of the blended discount rate after that point. The 3.20% rate is based on the S&P Municipal Bond 20 Year High Grade Rated Index. Based on the long-term rate of return of 5.0% and the municipal bond rate of 3.20%, the blended discount rate would be 4.96%.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

Net Pension Liability (continued):

Changes in the Net Position Liability -

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2015	\$ 8,475,612	\$ 5,193,452	\$ 3,282,160
Charges for the year:			
Service cost	226,555	-	226,555
Interest	505,649	-	505,649
Differences between expected and actual experience	7,761	-	7,761
Changes in actuarial assumptions	681,701	-	681,701
Contributions	-	790,436	(790,436)
Net investment income	-	122,382	(122,382)
Benefit payments	(413,705)	(413,705)	-
Administrative expense	-	(20,436)	20,436
Net changes	1,007,961	478,677	529,284
Balances at January 1, 2016	\$ 9,483,573	\$ 5,672,129	\$ 3,811,444

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 4.96%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.96%) or 1-percentage-point higher (5.96%) than the current rate:

	1% Decrease 3.96%	Current 4.96%	1% Increase 5.96%
Discount rate			
Net pension liability	\$ 4,611,237	\$ 3,811,444	\$ 3,123,334

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, 2016.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

Pension Expense and Deferred Outflows of Resources:

For the year ended September 30, 2016, the County recognized pension expense of \$548,394. At September 30, 2016, 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	\$ 36,263
Differences resulting from changes in actuarial assumptions	540,854
Net difference between projected and actual earnings on pension plan investments	211,590
Contributions subsequent to the measurement date of January 1, 2016*	<u>630,000</u>
	<u>\$ 1,418,707</u>

*The amount shown for “contribution subsequent to the measurement date of January 1, 2016,” 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, 2017	\$ 208,330
2018	208,330
2019	208,330
2020	<u>163,717</u>
	<u>\$ 788,707</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, 2016, were as follows:

	<u>Fair Value</u>	<u>% of Total</u>
Guaranteed fixed income	\$ 3,186,823	94.25%
Balanced funds	82,822	2.45%
Government/Corporate bond funds	15,148	0.45%
Equity growth funds	<u>96,367</u>	<u>2.85%</u>
	<u>\$ 3,381,160</u>	<u>100.00%</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) DEFINED BENEFIT PENSION PLAN (Continued):

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.

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% of annual compensation, up to \$4,200, plus 6% 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, 2016 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 \$158,404 for the year ended June 30, 2016. 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) DEFINED BENEFIT PENSION PLAN (Continued):

Component Unit (continued) -

At June 30, 2016, 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, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015. At June 30, 2015, the Employer's proportion was 0.030680%, which was an increase of 0.003270% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Health Department recognized pension expense of \$93,231. At June 30, 2016, 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
Differences between expected and actual experience	\$ -	\$ 9,931
Net difference between projected and actual earnings on Pension plan investments	-	89,682
Changes in proportion and differences between employer contributions and proportionate share contributions	91,548	19,732
Employer contributions subsequent to the measurement date	158,404	-
	<u>\$ 249,952</u>	<u>\$ 119,345</u>

Health Department contributions subsequent to the measurement date of \$158,404 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 June 30, 2017	\$ (5,294)
2018	(12,768)
2019	(39,973)
2020	<u>30,238</u>
	<u>\$ (27,797)</u>

The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Projected salary increases	5.5% - 9.3%, including inflation
Investment rate of return	6.5%, net of pension plan investment expense, including inflation

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) DEFINED BENEFIT PENSION PLAN (Continued):

Component Unit (continued) -

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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 - June 30, 2009.

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:

	Long-Term Expected Real <u>Rate of Return*</u>	Target <u>Allocation</u>
Fixed income	3.0%	30.0%
Domestic large equities	6.5%	39.7%
Domestic mid equities	10.0%	3.7%
Domestic small equities	13.0%	1.6%
International developed market equities	6.5%	18.9%
International emerging market equities	11.0%	6.1%
		<u>100%</u>

*Rates shown are net of the 3.0% 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(8) 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	6.5%	7.5%	8.5%
Employer's proportionate share of the net pension liability	\$ 1,761,953	\$ 1,242,969	\$ 800,515

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

(9) 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
30-39	4
40-49	5
50-59	6
60 and up	7

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, 2016 for employer contributions. The County recognized pension expense \$463,934 with no forfeitures available to reduce this amount for the year ended September 30, 2016. As of September 30, 2016, the County has \$803,400 of pension expense accrued.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(10) 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 2016 plan year are:

Number of participants	30
Participant contributions	\$82,120

(11) 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. The benefit expenditure at September 30, 2016, was \$67,875, net of any participant contributions. Twenty-six retirees were receiving benefits at September 30, 2016. 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.

(12) FUND DEFICITS:

At September 30, 2016, the general fund had a deficit fund balance of \$118,730. This fund deficit will be alleviated through an increase in the millage rate for current year property tax, a decrease in personnel costs and the decreased need to supplement other funds.

At September 30, 2016, the landfill had a deficit net position of \$1,286,984. This deficit will be reduced through increased user charges, a decrease in contracted services and general fund appropriation, as needed.

At September 30, 2016, the transportation fund had a deficit fund balance of \$1,806. This deficit will be reduced through general fund appropriation, as needed.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(13) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Compliance with Finance Related Legal and Contractual Provisions -

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

Excess of Expenditures Over Appropriations -

For the year ended September 30, 2016, the County had expenditures exceed appropriations in the following funds and departments:

General fund -	
General government	\$ 835,442
Judicial	\$ 190,256
Sheriff	\$ 212,290
Public safety	\$ 356,046
Highways and streets	\$ 380,554
Health and welfare	\$ 11,964
Transfers to other funds	\$ 1,603,410
E911 fund -	
Public safety	\$ 85,311
Multiple grant fund -	
Public works	\$ 1,358,108
Connection fund -	
Health and welfare	\$ 462
Transportation fund -	
Health and welfare	\$ 115,916

(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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(14) RISK MANAGEMENT (Continued):

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, 2016, management believes that the County has made provisions sufficient to cover estimated claims, including claims incurred but not yet reported.

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

Unpaid claims - September 30, 2014	\$ 142,117
Incurred claims (including claims incurred but not reported)	3,685,505
Claims paid during fiscal year 2015	<u>3,614,525</u>
Unpaid claims - September 30, 2015	213,097
Incurred claims (including claims incurred but not reported)	3,582,037
Claims paid during fiscal year 2016	<u>3,667,992</u>
Unpaid claims - September 30, 2016	<u><u>\$ 127,142</u></u>

(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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(15) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued):

At September 30, 2016, the County had incurred a liability of approximately \$2,163,043 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 EPA requirements. In addition, the County will be required to monitor various wells for a period of time. At September 30, 2016, a liability for postclosure care costs is recorded in the amount of \$2,168,094, 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.

(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.

(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.

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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(17) COMMITMENTS AND CONTINGENCIES (Continued):

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. Catoosa County and Dade County are also parties to the same contract.

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 Hutcheson property, which provided a \$1,295,000 credit toward any ultimate liability for the \$10 million cap on the line of credit guarantee.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(17) COMMITMENTS AND CONTINGENCIES (Continued):

Contingency (continued) -

The County's liability could be a minimum of zero or could be a maximum of \$8,705,000 (\$10 million max, less \$1,295,000 credit). The County recorded a nonexchange financial guarantee liability of \$8,705,000 plus accrued interest on the statement of net position at September 30, 2016.

In March 2015, the County paid the \$4,178,423 liability that had been recognized in a prior year as a nonexchange financial guarantee for the Regions loan to Hutcheson Medical Center.

(18) RELATED PARTY TRANSACTIONS:

The Walker County Water and Sewerage Authority is a related organization of the County. As of September 30, 2016, the County had borrowed \$1,000,000 for various operating expenses. The balance at September 30, 2016, has a promissory note that will bear interest at a rate per annum equal to 5%. Accrued interest and the principal balance are due on December 31, 2016 and was paid to Walker County Water and Sewerage Authority in December 2016. This loan is included in due to other governments on the statement of net position.

(19) SALE OF AMBULANCE SERVICES:

On November 1, 2015, the County entered into an agreement with an ambulance service provider to have available reliable ambulance service on a cost effect basis to Walker County residents. In connection with the agreement, on November 1, 2015, the County sold the assets and liabilities comprising its ambulance service operations to the ambulance service provider. As a result of this sale, the County recognized a gain of \$1,117,783 on the fund level and \$852,940 on the government-wide level for the disposal of its ambulance service operations as a special item. The County's 2016 program revenues and expenses related to its ambulance service operations totaled \$181,824 and \$276,236, respectively. Revenues and expenditures of the ambulance service operations were the same on the fund level and are reported in the fire and rescue fund.

(20) BLENDING OF COMPONENT UNIT:

In prior years, the Development Authority was treated as a related organization of the County. For the year ended September 30, 2016, the Development Authority is being reported as a blended component unit. In accordance with current guidance, the Development Authority was blended in the current year because the Development Authority's total debt outstanding is now expected to be repaid entirely with resources of the primary government. As a result, beginning net position on page 2 and beginning fund balance on page 5, have been restated to reflect this change in presentation. Beginning net position increased by \$12,819,977 and beginning fund balance increased by \$12,564,128. Also, beginning capital asset balances in Note 3 and beginning long-term liabilities balances in Note 5 have changed to reflect the addition of the Development Authority as a blended component unit.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(21) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through July 20, 2017, the date which this financial statement was available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	Budget			Variance
	Original	Final	Actual	with Final Budget
REVENUE:				
Taxes	\$ 13,047,360	\$ 13,047,360	\$ 15,075,545	\$ 2,028,185
Other taxes	7,227,100	7,227,100	7,576,613	349,513
Licenses and permits	143,900	143,900	210,833	66,933
Intergovernmental	355,650	355,650	408,070	52,420
Charges for services	758,500	758,500	790,584	32,084
Fines and forfeitures	1,487,250	1,487,250	1,643,470	156,220
Investment earnings	14,000	14,000	15,205	1,205
Contributions and donations	-	-	98,937	98,937
Rental income	57,360	57,360	67,620	10,260
Other	31,850	31,850	74,193	42,343
Total revenue	23,122,970	23,122,970	25,961,070	2,838,100
EXPENDITURES:				
General Government -				
Governing body	657,907	657,907	902,822	244,915
Elections	445,180	445,180	289,191	(155,989)
Accounting	272,650	272,650	388,074	115,424
Licensing	8,000	8,000	8,100	100
Legal	177,450	177,450	194,758	17,308
Data processing	78,040	78,040	109,749	31,709
Employee health clinic	-	-	150,187	150,187
Tax commissioner	999,560	999,560	1,094,550	94,990
Tax assessor	1,083,307	1,083,307	1,106,865	23,558
Board of equalization	6,000	6,000	6,323	323
Risk management	-	-	211,750	211,750
General government buildings and plant	373,500	373,500	383,602	10,102
Marsh Warthen house	10,900	10,900	9,229	(1,671)
Records management	64,291	64,291	150,943	86,652
General administration fees	60,000	60,000	56,896	(3,104)
Special projects	70,385	70,385	79,573	9,188
Total general government	4,307,170	4,307,170	5,142,612	835,442
Judicial -				
Clerk of courts	697,267	697,267	674,069	(23,198)
Superior court	142,900	142,900	133,302	(9,598)
District attorney	377,340	377,340	469,490	92,150
State court	341,400	341,400	323,650	(17,750)
State court solicitor	328,585	328,585	273,468	(55,117)
Magistrate court	329,971	329,971	346,301	16,330
Probate court	276,700	276,700	261,543	(15,157)
Juvenile court	414,900	414,900	584,953	170,053
Public defender	228,600	228,600	257,848	29,248
Court reporter	52,576	52,576	55,871	3,295
Total judicial	3,190,239	3,190,239	3,380,495	190,256

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	Budget			Variance with Final Budget
	Original	Final	Actual	
Sheriff -				
Law enforcement administration	659,907	659,907	1,677,322	1,017,415
Criminal investigation	850,294	850,294	716,143	(134,151)
Vice control	88,171	88,171	118,034	29,863
Patrol	2,047,655	2,047,655	2,105,168	57,513
Custody of prisoners	2,451,159	2,451,159	2,082,754	(368,405)
Champs program	249,554	249,554	146,592	(102,962)
Training	115,487	115,487	135,476	19,989
Special detail services	3,420	3,420	13,244	9,824
Sheriff's office and building	142,500	142,500	94,968	(47,532)
Court services	1,025,856	1,025,856	769,870	(255,986)
Bailiff	16,998	16,998	3,720	(13,278)
Total sheriff	7,651,001	7,651,001	7,863,291	212,290
Public Safety -				
County police	482,585	482,585	505,521	22,936
Medical services	-	-	250,000	250,000
Coroner/medical examiner	81,120	81,120	89,143	8,023
Animal control	253,290	253,290	328,377	75,087
Total public safety	816,995	816,995	1,173,041	356,046
Highways and Streets -				
Highways and streets administration	448,450	448,450	614,964	166,514
Paved streets	913,000	913,000	1,115,105	202,105
Other maintenance	480,300	480,300	563,272	82,972
Bridges, viaducts and grade separations	20,000	20,000	-	(20,000)
Traffic engineering	107,350	107,350	44,544	(62,806)
Closure and postclosure costs	94,200	94,200	79,465	(14,735)
Maintenance and shop	713,050	713,050	739,554	26,504
Total highways and streets	2,776,350	2,776,350	3,156,904	380,554
Health and welfare -				
Public health administration	200,000	200,000	156,462	(43,538)
Children's crisis center	10,000	10,000	-	(10,000)
Health department building and plant	25,420	25,420	23,207	(2,213)
Intergovernmental welfare payments	43,000	43,000	57,864	14,864
Other welfare payments	1,500	1,500	54,505	53,005
DFACS building and plant	16,500	16,500	14,390	(2,110)
Meals on wheels	89,400	89,400	86,566	(2,834)
Senior center	2,170	2,170	6,960	4,790
Total health and welfare	387,990	387,990	399,954	11,964

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation -				
Civic center	224,084	224,084	203,928	(20,156)
Other recreational facilities	7,476	7,476	28,880	21,404
Agricultural center	31,150	31,150	18,073	(13,077)
Historical preservation	3,500	3,500	2,669	(831)
Library administration	<u>153,824</u>	<u>153,824</u>	<u>153,825</u>	<u>1</u>
Total culture and recreation	<u>420,034</u>	<u>420,034</u>	<u>407,375</u>	<u>(12,659)</u>
Housing and Development -				
County agent	81,150	81,150	62,338	(18,812)
Forest resources	-	-	12,468	12,468
Planning and zoning	144,910	144,910	145,662	752
Economic development	<u>249,600</u>	<u>249,600</u>	<u>226,114</u>	<u>(23,486)</u>
Total housing and development	<u>475,660</u>	<u>475,660</u>	<u>446,582</u>	<u>(29,078)</u>
Debt Service -				
Principal	1,284,757	1,284,757	249,900	(1,034,857)
Interest	-	-	252,814	252,814
Issuance costs	<u>-</u>	<u>-</u>	<u>130,939</u>	<u>130,939</u>
Total debt service	<u>1,284,757</u>	<u>1,284,757</u>	<u>633,653</u>	<u>(651,104)</u>
Total expenditures	<u>21,310,196</u>	<u>21,310,196</u>	<u>22,603,907</u>	<u>1,293,711</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,812,774</u>	<u>1,812,774</u>	<u>3,357,163</u>	<u>1,544,389</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	6,928,657	-	(6,928,657)
Proceeds from capital lease	-	-	398,402	398,402
Transfers from other funds	-	-	7,263,684	7,263,684
Transfers to other funds	<u>(1,834,721)</u>	<u>(1,834,721)</u>	<u>(3,438,131)</u>	<u>(1,603,410)</u>
Total other financing sources (uses)	<u>(1,834,721)</u>	<u>5,093,936</u>	<u>4,223,955</u>	<u>(869,981)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (21,947)</u>	<u>\$ 6,906,710</u>	7,581,118	<u>\$ 674,408</u>
FUND BALANCES:				
Beginning			<u>(7,699,848)</u>	
Ending			<u>\$ (118,730)</u>	

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
FIRE & RESCUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 5,641,889	\$ 5,641,889	\$ 3,262,678	\$ (2,379,211)
EXPENDITURES	<u>5,641,889</u>	<u>5,641,889</u>	<u>3,603,449</u>	<u>(2,038,440)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(340,771)</u>	<u>(340,771)</u>
OTHER FINANCING USES:				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(777,012)</u>	<u>(777,012)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(777,012)</u>	<u>(777,012)</u>
SPECIAL ITEM:				
Proceeds from sale of ambulance services	<u>-</u>	<u>-</u>	<u>1,117,783</u>	<u>1,117,783</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (1,117,783)</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT AUTHORITY
YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES	\$ -	\$ 124,182	\$ 124,182	\$ -
EXPENDITURES	-	<u>10,576,642</u>	<u>10,576,642</u>	-
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	<u>(10,452,460)</u>	<u>(10,452,460)</u>	-
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	591,201	591,201	-
Transfers to other funds	-	<u>(2,063,039)</u>	<u>(2,063,039)</u>	-
Total other financing uses	-	<u>(1,471,838)</u>	<u>(1,471,838)</u>	-
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (11,924,298)</u>	<u>(11,924,298)</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning, as previously reported			-	
Blending of component unit			<u>12,564,128</u>	
Beginning, as restated			<u>12,564,128</u>	
Ending			<u>\$ 639,830</u>	

WALKER COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

(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.

(2) EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

For the year ended September 30, 2016, the County had expenditures exceed appropriations in the following funds and departments:

General fund -	
General government	\$ 835,442
Judicial	\$ 190,256
Sheriff	\$ 212,290
Public safety	\$ 356,046
Highways and streets	\$ 380,554
Health and welfare	\$ 11,964
Transfers to other funds	\$ 1,603,410
E911 fund -	
Public safety	\$ 85,311
Multiple grant fund -	
Public works	\$ 1,358,108
Connection fund -	
Health and welfare	\$ 462
Transportation fund -	
Health and welfare	\$ 115,916

WALKER COUNTY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND
RELATED RATIOS
LAST 10 YEARS*

	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY:		
Service cost	\$ 226,555	\$ 274,417
Interest on total pension liability	505,649	554,233
Difference between expected and actual experience	7,761	47,438
Changes in actuarial assumptions	681,701	-
Benefit payments	<u>(413,705)</u>	<u>(2,840,762)</u>
Net change in total pension liability	1,007,961	(1,964,674)
PENSION LIABILITY:		
Beginning	<u>8,475,612</u>	<u>10,440,286</u>
Ending (a)	<u><u>\$ 9,483,573</u></u>	<u><u>\$ 8,475,612</u></u>
PLAN FIDUCIARY NET PENSION:		
Contributions - employer	\$ 790,436	\$ 780,000
Net investment income	122,382	272,621
Benefit payments	(413,705)	(2,840,762)
Administrative expenses	<u>(20,436)</u>	<u>(31,334)</u>
Net change in plan fiduciary net position	478,677	(1,819,475)
PLAN FIDUCIARY NET POSITION:		
Beginning	<u>5,193,452</u>	<u>7,012,927</u>
Ending (b)	<u><u>\$ 5,672,129</u></u>	<u><u>\$ 5,193,452</u></u>
Net pension liability - ending (a)-(b)	<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	59.81%	61.28%
Covered-employee payroll	\$ 4,536,786	\$ 5,285,342
Net pension liability as a percentage of covered-employee payroll	84.01%	62.10%

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

WALKER COUNTY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 573,095	\$ 551,476	\$ 167,932	\$ 565,166	\$ 796,609
Contributions in relation to the actuarially determined contribution	<u>790,436</u>	<u>804,705</u>	<u>941,295</u>	<u>945,118</u>	<u>1,290,355</u>
Contribution excess	<u>\$ (217,341)</u>	<u>\$ (253,229)</u>	<u>\$ (773,363)</u>	<u>\$ (379,952)</u>	<u>\$ (493,746)</u>
Covered employee payroll	\$ 4,536,786	\$ 5,347,289	\$ 5,682,532	\$ 6,354,848	\$ 6,531,854
Contributions as a percentage of covered-employee payroll	17.42%	15.05%	16.56%	14.87%	19.75%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 826,330	\$ 777,960	\$ 774,137	\$ 978,839	\$ 918,196
Contributions in related to the actuarially determined contribution	<u>1,017,442</u>	<u>1,124,332</u>	<u>1,078,215</u>	<u>1,195,458</u>	<u>921,222</u>
Contribution excess	<u>\$ (191,112)</u>	<u>\$ (346,372)</u>	<u>\$ (304,078)</u>	<u>\$ (216,619)</u>	<u>\$ (3,026)</u>
Covered employee payroll	\$ 7,087,233	\$ 7,317,071	\$ 7,266,593	\$ 7,312,827	\$ 7,426,230
Contributions as a percentage of covered-employee payroll	14.36%	15.37%	14.84%	16.35%	12.40%

**WALKER COUNTY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF PENSION INVESTMENT RETURNS
LAST 10 YEARS***

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expenses	2.34%	4.63%

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

WALKER COUNTY, GEORGIA
DEFINED BENEFIT PENSION PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

(1) VALUATION DATE:

The actuarially determined contribution rates are determined as of January 1, 2016.

(2) METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

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	6.00% per year, net of investment expenses
---------------------------	--

Projected salary increases	4.00% per year
----------------------------	----------------

Inflation	4.00%
-----------	-------

(3) CHANGES OF ASSUMPTIONS:

The Long-Term Rate of Return was changed from 6.00% to 5.00%.

The Discount Rate was changed from 6.00% to 5.00%.

The Municipal Bond Rate was updated from 3.34% to 3.20%.

The Blended Rate changed from 5.95% to 4.96%.

SUPPLEMENTARY INFORMATION

**WALKER COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>Special Revenue</u>						Total Nonmajor Governmental Funds
	E911	Law Library	Multiple Grand Fund	Court Supervision	Connection	Transportation	
ASSETS:							
Cash	\$ -	\$ 57,952	\$ 918,768	\$ 36,069	\$ -	\$ 4,549	\$ 1,017,338
Accounts receivable	314,972	-	-	-	-	-	314,972
Due from other funds	-	-	4,239	-	6,687	-	10,926
Due from other governments	-	-	121,598	-	10,915	55,491	188,004
	<u>-</u>	<u>-</u>	<u>121,598</u>	<u>-</u>	<u>10,915</u>	<u>55,491</u>	<u>188,004</u>
Total assets	<u>\$ 314,972</u>	<u>\$ 57,952</u>	<u>\$ 1,044,605</u>	<u>\$ 36,069</u>	<u>\$ 17,602</u>	<u>\$ 60,040</u>	<u>\$ 1,531,240</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts payable and accrued expenses	\$ 72,880	\$ -	\$ 9,897	\$ -	\$ -	\$ 49,309	\$ 132,086
Due to other funds	<u>242,092</u>	<u>-</u>	<u>1,019,041</u>	<u>8,825</u>	<u>-</u>	<u>12,537</u>	<u>1,282,495</u>
Total liabilities	<u>314,972</u>	<u>-</u>	<u>1,028,938</u>	<u>8,825</u>	<u>-</u>	<u>61,846</u>	<u>1,414,581</u>
Deferred inflows of resources:							
Unearned revenue - intergovernmental	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Fund balances:							
Restricted	-	57,952	11,667	27,244	17,602	-	114,465
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,806)</u>	<u>(1,806)</u>
Total fund balances	<u>-</u>	<u>57,952</u>	<u>11,667</u>	<u>27,244</u>	<u>17,602</u>	<u>(1,806)</u>	<u>112,659</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 314,972</u>	<u>\$ 57,952</u>	<u>\$ 1,044,605</u>	<u>\$ 36,069</u>	<u>\$ 17,602</u>	<u>\$ 60,040</u>	<u>\$ 1,531,240</u>

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue						Total Nonmajor Governmental Funds
	E911	Law Library	Multiple Grant Fund	Court Supervision	Connection	Transportation	
REVENUES:							
Intergovernmental	\$ -	\$ -	\$ 1,715,808	\$ -	\$ 45,262	\$ 194,383	\$ 1,955,453
Charges for services	1,069,326	-	-	-	-	137,805	1,207,131
Fines and forfeitures	-	21,146	-	3,150	-	-	24,296
Investment income	-	-	-	69	-	-	69
Contributions and donations	-	-	96,936	-	-	-	96,936
Total revenues	1,069,326	21,146	1,812,744	3,219	45,262	332,188	3,283,885
EXPENDITURES:							
Current -							
Judicial	-	18,081	253,039	3,600	-	-	274,720
Sheriff	-	-	71,825	-	-	-	71,825
Public safety	1,339,981	-	304,081	-	-	-	1,644,062
Public works	-	-	1,479,163	-	-	-	1,479,163
Health and welfare	-	-	-	-	45,462	785,532	830,994
Debt service -							
Principal	266,016	-	-	-	-	-	266,016
Interest	45,582	-	-	-	-	-	45,582
Total expenditures	1,651,579	18,081	2,108,108	3,600	45,462	785,532	4,612,362
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(582,253)	3,065	(295,364)	(381)	(200)	(453,344)	(1,328,477)
OTHER FINANCING SOURCES:							
Transfer from other funds	582,253	-	307,031	-	-	451,730	1,341,014
NET CHANGE IN FUND BALANCES	-	3,065	11,667	(381)	(200)	(1,614)	12,537
FUND BALANCES:							
Beginning	-	54,887	-	27,625	17,802	(192)	100,122
Ending	\$ -	\$ 57,952	\$ 11,667	\$ 27,244	\$ 17,602	\$ (1,806)	\$ 112,659

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2016

	<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	\$ 756,413	\$ 1,177,906	\$ 5,856	\$ 14,538	\$ 1,954,713
Total assets	<u>\$ 756,413</u>	<u>\$ 1,177,906</u>	<u>\$ 5,856</u>	<u>\$ 14,538</u>	<u>\$ 1,954,713</u>
LIABILITIES:					
Accounts payable	\$ 23,214	\$ -	\$ -	\$ -	\$ 23,214
Due to other governments	733,199	87,425	1,679	3,240	825,543
Due to heirs, litigants and others	<u>-</u>	<u>1,090,481</u>	<u>4,177</u>	<u>11,298</u>	<u>1,105,956</u>
Total liabilities	<u>756,413</u>	<u>1,177,906</u>	<u>5,856</u>	<u>14,538</u>	<u>1,954,713</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ 2,026,654	\$ 49,787,131	\$ 49,859,072	\$ 1,954,713
Total assets	<u>\$ 2,026,654</u>	<u>\$ 49,787,131</u>	<u>\$ 49,859,072</u>	<u>\$ 1,954,713</u>
LIABILITIES:				
Accounts payable	\$ 19,994	\$ 182,606	\$ 179,386	\$ 23,214
Due to other governments	807,605	49,123,942	49,106,004	825,543
Due to heirs, litigants and others	<u>1,199,055</u>	<u>496,123</u>	<u>589,222</u>	<u>1,105,956</u>
Total liabilities	<u>2,026,654</u>	<u>49,802,671</u>	<u>49,874,612</u>	<u>1,954,713</u>
NET POSITION	<u>\$ -</u>	<u>\$ (15,540)</u>	<u>\$ (15,540)</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COMMISSIONER
YEAR ENDED SEPTEMBER 30, 2016

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ 738,124	\$ 46,562,172	\$ 46,543,883	\$ 756,413
Total assets	<u>\$ 738,124</u>	<u>\$ 46,562,172</u>	<u>\$ 46,543,883</u>	<u>\$ 756,413</u>
LIABILITIES:				
Accounts payable	\$ 19,994	\$ 182,606	\$ 179,386	\$ 23,214
Due to other governments	<u>718,130</u>	<u>46,360,549</u>	<u>46,345,480</u>	<u>733,199</u>
Total liabilities	<u>738,124</u>	<u>46,543,155</u>	<u>46,524,866</u>	<u>756,413</u>
NET POSITION	<u>\$ -</u>	<u>\$ 19,017</u>	<u>\$ 19,017</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CLERK OF COURTS
YEAR ENDED SEPTEMBER 30, 2016

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ 1,270,750	\$ 2,770,644	\$ 2,863,488	\$ 1,177,906
Total assets	<u>\$ 1,270,750</u>	<u>\$ 2,770,644</u>	<u>\$ 2,863,488</u>	<u>\$ 1,177,906</u>
LIABILITIES:				
Due to other governments	\$ 84,958	\$ 2,453,660	\$ 2,451,193	\$ 87,425
Due to heirs, litigants and others	<u>1,185,792</u>	<u>351,581</u>	<u>446,892</u>	<u>1,090,481</u>
Total liabilities	<u>1,270,750</u>	<u>2,805,241</u>	<u>2,898,085</u>	<u>1,177,906</u>
NET POSITION	<u>\$ -</u>	<u>\$ (34,597)</u>	<u>\$ (34,597)</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PROBATE JUDGE
YEAR ENDED SEPTEMBER 30, 2016

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 2,044	\$ 207,339	\$ 203,527	\$ 5,856
Total assets	<u>\$ 2,044</u>	<u>\$ 207,339</u>	<u>\$ 203,527</u>	<u>\$ 5,856</u>
LIABILITIES:				
Due to other governments	\$ 1,270	\$ 140,135	\$ 139,726	\$ 1,679
Due to heirs, litigants and others	<u>774</u>	<u>65,028</u>	<u>61,625</u>	<u>4,177</u>
Total liabilities	<u>2,044</u>	<u>205,163</u>	<u>201,351</u>	<u>5,856</u>
NET POSITION	<u>\$ -</u>	<u>\$ 2,176</u>	<u>\$ 2,176</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MAGISTRATE JUDGE
YEAR ENDED SEPTEMBER 30, 2016

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 15,736	\$ 246,976	\$ 248,174	\$ 14,538
Total assets	<u>\$ 15,736</u>	<u>\$ 246,976</u>	<u>\$ 248,174</u>	<u>\$ 14,538</u>
LIABILITIES:				
Due to other governments	\$ 3,247	\$ 169,598	\$ 169,605	\$ 3,240
Due to heirs, litigants and others	<u>12,489</u>	<u>79,514</u>	<u>80,705</u>	<u>11,298</u>
Total liabilities	<u>15,736</u>	<u>249,112</u>	<u>250,310</u>	<u>14,538</u>
NET POSITION	<u>\$ -</u>	<u>\$ (2,136)</u>	<u>\$ (2,136)</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF EXPENDITURES TO BUDGET
FAMILY CONNECTION PROGRAM
CONTRACT 93-161600125
CONTRACT PERIOD: JULY 1, 2015 - JUNE 30, 2016

	Family Connection Budget	Contract Expenditures	Variance with Budget
EXPENDITURES:			
Personal services	\$ -	\$ -	\$ -
Regular operating	2,260	2,188	72
Travel - staff	-	-	-
Equipment	-	-	-
Per diem, fees and contracts	43,040	43,040	-
Telecommunications	700	771	(71)
Other support to customers	-	-	-
	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 46,000</u>	<u>\$ 45,999</u>	<u>\$ 1</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
E911
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 1,553,605	\$ 1,553,605	\$ 1,069,326	\$ (484,279)
EXPENDITURES	<u>1,566,268</u>	<u>1,566,268</u>	<u>1,651,579</u>	<u>85,311</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(12,663)</u>	<u>(12,663)</u>	<u>(582,253)</u>	<u>(569,590)</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	<u>-</u>	<u>-</u>	<u>582,253</u>	<u>582,253</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>582,253</u>	<u>582,253</u>
NET CHANGE IN FUND BALANCES	<u>\$ (12,663)</u>	<u>\$ (12,663)</u>	-	<u>\$ 12,663</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES	\$ 40,000	\$ 40,000	\$ 21,146	\$ (18,854)
EXPENDITURES	<u>40,000</u>	<u>40,000</u>	<u>18,081</u>	<u>(21,919)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	3,065	<u>\$ 3,065</u>
FUND BALANCES:				
Beginning			<u>54,887</u>	
Ending			<u>\$ 57,952</u>	

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
MULTIPLE GRANT FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 750,000	\$ 750,000	\$ 1,812,744	\$ 1,062,744
EXPENDITURES	<u>750,000</u>	<u>750,000</u>	<u>2,108,108</u>	<u>1,358,108</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(295,364)</u>	<u>(295,364)</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	<u>-</u>	<u>-</u>	<u>307,031</u>	<u>307,031</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>11,667</u>	<u>\$ 11,667</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ 11,667</u>	

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
COURT SUPERVISION
YEAR ENDED SEPTEMBER 30, 2016**

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES	\$ 5,000	\$ 5,000	\$ 3,219	\$ (1,781)
EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>3,600</u>	<u>(6,400)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	(381)	<u>\$ 4,619</u>
FUND BALANCES:				
Beginning			<u>27,625</u>	
Ending			<u>\$ 27,244</u>	

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
CONNECTION
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES	\$ 45,000	\$ 45,000	\$ 45,262	\$ 262
EXPENDITURES	<u>45,000</u>	<u>45,000</u>	<u>45,462</u>	<u>462</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(200)	<u>\$ (200)</u>
FUND BALANCES:				
Beginning			<u>17,802</u>	
Ending			<u><u>\$ 17,602</u></u>	

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES	\$ 669,616	\$ 669,616	\$ 332,188	\$ (337,428)
EXPENDITURES	<u>669,616</u>	<u>669,616</u>	<u>785,532</u>	<u>115,916</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(453,344)</u>	<u>(453,344)</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	<u>-</u>	<u>-</u>	<u>451,730</u>	<u>451,730</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(1,614)</u>	<u>\$ (1,614)</u>
FUND BALANCES:				
Beginning			<u>(192)</u>	
Ending			<u>\$ (1,806)</u>	

COMPLIANCE



**INDEPENDENT AUDITORS' 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 the 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 unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2016, 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 July 20, 2017. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency 07-1 described in the accompanying schedule of findings and questioned costs to be a material weaknesses.

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. We consider the deficiencies 15-3, and 15-4 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

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 as items 15-2 and 16-1.

Walker County, Georgia's Response to Findings

Walker County, Georgia's response to the findings identified in our audit is 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.

Johnson, Niskey & Menckem, P.C.

Chattanooga, Tennessee
July 20, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**Commissioner
Walker County, Georgia
LaFayette, Georgia:**

Report on Compliance for Each Major Federal Program

We have audited Walker County, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Walker County, Georgia's major federal programs for the year ended September 30, 2016. Walker County, Georgia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Walker County, Georgia's basic financial statements include the operations of the Walker County Health Department component unit which received \$25,545 in federal awards which is not included in the schedule during the year ended June 30, 2016. Our audit, described below, did not include the operations of the Walker County Health Department because the component unit did not meet the threshold requiring an audit in accordance with *OMB Compliance Supplement*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Walker County, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Walker County, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Walker County, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, Walker County, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of Walker County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Walker County, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walker County, Georgia's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Johnson, Nicky & Menckson, P.C.

Chattanooga, Tennessee
July 20, 2017

WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice:			
Passed through State Criminal Justice Coordinating Council -			
Juvenile Accountability	16.523	Y17-8-022	\$ 28,630
Crime Victim Assistance	16.575	C13-8-103, C-14-8-108, C15-8-153	119,364
			<u>147,994</u>
Passed through United States Department of Justice -			
ARRA - Edward Byrne Memorial Justice Assistance	16.804	2015-H3257-GA-DJ	<u>10,552</u>
Total U. S. Department of Justice			<u>158,546</u>
Department of Transportation:			
Passed through Georgia Department of Transportation -			
Highway Planning and Construction	20.205	PI# 0007543	<u>1,229,184</u>
U.S. Department of Homeland Security:			
Passed through Georgia Emergency Management Agency -			
Emergency Management Performance Grants	97.042	2015-GEMA HS	21,127
Hazard Mitigation Grant	97.039	HMGP-4165-0009	17,850
Homeland Security Grant Program	97.067	SH015-009	13,839
			<u>52,816</u>
Direct Award -			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00561	<u>201,251</u>
Total U. S. Department of Homeland Security			<u>254,067</u>
			<u>\$ 1,641,797</u>

WALKER COUNTY, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

(1) BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (schedule) include the federal activity of Walker County, Georgia (the County) for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) SUB-RECIPIENTS:

The County did not provide federal assistance to any subrecipients.

**WALKER COUNTY, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

PRIOR FINANCIAL STATEMENT FINDINGS:

Finding Control Number and Status -

- 07-1 The County has failed to implement the corrective action plan. Journal entries were made during the audit to adjust balance sheet accounts due to there again being a delay in receipt of the necessary information by the accounting department.
- 14-1 Previously reported corrective action plan implemented. The finding is closed.
- 14-2 Previously reported corrective action plan implemented. The finding is closed.
- 15-1 Previously reported corrective action plan implemented. The finding is closed.
- 15-2 The County has failed to implement the corrective action plan. The County still has some uninsured and uncollateralized deposits.
- 15-3 The County has failed to implement the corrective action plan. The Tax Commissioner's office continues to have more deposits to the bank accounts than disbursements.
- 15-4 The County has failed to implement the corrective action plan. The Clerk of Superior , State, and Juvenile Courts Walker County is still unable to provide a reconciliation of cash balances to amounts held for others.

PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No prior audit findings.

**WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified? X Yes None reported
Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS:

Finding 07-1 -

Condition: Some material balance sheet accounts were not reconciled to supporting documentation at year end. Also, the Clerk of the Court's 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.

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.

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 will ensure meaningful and accurate financial statements.

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

Planned Corrective Plan: Management's response is located on pages 90-92.

Finding 15-2 -

Condition: For the year ended September 30, 2016, the combined deposits of the office of the commissioner and the other elected offices were in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Criteria: The Official Code of Georgia Section 45-8-12 requires all depositories of public funds to pledge securities of not less than 110% of the deposited public funds.

Effect: An account of the Law Library at one financial institution was not marked as public funds as of September 30, 2016, allowing for the possibility of loss of the County assets should the financial institution become insolvent.

Recommendation: The County should implement controls to adequately review and monitor insured or collateral levels provided by the financial institutions which hold the County deposits.

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

Planned Corrective Plan: Management's response is located on pages 90-92.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Finding 15-3 -

Condition: The Tax Commissioner's office does not utilize sufficient monitoring of cash receipts and disbursements to determine why the office is collecting monies in excess of the disbursements it is holding for others. The computer system accumulates the receipts for the month for the department and those funds are disbursed to the proper parties the following month. However, there are more deposits to the bank accounts than disbursements from the account for the fiscal year.

Criteria: Procedures should be in place to verify that the reporting from the computer system matches the total receipts for the month, so that the department can disburse the correct amounts each month.

Effect: Due to the lack of proper procedures, the Tax Commissioner's office has no method to ensure the proper amounts are being disbursed.

Recommendation: A monthly reconciliation should be developed that reports total deposits to the department in order to verify that all funds are properly disbursed.

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

Planned Corrective Plan: Management's response is located on pages 90-92.

Finding 15-4 -

Condition: There is not a monthly reconciliation prepared on Clerk of Courts funds that reconciles cash balances to amounts held for others.

Criteria: Procedures should be in place to verify cash balances of the Clerk of Court funds to match the amounts due to others.

Effect: Due to the lack of proper procedures, there is no method to ensure the proper cash balances are being maintained by the fund.

Recommendation: A monthly reconciliation should be developed that balances cash to amounts due to others.

Views of the Responsible Officials: The Clerk of Superior, State, and Juvenile Courts Walker County does not concur with the finding.

Planned Corrective Plan: Management's response is located on pages 90-92.

Finding 16-1 -

Condition: Expenditures should not exceed appropriations in individual funds or at the department level.

Criteria: Procedures should be in place to allocate actual expenditures between departments in the same manner as the budget allocation.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Effect: The County did not approve a final amended budget after year end as was done in previous years. This resulted in the County expending fund in excess of the budget which is not in accordance with state law.

Recommendation: Procedures should be implemented to allocate expenditures between departments on a budget versus actual basis.

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

Planned Corrective Plan: Management's response is located on pages 90-92.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None reported.

WALKER COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
2013 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED SEPTEMBER 30, 2016

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES			PERCENTAGE OF COMPLETION	CUMULATIVE OTHER FUNDING
		PRIOR YEARS	CURRENT YEAR	TOTAL		
Industrial Park	\$ 6,600,000	\$ 4,268,831	\$ -	\$ 4,268,831	65%	\$ -
Road resurfacing and other capital roadwork improvements	9,100,000	4,100,452	1,343,321	5,443,773	60%	2,263,718
Equipment and vehicles for law enforcement	1,900,000	393,216	62,137	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	9,218,734	(117,709)	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	770,841	324,056	1,094,897	100%	-
Emergency facility and community center-Cedar Grove	1,500,000	756,718	690,590	1,447,308	96%	-
Recreational facilities	1,000,000	612,179	5,405	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	135,612	36,505	172,117	100%	-
Payments to Cities:						
LaFayette	2,904,660	403,850	407,036	810,886	28%	-
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	<u>102,300</u>	<u>74,871</u>	<u>-</u>	<u>74,871</u>	73%	<u>-</u>
	<u>\$ 32,960,000</u>	<u>\$ 27,519,127</u>	<u>\$ 2,751,341</u>	<u>\$ 30,270,468</u>		<u>\$ 2,263,718</u>
Reconciliation of SPLOST expenditures per financial statements to schedule of projects:						
SPLOST 2013 expenditures per financial statements			\$ 7,430,875			
Less debt service:						
Principal			4,285,000			
Interest and fiscal agent fees			<u>394,534</u>			
SPLOST 2013 expenditures per schedule of projects			<u>\$ 2,751,341</u>			

Shannon Whitfield
Walker County Commissioner
101 South Duke Street, P.O. Box 445
LaFayette, Georgia 30728
706.638.1437
commissioner@walkerga.us

July 20, 2017

Georgia Department of Audits & Accounts
Local Government Audit Section
270 Washington Street, S.W., Room 1-156
Atlanta, Georgia 30334-8400

Walker County, Georgia submits the following plan for corrective action regarding control deficiencies associated with our internal controls and compliance for the year ended September 30, 2016.

The "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" issued by Johnson, Hickey & Murchison, P.C., on July 20, 2017, referenced instances of noncompliance and control deficiencies. The corrective action taken on these items is as follows:

Finding 07-1

SOME MATERIAL BALANCE SHEET ACCOUNTS WERE NOT RECONCILED TO SUPPORTING DOCUMENTATION AT YEAR END

Accounts not reconciled to supporting documentation.

Corrective Action Plan/Management Response

We concur with the recommendation. The few unreconciled balances for the current year were related to the failure of various departments to report in a timely manner as well as the delay in obtaining detail on potential assets and liabilities from outside parties. The uncertainty of the amounts involved resulted in delays in posting amounts at the fiscal year end. Offices outside the direct supervision of the commissioner's office have been encouraged to close out their periods in a more timely fashion, reconcile their bank accounts and to report their results.

Finding 15-2

UNSECURED PUBLIC FUNDS

Potential loss due to financial institution becoming insolvent.

Corrective Action Plan/Management Response

The offices of the various elected officials and other boards not directly governed by the county commissioner have the option to open bank accounts, as needed, under the federal employer identification number of the county. The office of the commissioner does not have access to the accounts and, as such, was not aware of a problem with how the accounts were set up until it was brought to our attention during fiscal year 2015 by the firm auditing the county's records. When the accounts were set up, they were not designated as "public funds."

Once alerted to the problem, the commissioner's office immediately contacted those offices with funds not properly marked as "public funds" and advised them of the necessity of having them so designated so as to be insured. All but one of the offices complied with the request to designate their funds as "public funds". A key member of the board of the offending office has been approached and he informed this office that it would be taken care of.

Finding 15-3

INSUFFICIENT MONITORING OF TAX COMMISSIONER'S CASH RECEIPTS

Failure to properly disburse funds.

Corrective Action Plan/Management Response

The County commissioner is to work with the tax commissioner to formulate a plan of action to resolve this issue.

Finding 15-4

FAILURE OF CLERK OF COURT TO RECONCILE CASH BALANCE TO AMOUNTS HELD FOR OTHERS

Failure to insure proper cash balances are being maintained.

Corrective Action Plan/Management Response

The Clerk of Court disputes finding but has not provided an acceptable reconciliation as of the date of this letter.

Finding 16-1

ACTUAL EXPENDITURES EXCEEDING APPROPRIATIONS

Failure to allocate actual expenditures in the same manner as the budget allocation.

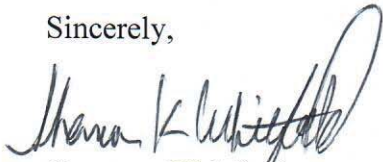
Corrective Action Plan/Management Response

Georgia Department of Audits & Accounts
July 20, 2017

The fiscal year ended 3 months prior to the current administration taking office. The commissioner in office at the end of the fiscal year failed to adopt an amendment to the budget even though they were still in office for the 3 months immediately following the close of the fiscal year. The current administration chose to not adopt an amendment so as to not give the appearance of approving the actions of the prior administration.

If you have any questions, please contact Greg McConnell, Finance Officer, at (706) 638-1437.

Sincerely,

A handwritten signature in dark ink, appearing to read "Shannon Whitfield", with a large, stylized loop at the end.

Shannon Whitfield
Walker County Commissioner

