

WALKER COUNTY, GEORGIA

LaFayette, Georgia

**ANNUAL FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2015

JOHNSON, HICKEY & MURCHISON, P.C.
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Chattanooga, Tennessee

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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, 2015, 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 a 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, 2015, 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.

Emphasis of Matter

As described in Note 18 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting of Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matter.

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 48 through 55 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 and individual nonmajor fund financial statements, and schedules listed in the table of contents on pages 59 through 71 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 U.S. Office of Management and Budget Circular A-133, *Audits of*

States, Local Governments, and Non-Profit Organizations, 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 and individual nonmajor fund financial statements, schedules listed in the table of contents on pages 59 through 71, 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 and individual nonmajor fund financial statements, schedules listed in the table of contents on pages 59 through 71, 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 March 31, 2016, 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, Wickey & Meacham, P.C.

March 31, 2016
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, 2015. Please read it in conjunction with the County's financial statements which follow this analysis.

FINANCIAL HIGHLIGHTS

The assets and deferred outflow of resources of Walker County exceeded its liabilities and deferred inflow of resources at September 30, 2015 by \$54,220,966 (Net Position), a decrease of \$12,149,750 from the prior year. Of the net position, \$58,661,374 is restricted as to what the funds may be expended for. The remaining deficit balance, \$4,440,408, is what is available to meet the ongoing obligations to citizens and creditors.

In the County's business-type activities, expenditures exceeded revenues by \$1,212,801. 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 combining ending net position of \$50,379,352, a decrease of \$11,812,778 from the prior year net position. Of this amount, a deficit balance of \$2,551,981 remains in the various funds as unrestricted.

Debt decreased by \$1,540,907. There was a bond payment of \$4,484,244, a net increase in leases of \$440,768, the retirement of a tax anticipation note for \$7,720,000, and the addition of a tax anticipation note for \$10,000,000. The increase in leases was due primarily to the purchase of a new building to house the tax and planning offices.

Walker County, in conjunction with another county, guaranteed a bank note for Hutchison Hospital to cover payroll during a funds short fall at the hospital. The hospital was unable to meet the debt service and Walker County had to provide \$4,500,000 to meet its guaranteed portion of the debt.

The County sold the Agriculture Center to the Walker County Development Authority to provide funds for the repayment of the debt that was guaranteed for Hutchison Hospital.

Purchase of a building under a capital lease to house the Tax Commissioner's, Tax Assessor's and Planning offices.

The County recorded a net pension liability of \$3,282,160 for fiscal year 2015 due to the adoption of GASB Statement 68.

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 off 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.

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

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

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.

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

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

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

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 \$54,220,966. 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, 2015, is a deficit balance of \$4,440,408, which may be used to meet the County's ongoing obligations.

Net Position						
September 30, 2015 and 2014						
	Governmental		Business -type		Total	
	Activities		Activities		Primary	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 22,126,600	\$ 36,949,487	\$ 165,784	\$ 128,622	\$ 22,292,384	\$ 37,078,109
Capital assets	79,336,825	78,566,738	5,873,761	6,029,054	85,210,586	84,595,792
Total assets	\$ 101,463,425	\$ 115,516,225	\$ 6,039,545	\$ 6,157,676	\$ 107,502,970	\$ 121,673,901
Deferred outflow of resources	\$ 667,817				\$ 667,817	
Liabilities						
Long-term liabilities	\$ 46,863,668	\$ 45,367,642	\$ 2,155,250	\$ 1,910,023	\$ 49,018,918	\$ 47,277,665
Other liabilities	4,172,843	7,349,600	42,681	69,067	4,215,524	7,418,667
Total liabilities	\$ 51,036,511	\$ 52,717,242	\$ 2,197,931	\$ 1,979,090	\$ 53,234,442	\$ 54,696,332
Deferred inflow of resources	\$ 715,379	\$ 608,853			\$ 715,379	\$ 608,853
Net position						
Net investment in capital assets	\$ 52,067,268	\$ 56,741,404	\$ 5,730,041	\$ 6,023,940	\$ 57,797,309	\$ 62,765,344
Restricted	864,065	4,931,476			864,065	4,931,476
Unrestricted	(2,551,981)	519,250	(1,888,427)	(1,845,354)	(4,440,408)	(1,326,104)
Total net position	\$ 50,379,352	\$ 62,192,130	\$ 3,841,614	\$ 4,178,586	\$ 54,220,966	\$ 66,370,716

Net position of the County's governmental activities decreased by \$11,812,778 while the net position of the business type activities decreased by \$336,972. The County's two business activities are the Walker County Landfill and the Special Facilities recreation area. The landfill operated at a loss due to closure and depreciation expense while the Special Facilities had a loss due to operating costs.

Walker County's overall revenue remained fairly constant in 2015 compared to 2014, rising less than 1%. Property tax revenue increased 8%, and sales tax revenue increased 2%. Approximately 37% of the County's total revenue from

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

governmental activities came from property taxes and 32% from other taxes. Charges for services amounted to about 22% of governmental revenue, with grants and contributions contributing approximately 3%.

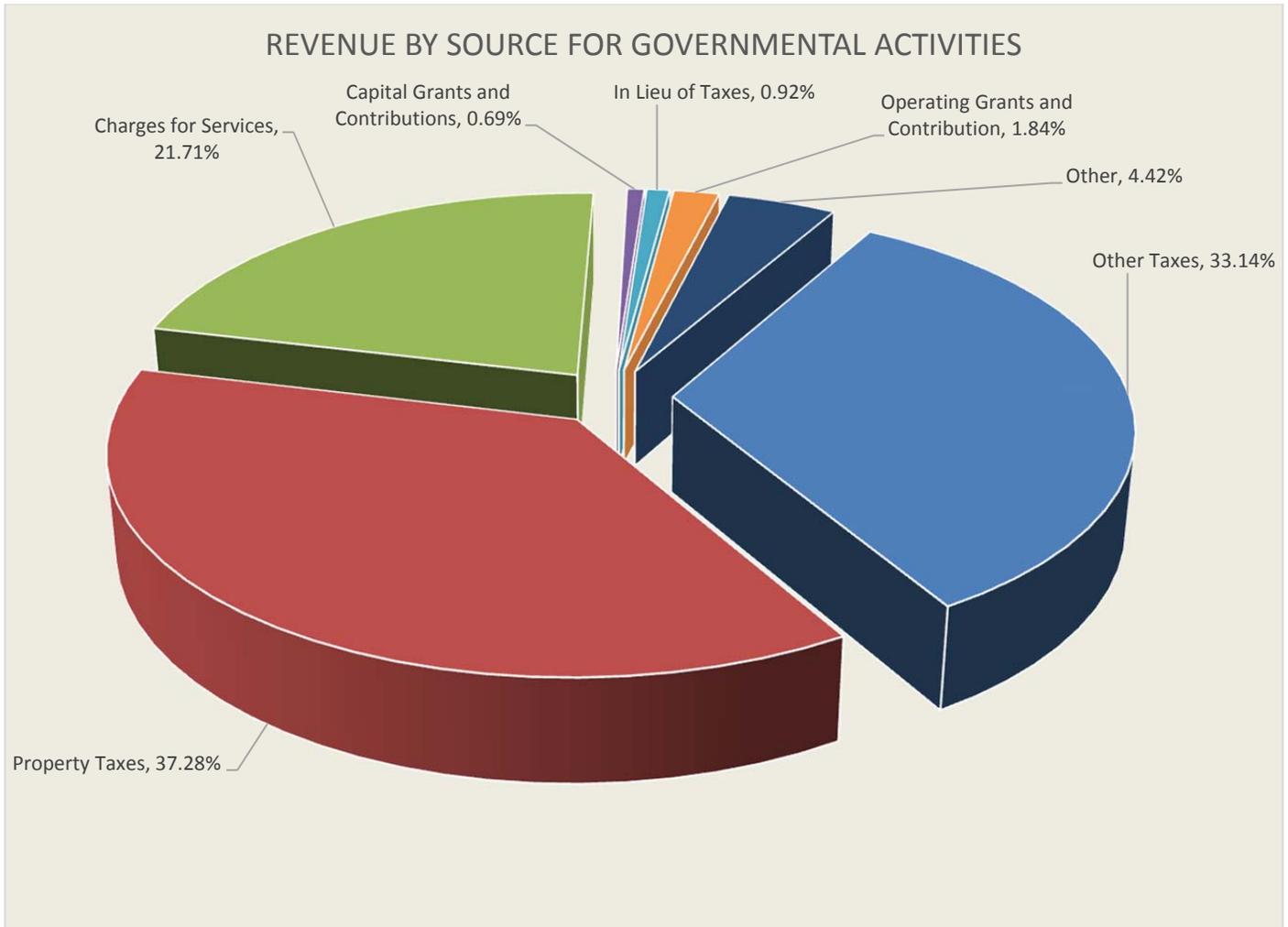
The County's largest expenditures were for housing and development (21% of total governmental expenses), public safety (20%), sheriff (19%), general government (12%), public works (12%), judicial (8%), and health and welfare (4%).

Changes in Net Position							
For the Years Ended September 30, 2015 and 2014							
	Governmental		Business-type		Total		
	Activities		Activities		Primary		
	2015	2014	2015	2014	2015	2014	
Revenues:							
Program Revenues:							
Charges for Services	\$ 7,947,608	\$ 7,855,811	\$ 1,681,514	\$ 1,665,445	\$ 9,629,122	\$ 9,521,256	
Operating Grants & Contributions	674,312	1,613,229			674,312	1,613,229	
Capital Grants & Contributions	253,895	1,812,611			253,895	1,812,611	
General Revenues:							
Property Taxes	13,646,733	12,600,164			13,646,733	12,600,164	
Other Taxes	11,826,679	11,480,950			11,826,679	11,480,950	
Other	2,261,877	1,013,874			2,261,877	1,013,874	
Total Revenues	\$ 36,611,104	\$ 36,376,639	\$ 1,681,514	\$ 1,665,445	\$ 38,292,618	\$ 38,042,084	
Expenses:							
General government	\$ 5,213,726	\$ 7,317,434			\$ 5,213,726	\$ 7,317,434	
Judicial	3,437,963	3,215,122			3,437,963	3,215,122	
Sheriff	8,220,684	7,615,482			8,220,684	7,615,482	
Public Safety	8,610,008	9,253,587			8,610,008	9,253,587	
Public Works	5,191,166	8,858,166			5,191,166	8,858,166	
Health and Welfare	1,841,743	6,279,687			1,841,743	6,279,687	
Recreation and Culture	716,247	1,377,548	1,021,455	1,286,769	1,737,702	2,664,317	
Housing and Development	9,087,733	5,315,005			9,087,733	5,315,005	
Interest on Long Term Debt	1,200,232	1,374,588			1,200,232	1,374,588	
Solid Waste			1,872,860	1,922,132	1,872,860	1,922,132	
Total Expenses	\$ 43,519,502	\$ 50,606,619	\$ 2,894,315	\$ 3,208,901	\$ 46,413,817	\$ 53,815,520	
Increase (decrease) in net position before transfers	(6,908,398)	(14,229,980)	(1,212,801)	(1,543,456)	(8,121,199)	(15,773,436)	
Transfers	(875,829)	(1,415,216)	875,829	1,415,216			
Increase (decrease) in net position	(7,784,227)	(15,645,196)	(336,972)	(128,240)	(8,121,199)	(15,773,436)	
Net position - October 1	62,192,130	77,837,326	4,178,586	4,526,450	66,370,716	82,363,776	
Prior period adjustment	(4,028,551)			(219,624)	(4,028,551)	(219,624)	
Net position beginning of year as adjusted	58,163,579	77,837,326	4,178,586	4,306,826	62,342,165	82,144,152	
Net position - September 30	\$ 50,379,352	\$ 62,192,130	\$ 3,841,614	\$ 4,178,586	\$ 54,220,966	\$ 66,370,716	

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

Total government-wide revenue of \$38,292,618 was comprised of governmental activities (\$36,611,104) and business-type activities (\$1,681,514). 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 is 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 \$4,948,404, is specifically earmarked and cannot be used to finance the normal operations of the County.

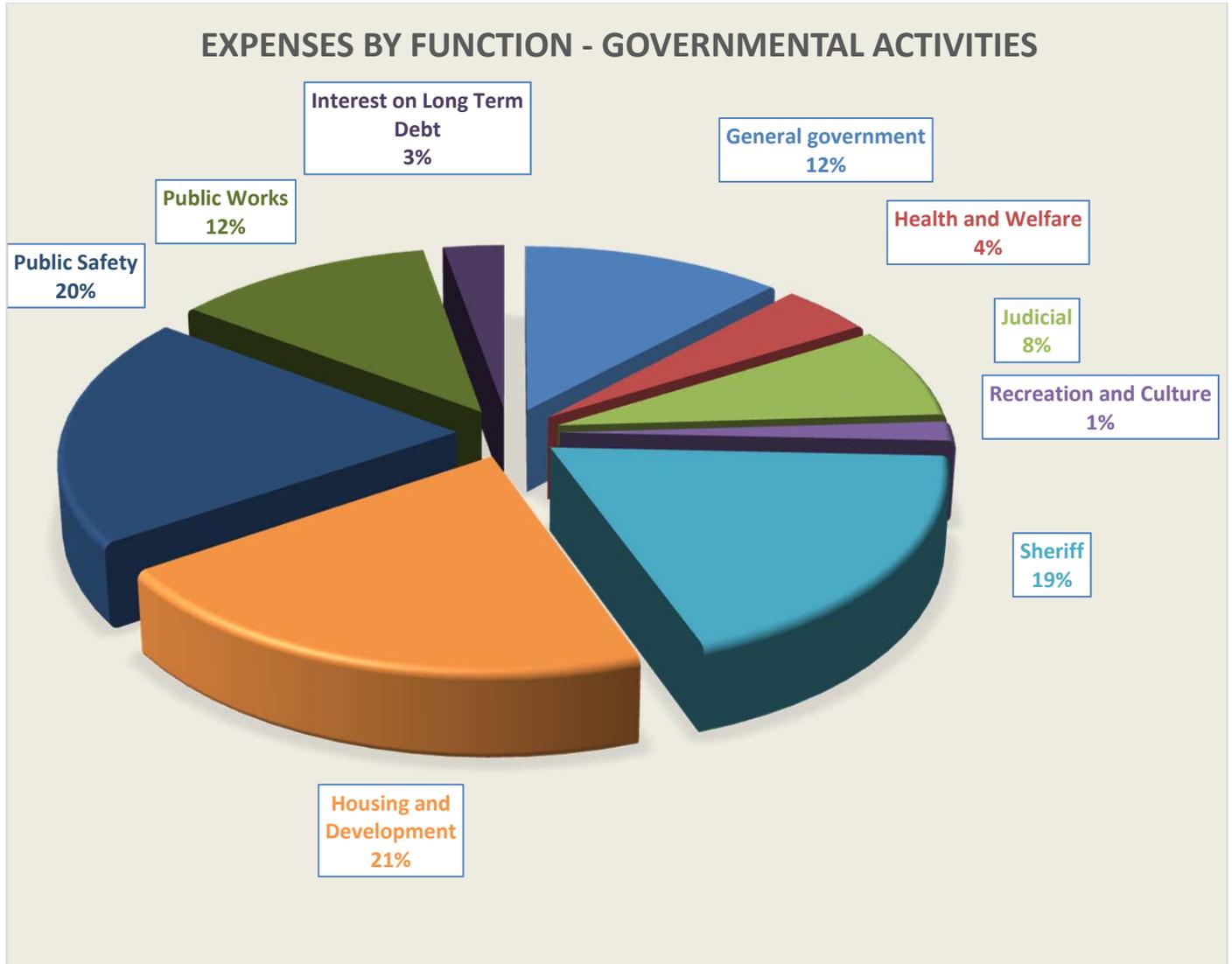
The County continues to be dependent upon property taxes and sales taxes as its major sources of revenue. The property tax net M&O digest continues to fall, requiring a millage rate increase to keep property taxes at or above prior levels. The effect of the current year's millage rate increase was not fully realized due to a delay in the County's tax bills being mailed, thus postponing the due date of property taxes.



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

Government-wide expenses totaled \$46,413,817 for fiscal year 2015, including governmental activity expense of \$43,519,502 and business type activity expense of \$2,894,315. The following graph provides a visual depiction of expenditures of the governmental activities by function for fiscal year 2015.

The expenses were largely influenced by two areas, Health and Welfare and Housing and Development. Health and Welfare expense was down due to the prior year including the expense of a loan guarantee for Hutchison Hospital. Housing and Development expense was up due to the effort to prepare the industrial park for occupation by a waiting industry.



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 deficit fund balance of \$3,903,951. Restricted fund balance is \$4,170,780 which represents funds that are subject to externally enforceable legal restrictions. The difference represents a deficit general 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 \$8,074,539. The unassigned fund balance decreased by \$6,500,062 during the current year. This decrease included transfers of \$3,551,792 made to supplement operations of other funds. Among the transfers were \$1,473,425 to Fire and Rescue, \$247,343 to SPLOST, \$548,447 to E911, \$327,211 to the County transportation system, \$276,950 to Landfill, \$598,879 to Special Facilities, and \$79,537 required by federal and/or state grants as the County's matching share.

The focus of the fund financial statements is on major funds which generally represent the government's most important funds. Non-major funds are aggregated and presented in single columns. The major funds of Walker County, other than the General fund, and their fund balances at year-end are: Fire and Rescue, (\$0.00) and SPLOST, \$3,695,775. The SPLOST fund balance decreased by \$13,876,003. This was a result of debt service of \$4,984,600, expenditures on SPLOST projects of \$13,042,977, and disbursements to municipalities of \$540,724.

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

The County adopted a final budget after the end of the fiscal year. This amendment was primarily to account for the General fund actual revenues and other financing sources exceeding budgeted revenues by \$1,720,841 and fund actual expenditures and other financing uses exceeding budgeted expenditures by \$7,846,418. The excess of actual revenues over budgeted revenues was primarily due to budgeted property tax revenues exceeding actual property tax revenues by \$1,569,884, contribution revenue exceeding budgeted revenue by \$123,527, the proceeds of a lease used to purchase a building and the sale of the Agriculture Center and surplus equipment. Neither the lease nor the sale of the building and equipment 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 over budgeted expenditures was primarily due to transfers exceeding budgeted transfers by \$1,955,034. Transfer differences were mainly, E911, \$144,842 and Fire and Rescue, \$1,473,425.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The County's investment in capital assets for its governmental funds as of September 30, 2015, totaled \$79,336,825, 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 \$770,087, net of accumulated depreciation. This was comprised primarily of depreciation expense of \$3,824,050, the sale of the Agriculture Center with a net book value of \$384,999, and the acquisition of buildings and equipment of \$5,032,125.

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

- Sale of the Agriculture Center
- Purchase of 6 transit vans
- Purchase of 10 sheriff vehicles
- Construction work on the Hinkle fire station
- Construction on the Cedar Grove Community Center and fire station
- Purchase of a building under a capital lease to house the offices of the Tax Commissioner, Tax Assessor, and Planning and Zoning
- The paving of 8 roads within the county

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

Capital Assets at Year-end							
September 30, 2015 and 2014							
	Governmental		Business-type		Total		
	Activities		Activities		Primary		
	2015	2014	2015	2014	2015	2014	
Non-depreciable assets:							
Land	\$ 2,615,189	\$ 2,597,299	\$ 1,943,284	\$ 1,943,284	\$ 4,558,473	\$ 4,540,583	
Construction in progress	2,740,540	751,383	143,673	1,265	2,884,213	752,648	
						-	
Depreciable assets:							
Buildings and improvements	23,487,927	23,064,970	2,677,018	2,675,754	26,164,945	25,740,724	
Machinery and equipment	26,350,777	26,196,243	2,323,207	2,306,736	28,673,984	28,502,979	
Infrastructure	96,565,860	95,330,762			96,565,860	95,330,762	
C&D Landfill			4,985,021	4,985,021	4,985,021	4,985,021	
Total	151,760,293	147,940,657	12,072,203	11,912,060	163,832,496	159,852,717	
Less: accumulated depreciation	(72,423,468)	(69,373,919)	(6,198,442)	(5,883,006)	(78,621,910)	(75,256,925)	
Net capital assets	\$ 79,336,825	\$ 78,566,738	\$ 5,873,761	\$ 6,029,054	\$ 85,210,586	\$ 84,595,792	

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 \$45,736,758. 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, 2015 and 2014							
	Governmental		Business-type		Totals		
	Activities		Activities		Totals		
	2015	2014	2015	2014	2015	2014	
General Obligation Bonds	\$ 26,400,000	\$ 30,884,244			\$ 26,400,000	\$ 30,884,244	
Lease Obligations	4,176,272	3,730,390		5,114	4,176,272	3,735,504	
Notes Payable	10,000,000	7,720,000	143,720		10,143,720	7,720,000	
Compensated Absences	858,608	793,698	14,282	8,300	872,890	801,998	
Landfill Closure Costs	2,146,628	2,239,310	1,997,248	1,896,609	4,143,876	4,135,919	
Totals	\$ 43,581,508	\$ 45,367,642	\$ 2,155,250	\$ 1,910,023	\$ 45,736,758	\$ 47,277,665	

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

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

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 \$780,000 for the fiscal year ending September 30, 2015.

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, 2014 and significantly changed the County's accounting for pension amounts. GASB asserts that the new standard will improve accounting and financial reporting by state and local governments for pensions.

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

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

At September 30, 2015, the County's total pension liability was \$8,475,612. The plan fiduciary net position was \$5,193,452, resulting in the County's net pension liability of \$3,282,160. The plan fiduciary net position as a percentage of the total pension liability was 61.3%.

ECONOMIC FACTORS AND THE 2015 BUDGET

- Local Option Sales Tax continued its downward trend, down 13.21% over the last 5 years with a drop of 4.35% from FY14 to FY15. The decrease 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 remained fairly constant with a less than 4% decrease over the past 5 years while the M&O exemptions have grown in excess of 20% over the last 5 years. This has resulted in the net M&O Digest falling 5.9% in the incorporated area of the county and 7.5% in the unincorporated area. The net millage rate in the unincorporated area of the County increased by 0.867 mills while the millage rate in the incorporated areas increased by 1.128 mills. This increase included a 1 mill pledge to retire bonds of the Walker County Development Authority.
- The unemployment rate for the County at September 30, 2015 was 5.5%, lower than the state's rate of 5.6%

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health Department
ASSETS:				
Cash and cash equivalents	\$ 1,741,571	\$ 87,685	\$ 1,829,256	\$ 1,206,488
Restricted cash	923,770	-	923,770	-
Investments	3,306,715	-	3,306,715	-
Taxes receivable	11,059,087	-	11,059,087	-
Accounts receivable	959,279	62,894	1,022,173	117
Due from (to) other funds	(15,205)	15,205	-	-
Due from other governments	3,905,610	-	3,905,610	161,705
Inventory	-	-	-	13,818
Prepaid expenses	245,773	-	245,773	-
Capital assets -				
Nondepreciable	5,355,729	2,086,957	7,442,686	-
Depreciable, net	73,981,096	3,786,804	77,767,900	14,136
Total assets	<u>101,463,425</u>	<u>6,039,545</u>	<u>107,502,970</u>	<u>1,396,264</u>
DEFERRED OUTFLOWS OR RESOURCES:				
Pension related items	<u>667,817</u>	<u>-</u>	<u>667,817</u>	<u>157,400</u>
LIABILITIES:				
Accounts payable and accrued expenses	1,981,768	42,681	2,024,449	975
Due to other governments	1,283,253	-	1,283,253	73,048
Due to heirs, litigants and others	476,524	-	476,524	-
Accrued interest payable	431,298	-	431,298	-
Tax anticipation note	10,000,000	-	10,000,000	-
Long-term liabilities -				
Due within one year:				
Bonds payable	4,285,000	-	4,285,000	-
Capital leases	664,841	-	664,841	-
Compensated absences	473,966	14,282	488,248	-
Landfill closure and postclosure care costs	126,272	-	126,272	-
Due greater than one year:				
Bonds payable	22,115,000	-	22,115,000	-
Capital leases	3,511,431	-	3,511,431	-
Note payable	-	143,720	143,720	-
Compensated absences	384,642	-	384,642	67,884
Landfill closure and postclosure care costs	2,020,356	1,997,248	4,017,604	-
Net pension liability	3,282,160	-	3,282,160	1,028,044
Total liabilities	<u>51,036,511</u>	<u>2,197,931</u>	<u>53,234,442</u>	<u>1,169,951</u>
DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue - intergovernmental	715,379	-	715,379	-
Pension related items	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,532</u>
Total deferred inflows of resources	<u>715,379</u>	<u>-</u>	<u>715,379</u>	<u>303,532</u>
NET POSITION:				
Net investment in capital assets	52,067,268	5,730,041	57,797,309	14,136
Restricted for -				
SPLOST capital projects	389,060	-	389,060	-
Program purposes	475,005	-	475,005	-
Unrestricted (deficit)	<u>(2,551,981)</u>	<u>(1,888,427)</u>	<u>(4,440,408)</u>	<u>66,045</u>
Total net position	<u>\$ 50,379,352</u>	<u>\$ 3,841,614</u>	<u>\$ 54,220,966</u>	<u>\$ 80,181</u>

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

**WALKER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 5,213,726	\$ 894,078	\$ -	\$ 13,793	\$ (4,305,855)	\$ -	\$ (4,305,855)	\$ -
Judicial	3,437,963	1,809,211	85,487	15,221	(1,528,044)	-	(1,528,044)	-
Sheriff	8,220,684	128,054	-	47,239	(8,045,391)	-	(8,045,391)	-
Public safety	8,610,008	4,946,991	230,528	-	(3,432,489)	-	(3,432,489)	-
Public works	5,191,166	-	(65,353)	-	(5,256,519)	-	(5,256,519)	-
Health and welfare	1,841,743	138,563	423,650	177,642	(1,101,888)	-	(1,101,888)	-
Culture and recreation	716,247	30,711	-	-	(685,536)	-	(685,536)	-
Housing and development	9,087,733	-	-	-	(9,087,733)	-	(9,087,733)	-
Interest	1,200,232	-	-	-	(1,200,232)	-	(1,200,232)	-
Total governmental activities	<u>43,519,502</u>	<u>7,947,608</u>	<u>674,312</u>	<u>253,895</u>	<u>(34,643,687)</u>	<u>-</u>	<u>(34,643,687)</u>	<u>-</u>
Business-type activities:								
Landfill	1,872,860	1,337,895	-	-	-	(534,965)	(534,965)	-
Special facilities	1,021,455	343,619	-	-	-	(677,836)	(677,836)	-
Total business-type activities	<u>2,894,315</u>	<u>1,681,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,212,801)</u>	<u>(1,212,801)</u>	<u>-</u>
Total primary government	<u>46,413,817</u>	<u>9,629,122</u>	<u>674,312</u>	<u>253,895</u>	<u>(34,643,687)</u>	<u>(1,212,801)</u>	<u>(35,856,488)</u>	<u>-</u>
COMPONENT UNIT:								
Health department	\$ 1,285,963	\$ 279,640	\$ 890,755	\$ -	-	-	-	(115,568)
GENERAL REVENUES:								
Taxes:								
General property taxes					13,646,733	-	13,646,733	-
General sales and use tax					8,726,467	-	8,726,467	-
Selective sales and use taxes					273,482	-	273,482	-
Business taxes					2,826,730	-	2,826,730	-
Penalties and interest on delinquent taxes					307,171	-	307,171	-
In lieu of taxes					336,605	-	336,605	-
Payment from Walker County, Georgia					-	-	-	155,339
Unrestricted investment earnings					26,312	-	26,312	9,367
Gain on sale of capital assets					1,393,821	-	1,393,821	-
Miscellaneous					197,968	-	197,968	1,547
Total general revenues					<u>27,735,289</u>	<u>-</u>	<u>27,735,289</u>	<u>166,253</u>
TRANSFERS					<u>(875,829)</u>	<u>875,829</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION					<u>(7,784,227)</u>	<u>(336,972)</u>	<u>(8,121,199)</u>	<u>50,685</u>
NET POSITION:								
Beginning, as previously stated					62,192,130	4,178,586	66,370,716	1,331,176
Prior period adjustment					(4,028,551)	-	(4,028,551)	(1,301,680)
Beginning, restated					<u>58,163,579</u>	<u>4,178,586</u>	<u>62,342,165</u>	<u>29,496</u>
Ending					<u>\$ 50,379,352</u>	<u>\$ 3,841,614</u>	<u>\$ 54,220,966</u>	<u>\$ 80,181</u>

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

WALKER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Fire and Rescue	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 1,360,612	\$ 235,847	\$ -	\$ 145,112	\$ 1,741,571
Restricted cash and cash equivalents	851,215	72,133	422	-	923,770
Investments	-	-	3,306,715	-	3,306,715
Taxes receivable	11,059,087	-	-	-	11,059,087
Accounts receivable	230,293	454,148	-	274,838	959,279
Due from other funds	836,043	-	797,814	6,151	1,640,008
Due from other governments	3,396,854	-	400,936	107,820	3,905,610
	-	-	-	-	-
Total assets	<u>\$ 17,734,104</u>	<u>\$ 762,128</u>	<u>\$ 4,505,887</u>	<u>\$ 533,921</u>	<u>\$ 23,536,040</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,720,951	\$ 198,302	\$ 26,555	\$ 35,960	\$ 1,981,768
Due to other funds	803,965	457,409	-	393,839	1,655,213
Due to other governments	1,211,075	-	72,178	-	1,283,253
Due to heirs, litigants, and others	476,524	-	-	-	476,524
Accrued interest payable	246,250	-	-	-	246,250
Tax anticipation note	10,000,000	-	-	-	10,000,000
	-	-	-	-	-
Total liabilities	<u>14,458,765</u>	<u>655,711</u>	<u>98,733</u>	<u>429,799</u>	<u>15,643,008</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	10,975,187	-	-	-	10,975,187
Unavailable revenue - fire fees	-	106,417	-	-	106,417
Unearned revenue - intergovernmental	-	-	711,379	4,000	715,379
	-	-	-	-	-
Total deferred inflows of resources	<u>10,975,187</u>	<u>106,417</u>	<u>711,379</u>	<u>4,000</u>	<u>11,796,983</u>
Fund balances:					
Restricted for -					
SPLOST capital projects	-	-	3,695,775	-	3,695,775
General government	90,643	-	-	-	90,643
Judicial	-	-	-	54,886	54,886
Public safety	190,398	-	-	-	190,398
Health and welfare	-	-	-	45,428	45,428
Health insurance	76,823	-	-	-	76,823
Other purposes	16,827	-	-	-	16,827
Unassigned	(8,074,539)	-	-	(192)	(8,074,731)
	-	-	-	-	-
Total fund balances	<u>(7,699,848)</u>	<u>-</u>	<u>3,695,775</u>	<u>100,122</u>	<u>(3,903,951)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,734,104</u>	<u>\$ 762,128</u>	<u>\$ 4,505,887</u>	<u>\$ 533,921</u>	<u>\$ 23,536,040</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, 2015

Total governmental fund balances		\$ (3,903,951)
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	151,760,293	
Less accumulated depreciation	<u>(72,423,468)</u>	79,336,825
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		
		245,773
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		10,975,187
Unavailable revenue - fire fees		106,417
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	667,817	
Net pension liability	<u>(3,282,160)</u>	(2,614,343)
Liabilities that are not due and payable in the current period, and, therefore, are not reported in the funds:		
Accrued interest	(185,048)	
Bonds payable	(26,400,000)	
Capital leases	(4,176,272)	
Compensated absences	(858,608)	
Landfill closure and postclosure care costs	<u>(2,146,628)</u>	<u>(33,766,556)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 50,379,352</u>

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

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Fire and Rescue</u>	<u>SPLOST Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
General property taxes	\$ 10,538,180	\$ -	\$ -	\$ -	\$ 10,538,180
Other taxes	7,654,631	-	4,948,404	-	12,603,035
Licenses and permits	167,869	-	-	-	167,869
Intergovernmental	336,605	-	-	914,414	1,251,019
Charges for services	787,715	3,882,357	-	1,187,423	5,857,495
Fines and forfeitures	1,786,076	-	-	23,135	1,809,211
Investment income	26,209	28	13,793	75	40,105
Contributions and donations	123,527	-	-	10,001	133,528
Rental income	64,440	-	-	-	64,440
Other	128,054	-	-	-	128,054
Total revenues	<u>21,613,306</u>	<u>3,882,385</u>	<u>4,962,197</u>	<u>2,135,048</u>	<u>32,592,936</u>
EXPENDITURES:					
Current -					
General government	5,397,797	-	850	-	5,398,647
Judicial	3,282,065	-	-	123,298	3,405,363
Sheriff	7,787,921	-	-	68,785	7,856,706
Public safety	869,366	5,186,764	-	1,780,749	7,836,879
Public works	2,773,411	-	-	-	2,773,411
Health and welfare	4,967,580	-	-	1,027,531	5,995,111
Culture and recreation	394,094	-	-	72,055	466,149
Housing and development	448,804	-	-	-	448,804
Capital outlay	-	-	3,731,645	-	3,731,645
Debt service -					
Principal	211,941	154,742	4,480,000	256,302	5,102,985
Interest	555,715	61,804	504,600	55,264	1,177,383
Issuance cost	112,500	-	-	-	112,500
Intergovernmental	-	-	9,852,056	-	9,852,056
Total expenditures	<u>26,801,194</u>	<u>5,403,310</u>	<u>18,569,151</u>	<u>3,383,984</u>	<u>54,157,639</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(5,187,888)</u>	<u>(1,520,925)</u>	<u>(13,606,954)</u>	<u>(1,248,936)</u>	<u>(21,564,703)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	1,784,309	47,500	-	-	1,831,809
Proceeds from capital lease	830,000	-	-	244,869	1,074,869
Transfers from other funds	-	1,473,425	247,343	955,195	2,675,963
Transfers to other funds	(3,551,792)	-	-	-	(3,551,792)
Total other financing sources (uses)	<u>(937,483)</u>	<u>1,520,925</u>	<u>247,343</u>	<u>1,200,064</u>	<u>2,030,849</u>
NET CHANGE IN FUND BALANCES	<u>(6,125,371)</u>	<u>-</u>	<u>(13,359,611)</u>	<u>(48,872)</u>	<u>(19,533,854)</u>
FUND BALANCES:					
Beginning, as previously reported	(1,574,477)	-	17,571,778	148,994	16,146,295
Prior period adjustment	-	-	(516,392)	-	(516,392)
Beginning, restated	<u>(1,574,477)</u>	<u>-</u>	<u>17,055,386</u>	<u>148,994</u>	<u>15,629,903</u>
Ending	<u>\$ (7,699,848)</u>	<u>\$ -</u>	<u>\$ 3,695,775</u>	<u>\$ 100,122</u>	<u>\$ (3,903,951)</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, 2015

Net change in fund balances - total governmental funds \$ (19,533,854)

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	5,032,125	
Depreciation expense	<u>(3,824,050)</u>	1,208,075

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (437,988)

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

Property taxes		2,639,368
Fire fees		<u>(15,022)</u>

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	4,480,000	
Amortization of bond premiums	4,244	
Capital lease proceeds	(1,074,869)	
Capital lease obligation payments	<u>628,987</u>	4,038,362

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. (1,785)

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.

Accounts payable		4,178,424
Accrued interest		79,405
Compensated absences		(64,910)
Landfill closure and postclosure care costs		92,682
Pension expense		<u>33,016</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (7,784,227)

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

WALKER COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-Type Activities		
	Major Enterprise Funds		
	Landfill	Special Facilities	Total
ASSETS:			
CURRENT ASSETS:			
Cash	\$ 418	\$ 87,267	\$ 87,685
Receivables, net of allowances	62,894	-	62,894
Due from other funds	52,803	-	52,803
Total current assets	<u>116,115</u>	<u>87,267</u>	<u>203,382</u>
NONCURRENT ASSETS:			
Capital assets -			
Nondepreciable	143,673	1,943,284	2,086,957
Depreciable, net	1,229,359	2,557,445	3,786,804
Total noncurrent assets	<u>1,373,032</u>	<u>4,500,729</u>	<u>5,873,761</u>
Total assets	<u>1,489,147</u>	<u>4,587,996</u>	<u>6,077,143</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	15,672	27,009	42,681
Compensated absences	6,437	7,845	14,282
Due to other funds	-	37,598	37,598
Total current liabilities	<u>22,109</u>	<u>72,452</u>	<u>94,561</u>
LONG-TERM LIABILITIES:			
Long-term debt, net of current portion	143,720	-	143,720
Landfill closure and postclosure care costs	1,997,248	-	1,997,248
Total long-term liabilities	<u>2,140,968</u>	<u>-</u>	<u>2,140,968</u>
Total liabilities	<u>2,163,077</u>	<u>72,452</u>	<u>2,235,529</u>
NET POSITION:			
Net investment in capital assets	1,229,312	4,500,729	5,730,041
Unrestricted (deficit)	(1,903,242)	14,815	(1,888,427)
Total net position	<u>\$ (673,930)</u>	<u>\$ 4,515,544</u>	<u>\$ 3,841,614</u>

(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, 2015

	Business-Type Activities		
	Major Enterprise Funds		
	Landfill	Special Facilities	Total
OPERATING REVENUES:			
Charges for services	\$ 1,337,895	\$ 298,232	\$ 1,636,127
Contributions	-	42,430	42,430
Miscellaneous	-	2,957	2,957
	<u>1,337,895</u>	<u>343,619</u>	<u>1,681,514</u>
Total operating revenues			
OPERATING EXPENSES:			
Salaries	456,825	364,409	821,234
Employee benefits	270,126	129,827	399,953
Purchased services	507,586	186,388	693,974
Landfill closure/postclosure care costs	100,639	-	100,639
Professional fees	148,675	14,344	163,019
Repairs and maintenance	119,582	34,317	153,899
Depreciation	206,003	109,436	315,439
Supplies	63,424	182,734	246,158
	<u>1,872,860</u>	<u>1,021,455</u>	<u>2,894,315</u>
Total operating expenses			
OPERATING LOSS	(534,965)	(677,836)	(1,212,801)
TRANSFERS IN	<u>276,950</u>	<u>598,879</u>	<u>875,829</u>
CHANGE IN NET POSITION	(258,015)	(78,957)	(336,972)
NET POSITION:			
Beginning	<u>(415,915)</u>	<u>4,594,501</u>	<u>4,178,586</u>
Ending	<u>\$ (673,930)</u>	<u>\$ 4,515,544</u>	<u>\$ 3,841,614</u>

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

**WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Business-Type Activities</u>		
	<u>Major Enterprise Funds</u>		
		<u>Special</u>	
	<u>Landfill</u>	<u>Facilities</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$1,286,935	\$ 343,619	\$ 1,630,554
Payments to suppliers	(839,267)	(682,916)	(1,522,183)
Payments to employees	(718,743)	(493,601)	(1,212,344)
	<u>(271,075)</u>	<u>(832,898)</u>	<u>(1,103,973)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	<u>276,950</u>	<u>598,879</u>	<u>875,829</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	143,720	-	143,720
Acquisition and construction of capital assets	(144,481)	(15,665)	(160,146)
Principal paid on capital lease obligations	(5,114)	-	(5,114)
	<u>(5,875)</u>	<u>(15,665)</u>	<u>(21,540)</u>
NET CHANGE IN CASH	<u>-</u>	<u>(249,684)</u>	<u>(249,684)</u>
CASH:			
Beginning	<u>418</u>	<u>336,951</u>	<u>337,369</u>
Ending	<u>\$ 418</u>	<u>\$ 87,267</u>	<u>\$ 87,685</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	\$ (534,965)	\$(677,836)	\$(1,212,801)
Adjustments to reconcile operating loss to net cash used by operating activities -			
Depreciation	206,003	109,436	315,439
Provisions for losses on accounts receivable	(300)	-	(300)
Landfill closure/postclosure care costs	100,639	-	100,639
Changes in assets and liabilities -			
Decrease in accounts receivable	2,143	-	2,143
Decrease in due to/from other funds	(52,803)	(235,889)	(288,692)
Increase (decrease) in accounts payable and accrued expenses	10,071	(36,454)	(26,383)
Increase (decrease) in compensated absences	(1,863)	7,845	5,982
	<u>(271,075)</u>	<u>(832,898)</u>	<u>(1,103,973)</u>
Net cash used by operating activities	<u>\$ (271,075)</u>	<u>\$ (832,898)</u>	<u>\$ (1,103,973)</u>

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

WALKER COUNTY, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	Pension Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ -	\$ 2,026,654
Investments, at fair value:		
Guaranteed fixed income account	4,061,271	-
Mutual funds	1,345,885	-
Total assets	5,407,156	2,026,654
LIABILITIES:		
Accounts payable	-	19,994
Due to other governments	-	807,605
Due to heirs, litigants, and others	-	1,199,055
Total liabilities	-	2,026,654
NET POSITION - RESTRICTED FOR PENSION BENEFITS	\$ 5,407,156	\$ -

(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, 2015

	Pension Trust Fund
ADDITIONS:	
Employer contributions	\$ 770,000
Investment appreciation in fair value of investments	193,675
Less investment expense	39,550
Net appreciation in fair value of investments	154,125
Total additions	924,125
DEDUCTIONS:	
Benefits	442,521
Insurance premiums	31,334
Total deductions	473,855
NET INCREASE IN PLAN NET POSITION	450,270
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning	4,956,886
Ending	\$ 5,407,156

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(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 unit. The component unit discussed below is 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 unit have been included in the financial reporting entity as a discretely presented component unit.

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 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.

Walker County Development Authority:

The Walker County Development Authority was created by legislative act in the state of Georgia. The board of the Walker County 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 Walker County Development Authority is to develop industry in the County by assisting in the purchase and financing of property through bond issues and other debt. The Walker County Development Authority acts independently of the County and does not require the County approval for financing.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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 unit. 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.

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:

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Basis of Presentation (continued) -

Governmental Funds (continued):

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 provides an ambulance service on a charge for service basis to all the County residents.

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).

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 funds:

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

Special Facilities - This fund accounts for the operation and maintenance of the Mountain Cove convention and recreation property which has cabins, a meeting area, and kitchen available for rental to the public.

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.

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, 2015, except for the Health Department component unit. The component unit operates on a fiscal year ending June 30, 2015.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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.

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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Basis of Accounting (continued) -

Revenues - Non-exchange Transactions:

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.

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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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 AAAf 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.

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 \$648,800. Accounts receivable in the fire and rescue fund are estimated to be uncollectible for fire and rescue fees of \$104,000 and ambulance services of \$8,877,767, respectively. Also, estimated uncollectible accounts receivable in the landfill proprietary fund are \$11,100.

Prepaid Expenses -

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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 fair market 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 no interest expense capitalized for the fiscal year ending September 30, 2015.

Capital assets of the primary government, as well as the component unit, 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.”

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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.

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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Fund Balance (continued) -

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.

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, 2015, the County had \$190,398 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Deferred Outflows/Inflows of Resources (continued) -

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 is also deferred and amortized against pension expense over a five year period.

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

Property Tax Revenues -

Property taxes are generally levied around July 31st for the following fiscal year based on the assessed value of property as listed on the previous January 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Assessed values are an approximation of 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, 2002 for residential property, January 1, 2005 for other real property, and January 1, 1998 for commercial property. Valuations were reassessed for all city property, most major subdivisions, and a partial reassessment of rural land as of January 1, 2006.

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, 2015
Levy date	September 30, 2015
Due date	December 3, 2015
Delinquency date	February 20, 2016

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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).

Defined Benefit Pension Plan -

The Pension Plan for Employees of the Walker County Commissioner and Sherriff'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 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 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:

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(2) DEPOSITS AND INVESTMENTS: (Continued):

Primary Government (continued) -

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.

The following schedule of cash and cash equivalents and investments of all of the County's funds (including fiduciary funds) as of September 30, 2015, is categorized by custodial credit risk:

	Category			Carrying Amount		Bank Balance	
	1	2	3				
<u>Cash and cash equivalents</u>							
Deposits with financial institutions	\$ 1,193,946	\$ 5,233,751	\$ 206,465	\$ 4,779,680		\$ 6,634,162	
	Category			Carrying Amount	Credit Rating	Maturities	Weighted Average Maturity Days
	1	2	3				
<u>Investments</u>							
Georgia Fund 1	\$ -	\$ 2,230,219	\$ -	\$ 3,306,715	AAAf	6 months	44
<u>Pension Trust Fund Investments</u>							
Guaranteed fixed income account	\$ -	\$ 4,061,271	\$ -	\$ 4,061,271	N/A	6 months	N/A
Mutual funds	-	1,345,885	-	1,345,885	N/A	6 months	N/A
	\$ -	\$ 5,407,156	\$ -	\$ 5,407,156			

The deposits of the County are included in the following classifications at September 30, 2015.

Cash and cash equivalents	\$ 1,829,256
Restricted cash	923,770
Cash and cash equivalents - agency funds	<u>2,026,654</u>
Total deposits with financial institutions	<u>\$ 4,779,680</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(2) DEPOSITS AND INVESTMENTS: (Continued):

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, 2015.

At June 30, 2015, cash and cash equivalents consisted of the following:

Cash and cash equivalents \$ 1,206,488

(3) CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2015, 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	\$ 2,597,299	\$ -	\$ -	\$ 17,890	\$ 2,615,189
Construction in progress	<u>751,383</u>	<u>1,842,099</u>	<u>-</u>	<u>147,058</u>	<u>2,740,540</u>
Total nondepreciable capital assets	<u>3,348,682</u>	<u>1,842,099</u>	<u>-</u>	<u>164,948</u>	<u>5,355,729</u>
Depreciable capital assets:					
Infrastructure	95,330,762	1,249,316	-	(14,218)	96,565,860
Buildings and improvements	23,064,970	943,930	520,973	-	23,487,927
Machinery and equipment	7,914,250	360,009	28,000	(80,261)	8,165,998
Vehicles	13,768,940	628,792	281,486	35,802	14,152,048
Trucks and construction equipment	<u>4,513,053</u>	<u>7,979</u>	<u>382,030</u>	<u>(106,271)</u>	<u>4,032,731</u>
Total depreciable capital assets	<u>144,591,975</u>	<u>3,190,026</u>	<u>1,212,489</u>	<u>(164,948)</u>	<u>146,404,564</u>
Less accumulated depreciation:					
Infrastructure	41,878,274	1,685,556	-	1,569,000	45,132,830
Buildings and improvements	8,567,100	539,553	135,974	(1,486,015)	7,484,664
Machinery and equipment	4,916,577	674,849	28,000	(333,745)	5,229,681
Vehicles	10,310,225	823,484	259,847	-	10,873,862
Trucks and construction equipment	<u>3,701,743</u>	<u>100,608</u>	<u>350,680</u>	<u>250,760</u>	<u>3,702,431</u>
Total accumulated depreciation	<u>69,373,919</u>	<u>3,824,050</u>	<u>774,501</u>	<u>-</u>	<u>72,423,468</u>
Total depreciable capital assets, net	<u>75,218,056</u>	<u>(634,024)</u>	<u>437,988</u>	<u>(164,948)</u>	<u>73,981,096</u>
Governmental activities capital assets, net	<u>\$ 78,566,738</u>	<u>\$ 1,208,075</u>	<u>\$ 437,988</u>	<u>\$ -</u>	<u>\$ 79,336,825</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(3) CAPITAL ASSETS (Continued):

Governmental activities depreciation expense was as follows:

General government	\$ 145,405
Judicial	54,957
Sheriff	352,711
Public safety	1,103,561
Public works	1,856,603
Health and welfare	218,477
Culture and recreation	77,660
Housing and development	<u>14,676</u>
	<u>\$ 3,824,050</u>

	<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	\$ -	\$ -	\$ 143,673
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	-	-	-	1,756,274
Vehicles	49,148	-	-	-	49,148
Furniture and fixtures	2,172	-	-	-	2,172
Software	1,508	-	-	-	1,508
Computers, radios, and electronics	<u>20,342</u>	<u>808</u>	<u>-</u>	<u>-</u>	<u>21,150</u>
Total depreciable capital assets	<u>7,121,236</u>	<u>808</u>	<u>-</u>	<u>-</u>	<u>7,122,044</u>
Less accumulated depreciation:					
C and D landfill	3,988,017	149,550	-	-	4,137,567
Buildings and improvements	129,522	7,740	-	-	137,262
Machinery and equipment	1,505,618	46,219	-	-	1,551,837
Vehicles	42,404	1,445	-	-	43,849
Furniture and fixtures	886	108	-	-	994
Software	1,508	-	-	-	1,508
Computers, radios, and electronics	<u>18,727</u>	<u>941</u>	<u>-</u>	<u>-</u>	<u>19,668</u>
Total accumulated depreciation	<u>5,686,682</u>	<u>206,003</u>	<u>-</u>	<u>-</u>	<u>5,892,685</u>
Total depreciable capital assets, net	<u>1,434,554</u>	<u>(205,195)</u>	<u>-</u>	<u>-</u>	<u>1,229,359</u>
Landfill capital assets, net	<u>\$ 1,434,554</u>	<u>\$ (61,522)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,032</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(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	\$ -	\$ -	\$ -	\$ 1,943,284
Construction in progress	<u>1,265</u>	<u>-</u>	<u>-</u>	<u>(1,265)</u>	<u>-</u>
Total nondepreciable capital assets	<u>1,944,549</u>	<u>-</u>	<u>-</u>	<u>(1,265)</u>	<u>1,943,284</u>
Depreciable capital assets:					
Buildings and improvements	2,368,982	-	-	1,265	2,370,247
Furniture and fixtures	399,237	1,571	-	-	400,808
Computers, radios, and electronics	<u>78,053</u>	<u>14,094</u>	<u>-</u>	<u>-</u>	<u>92,147</u>
Total depreciable capital assets	<u>2,846,272</u>	<u>15,665</u>	<u>-</u>	<u>1,265</u>	<u>2,863,202</u>
Less accumulated depreciation:					
Buildings and improvements	147,692	63,083	-	-	210,775
Furniture and fixtures	36,454	29,032	-	-	65,486
Computers, radios, and electronics	<u>12,175</u>	<u>17,321</u>	<u>-</u>	<u>-</u>	<u>29,496</u>
Total accumulated depreciation	<u>196,321</u>	<u>109,436</u>	<u>-</u>	<u>-</u>	<u>305,757</u>
Total depreciable capital assets, net	<u>2,649,951</u>	<u>(93,771)</u>	<u>-</u>	<u>1,265</u>	<u>2,557,445</u>
Special facilities capital assets, net	<u>\$ 4,594,500</u>	<u>\$ (93,771)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500,729</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	<u>\$ 50,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,741</u>
Less accumulated depreciation:				
Machinery and equipment	<u>31,376</u>	<u>5,229</u>	<u>-</u>	<u>36,605</u>
Health Department capital assets, net	<u>\$ 19,365</u>	<u>\$ (5,229)</u>	<u>\$ -</u>	<u>\$ 14,136</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(4) TAX ANTICIPATION NOTE:

On March 10, 2015, the County obtained Tax Anticipation Notes (TAN), Series 2015 in the amount of \$10,000,000. The proceeds of the TAN, net of a \$200,000 original issue discount, were used to pay the TAN, Series 2014A and B of \$7,720,000 and fees of \$112,500, and the remaining proceeds were provided to the general fund as operating resources for the County. Interest at 4.5% is due on maturity. The TAN is due and payable on December 31, 2015.

	Balance 9/30/2014	Additions	Reductions	Balance 9/30/2015	Amounts Due in One Year	Accrued Interest
Governmental Activities:						
TAN, Series 2014 A and B	\$ 7,720,000	\$ -	\$ 7,720,000	\$ -	\$ -	\$ -
TAN, Series 2015	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>246,250</u>
	<u>\$ 7,720,000</u>	<u>\$ 10,000,000</u>	<u>\$ 7,720,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 246,250</u>

(5) LONG-TERM DEBT:

The following is a summary of the County's long-term debt transactions for the year ended September 30, 2015:

	Balance 9/30/2014	Additions	Reductions	Balance 9/30/2015	Amounts Due in One Year	Accrued Interest
Governmental Activities:						
Bonds payable	\$ 30,884,244	\$ -	\$ 4,484,244	\$ 26,400,000	\$ 4,285,000	\$ 107,250
Capital leases	3,730,390	1,074,869	628,987	4,176,272	664,841	77,798
Compensated absences	793,698	88,924	24,014	858,608	473,966	-
Landfill postclosure care costs	2,239,310	-	92,682	2,146,628	126,272	-
Net pension liability	<u>-</u>	<u>3,282,160</u>	<u>-</u>	<u>3,282,160</u>	<u>-</u>	<u>-</u>
	<u>\$ 37,647,642</u>	<u>\$ 4,445,953</u>	<u>\$ 5,229,927</u>	<u>\$ 36,863,668</u>	<u>\$ 5,550,079</u>	<u>\$ 185,048</u>

	Balance 9/30/2014	Additions	Reductions	Balance 9/30/2015	Amounts Due in One Year	Accrued Interest
Business-Type Activities:						
Capital leases	\$ 5,114	\$ -	\$ 5114	\$ -	\$ -	\$ -
Note payable	-	143,720	-	143,720	-	-
Compensated absences	8,300	7,845	1,863	14,282	14,282	-
Landfill closure and postclosure care costs	<u>1,896,609</u>	<u>100,639</u>	<u>-</u>	<u>1,997,248</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,910,023</u>	<u>\$ 252,204</u>	<u>\$ 6,977</u>	<u>\$ 2,155,250</u>	<u>\$ -</u>	<u>\$ -</u>

For governmental activities compensated absences and the net pension liability typically have been liquidated in the general and other governmental funds. For business-type activities, compensated absences are liquidated by the landfill and special facilities fund. The capital lease debt is paid by the fund leasing the corresponding assets. The bonds payable will be paid by the special purpose local option sales tax. 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(5) LONG-TERM DEBT (Continued):

Bonds Payable -

Future debt service requirements on bonds payable at September 30, 2015, are as follows:

	Governmental Activities	
	Bonds	
	Principal	Interest
Year ending September 30, 2016	\$ 4,285,000	\$ 394,184
2017	4,380,000	323,781
2018	4,485,000	251,753
2019	4,590,000	178,019
2020	4,695,000	102,578
2021	3,965,000	32,216
	\$ 26,400,000	\$ 1,282,531

The County issued \$8,630,000 in General Obligation Sales Tax Bonds, Series 2008 and \$15,355,000 in General Obligation Sales Tax Bonds, Series 2009 for capital outlay projects outlined in the special purpose local option sales tax referendum on December 11, 2008. The interest rates on the bonds ranged from 2.2% to 5.0% with principal payments due in amounts ranging from \$1,250,000 to \$3,785,000. Principal payments began January 2009 and matured in January 2015. Interest was due semi-annually while principal payments were due on an annual basis. The bonds were payable from proceeds of the 2008 special purpose local option sales tax referendum .

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.

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
Buildings	\$ 739,357
Building improvements	1,108,952
Vehicles and equipment	2,957,779
Software	244,869
Total capital lease assets	5,050,957
Accumulated amortization	1,524,655
Capital lease assets, net	\$ 3,526,302

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(5) LONG-TERM DEBT (Continued):

Capital Leases (continued) -

Future minimum lease payments at September 30, 2015, are as follows:

	Governmental Activities
Year ending September 30, 2016	\$ 839,762
2017	855,755
2018	855,755
2019	1,372,717
2020	345,983
2021-2022	473,574
Total minimum lease payments	4,743,546
Less: deferred interest	567,274
 Present value minimum lease payments	 \$ 4,176,272

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.

Note Payable -

On August 8, 2015, the County signed a promissory note and loan agreement with the Georgia Environmental Finance Authority (GEFA) to borrow up to \$800,000 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 December 1, 2017. 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, 2015, outstanding principal was \$143,720, and \$656,280 remains available for disbursement. Under the terms of the loan agreement with GEFA, financial covenants will be in effect once payments begin.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(5) LONG-TERM DEBT (Continued):

Note Payable (continued) -

Projected future debt service requirements on the note payable based on the outstanding principal balance at September 30, 2015, are as follows:

	Business-type Activities	
	Note Payable	
	Principal	Interest
Year ending September 30, 2016	\$ -	\$ 4,112
2017	-	4,356
2018	3,946	4,361
2019	5,463	4,160
2020	5,631	3,992
2021-2025	30,859	17,255
2026-2030	35,900	12,214
2031-2035	41,765	6,350
2036-2038	20,156	695
	\$ 143,720	\$ 57,495

(6) INTERFUND BALANCES AND ACTIVITY:

Balances Due To/From Other Funds -

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

Fire and rescue to general fund	\$ 457,409
Special facilities to general fund	37,598
Nonmajor governmental funds to general fund	341,036
General fund to SPLOST capital projects	797,814
General fund to nonmajor governmental funds	6,151
Nonmajor governmental funds to landfill	52,803
	\$ 1,692,811

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.

An advance payment on a note payable was deposited into a nonmajor governmental fund that was for the landfill.

The general fund due to SPLOST capital projects fund was created by grant funds deposited directly to the general fund. The amount was transferred and the due to eliminated in December 2015.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(6) INTERFUND BALANCES AND ACTIVITY (Continued):

Transfers To/From Other Funds -

Transfers to/from other funds for the year ended September 30, 2015, consist of the following:

From the general fund to the fire and rescue fund for operating expenditures	\$ 1,473,425
From the general fund to the E911 fund for operating expenditures	548,447
From the general fund to the multiple grant fund for county matching requirements	79,537
From the general fund to the transportation fund for operating expenditures	327,211
From the general fund to the SPLOST capital projects funds for debt service	247,343
From the general fund to the landfill fund for operating expenditures	276,950
From the general fund to the special facilities fund for operating expenditures	<u>598,879</u>
	<u>\$ 3,551,792</u>

(7) DEFINED BENEFIT PENSION PLAN:

Primary Government -

Plan Administration:

One hundred ten (110) 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.

Plan Membership:

As of January 1, 2015, 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	35
Active participants - below retirement age	109
Active participants - at or above retirement age	<u>1</u>
	<u>167</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

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, 2015, the County's contribution rate was 4.96% of covered payroll.

Net Pension Liability:

Effective October 1, 2014, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting of Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which significantly changed the County's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The County's net pension liability was measured as of January 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions -

The total pension liability in the January 1, 2015 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	6.0% per year, net of investment expense

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

Net Pension Liability (continued):

Actuarial Assumptions (continued) -

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, 2015 valuations were based on the results of the most recent experience study which was completed December 2015.

The long-term expected rate of return on assets of 6.0% 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 Rate of Return	Target Allocation
Equity securities	9%	40%
Debt securities	4%	55%
Other (bond, etc)	4%	5%
		100%

Discount Rate -

The discount rate used to measure the total pension liability was 5.95%. 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 3.34% was used in the development of the blended discount rate after that point. The 3.34% rate is based on the S&P Municipal Bond 20 Year High Grade Rated Index. Based on the long-term rate of return of 6.0% and the municipal bond rate of 3.34%, the blended discount rate would be 5.95%.

Changes in the Net Position Liability -

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

Net Pension Liability (continued):

Changes in the Net Position Liability (continued) -

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at 12/31/13	\$ 10,440,286	\$ 7,012,927	\$ 3,427,359
Charges for the year:			
Service cost	274,417	-	274,417
Interest	554,233	-	554,233
Differences between expected and actual experience	47,438	-	47,438
Contributions	-	780,000	(780,000)
Net investment income	-	272,621	(272,621)
Benefit payments	(2,840,762)	(2,840,762)	-
Administrative expense	-	(31,334)	31,334
	<u>(1,964,674)</u>	<u>(1,819,475)</u>	<u>(145,199)</u>
Net changes			
Balances at 1/1/15	<u>\$ 8,475,612</u>	<u>\$ 5,193,452</u>	<u>\$ 3,282,160</u>

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

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

The following table presents the net pension liability, calculated using the discount rate of 5.95%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.95%) or 1-percentage-point higher (6.95%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Discount rate	4.95%	5.95%	6.95%
Net pension liability	\$ 3,980,964	\$ 3,282,160	\$ 2,671,389

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, 2015.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) DEFINED BENEFIT PENSION PLAN (Continued):

Primary Government (continued) -

Pension Expense and Deferred Outflows of Resources:

For the year ended September 30, 2015, the County recognized pension expense of \$736,884. At September 30, 2015, the County reported deferred outflows of resources related to pension items from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 38,772
Net difference between projected and actual earnings on pension plan investments	69,045
Contributions subsequent to the measurement date of January 1, 2015*	<u>560,000</u>
	<u>\$ 677,817</u>

*The amount shown for “contribution subsequent to the measurement date of January 1, 2015,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year ending September 30, 2016	\$ 585,927
2017	25,927
2018	25,927
2019	25,928
2020	<u>4,108</u>
	<u>\$ 667,817</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, 2015, were as follows:

	<u>Fair Value</u>	<u>% of Total</u>
Guaranteed fixed income	\$ 4,061,271	75.11%
Balanced funds	454,899	8.41%
Government/Corporate bond funds	268,487	4.97%
Equity growth funds	<u>622,499</u>	<u>11.51%</u>
	<u>\$ 5,407,156</u>	<u>100.00%</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) DEFINED BENEFIT PENSION PLAN (Continued):

Component Unit -

Employees' Retirement System of Georgia (ERS) is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Georgia for the benefit of public employees. The Retirement System provides pension benefits and death and disability benefits.

Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon state employment that started prior to July 1, 1982 is an "old plan" member subject to the 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 the modified plan provisions. Effective January 1, 2009, newly hired state employees, as well as rehired state employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of ten years creditable service and attainment of age of 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 the age of 60. Pension payments are calculated by multiplying the years of service by the applicable benefit factor. The result is then multiplied by the average monthly salary for the two highest consecutive years of service. For early retirement, the pension payment is reduced accordingly.

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.

Employer required contributions under both the old plan and the new plan represented 18.46% of the covered payroll. Employer required contributions for GSEPS represented 15.18% of the covered payroll.

For the fiscal period ended June 30, 2013, the latest annual actuarial valuation, the ERS did not hold any securities of the State.

The amount of the total pension benefit obligation is based on a standardized measurement established by the Governmental Accounting Standards Board (GASB) Statement 5 that, with some exceptions, must be used by the Employees' Retirement System (ERS). The standardized measurement is the actuarial present value of credited projected benefits.

This pension valuation method reflects the present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) DEFINED BENEFIT PENSION PLAN (Continued):

Component Unit (continued) -

A standardized measure of the pension benefit obligation was adopted by GASB to enable readers offers financial statements to: (a) assess the ERS funding status on a going concern basis; (b) assess progress made in accumulation of sufficient assets to pay benefits when due: and (c) make comparisons among ERS and among employees.

A copy of the plan's financial report may be obtained from: Employees' Retirement System of Georgia, Two Northside Seventy-Five, Suite 300, Atlanta, Georgia 30318

Health Department employees are required to contribute to the Plan along with contributions provided by the Health Department. All benefits are paid from this fund to the members or to their beneficiaries.

For the year ended June 30, 2015, the Health Department's total payroll for all employees was \$720,944. Total covered payroll was \$720,944. Covered payroll refers to all compensation paid by the Health Department to active employees covered by the Plan.

The Plan's financial statements are prepared on an accrual basis of accounting. Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 67.2% equities, 25.6% fixed income securities, 0.0% short-term securities, 7.1% trust funds and .01% private equity.

The net pension obligation was computed as part of an actuarial valuation as of June 30, 2013. Significant actuarial assumptions used in the valuation include (a) an assumed rate of return on assets of 7.50% per year, which includes an inflation rate of 3.00%; (b) projected salary increases of 0.00% for fiscal year 2011; 2.725% - 4.625% for fiscal years 2012-2013; and 5.45% - 9.25% for fiscal years 2014 and later, which all include an inflation rate of 3.00%; and (c) no annual post-retirement benefit increase or cost of living adjustments.

The ERS Plan refunding policy provides for contributions under the "Entry Age" actuarial cost method. The actuarial asset valuation was determined using the 7-year smoothed market value. The unfunded actuarial accrued liability is being amortized as a level dollar, open. The remaining amortization period at June 30, 2013, was thirty years.

Contributions made during the measurement period:	\$ 113,934
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Employer's proportionate share of net pension liability	\$ 1,028,044
Employer's proportion of net pension liability	0.027410%
Increase/(decrease) from proportion measured as of June 30, 2013	-0.001762%
Employer's recognized pension expense	\$ 29,896

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(7) DEFINED BENEFIT PENSION PLAN (Continued):

Component Unit (continued) -

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 250,914
Changes in proportion and differences between employer contributions and proportionate share contributions	-	52,618
Contributions subsequent to the measurement date of	157,400	-
	\$ 157,400	\$ 303,532

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension items will be recognized in pension expense as follows:

Year ending June 30, 2016	\$ 61,785
2017	(82,461)
2018	(62,729)
2019	(62,727)
	\$ (146,132)

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate:

	1% Decrease	Current	1% Increase
Discount rate	6.5%	7.5%	8.5%
Employer's proportionate share of the net pension liability	\$ 1,499,093	\$ 1,028,044	\$ 627,073

Schedule of proportionate share of the net pension liability:

	6/30/15
Employer's proportion of the net pension liability	0.027410%
Employer's proportionate share of the net pension liability	\$ 1,028,044
Employer's covered-employee payroll during the measurement period	\$ 720,944
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.60%
Plan fiduciary net position as a percentage of the total pension liability	77.99%

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(8) 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 Lincoln Financial Group. The County will contribute a percentage of gross wages based on the following contribution schedule:

Age	Percent of Contribution
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. Payments made during the year ended September 30, 2015, were for current and prior year employer contributions. The County recognized pension expense \$554,428 with no forfeitures available to reduce this amount for the year ended September 30, 2015. As of September 30, 2015, the County has \$339,466 pension expense accrued.

(9) 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 2015 plan year are:

Number of participants	32
Participant contributions	\$108,485

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(10) 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, 2015, was \$44,586 net of any participant contributions. Twenty-two retirees were receiving benefits at September 30, 2015. 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.

(11) FUND DEFICITS:

At September 30, 2015, the general fund had a deficit fund balance of \$7,699,848. This fund deficit will be alleviated through increased millage rate for current year property tax bills, the sale of properties to Walker County Development Authority, and decreased need to fund other funds.

At September 30, 2015, the landfill had a deficit fund balance of \$673,930. This deficit will be reduced through increased user charges and general fund appropriation, as needed.

(12) 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 in Individual Funds -

For the year ended September 30, 2015, the County had no material excess of expenditures over appropriations in individual funds.

(13) 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(13) RISK MANAGEMENT (Continued):

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

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

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

The County maintains a medical benefit plan to self-insure claims up to \$90,000 per year for each individual covered; claims above \$90,000 are covered by a stop-loss insurance policy. The County also had an aggregate stop-loss insurance policy which covers claims above \$198,763 monthly and \$2,385,000 annually. The County and its covered employees contribute to the fund to pay the claims and stop-loss insurance premiums. At September 30, 2015, 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, 2013	\$ 175,565
Incurred claims (including claims incurred but not reported)	3,131,791
Claims paid during fiscal year 2014	<u>3,165,239</u>
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	<u>\$ 213,097</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(14) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

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

At September 30, 2015, the County had incurred a liability of approximately \$1,997,248 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately 80 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$409,075 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, 2015, a liability for postclosure care costs is recorded in the amount of \$2,146,628, 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.

(15) 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 \$1.05 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.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(16) COMMITMENTS AND CONTINGENCIES:

Contractual Commitments -

The County has construction commitments totaling \$2,136,371. As of September 30, 2015, the remaining balance on these commitments totaled \$846,321.

The County has an intergovernmental economic development contract with the Walker County Development Authority. The County agreed to levy an ad valorem property tax, limited to one mill, on all property in the County subject to taxation for such purposes in order to pay the Walker County Development Authority bond fund for the payment of the Walker County Development Authority's Economic Development Taxable Revenue Bonds, Series 2015. The County's commitment to the Walker County Development Authority for the principal and interest payments will range from \$598,021 to \$1,185,750 through August 2037. Payments are due annually on January 25th and are scheduled to begin January 25, 2016.

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.

Contingency -

The County has 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 owns or leases 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, currently leases from the Authority and operates 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 has guaranteed the line of credit in the event of an uncured default by the

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(16) COMMITMENTS AND CONTINGENCIES (Continued):

Contingency (continued) -

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 attorney representing the County has made the following analysis:

The nature of the litigation - We are handling a federal lawsuit in the United States District Court for the Northern District of Georgia. Erlanger Health systems has sued the County for breach of contract and for payment of a loan which Erlanger argues is payable to it as a third party beneficiary under an intergovernmental agreement between the County and other parties not including Erlanger Health Systems.

The progress of the matter to date - The matter is currently in the motion to dismiss stage. The County asserts that it is entitled to sovereign immunity under Georgia law and filed a motion to dismiss based on the sovereign immunity and other arguments. The Court denied the motion and the County has asked the court to amend its order permitting an appeal of the issue to the Circuit Court of Appeals. If the appeal moves forward the County will request the Court of Appeals to certify the sovereign immunity question to the Supreme Court of Georgia.

Response to litigation - At this stage the case is being contested vigorously as described in the progress of the matter to date above.

Exposure - The suit is for 10 million dollars. However, we believe that sovereign immunity applies and plan to exhaust appellate remedies on that issue. No further assessments can be provided at this time pending the results of current efforts to appeal the issue of sovereign immunity.

The County attorney has made additional analysis:

The courts have a pending sale and order of part of the Hutcheson property, which when completed will provide an approximate \$1.5 million 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, 2015

(16) COMMITMENTS AND CONTINGENCIES (Continued):

Contingency (continued) -

The litigation is expected to go on for many months, and the County's liability could be a minimum of zero or could be a maximum of \$8.5 million (\$10 million max, less \$1.5 million credit).

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

(17) RELATED PARTY TRANSACTIONS:

The Walker County Water and Sewerage Authority is a related organization of the County. During the year ended September 30, 2015, the County paid the Walker County Water and Sewerage Authority \$1,190,312 for various water and sewer SPLOST projects. The County also had a payable to the Authority of \$26,365 at September 30, 2015, for these ongoing water and sewer projects. As of September 30, 2015, the County borrowed \$1,200,929 from Walker County Water and Sewerage Authority for various operating expenses. There was no official loan documentation, however, the entire amount was paid back to Walker County Water and Sewerage Authority during October 2015.

The Walker County Development Authority is also a related organization of the County. During the year ended September 30, 2015, the County funded \$8,598,039 in SPLOST projects for the industrial park owned by the Walker County Development Authority. The County also sold the Walker County Development Authority the agriculture center building for \$1,099,475 which resulted in a net gain of \$714,476 during September 30, 2015. The Walker County Development Authority repaid an outstanding note receivable in the amount of \$450,000.

(18) PRIOR PERIOD ADJUSTMENTS:

Primary government -

During the current year, errors were identified in the SPLOST capital projects fund. These errors resulted from misstatement of receivables and improper recording of grant revenues. Prior years amount due from other governments was overstated \$402,675 and intergovernmental unearned revenue was understated \$113,717. A prior period adjustment of \$516,392 was made to correct these errors to beginning fund balance, as originally reported, in the SPLOST capital projects fund and beginning net position, as originally reported, for governmental activities.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(18) PRIOR PERIOD ADJUSTMENTS:

Primary government -

As discussed in Note 7, the County implemented the provisions of (GASB) Statement No. 68, *Accounting and Financial Reporting of Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* effective October 1, 2014. This new standard significantly changed the County's accounting for pension amounts. As a result, the County was required to restate beginning net position, as originally reported, for governmental activities. The prior period adjustment resulted from removing the net pension asset, as reported under GASB 27 at \$864,800 and the recording the net pension liability beginning balance of \$2,647,359.

Component Unit -

During fiscal year 2015, the Health Department adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. The implementation of GASB 68 resulted in a change in reporting from the previous year. GASB 68 requires the reporting of the plan net pension liability and related pension expense and deferrals in the financial statements. The following reflects the impact of the provisions of GASB Statement No. 68 on the financial statements:

Net position, beginning as previously reported	\$ 1,331,176
Prior period adjustment	<u>(1,301,680)</u>
Net position, beginning restated	<u>\$ 29,496</u>

(19) SUBSEQUENT EVENTS:

In October 2015, the County sold the civic center and mountain cove resort properties to Walker County Development Authority for \$6,928,657.

Management has evaluated subsequent events through March 31, 2016, 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, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE:				
Taxes	\$ 12,108,064	\$ 10,538,180	\$ 10,538,180	\$ -
Other taxes	7,312,000	7,654,631	7,654,631	-
Licenses and permits	150,800	167,869	167,869	-
Intergovernmental	321,400	336,605	336,605	-
Charges for services	833,400	787,715	787,715	-
Fines and forfeitures	1,604,050	1,786,076	1,786,076	-
Investment earnings	14,400	26,209	26,209	-
Contributions and donations	-	123,527	123,527	-
Rental income	53,360	64,440	64,440	-
Other	109,300	128,054	128,054	-
	<u>22,506,774</u>	<u>21,613,306</u>	<u>21,613,306</u>	<u>-</u>
Total revenue				
EXPENDITURES:				
General Government -				
Governing body	706,375	692,600	692,600	-
Elections	334,350	326,626	326,626	-
Accounting	274,509	301,018	301,018	-
Licensing	5,387	8,100	8,100	-
Legal	170,500	182,906	182,906	-
Data processing	72,985	83,501	83,501	-
Tax commissioner	997,910	1,141,653	1,141,653	-
Tax assessor	968,256	1,219,723	1,219,723	-
Board of equalization	7,150	2,144	2,144	-
General government buildings and plant	447,623	1,232,386	1,232,386	-
Marsh Warthen house	9,695	9,921	9,921	-
Records management	66,087	67,831	67,831	-
General administration fees	114,000	57,022	57,022	-
Special projects	72,660	72,366	72,366	-
	<u>4,247,487</u>	<u>5,397,797</u>	<u>5,397,797</u>	<u>-</u>
Total general government				
Judicial -				
Clerk of courts	697,267	700,295	700,295	-
Superior court	141,252	132,339	132,339	-
District attorney	368,017	447,576	447,576	-
State court	340,795	304,261	304,261	-
State court solicitor	260,917	332,079	332,079	-
Magistrate court	283,415	341,019	341,019	-
Probate court	231,400	233,659	233,659	-
Juvenile court	325,074	554,909	554,909	-
Public defender	241,348	182,171	182,171	-
Court reporter	50,293	53,757	53,757	-
	<u>2,939,778</u>	<u>3,282,065</u>	<u>3,282,065</u>	<u>-</u>
Total judicial				

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Sheriff -				
Law enforcement administration	659,907	1,452,212	1,452,212	-
Criminal investigation	850,294	832,464	832,464	-
Vice control	88,171	162,771	162,771	-
Patrol	2,047,655	1,879,023	1,879,023	-
Custody of prisoners	2,451,159	2,184,816	2,184,816	-
Champs program	224,354	168,391	168,391	-
Training	115,487	123,588	123,588	-
Special detail services	3,420	6,290	6,290	-
Sheriff's office and building	142,500	97,714	97,714	-
Court services	1,025,856	872,989	872,989	-
Bailiff	16,998	7,663	7,663	-
	<u>7,625,801</u>	<u>7,787,921</u>	<u>7,787,921</u>	<u>-</u>
Public Safety -				
County police	485,186	498,770	498,770	-
Coroner/medical examiner	80,540	101,969	101,969	-
Animal control	266,312	268,627	268,627	-
	<u>832,038</u>	<u>869,366</u>	<u>869,366</u>	<u>-</u>
Highways and Streets -				
Highways and streets administration	455,673	445,379	445,379	-
Paved streets	1,136,200	984,089	984,089	-
Other maintenance	654,200	495,458	495,458	-
Bridges, viaducts and grade separations	20,000	48	48	-
Traffic engineering	108,276	40,209	40,209	-
Closure and postclosure costs	94,200	68,069	68,069	-
Maintenance and shop	759,022	740,159	740,159	-
	<u>3,227,571</u>	<u>2,773,411</u>	<u>2,773,411</u>	<u>-</u>
Health and welfare -				
Public health administration	\$ 273,673	\$ 4,703,254	\$ 4,703,254	-
Children's crisis center	10,000	20,000	20,000	-
Health department building and plant	23,069	26,955	26,955	-
Intergovernmental welfare payments	33,500	51,847	51,847	-
Other welfare payments	1,400	46,271	46,271	-
DFACS building and plant	14,600	22,375	22,375	-
Meals on wheels	88,645	92,172	92,172	-
Senior center	3,197	4,706	4,706	-
	<u>448,084</u>	<u>4,967,580</u>	<u>4,967,580</u>	<u>-</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation -				
Civic center	199,984	204,606	204,606	-
Other recreational facilities	21,526	9,254	9,254	-
Agricultural center	31,150	23,259	23,259	-
Historical preservation	5,850	3,064	3,064	-
Library administration	<u>153,824</u>	<u>153,911</u>	<u>153,911</u>	-
Total culture and recreation	<u>412,334</u>	<u>394,094</u>	<u>394,094</u>	-
Housing and Development -				
County agent	80,196	58,774	58,774	-
Forest resources	-	9,351	9,351	-
Planning and zoning	143,402	143,993	143,993	-
Economic development	<u>245,442</u>	<u>236,686</u>	<u>236,686</u>	-
Total housing and development	<u>469,040</u>	<u>448,804</u>	<u>448,804</u>	-
Debt Service -				
Principal	707,677	211,941	211,941	-
Interest	-	555,715	555,715	-
Issuance costs	<u>-</u>	<u>112,500</u>	<u>112,500</u>	-
Total debt service	<u>707,677</u>	<u>880,156</u>	<u>880,156</u>	-
Total expenditures	<u>20,909,810</u>	<u>26,801,194</u>	<u>26,801,194</u>	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,596,964</u>	<u>(5,187,888)</u>	<u>(5,187,888)</u>	-
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	1,784,309	1,784,309	-
Proceeds from capital lease	-	830,000	830,000	-
Transfers to other funds	<u>(1,596,758)</u>	<u>(3,551,792)</u>	<u>(3,551,792)</u>	-
Total other financing sources (uses)	<u>(1,596,758)</u>	<u>(937,483)</u>	<u>(937,483)</u>	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 206</u>	<u>\$ (6,125,371)</u>	<u>(6,125,371)</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>(1,574,477)</u>	
Ending	50		<u>\$ (7,699,848)</u>	

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
FIRE & RESCUE FUND
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 5,952,980	\$ 3,882,385	\$ 3,882,385	\$ -
EXPENDITURES	<u>5,769,559</u>	<u>5,403,310</u>	<u>5,403,310</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>183,421</u>	<u>(1,520,925)</u>	<u>(1,520,925)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Proceeds from capital lease	-	47,500	47,500	-
Transfer from other funds	<u>-</u>	<u>1,473,425</u>	<u>1,473,425</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>1,520,925</u>	<u>1,520,925</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ 183,421</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

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

	2015
TOTAL PENSION LIABILITY:	
Service cost	\$ 274,417
Interest on total pension liability	554,233
Difference between expected and actual experience	47,438
Benefit payments	(2,840,762)
Net change in total pension liability	(1,964,674)
PENSION LIABILITY:	
Beginning	10,440,286
Ending (a)	\$ 8,475,612
PLAN FIDUCIARY NET PENSION:	
Contributions - employer	\$ 780,000
Net investment income	272,621
Benefit payments	(2,840,762)
Administrative expenses	(31,334)
Net change in plan fiduciary net position	(1,819,475)
PLAN FIDUCIARY NET POSITION:	
Beginning	7,012,927
Ending (b)	\$ 5,193,452
Net pension liability - ending (a)-(b)	\$ 3,282,160
Plan fiduciary net position as a percentage of the total pension liability	61.28%
Covered-employee payroll	\$ 5,285,342
Net pension liability as a percentage of covered-employee payroll	62.10%

NOTES TO SCHEDULE:

Benefit changes -

None.

Changes of assumptions -

There were no changes in assumptions.

*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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ -	\$ 167,932	\$ 565,166	\$ 796,609	\$ 826,330
Contributions in relation to the actuarially determined contribution	<u>804,705</u>	<u>940,295</u>	<u>945,118</u>	<u>1,290,355</u>	<u>1,017,442</u>
Contribution excess	<u>\$ (804,705)</u>	<u>\$ (772,363)</u>	<u>\$ (379,952)</u>	<u>\$ (493,746)</u>	<u>\$ (191,112)</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	17.74%	17.58%	16.63%	20.31%	15.58%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 777,960	\$ 774,137	\$ 978,839	\$ 918,196	\$ 884,590
Contributions in related to the actuarially determined contribution	<u>1,124,332</u>	<u>1,078,215</u>	<u>1,195,458</u>	<u>921,222</u>	<u>884,590</u>
Contribution excess	<u>\$ (346,372)</u>	<u>\$ (304,078)</u>	<u>\$ (216,619)</u>	<u>\$ (3,026)</u>	<u>\$ -</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	15.86%	14.74%	16.45%	12.60%	11.91%

NOTES TO SCHEDULE:

Valuation date -

Actuarially determined contribution rates are determined as of January 1, 2015.

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
Inflation	4.0%
Projected salary increases	4.0%
Investment rate of return	6.0%

Other information -

In 2013, funding method changed to entry age normal prospectively while all liabilities prior to January 1, 2013 used frozen entry age.

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

2015

Annual money-weighted rate of return, net of investment expenses

4.63%

NOTES TO THE SCHEDULE:

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

WALKER COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

(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, 2015, the County had no material excess of expenditures over appropriations in individual funds.

SUPPLEMENTARY INFORMATION

**WALKER COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015**

	<u>E911</u>	<u>Law Library</u>	<u>Multiple Grand Fund</u>	<u>Court Supervision</u>	<u>Connection</u>	<u>Transportation</u>	<u>Total</u>
ASSETS:							
Cash	\$ -	\$ 54,886	\$ 52,826	\$ 32,851	\$ -	\$ 4,549	\$ 145,112
Accounts receivable	274,838	-	-	-	-	-	274,838
Due from other funds	-	-	-	-	6,151	-	6,151
Due from other governments	-	-	38,544	-	11,651	57,625	107,820
	<u>-</u>	<u>-</u>	<u>38,544</u>	<u>-</u>	<u>11,651</u>	<u>57,625</u>	<u>107,820</u>
Total assets	<u>\$ 274,838</u>	<u>\$ 54,886</u>	<u>\$ 91,370</u>	<u>\$ 32,851</u>	<u>\$ 17,802</u>	<u>\$ 62,174</u>	<u>\$ 533,921</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts payable and accrued expenses	\$ 17,001	\$ -	\$ -	\$ -	\$ -	\$ 18,959	\$ 35,960
Due to other funds	257,837	-	87,370	5,225	-	43,407	393,839
	<u>257,837</u>	<u>-</u>	<u>87,370</u>	<u>5,225</u>	<u>-</u>	<u>43,407</u>	<u>393,839</u>
Total liabilities	<u>274,838</u>	<u>-</u>	<u>87,370</u>	<u>5,225</u>	<u>-</u>	<u>62,366</u>	<u>429,799</u>
Deferred inflows of resources:							
Unearned revenue - intergovernmental	-	-	4,000	-	-	-	4,000
	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Fund balances:							
Restricted	-	54,886	-	27,626	17,802	-	100,314
Unassigned	-	-	-	-	-	(192)	(192)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(192)</u>	<u>(192)</u>
Total fund balances	<u>-</u>	<u>54,886</u>	<u>-</u>	<u>27,626</u>	<u>17,802</u>	<u>(192)</u>	<u>100,122</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 274,838</u>	<u>\$ 54,886</u>	<u>\$ 91,370</u>	<u>\$ 32,851</u>	<u>\$ 17,802</u>	<u>\$ 62,174</u>	<u>\$ 533,921</u>

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2015

	<u>E911</u>	<u>Law Library</u>	<u>Multiple Grant Fund</u>	<u>Court Supervision</u>	<u>Connection</u>	<u>Transportation</u>	<u>Total</u>
REVENUES:							
Intergovernmental	\$ -	\$ -	\$ 489,256	\$ -	\$ 45,500	\$ 379,658	\$ 914,414
Charges for services	1,048,860	-	-	-	-	138,563	1,187,423
Fines and forfeitures	-	20,300	-	2,835	-	-	23,135
Investment income	-	-	-	75	-	-	75
Contributions and donations	-	-	10,001	-	-	-	10,001
	<u>-</u>	<u>-</u>	<u>10,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,001</u>
Total revenues	<u>1,048,860</u>	<u>20,300</u>	<u>499,257</u>	<u>2,910</u>	<u>45,500</u>	<u>518,221</u>	<u>2,135,048</u>
EXPENDITURES:							
Current -							
Judicial	-	17,424	101,884	3,990	-	-	123,298
Sheriff	-	-	68,785	-	-	-	68,785
Public safety	1,530,610	-	250,139	-	-	-	1,780,749
Health and welfare	-	-	106,079	-	45,500	875,952	1,027,531
Culture and recreation	-	-	72,055	-	-	-	72,055
Debt service -							
Principal	256,302	-	-	-	-	-	256,302
Interest	55,264	-	-	-	-	-	55,264
	<u>256,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,302</u>
	<u>55,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,264</u>
Total expenditures	<u>1,842,176</u>	<u>17,424</u>	<u>598,942</u>	<u>3,990</u>	<u>45,500</u>	<u>875,952</u>	<u>3,383,984</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(793,316)</u>	<u>2,876</u>	<u>(99,685)</u>	<u>(1,080)</u>	<u>-</u>	<u>(357,731)</u>	<u>(1,248,936)</u>
OTHER FINANCING SOURCES:							
Proceeds from capital lease	244,869	-	-	-	-	-	244,869
Transfer from other funds	548,447	-	79,537	-	-	327,211	955,195
	<u>244,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,869</u>
	<u>548,447</u>	<u>-</u>	<u>79,537</u>	<u>-</u>	<u>-</u>	<u>327,211</u>	<u>955,195</u>
Total other financing sources	<u>793,316</u>	<u>-</u>	<u>79,537</u>	<u>-</u>	<u>-</u>	<u>327,211</u>	<u>1,200,064</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>2,876</u>	<u>(20,148)</u>	<u>(1,080)</u>	<u>-</u>	<u>(30,520)</u>	<u>(48,872)</u>
FUND BALANCES:							
Beginning	-	52,010	20,148	28,706	17,802	30,328	148,994
	<u>-</u>	<u>52,010</u>	<u>20,148</u>	<u>28,706</u>	<u>17,802</u>	<u>30,328</u>	<u>148,994</u>
Ending	\$ -	\$ 54,886	\$ -	\$ 27,626	\$ 17,802	\$ (192)	\$ 100,122
	<u>\$ -</u>	<u>\$ 54,886</u>	<u>\$ -</u>	<u>\$ 27,626</u>	<u>\$ 17,802</u>	<u>\$ (192)</u>	<u>\$ 100,122</u>

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2015

	<u>Tax</u> <u>Commissioner</u>	<u>Clerk of</u> <u>Courts</u>	<u>Probate</u> <u>Judge</u>	<u>Magistrate</u> <u>Judge</u>	<u>Total</u>
ASSETS:					
Cash and cash equivalents	\$ 738,124	\$ 1,270,750	\$ 2,044	\$ 15,736	\$ 2,026,654
Total assets	<u>\$ 738,124</u>	<u>\$ 1,270,750</u>	<u>\$ 2,044</u>	<u>\$ 15,736</u>	<u>\$ 2,026,654</u>
LIABILITIES:					
Accounts payable	\$ 19,994	\$ -	\$ -	\$ -	\$ 19,994
Due to other governments	718,130	84,958	1,270	3,247	807,605
Due to heirs, litigants and others	<u>-</u>	<u>1,185,792</u>	<u>774</u>	<u>12,489</u>	<u>1,199,055</u>
Total liabilities	<u>738,124</u>	<u>1,270,750</u>	<u>2,044</u>	<u>15,736</u>	<u>2,026,654</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, 2015**

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ 1,642,296	\$ 47,663,261	\$ 47,278,903	\$ 2,026,654
 Total assets	 <u>\$ 1,642,296</u>	 <u>\$ 47,663,261</u>	 <u>\$ 47,278,903</u>	 <u>\$ 2,026,654</u>
 LIABILITIES:				
Accounts payable	\$ 43,445	\$ 177,770	\$ 201,221	\$ 19,994
Due to other governments	832,273	46,595,363	46,620,031	807,605
Due to heirs, litigants and others	<u>766,578</u>	<u>830,720</u>	<u>398,243</u>	<u>1,199,055</u>
 Total liabilities	 <u>1,642,296</u>	 <u>47,603,853</u>	 <u>47,219,495</u>	 <u>2,026,654</u>
 NET POSITION	 <u>\$ -</u>	 <u>\$ 59,408</u>	 <u>\$ 59,408</u>	 <u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COMMISSIONER
YEAR ENDED SEPTEMBER 30, 2015

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ 796,318	\$ 44,169,651	\$ 44,227,845	\$ 738,124
Total assets	<u>\$ 796,318</u>	<u>\$ 44,169,651</u>	<u>\$ 44,227,845</u>	<u>\$ 738,124</u>
LIABILITIES:				
Accounts payable	\$ 43,445	\$ 177,770	\$ 201,221	\$ 19,994
Due to other governments	<u>752,873</u>	<u>43,933,688</u>	<u>43,968,431</u>	<u>718,130</u>
Total liabilities	<u>796,318</u>	<u>44,111,458</u>	<u>44,169,652</u>	<u>738,124</u>
NET POSITION	<u>\$ -</u>	<u>\$ 58,193</u>	<u>\$ 58,193</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CLERK OF COURTS
YEAR ENDED SEPTEMBER 30, 2015

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ 830,202	\$ 3,116,034	\$ 2,675,486	\$ 1,270,750
Total assets	<u>\$ 830,202</u>	<u>\$ 3,116,034</u>	<u>\$ 2,675,486</u>	<u>\$ 1,270,750</u>
LIABILITIES:				
Due to other governments	\$ 73,102	\$ 2,409,842	\$ 2,397,986	\$ 84,958
Due to heirs, litigants and others	<u>757,100</u>	<u>659,044</u>	<u>230,352</u>	<u>1,185,792</u>
Total liabilities	<u>830,202</u>	<u>3,068,886</u>	<u>2,628,338</u>	<u>1,270,750</u>
NET POSITION	<u>\$ -</u>	<u>\$ 47,148</u>	<u>\$ 47,148</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PROBATE JUDGE
YEAR ENDED SEPTEMBER 30, 2015

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 2,063	\$ 116,257	\$ 116,276	\$ 2,044
Total assets	<u>\$ 2,063</u>	<u>\$ 116,257</u>	<u>\$ 116,276</u>	<u>\$ 2,044</u>
LIABILITIES:				
Due to other governments	\$ 1,796	\$ 209,139	\$ 209,665	\$ 1,270
Due to heirs, litigants and others	<u>267</u>	<u>75,477</u>	<u>74,970</u>	<u>774</u>
Total liabilities	<u>2,063</u>	<u>284,616</u>	<u>284,635</u>	<u>2,044</u>
NET POSITION	<u>\$ -</u>	<u>\$ (168,359)</u>	<u>\$ (168,359)</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MAGISTRATE JUDGE
YEAR ENDED SEPTEMBER 30, 2015

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 13,713	\$ 261,319	\$ 259,296	\$ 15,736
Total assets	<u>\$ 13,713</u>	<u>\$ 261,319</u>	<u>\$ 259,296</u>	<u>\$ 15,736</u>
LIABILITIES:				
Due to other governments	\$ 4,502	\$ 42,694	\$ 43,949	\$ 3,247
Due to heirs, litigants and others	<u>9,211</u>	<u>96,199</u>	<u>92,921</u>	<u>12,489</u>
Total liabilities	<u>13,713</u>	<u>138,893</u>	<u>136,870</u>	<u>15,736</u>
NET POSITION	<u>\$ -</u>	<u>\$ 122,426</u>	<u>\$ 122,426</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF EXPENDITURES TO BUDGET
FAMILY CONNECTION PROGRAM
CONTRACT 93-141400125
CONTRACT PERIOD: JULY 1, 2014 - JUNE 30, 2015

	<u>Family Connection Budget</u>	<u>Contract Expenditures</u>	<u>Variance with Budget</u>
EXPENDITURES:			
Personal services	\$ -	\$ -	\$ -
Regular operating	900	1,059	(159)
Travel - staff	-	-	-
Equipment	-	-	-
Per diem, fees and contracts	43,400	43,400	-
Telecommunications	700	541	159
Other support to customers	-	-	-
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
E911
YEAR ENDED SEPTEMBER 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 1,553,605	\$ 1,048,860	\$ 1,048,860	\$ -
EXPENDITURES	<u>1,553,605</u>	<u>1,842,176</u>	<u>1,842,176</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(793,316)</u>	<u>(793,316)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	-	548,447	548,447	-
Proceeds from capital lease	<u>-</u>	<u>244,869</u>	<u>244,869</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>793,316</u>	<u>793,316</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

**WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 LAW LIBRARY
 YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 40,000	\$ 20,300	\$ 20,300	\$ -
EXPENDITURES	<u>40,000</u>	<u>17,424</u>	<u>17,424</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 2,876</u>	2,876	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>52,010</u>	
Ending			<u>\$ 54,886</u>	

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
MULTIPLE GRANT FUND
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 1,874,570	\$ 499,257	\$ 499,257	\$ -
EXPENDITURES	<u>1,874,570</u>	<u>598,942</u>	<u>598,942</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(99,685)</u>	<u>(99,685)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	<u>-</u>	<u>79,537</u>	<u>79,537</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (20,148)</u>	<u>(20,148)</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>20,148</u>	
Ending			<u><u>\$ -</u></u>	

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
COURT SUPERVISION
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 5,250	\$ 2,910	\$ 2,910	\$ -
EXPENDITURES	<u>10,000</u>	<u>3,990</u>	<u>3,990</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (4,750)</u>	<u>\$ (1,080)</u>	(1,080)	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>28,706</u>	
Ending			<u>\$ 27,626</u>	

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
CONNECTION
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 45,000	\$ 45,500	\$ 45,500	\$ -
EXPENDITURES	<u>45,000</u>	<u>45,500</u>	<u>45,500</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>17,802</u>	
Ending			<u><u>\$ 17,802</u></u>	

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 708,596	\$ 518,221	\$ 518,221	\$ -
EXPENDITURES	<u>708,596</u>	<u>875,952</u>	<u>875,952</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(357,731)</u>	<u>(357,731)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	<u>-</u>	<u>327,211</u>	<u>327,211</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (30,520)</u>	<u>(30,520)</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>30,328</u>	
Ending			<u><u>\$ (192)</u></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, 2015, 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 March 31, 2016. 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 deficiencies 07-1 and 15-1 described in the accompanying schedule of findings and questioned costs to be 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 14-2, 15-3, and 15-4 described in the accompany 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 14-1 and 15-2.

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
March 31, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**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 *Circular A-133 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, 2015. 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 \$19,792 in federal awards which is not included in the schedule during the year ended June 30, 2015. 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 Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Johnson, Niskey & Meacham, P.C.

Chattanooga, Tennessee
March 31, 2016

WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

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	Y16-8-028	14,049
Crime Victim Assistance	16.575	C14-8-072	<u>81,507</u>
			<u>95,556</u>
 Passed through United States Department of Justice - ARRA - Edward Byrne Memorial Justice Assistance	 16.804	 2014-DJ-BX-0765	 <u>15,221</u>
 Total U. S. Department of Justice			 <u>110,777</u>
Department of Transportation:			
Passed through Georgia Department of Transportation - Formula Grants or Other Than Urbanized Areas	20.509	GA-18-X033	<u>497,116</u>
 Passed through Governor's Office of Highway Safety - National Priority Safety Programs	 20.616	 GA-2015-146-00303	 <u>53,564</u>
 Total U. S. Department of Transportation			 <u>550,680</u>
U.S. Department of Health and Human Services:			
Direct Award - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		<u>106,079</u>
U.S. Department of Homeland Security:			
Passed through Georgia Emergency Management Agency - Emergency Management Performance Grants	97.042	EMW-2014-0073	<u>21,127</u>
 Direct Award - Staffing for Adequate Fire and Emergency Response (SAFER)	 97.083		 <u>207,885</u>
 Total U. S. Department of Homeland Security			 <u>229,012</u>
			<u>\$ 996,548</u>

**WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(1) BASIS OF PRESENTATION:

The schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) SUB-RECIPIENTS:

The County provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	\$ <u>106,079</u>

**WALKER COUNTY, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

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 The County has failed to implement the corrective action plan. There is a balance again due from the general fund to the SPLOST capital projects fund.

- 14-2 The County has failed to implement the corrective action plan. Grant project worksheets in conjunction with grant receivables were not prepared and provided to the accounting department.

**WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

SECTION I - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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 510(a) of OMB Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Other Than Urbanized Areas
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances

Dollar threshold used to distinguish between type A and type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015

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 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. This condition was a prior year finding.

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 86-88.

Finding 14-1 -

Condition: Road projects are underway that were to be funded by SPLOST revenues and state grants. The projects were performed in the SPLOST capital projects fund, however, all of the grant funds allocated to the project had been deposited into the general fund. Those funds were not all transferred to the SPLOST capital projects fund as required. This resulted in a due from the general fund in the SPLOST fund of \$797,814.

Criteria: SPLOST funds and grant funds, when used in conjunction with other SPLOST projects are not to be commingled with other county funds.

Effect: The grant funds associated with road projects were commingled with other county funds.

Recommendation: Any time grant funds are going to be used in conjunction with a SPLOST capital project, these grant funds should be transferred into a bank account within the SPLOST capital projects fund prior to beginning the project.

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

Planned Corrective Plan: Management's response is located on pages 86-88.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015

Finding 14-2 -

Condition: A project worksheet was not provided to the finance office.

Criteria: Centralized grant procedures should be designed and implemented to insure proper recording of grant revenues.

Effect: Grant revenues may be misstated.

Recommendation: Design and implement centralized grant procedures which are issued to each department of the County requiring a copy of all grant applications and ongoing worksheets to be forwarded to the finance office. This will allow for more complete reporting of all grant revenues.

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

Planned Corrective Plan: Management's response is located on pages 86-88.

Finding 15-1 -

Condition: *Government Auditing Standards* (Yellow Book) states that "absence of appropriate segregation of duties" is a deficiency in internal controls.

Criteria: Because the County has a limited number of office employees, there is not a proper segregation of duties as to cash collection, cash disbursements, general ledger adjustments, and access to other accounting records. A proper division of duties should provide a system of checks and balances so that no one person has control over a complete transaction from beginning to end.

Effect: Lack of segregation of duties could allow an employee to commit and conceal fraud that may result in financial loss or misstatement to the County.

Recommendation: To guard against undetected errors, a plan should be submitted by the County accounting department for a division of duties, which may include the need for additional employees.

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

Planned Corrective Plan: Management's response is located on pages 86-88.

Finding 15-2 -

Condition: For the year ended September 30, 2015, 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. The uninsured amount was \$206,465.

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: Several accounts at one financial institution were not marked as public funds as of September 30, 2015, allowing for the possibility of loss of the County assets should the financial institution become insolvent.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015

Recommendation: The County 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 86-88.

Finding 15-3 -

Condition: The Tax Commissioner's office does not employ 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 department has no method to ensure the proper amounts are being disbursed.

Recommendation: A monthly reconciliation 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 86-88.

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 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 86-88.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None reported.

WALKER COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
2008 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED SEPTEMBER 30, 2015

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES			PERCENTAGE OF COMPLETION	CUMULATIVE OTHER FUNDING
		PRIOR YEARS	CURRENT YEAR	TOTAL		
Water and sewer projects	\$ 5,000,000	\$ 2,771,112	\$ -	\$ 2,771,112	55%	\$ -
Solid waste and storm water management	1,000,000	-	-	-	0%	-
Emergency services	5,800,000	5,530,668	-	5,530,668	95%	-
Technology	2,000,000	1,244,107	-	1,244,107	62%	-
Animal shelter	30,000	-	-	-	0%	-
Historical projects	100,000	35,384	-	35,384	35%	-
Recreation	2,000,000	414,759	-	414,759	21%	-
Roads, bridges, and road department equipment	5,000,000	4,701,407	-	4,701,407	94%	1,187,913
Building construction and improvements	2,500,000	2,809,668	-	2,809,668	100%	-
Industrial and economic development	3,570,000	3,289,566	-	3,289,566	92%	-
Public library	1,500,000	1,500,000	-	1,500,000	100%	-
Payments to Cities:						
LaFayette	4,434,600	3,694,438	-	3,694,438	83%	-
Rossville	2,394,000	1,688,057	64,673	1,752,730	73%	-
Chickamauga	1,432,600	1,010,940	38,731	1,049,671	73%	-
Lookout Mountain	1,090,600	769,451	29,479	798,930	73%	-
Ft. Oglethorpe	148,200	104,171	3,991	108,162	73%	-
	<u>\$ 38,000,000</u>	<u>\$ 29,563,728</u>	<u>\$ 136,874</u>	<u>\$ 29,700,602</u>		<u>\$ 1,187,913</u>

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

SPLOST 2008 expenditures per financial statements	\$ 4,692,974
Less debt service:	
Principal	4,480,000
Interest and fiscal agent fees	<u>76,100</u>
SPLOST 2008 expenditures per schedule of projects	<u>\$ 136,874</u>

WALKER COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
2013 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED SEPTEMBER 30, 2015

PROJECT	ORIGINAL	EXPENDITURES			PERCENTAGE	CUMULATIVE
	ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	OF COMPLETION	OTHER FUNDING
Industrial Park	\$ 6,600,000	\$ 4,268,831	\$ -	\$ 4,268,831	65%	\$ -
Road resurfacing and other capital roadwork improvements	9,100,000	2,600,003	1,500,449	4,100,452	45%	1,389,653
Equipment and vehicles for law enforcement	1,900,000	8,119	385,097	393,216	21%	-
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	953,367	19,821	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	594,330	8,624,404	9,218,734	100%	-
Library-LaFayette project	300,000	349,118	158,055	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	26,326	744,515	770,841	100%	-
Emergency facility and community center-Cedar Grove	1,500,000	23,527	733,191	756,718	50%	-
Recreational facilities	1,000,000	385,970	226,209	612,179	61%	-
Water and Sewer improvements, including Armuchee	2,000,000	1,948,902	515,624	2,464,526	100%	-
Office equipment and furnishings	100,000	-	135,612	135,612	100%	-
Payments to Cities:						
LaFayette	2,904,660	-	403,850	403,850	14%	-
Rossville	1,674,420	1,282,825	-	1,282,825	77%	-
Chickamauga	1,265,220	968,860	-	968,860	77%	-
Lookout Mountain	653,400	511,291	-	511,291	78%	-
Ft. Oglethorpe	102,300	74,871	-	74,871	73%	-
	<u>\$ 32,960,000</u>	<u>\$ 14,072,300</u>	<u>\$ 13,446,827</u>	<u>\$ 27,519,127</u>		<u>\$ 1,389,653</u>
Reconciliation of SPLOST expenditures per financial statements to schedule of projects:						
SPLOST 2013 expenditures per financial statements			\$ 13,876,177			
Less debt service:						
Interest and fiscal agent fees			<u>429,350</u>			
SPLOST 2013 expenditures per schedule of projects			<u>\$ 13,446,827</u>			

Bebe Heiskell
Walker County Commissioner

101 South Duke Street
Post Office Box 445
LaFayette, Georgia 30728

March 31, 2016

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, 2015

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 March 31, 2016, 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. 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 and to report their results.

Finding 14-1

SPLOST FUNDS WERE COMMINGLED WITH OTHER COUNTY FUNDS

Grant funds associated with road projects were commingled with other county funds

Corrective Action Plan/Management Response

We concur with the recommendation . A separate account has been opened into which all grant funds are deposited. The general fund advances payment for all expenditures and then is reimbursed from the grant funds as appropriate. SPLOST funds are maintained in a separate account and are used to reimburse the general fund for SPLOST expenditures. Reimbursement by SPLOST to the general fund requires greater documentation so as to prevent unauthorized use of funds. The amount due to SPLOST was reduced during fiscal year 2015 but was not fully reimbursed until December 2015.

Finding 14-2

PROJECT WORKSHEET WAS NOT PROVIDED TO THE FINANCE OFFICE.

Grant revenue may be misstated.

Corrective Action Plan/Management Response

We concur with the recommendation. New rules are being formulated to insure that proper documentation is being provided to the finance office in a timely manner for financial reporting purposes.

Finding 15-1

ABSENCE OF APPROPRIATE SEGREGATION OF DUTIES

Potential fraud and financial loss or misstatement to the County.

Corrective Action Plan/Management Response

The County does not feel the additional cost of adding personnel would be justified. It is felt that there are sufficient layers to protect the County barring collusion on the part of its employees, in which case, additional personnel would not necessarily prevent this.

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 this fiscal year 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.

Finding 15-3

INSUFFICIENT MONITORING OF TAX COMMISSIONER'S CASH RECEIPTS

Failure to properly disburse funds

Corrective Action Plan/Management Response

The County's finance officer is to work with the tax commissioner's personnel and try and trace actual funds and compare to the reports generated by the tax commissioner's computer system in an effort to determine where the undispersed funds are coming from.

Finding 15-4

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

Failure to insure proper cash balances are maintained

Corrective Action Plan/Management Response

The Clerk of Court has failed to provide a plan as of the date of this letter.

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

Sincerely,



Bebe A. Heiskell
Walker County Commissioner