WALKER COUNTY, GEORGIA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018



WALKER COUNTY, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

Commissioner
Walker County, Georgia
LaFayette, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We did not audit the financial statements of the Walker County Health Department (a discretely-presented component unit), whose statements reflect total assets of $1,827,912 and total net position of ($171,945) as of September 30, 2018, and total revenues of $1,510,351 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Walker County Health Department, is based solely on the report of the other auditors.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vi through xiv of the Financial Section and the required supplementary information on pages 45 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019 on our consideration of Walker County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walker County, Georgia's internal control over financial reporting and compliance.

Chattanooga, Tennessee
May 15, 2019

Henderson Hutcherson & McCullough, PLLC

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Walker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the County's financial statements which follow this analysis.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of Walker County exceeded its liabilities and deferred inflows of resources at September 30, 2018 by $77,118,572 (Net Position), an increase of $13,899,404 from the prior year. Of the net position, $73,471,326 is restricted as to what the funds may be expended for. The remaining balance, $3,647,246, is what is available to meet the ongoing obligations to citizens and creditors.

In the County's business-type activities, operating expenditures exceeded operating revenues by $73,187. Revenues were insufficient to recoup costs largely due to high depreciation expense and accrued postclosure costs.

The County's governmental activities reported combined ending net position of $78,137,379, an increase of $13,972,588 from the prior year net position.

Debt decreased by $8,118,052. There were bond payments of $4,485,000 and $500,000, a net decrease in leases of $878,555, the retirement of a tax anticipation note for $7,500,000, and the addition of a tax anticipation note for $1,500,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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 lodging and recreation area. It is being developed to host weddings, small conventions, and leisure outings.

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

FUND FINANCIAL STATEMENTS

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

The County has three kinds of funds:

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

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

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

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

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

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 $77,118,572. 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, 2018, is a balance of $3,647,246, which may be used to meet the County's ongoing obligations.

Net Position
September 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	$ 33,504,945	$ 31,050,694	$ 483,786	$ 291,930	$ 33,988,731	$ 31,342,624
Capital assets	95,585,427	99,502,492	1,938,921	2,142,552	97,524,348	101,645,044
Total assets	129,090,372	130,553,185	2,422,707	2,434,482	131,513,079	132,987,668
Deferred outflows of resources	1,402,409	1,432,437	-	-	1,402,409	1,402,409
Liabilities						
Long-term liabilities	43,567,848	51,737,839	3,262,273	3,210,334	46,830,121	54,948,173
Other liabilities	4,729,306	11,242,661	179,241	169,771	4,908,547	11,412,432
Total liabilities	48,297,154	62,980,500	3,441,514	3,380,105	51,738,668	66,360,605
Deferred inflow of resources	4,058,248	4,840,332	-	-	4,058,248	4,840,248
Net Position						
Net investment in capital assets	65,931,992	64,054,254	1,088,393	2,142,552	67,020,385	66,196,806
Restricted	6,450,941	4,175,599	-	-	6,450,941	4,175,599
Unrestricted	5,754,446	(4,065,062)	(2,107,200)	(3,088,175)	3,647,246	(7,153,237)
Total net position	$ 78,137,379	$ 64,164,791	$(1,018,807)	$ (945,623)	$ 77,118,572	$ 63,219,168

Net position of the County's governmental activities increased by $13,972,588 while the net position of the business type activities decreased by $73,184. 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 increased in 2018 as compared to 2017, by 20%. Property tax revenue decreased 3%, and Local Option sales tax revenue increased 4%. Approximately 34% of the County's total revenue from governmental activities came from property taxes and 34% from other taxes. Charges for services fell to about 13% of governmental revenue, with grants and contributions contributing approximately 3%.

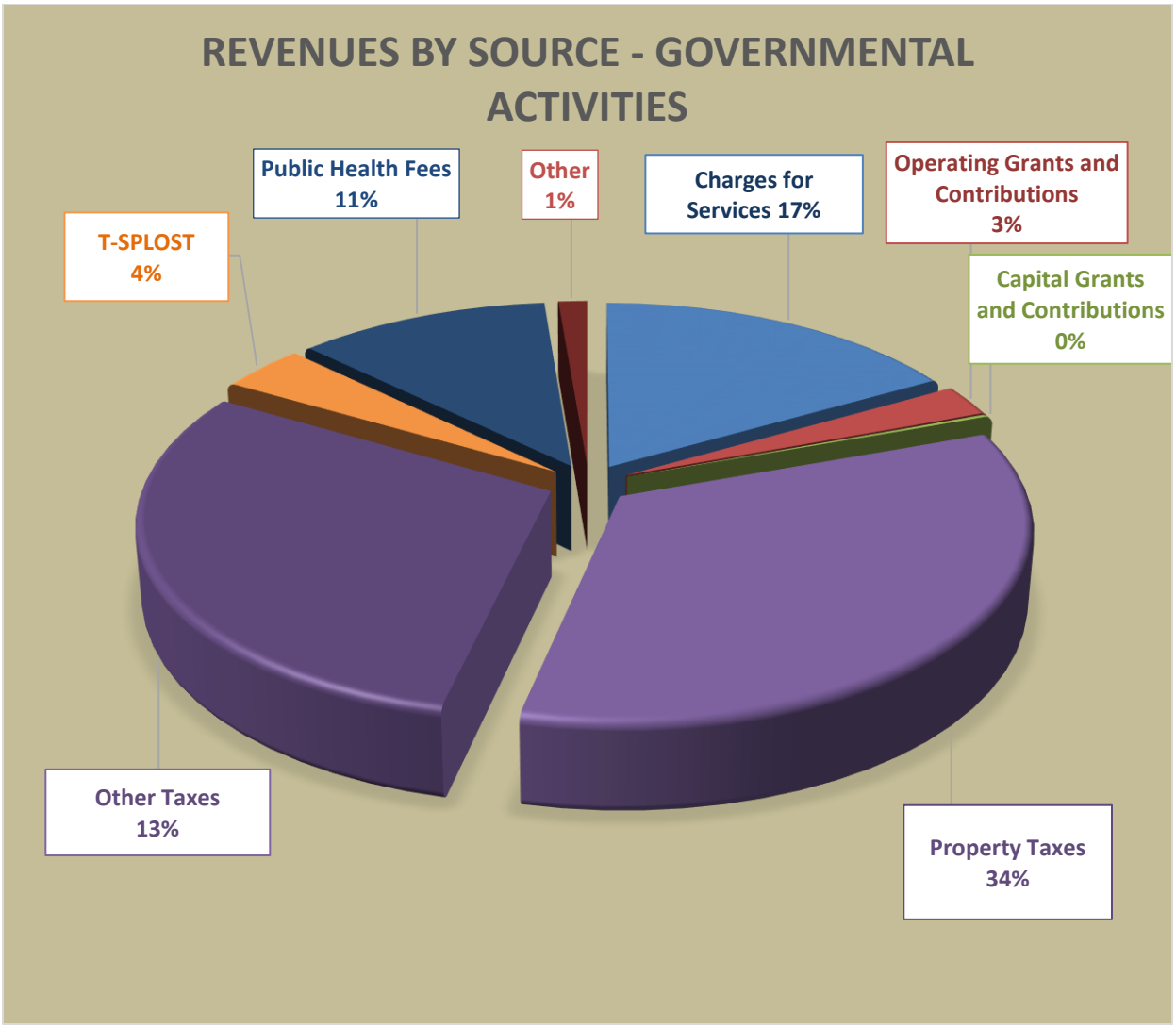
The County's largest expenditures were for the general government (30% of total governmental expenses), sheriff (23%), public safety (17%) and judicial (12%).

Changes in Net Position
September 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	$ 7,589,332	$ 6,897,890	$ 1,586,505	$ 1,665,034	$ 9,175,837	$ 8,562,924
Operating grants & contributions	1,182,493	725,641	-	15,870	1,182,493	741,511
Capital grants & contributions	90,823	1,086,845	-	-	90,823	1,086,845
General Revenues:						
Property taxes	15,402,598	15,703,529	-	-	15,402,598	15,703,529
Other taxes	13,506,439	12,287,378	-	-	13,506,439	12,287,378
T-SPLOST	1,744,387	-	-	-	1,744,387	-
Public health fee	5,203,896	-	-	-	5,203,896	-
Other	591,130	611,681	-	-	591,130	611,681
Total revenues	45,311,098	37,312,964	1,586,505	1,680,904	46,897,603	38,993,868
Expense						
General government	4,810,924	5,838,985	-	-	4,810,924	5,838,985
Judicial	3,799,374	3,830,732	-	-	3,799,374	3,830,732
Sheriff	7,453,594	7,902,505	-	-	7,453,594	7,902,505
Public safety	6,187,315	6,754,936	-	-	6,187,315	6,754,936
Public works	5,170,444	5,434,463	-	-	5,170,444	5,434,463
Health and welfare	1,084,357	1,276,835	-	-	1,084,357	1,276,835
Culture and recreation	485,047	513,819	203,751	350,510	688,798	864,329
Housing and development	761,430	898,028	-	-	761,430	898,028
Intergovernmental	450,007	427,524	-	-	450,007	427,524
Interest	1,136,018	1,287,399	-	-	1,136,018	1,287,399
Solid waste landfill	-	-	1,455,938	1,572,733	1,455,938	1,572,733
Total expenses	31,338,510	34,165,226	1,659,689	1,923,243	32,998,199	36,088,469
Increase (decrease) in net position	13,972,588	3,147,738	(73,184)	(242,339)	13,899,404	2,905,399
Net Position – Oct. 1	64,164,791	61,017,053	(945,623)	(703,284)	63,219,168	60,313,769
Net Position – Sept. 30	$ 78,137,379	$ 64,164,791	$(1,018,807)	$ (945,623)	$ 77,118,572	$ 63,219,168

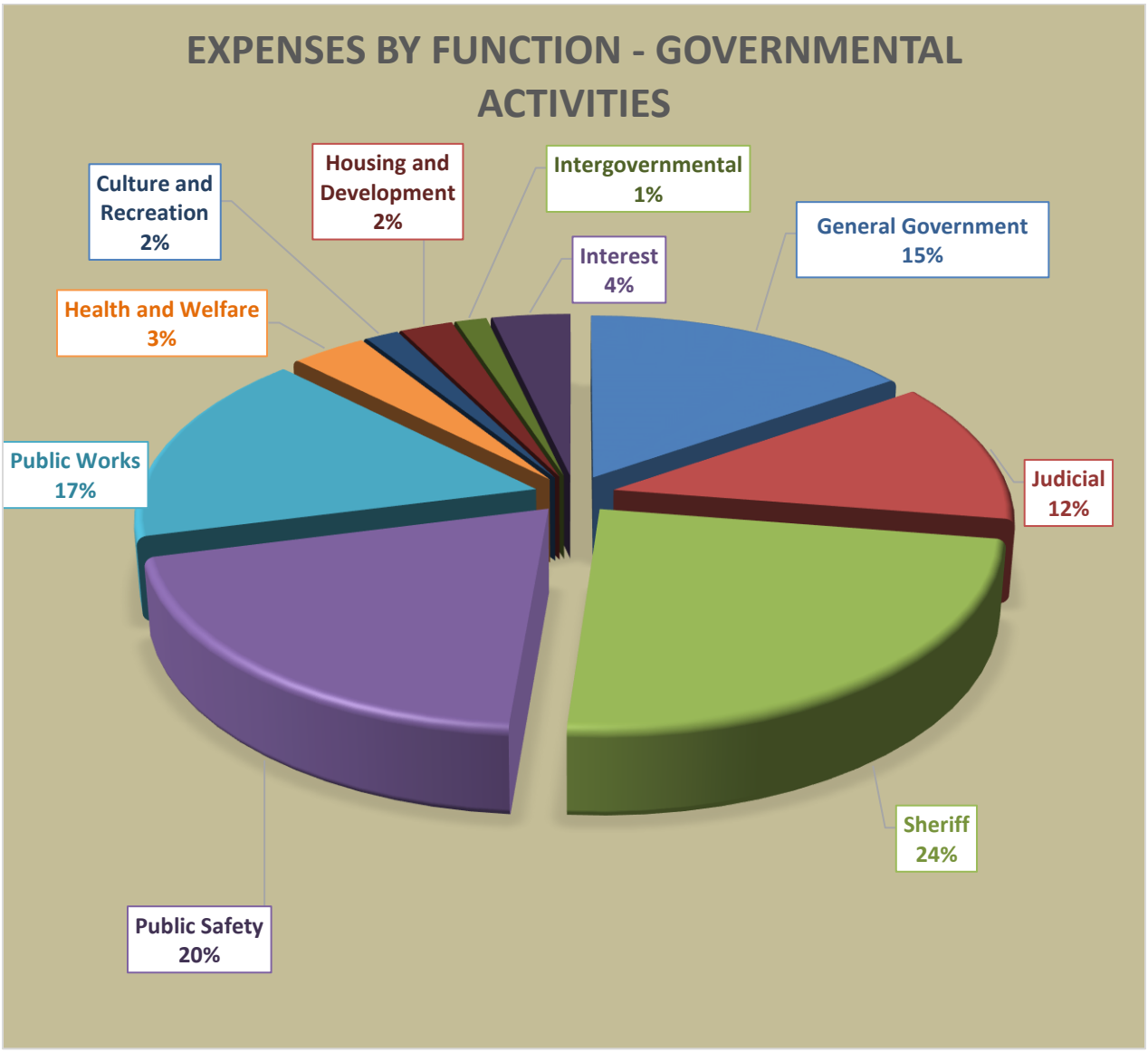
Total government-wide revenue of $46,897,603 was comprised of governmental activities ($45,311,098) and business-type activities ($1,586,505). The revenue of the business-type activities were almost solely charges for services. The following graph illustrates the distribution of the governmental activities revenue. The predominate sources of revenue are property taxes and other taxes, which are primarily comprised of Local Option Sales Tax, Special Purpose Local Option Sales Tax, and business taxes. Special Purpose Local Option Sales Tax revenue, which totaled $5,110,726, is specifically earmarked and cannot be used to finance the normal operations of the County.

The County continues to be dependent upon property taxes and sales taxes as its major sources of revenue. The property tax net M&O digest again fell slightly following a downward trend from a high in 2009.



Government-wide expenses totaled $32,998,199 for fiscal year 2018, including governmental activity expense of $31,338,510 and business-type activity expense of $1,659,689. The following graph provides a visual depiction of expenditures of the governmental activities by function for fiscal year 2018.

Overall, expenses were down in 2018 by $3,090,270 from 2017.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

As the County completed the year, its governmental funds reported a combined fund balance of $13,855,468. Restricted fund balance is $6,450,941 which represents funds that are subject to externally enforceable legal restrictions. The difference represents a deficit unassigned fund balance.

The General fund is the chief operating fund of Walker County. At the end of the current fiscal year, the unassigned fund balance of the General fund was $7,241,042. The unassigned fund balance increased by $7,478,920 during the current year.

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, $4,806, Capital Projects, $3,694,657, Walker County Development Authority, $855,998, and TSPLOST, $1,536,606. The SPLOST fund balance decreased by $35,297. This was a result of debt service of $4,736,752, expenditures on SPLOST projects of $1,850, and disbursements to municipalities of $450,007. The Development Authority fund balance increased by $166,139. This was the result of industrial development expenditures of $86,916, debt service of $1,183,466 and transfers from the General Fund of $1,183,465 for the retirement of the revenue bonds.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues and other financing sources exceeded budgeted revenues and other financing sources by $4,052,667. The excess of actual revenues over budgeted revenues was primarily due to actual charges for services revenues exceeding budgeting property tax revenues by $2,643,164, other taxes exceeding budget by $791,796, licenses and permits exceeding budget by $85,634, and contribution revenue exceeding budgeted revenue by $73,944. Fines and forfeitures came in below budget by $56,438. The County does not normally budget for contributions unless it is certain that the contribution will be made and the amount is determinable. The excess of expenditures and other financing uses over budgeted expenditures and other financing uses was $3,419,085. This was primarily due to budgeted debt service expenditures being $2,292,246 higher than actual.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The County's investment in capital assets for its governmental activities as of September 30, 2018, totaled $95,585,427, net of accumulated depreciation. This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and infrastructure. The County's investment in capital assets for the current fiscal year decreased by $3,917,065, net of accumulated depreciation. This was comprised primarily of depreciation expense of $4,885,906, Annex building improvements for $195,704, purchase of police cars for $160,422 and purchase of shuttle vans for $272,814.

Capital Assets at Year-end
September 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Non-depreciable assets:						
Land	$ 9,111,954	$ 9,111,954	$ 169,000	$ 169,000	$ 9,280,953	$ 9,280,953
Construction in Progress	1,068,570	1,068,570	659,747	643,216	1,728,317	1,711,787
Depreciable assets:						
Buildings and improvements	42,860,747	42,650,896	667,026	667,026	43,527,773	43,317,922
Machinery and equipment	26,053,851	25,294,861	1,897,799	1,896,369	27,951,650	27,191,230
Infrastructure	100,932,802	100,932,802	-	-	100,932,802	100,932,802
C&D Landfill	-	-	4,985,021	4,985,021	4,985,021	4,985,021
Total	180,027,924	179,059,083	8,378,593	8,360,632	188,406,516	187,419,715
Less: Accumulated Depreciation	(84,442,497)	(79,556,591)	(6,439,673)	(6,218,079)	(90,882,170)	(85,774,671)
Net Capital Assets	$ 95,585,427	$ 99,502,492	$ 1,938,920	$ 2,142,553	$ 97,524,346	$101,645,044

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 $47,830,121. 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, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 27,352,382	$ 32,332,550	$ -	$ -	$ 27,352,382	$ 32,332,550
Lease Obligations	2,301,054	3,115,688	196,275	260,196	2,497,329	3,375,884
Note Payable	-	-	654,253	654,253	654,253	654,253
Tax Anticipation Note	1,000,000	7,000,000	-	-	1,000,000	7,000,000
Compensated Absences	989,262	991,244	5,701	6,243	994,963	997,487
Landfill Closure Costs	2,235,812	2,196,279	2,406,044	2,289,642	4,641,856	4,485,921
Nonexchange Financial Guarantee	6,755,000	8,705,000	-	-	6,755,000	8,705,000
Net Pension Liability	3,934,338	4,397,078	-	-	3,934,338	4,397,078
Totals	$ 44,567,848	$ 58,737,839	$ 3,262,273	$ 3,210,334	$ 47,830,121	$ 61,948,173

Additional information on the County's debt can be found in Notes 5 and 6 to the financial statements in this report.

PENSION BENEFITS

Walker County, Georgia sponsors a single-employer defined benefit pension plan for all of its full-time employees. Annually, an independent actuary engaged by the Trustees of the retirement system calculates the amount of the annual contribution that the County must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. The County funds the annually determined contribution to the retirement system as determined by the actuary. The County contributed $786,726 for the fiscal year ending September 30, 2018.

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

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

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

At September 30, 2018, the County's total pension liability was $7,606,545. The plan fiduciary net position was $3,672,207, resulting in the County's net pension liability of $3,934,338. The plan fiduciary net position as a percentage of the total pension liability was 48.3%.

ECONOMIC FACTORS AND THE 2018 BUDGET

- Local Option Sales Tax continued its upward trend, with a rise of 4.3% from FY17 to FY18. This reflects an increase of retail trade within the County.

- The County's Tax Anticipation Note (TAN) decreased from $7,000,000 in FY17 to $1,000,000 in FY18. The TAN was paid back in full subsequent to year end and no further borrowings under this program are anticipated.

- A Public Health Service fee was enacted and earmarked for the debt due to Erlanger Health Systems in FY17. For FY18, the fee brought in $5.2 million in revenue and brought in enough revenue in FY19 to allow the County to remove the fee a year earlier than anticipated.

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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health Department
ASSETS				
Cash and cash equivalents	$ 3,468,409	$ 152,478	$ 3,620,887	$ 1,621,556
Restricted cash	2,325,917	-	2,325,917	-
Investments	3,940,283	-	3,940,283	-
Taxes receivable	13,432,476	-	13,432,476	-
Accounts receivables	4,932,176	138,100	5,070,276	182
Due from other governments	5,026,527	-	5,026,527	185,944
Due from (to) other funds	(193,208)	193,208	-	-
Inventory	-	-	-	13,804
Prepaid expenses	172,641	-	172,641	-
Note receivable	399,724	-	399,724	-
Capital assets -				
Nondepreciable	10,180,524	828,747	11,009,271	-
Depreciable, net	85,404,903	1,110,174	86,515,077	6,426
Total assets	129,090,372	2,422,707	131,513,079	1,827,912
DEFERED OUTFLOWS OF RESOURCES				
Pension related items	1,402,409	-	1,402,409	132,878
Other post-employment benefit items	-	-	-	90,460
Total deferred outflows of resources	1,402,409	-	1,402,409	223,338
LIABILITIES				
Accounts payable and accrued expenses	2,883,206	179,241	3,062,447	315
Due to other governments	109,868	-	109,868	78,558
Due to heirs, litigants, and others	423,630	-	423,630	-
Accrued interest payable	312,602	-	312,602	-
Tax anticipation note	1,000,000	-	1,000,000	-
Long-term liabilities:				
Due within one year				
Bonds payable	5,100,000	-	5,100,000	-
Capital leases	1,382,212	196,275	1,578,487	-
Notes payable	-	24,489	24,489	-
Compensated absences	989,262	5,701	994,963	47,054
Nonexchange financial guarantee	2,600,000	-	2,600,000	-
Due in more than one year				
Bonds payable	22,252,382	-	22,252,382	-
Capital leases	918,842	-	918,842	-
Notes payable	-	629,764	629,764	-
Landfill closure and postclosure care	2,235,812	2,406,044	4,641,856	-
Nonexchange financial guarantee	4,155,000	-	4,155,000	-
Other post-employment benefits	-	-	-	837,176
Net pension liability	3,934,338	-	3,934,338	1,038,118
Total liabilities	48,297,154	3,441,514	51,738,668	2,001,221

(Continued)

WALKER COUNTY, GEORGIA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health Department
(Continued)				
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - intergovernmental	4,058,248	-	4,058,248	-
Pension related items	-	-	-	221,974
Total deferred inflows of resources	4,058,248	-	4,058,248	221,974
NET POSITION				
Net investment in capital assets	65,931,992	1,088,393	67,020,385	6,426
Restricted for:				
SPLOST capital project	3,694,657	-	3,694,657	-
Program purposes	2,756,284	-	2,756,284	-
Unrestricted	5,754,446	(2,107,200)	3,647,246	(178,371)
Total net position	$ 78,137,379	$ (1,018,807)	$ 77,118,572	$ (171,945)

WALKER COUNTY, GEORGIA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	$ 4,810,924	$ 1,081,229	$ -	$ 52,095
Judicial	3,799,374	1,258,388	533,472	11,447
Sheriff	7,453,594	100,952	-	-
Public safety	6,187,315	5,017,021	91,429	-
Public works	5,170,444	-	-	-
Health and welfare	1,084,357	116,682	557,592	27,281
Culture and recreation	485,047	15,060	-	-
Housing and development	761,430	-	-	-
Intergovernmental	450,007	-	-	-
Interest	1,136,018	-	-	-
Total governmental activities	31,338,510	7,589,332	1,182,493	90,823
BUSINESS-TYPE ACTIVITIES				
Landfill	1,455,938	1,452,884	-	-
Special facilities	203,751	133,621	-	-
Total business-type activities	1,659,689	1,586,505	-	-
TOTAL PRIMARY GOVERNMENT	$ 32,998,199	$ 9,175,837	$ 1,182,493	$ 90,823
COMPONENT UNITS				
Health department	$ 968,307	$ 379,077	$ 957,032	$ -
TOTAL COMPONENT UNITS	$ 968,307	$ 379,077	$ 957,032	$ -
General revenues:				
Taxes				
General property taxes				
Sales and use tax				
T-SPLOST				
Alcoholic beverage taxes				
Business taxes				
Penalties and interest on delinquent taxes				
In lieu of taxes				
Public health fees				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Total general revenues				
Changes in net position				
Net position, beginning of period				
Prior period adjustment				
Net position, end of period				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Health Department
$ (3,677,600)	$ -	$ (3,677,600)	$ -
(1,996,067)	-	(1,996,067)	-
(7,352,642)	-	(7,352,642)	-
(1,078,865)	-	(1,078,865)	-
(5,170,444)	-	(5,170,444)	-
(382,802)	-	(382,802)	-
(469,987)	-	(469,987)	-
(761,430)	-	(761,430)	-
(450,007)	-	(450,007)	-
(1,136,018)	-	(1,136,018)	-
(22,475,862)	-	(22,475,862)	-
-	(3,054)	(3,054)	-
-	(70,130)	(70,130)	-
-	(73,184)	(73,184)	-
$ (22,475,862)	$ (73,184)	$ (22,549,046)	$ -
$ -	$ -	$ -	$ 367,802
-	-	-	367,802
15,402,598	-	15,402,598	-
8,967,201	-	8,967,201	162,074
1,744,387	-	1,744,387	-
263,874	-	263,874	-
3,449,756	-	3,449,756	-
258,881	-	258,881	-
566,727	-	566,727	-
5,203,896	-	5,203,896	-
104,825	-	104,825	11,603
2,500	-	2,500	-
483,805	-	483,805	565
36,448,450	-	36,448,450	174,242
13,972,588	(73,184)	13,899,404	542,044
64,164,791	(945,623)	63,219,168	259,467
-	-	-	(973,456)
$ 78,137,379	$ (1,018,807)	$ 77,118,572	$ (171,945)

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

WALKER COUNTY, GEORGIA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	General	Fire and Rescue	Capital Projects
ASSETS			
Cash and cash equivalents	$ 1,158,225	$ 24,147	$ -
Restricted cash and cash equivalents	805,358	-	1,130
Investments	-	-	3,940,283
Taxes receivable	13,432,476	-	-
Accounts receivable	4,574,667	219,366	-
Prepaid expenses	158,679	-	-
Due from other funds	2,365,047	240,646	-
Due from other governments	4,044,502	-	410,385
Total assets	26,538,954	484,159	4,351,798
LIABILITIES			
Tax anticipation note	1,000,000	-	-
Accounts payable and accrued expenses	2,227,767	298,907	36,797
Due to other funds	1,258,839	-	584,230
Due to other governments	73,754	-	36,114
Due to heirs, litigants, and others	423,630	-	-
Accrued interest payable	2,385	-	-
Total liabilities	4,986,375	298,907	657,141
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	10,591,969	-	-
Unavailable revenue - fire fees	-	180,446	-
Unearned revenue - intergovernmental	3,398,075	-	-
Total deferred inflows of resources	13,990,044	180,446	-
FUND BALANCES			
Nonspendable	158,679	-	-
Restricted for:			
Capital projects	-	-	3,694,657
Judicial	-	-	-
Public safety	143,827	-	-
Public works	-	-	-
Health and welfare	-	-	-
Housing and development	-	-	-
Other purposes	18,987	-	-
Unassigned	7,241,042	4,806	-
Total fund balances	7,562,535	4,806	3,694,657
Total liabilities, deferred inflows of resources, and fund balances	$ 26,538,954	$ 484,159	$ 4,351,798

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

Development Authority	TSPLOST	Other Governmental Funds	Total Governmental Funds
$ 738,192	$ -	$ 1,547,845	$ 3,468,409
164,539	1,354,890	-	2,325,917
-	-	-	3,940,283
-	-	-	13,432,476
-	-	138,142	4,932,175
-	-	13,962	172,641
-	-	482,200	3,087,893
-	289,672	281,968	5,026,527
902,731	1,644,562	2,464,117	36,386,321
-	-	-	1,000,000
540	105,828	213,367	2,883,206
46,193	2,128	1,389,711	3,281,101
-	-	-	109,868
-	-	-	423,630
-	-	-	2,385
46,733	107,956	1,603,078	7,700,190
-	-	-	10,591,969
-	-	-	180,446
-	-	660,173	4,058,248
-	-	660,173	14,830,663
-	-	-	158,679
-	-	-	3,694,657
-	-	76,906	76,906
-	-	32,688	176,515
-	1,536,606	41,800	1,578,406
-	-	49,472	49,472
855,998	-	-	855,998
-	-	-	18,987
-	-	-	7,245,848
855,998	1,536,606	200,866	13,855,468
$ 902,731	$ 1,644,562	$ 2,464,117	$ 36,386,321

WALKER COUNTY, GEORGIA

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

YEAR ENDED SEPTEMBER 30, 2018

Differences in amounts reported for governmental activities in the statement of net position:		
Fund balances - total governmental funds		$ 13,855,468
Amounts reported for governmental activities in the statement of net position are difference because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		95,585,427
Certain revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds		10,772,415
Amounts related to the pension plan are not expected to be liquidated with expendable financial resources and, therefore, are not reported in the funds		(2,531,929)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. This item consists of the following:		
Note receivable	399,724	
Accrued interest	(310,217)	
Bonds payable	(27,352,381)	
Capital leases	(2,301,054)	
Compensated absences	(989,262)	
Landfill closure and postclosure care cost	(2,235,812)	
Nonexchange financial guarantee	(6,755,000)	(39,544,002)
Net position of governmental activities		$ 78,137,379

WALKER COUNTY, GEORGIA

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

YEAR ENDED SEPTEMBER 30, 2018

	General	Fire and Rescue	Capital Projects
REVENUES:			
General property taxes	$ 14,339,822	$ -	$ -
Other taxes	8,293,896	-	5,110,726
Licenses and permits	334,634	-	-
Intergovernmental	418,780	-	-
Charges for services	5,905,964	3,933,298	-
Fines and forfeitures	1,274,902	-	-
Investment income	104,339	-	42,586
Contributions and donations	73,944	7,514	-
Rental income	65,860	-	-
Other	529,461	315	-
Total revenues	31,341,602	3,941,127	5,153,312
EXPENDITURES:			
Current:			
General government	4,939,302	-	1,850
Judicial	3,140,633	-	-
Sheriff	7,072,869	-	-
Public safety	927,207	3,318,458	-
Public works	2,387,067	-	-
Health and welfare	263,975	-	-
Culture and recreation	376,174	-	-
Housing and development	259,599	-	-
Debt service:			
Principal	2,302,548	175,524	4,485,000
Interest	116,275	41,022	251,752
Capital outlay	532,895	-	-
Intergovernmental	-	-	450,007
Total expenditures	22,318,544	3,535,004	5,188,609
Excess (deficiency) of revenues over (under) expenditures	9,023,058	406,123	(35,297)
Other financing sources (uses)			
Proceeds from sale of capital assets	2,500	-	-
Transfers in	-	-	-
Transfers out	(1,553,806)	(98,628)	-
Total other financing sources (uses)	(1,551,306)	(98,628)	-
Net change in fund balances	7,471,752	307,495	(35,297)
FUND BALANCE - beginning of period	90,783	(302,689)	3,729,954
FUND BALANCE - end of period	$ 7,562,535	$ 4,806	$ 3,694,657

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

Development Authority	TSPLOST	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 14,339,822
-	1,744,387	-	15,149,009
-	-	-	334,634
-	-	1,228,623	1,647,403
-	-	1,151,882	10,991,144
-	-	22,024	1,296,926
9,509	353	133	156,920
-	-	28,296	109,754
95,600	-	-	161,460
147,947	-	-	677,723
253,056	1,744,740	2,430,958	44,864,795
-	-	2,000	4,943,152
-	-	609,482	3,750,115
-	-	1,119	7,073,988
-	-	1,158,958	5,404,623
-	107,956	-	2,495,023
-	-	615,572	879,547
-	-	-	376,174
86,916	-	-	346,515
500,000	-	286,562	7,749,634
683,466	-	25,035	1,117,550
-	100,178	335,768	968,841
-	-	-	450,007
1,270,382	208,134	3,034,496	35,555,169
(1,017,326)	1,536,606	(603,538)	9,309,626
-	-	-	2,500
1,183,465	-	468,969	1,652,434
-	-	-	(1,652,434)
1,183,465	-	468,969	2,500
166,139	1,536,606	(134,569)	9,312,126
689,859	-	335,435	4,543,342
$ 855,998	$ 1,536,606	$ 200,866	$ 13,855,468

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

WALKER COUNTY, GEORGIA

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

YEAR ENDED SEPTEMBER 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – total governmental funds		$ 9,312,126
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets and due from other governments in the statement of net position		968,841
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities		(4,885,906)
Repayment of note receivable in rental income in the governmental funds, but the repayment reduces the note receivable asset in the statement of net position		(146,662)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		597,862
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount is the net effect of these differences in the treatment on long-term debt and related items.		
Bond principal payments	4,985,000	
Nonexchange financial guarantee payments	1,950,000	
Capital lease obligation payments	814,634	
Amortization of bond discount	(4,832)	7,744,802
Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. The items consist of:		
Accrued interest	(13,636)	
Compensated absences	1,982	
Landfill closure and postclosure care costs	(39,533)	
Pension liability	432,712	381,525
Change in net position of governmental activities		$ 13,972,588

WALKER COUNTY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2018

	Landfill	Moutain Cove Farms	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 900	$ 151,578	$ 152,478
Receivables, net of allowance	138,100	-	138,100
Due from other funds	535,993	-	535,993
Total current assets	674,993	151,578	826,571
NONCURRENT ASSETS			
Capital assets -			
Nondepreciable	659,747	169,000	828,747
Depreciable, net	759,269	350,905	1,110,174
Total noncurrent assets	1,419,016	519,905	1,938,921
Total assets	2,094,009	671,483	2,765,492
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	140,787	38,454	179,241
Due to other funds	-	342,785	342,785
Capital lease and note payable, current portion	220,764	-	220,764
Compensated absences	4,394	1,307	5,701
Total current liabilities	365,945	382,546	748,491
LONG-TERM LIABILITIES			
Note payable, less current portion	629,764	-	629,764
Landfill closure and postclosure care costs	2,406,044	-	2,406,044
Total long-term liabilities	3,035,808	-	3,035,808
Total liabilities	3,401,753	382,546	3,784,299
NET POSITION			
Net investment in capital assets	568,488	519,905	1,088,393
Unrestricted (deficit)	(1,876,232)	(230,968)	(2,107,200)
Total net position	$ (1,307,744)	$ 288,937	$ (1,018,807)

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

WALKER COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	Landfill	Moutain Cove Farms	Total
OPERATING REVENUES			
Charges for services	$ 1,452,884	$ 133,621	$ 1,586,505
Total operating revenues	1,452,884	133,621	1,586,505
OPERATING EXPENSES			
Salaries	336,243	88,696	424,939
Employee benefits	103,903	30,811	134,714
Purchased services	515,909	26,598	542,507
Landfill closure/postclosure care costs	140,780	-	140,780
Professional fees	13,356	-	13,356
Equipment rental	14	2,247	2,261
Repairs and maintenance	46,626	13,098	59,724
Depreciation	211,332	10,260	221,592
Supplies	58,126	32,041	90,167
Total operating expenses	1,426,289	203,751	1,630,040
OPERATING INCOME (LOSS)	26,595	(70,130)	(43,535)
NONOPERATING EXPENSES			
Interest expense	(29,649)	-	(29,649)
Total nonoperating expenses	(29,649)	-	(29,649)
CHANGE IN NET POSITION	(3,054)	(70,130)	(73,184)
NET POSITION			
Beginning	(1,304,690)	359,067	(945,623)
Ending	$ (1,307,744)	$ 288,937	$ (1,018,807)

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

WALKER COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	Landfill	Special Facilities	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	$ 1,380,831	$ 133,621	$ 1,514,452
Payments to suppliers	(828,332)	(73,984)	(902,316)
Payments to employees	(440,962)	67,767	(373,195)
Net cash provided (used) by operating activities	111,537	127,404	238,941
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(17,961)	-	(17,961)
Principal paid on capital lease obligations	(63,921)	-	(63,921)
Interest paid under capital lease obligations	(29,649)	-	(29,649)
Net cash used by capital and related financing activities	(111,531)	-	(111,531)
Net increase (decrease) in cash and cash equivalents	6	127,404	127,410
Cash and cash equivalents, beginning of year	897	24,174	25,071
Cash and cash equivalents, end of year	$ 903	$ 151,578	$ 152,481
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 26,595	$ (70,130)	$ (43,535)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	211,332	10,260	221,592
Landfill closure/postclosure care costs	116,405	-	116,405
Changes in assets and liabilities-			
Decrease in accounts receivable	(72,053)	-	(72,053)
Increase (decrease) in due to/from other funds	(186,823)	194,427	7,604
Increase (decrease) in payables, accrued expenses	16,897	(7,427)	9,470
Decrease in compensated absences	(816)	274	(542)
Net cash provided (used) by operating activities	$ 111,537	$ 127,404	$ 238,941

WALKER COUNTY, GEORGIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 2,752,688
Investments, at fair value:		
Guaranteed fixed income account	3,819,935	-
Mutual funds	162,620	-
Total assets	3,982,555	2,752,688
LIABILITIES		
Accounts payable	-	942,077
Due to other governments	-	817,639
Due to heirs, litigants, and others	-	992,972
Total liabilities	-	2,752,688
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 3,982,555	$ -

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

WALKER COUNTY, GEORGIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

YEAR ENDED SEPTEMBER 30, 2018

	Pension Trust Fund
ADDITIONS	
Employer contributions	$ 1,146,856
Investment appreciation in fair value of investments	159,986
Less: investment expense	30,778
Net appreciation in fair value of investments	129,208
Total additions	1,276,064
DEDUCTIONS	
Benefits	733,379
Total deductions	733,379
CHANGE IN NET POSITION	542,685
NET POSITION - RESTRICTED FOR PENSION BENEFITS	
Beginning	3,439,870
Ending	$ 3,982,555

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Blended Component Unit – Walker County Development Authority

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

Discretely-Presented Component Unit - Walker County Health Department

The Walker County Health Department provides health care services and health education to the residents of Walker County, Georgia. The Board of the Health Department is composed of seven members, which includes:

1. The chief executive officer of the governing authority of the County (Commissioner);
2. The county superintendent of schools;
3. A physician actively participating in the County or a licensed nurse or dentist shall be appointed by the governing authority of the County;
4. One member appointed by the governing authority of the County shall be a consumer;
5. One member appointed by the governing authority of the largest municipality shall be a person interested in promoting public health who is a consumer or a licensed nurse;

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely-Presented Component Unit - Walker County Health Department (Continued)

6. One member appointed by the governing authority of the County shall be a consumer member representing the County's needy, underprivileged, or elderly community; and
7. One member shall be the chief executive officer of the governing authority of the largest municipality of the County or some member designated by said officer.

Related Organizations

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

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

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

Government-wide Financial Statements

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Fund Financial Statements

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

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

The County reports the following major funds:

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

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Period

All funds of the County are on fiscal year basis with the year ending September 30, 2018, except for the Health Department discretely presented component unit. The component unit operates on a fiscal year ending June 30, 2018.

Budgetary Data and Process

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

The budget amounts for the fiscal year may be amended by the Commissioner to actual operating figures. The County prepares an annual operating budget for all governmental funds. At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Commissioner, budgetary transfers between departments can be made. The legal level of budgetary control is at the summary line item level with summary levels designated as personnel expenses, other expenses (operating), and capital outlay. All appropriations lapse at the end of each fiscal year.

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

Deposits and Investments

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

Investments in the local government investment pool are specifically invested in "Georgia Fund 1". Georgia Fund 1, created by OCGA 36-83-8, is a Standard and Poor's 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 County uses the allowance method to estimate uncollectible accounts based on a projection of balances unlikely to be collected. Individual accounts are written off only when they are determined to be uncollectible.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

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

Capital Assets

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

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

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

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

Interfund Receivables and Payables

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

Compensated Absences

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

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

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

Fund Balance

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

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

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

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

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

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

Flow Assumptions

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

Net Position

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

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

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

Property Tax Revenues

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

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

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

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

Interfund Transactions

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

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

Defined Benefit Pension Plan

The Pension Plan for Employees of the Walker County Commissioner and 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 Discretely-Presented Component Units

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

Estimates

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

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Primary Government

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

At September 30, 2018, the carrying amount of the County's deposits was $8,699,492 and the bank balance was $8,925,103. The bank balance is categorized below as to credit risk. Category 1 includes deposits either covered by federal depository insurance, by collateral held by the County's agent in the County's name or by the Federal Reserve Banks acting as third-party agents. Category 2 includes deposits covered by collateral held by the pledging bank's agent in the County's name. Category 3 includes deposits either uninsured, uncollateralized or covered by collateral held by the pledging bank or its agent, but not in the County's name. All of the County's deposits were category 2 and insured.

(Continued)

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)

Primary Government (Continued)

The deposits of the County are included in the following classifications at September 30, 2018.

Cash and cash equivalents	$ 3,620,887
Restricted cash	2,325,917
Cash and cash equivalents – agency funds	2,752,688
Total deposits with financial institutions	$ 8,699,492

The following schedule of investments of all of the County's funds (including fiduciary funds) as of September 30, 2018:

	Fair Value	Carrying Amount	Credit Rating	Weighted Average Maturity Days
Investments				
Georgia Fund 1	$ 3,940,283	$ 3,940,283	AAAf	13
Pension Trust Fund Investments				
Guaranteed fixed income account	$ 3,827,910	$ 3,827,910	N/A	N/A
Mutual funds	154,645	154,645	N/A	N/A
	$ 3,982,555	$ 3,982,555		

Fair Value Measurement

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

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

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

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

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

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

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

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

NOTE 3 - RECEIVABLES

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

	Governmental Activities Funds						
	General	Fire and Rescue	Capital Projects	TSPLOST	Other Funds	Business-Type Activities	Total
Primary Government							
Receivables:							
Taxes	$ 14,206,076	$ -	$ -	$ -	$ -	$ -	$ 14,206,076
Accounts	4,663,668	286,366	-	-	138,142	141,200	5,229,376
Intergovernmental	4,044,502	-	410,385	289,672	281,968	-	5,026,527
Gross receivables	22,914,245	286,366	410,385	289,762	420,110	141,200	24,461,979
Less:							
Allowance for uncollectibles	(862,600)	(67,000)	-	-	-	(3,100)	(932,700)
Net receivables	$ 22,051,645	$ 219,366	$ 410,385	289,762	$ 420,110	$ 138,100	$ 23,529,279

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets				
Land	$ 9,111,954	$ -	$ -	$ 9,111,954
Construction-in-process	1,068,570	-	-	1,068,570
Total non-depreciable assets	10,180,524	-	-	10,180,524
Depreciable assets				
Infrastructure	100,932,802	-	-	100,932,802
Buildings and improvements	42,650,896	209,851	-	42,860,747
Machinery and equipment	8,850,571	233,368	-	9,083,939
Vehicles	12,821,570	525,622	-	13,347,192
Construction equipment	3,622,720	-	-	3,622,720
Total depreciable assets	168,878,559	968,841	-	169,847,400
Less accumulated depreciation for:				
Infrastructure	50,154,577	2,631,218	-	52,785,795
Buildings and improvements	9,220,582	939,864	-	10,160,446
Machinery and equipment	6,127,120	679,183	-	6,806,303
Vehicles	10,268,451	592,238	-	10,860,689
Construction equipment	3,785,861	43,403	-	3,829,264
Total accumulated depreciation	79,556,591	4,885,906	-	84,442,497
Total depreciable assets	89,321,968	(3,917,065)	-	85,404,903
Capital assets, net	$ 99,502,492	$ (3,917,065)	$ -	$ 95,585,427

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Governmental activities depreciation expense was as follows:

General government	$ 262,928
Judicial	56,661
Sheriff	379,605
Public safety	782,693
Public works	2,675,421
Health and welfare	204,810
Culture and recreation	108,873
Housing and development	414,915
	$ 4,885,906

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Landfill:				
Non-depreciable assets				
Construction-in-process	$ 643,216	$ 16,531	$ -	$ 659,747
Depreciable assets				
C and D landfill	4,985,021	-	-	4,985,021
Buildings and improvements	306,771	-	-	306,771
Machinery and equipment	1,748,724	822	-	1,749,546
Vehicles	49,148	-	-	49,148
Furniture and fixtures	2,172	-	-	2,172
Software	1,508	-	-	1,508
Computers, radios, electronics	21,150	608	-	21,758
Total depreciable assets	7,114,494	1,430	-	7,115,924
Less accumulated depreciation for:				
C and D landfill	4,636,070	149,549	-	4,785,619
Buildings and improvements	152,742	7,657	-	160,399
Machinery and equipment	1,286,360	52,410	-	1,338,770
Vehicles	46,739	1,445	-	48,184
Furniture and fixtures	1,212	109	-	1,321
Software	1,508	-	-	1,508
Computers, radios, electronics	20,692	162	-	20,854
Total accumulated depreciation	6,145,323	211,332	-	6,356,655
Total depreciable assets, net	969,171	(209,902)	-	759,269
Landfill capital assets, net	$ 1,612,387	$ (193,371)	$ -	$ 1,419,016

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Special Facilities:				
Non-depreciable assets				
Land	$ 169,000	$ -	$ -	$ 169,000
Depreciable assets				
Buildings and improvements	360,255	-	-	360,255
Furniture and fixtures	72,913	-	-	72,913
Computers, radios, electronics	755	-	-	755
Total depreciable assets	433,923	-	-	433,923
Less accumulated depreciation for:				
Buildings and improvements	52,605	6,590	-	59,195
Furniture and fixtures	20,065	3,670	-	23,735
Computers, radios, electronics	88	-	-	88
Total accumulated depreciation	72,758	10,260	-	83,018
Total depreciable assets, net	361,165	(10,260)	-	350,905
Special facilities capital assets, net	$ 530,165	$ (10,260)	$ -	$ 519,905

	Beginning Balance	Additions	Retirements	Ending Balance
Walker County Health Department:				
Depreciable assets				
Machinery and equipment	$ 50,741	$ -	$ -	$ 50,741
Total depreciable assets	50,741	-	-	50,741
Less accumulated depreciation for:				
Machinery and equipment	41,745	2,570	-	44,315
Total accumulated depreciation	41,745	2,570	-	44,315
Total depreciable assets, net	8,996	(2,570)	-	6,426
Health Department capital assets, net	$ 8,996	$ (2,570)	$ -	$ 6,426

NOTE 5 – TAX ANTICIPATION NOTE

On August 30, 2018, the County obtained Tax Anticipation Note (TAN), in the amount of $500,000 from Bank of Lafayette. The proceeds of the TAN were provided to the general fund as operating resources for the County. Interest at 2.95% is due on maturity. The balance as of September 30, 2018 is $500,000 and is due and payable on December 31, 2018.

During the year, the County obtained Tax Anticipation Notes (TAN), in the amount of $1,000,000 from First Volunteer Bank. The proceeds of the TAN were provided to the general fund as operating resources for the County. Interest at 3.25% is due on maturity. The balance as of September 30, 2018 is $500,000 and is due and payable on December 31, 2018.

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
TAN, Series 2017	$ 7,000,000	$ -	$ 7,000,000	$ -	$ -
TAN, Series 2018	-	1,500,000	500,000	1,000,000	1,000,000
	$ 7,000,000	$ 1,500,000	$ 7,500,000	$ 1,000,000	$ 1,000,000

NOTE 6 – LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Governmental Activities:					
Bonds payable	$ 32,475,000	$ -	$ 4,985,000	$ 27,490,000	$ 5,100,000
Bond discount	(142,450)	-	(4,832)	(137,618)	-
Capital leases	3,115,688	-	814,634	2,301,054	1,382,212
Compensated absences	991,244	989,262	991,244	989,262	989,262
Landfill postclosure	2,196,279	39,533	-	2,235,812	-
Nonexchange financial guarantee	8,705,000	-	1,950,000	6,755,000	2,600,000
Net pension liability	4,397,078	-	462,740	3,934,338	-
	$ 51,737,839	$ 1,028,795	$ 9,198,786	$ 43,567,848	$ 10,071,474
Business-type Activities:					
Capital leases	$ 260,196	$ -	$ 63,921	$ 196,275	$ 196,275
Notes payable	654,253	-	-	654,253	24,489
Compensated absences	6,243	5,701	6,243	5,701	5,701
Landfill closure and postclosure	2,289,642	116,402	-	2,406,044	-
	$ 3,210,334	$ 122,103	$ 70,164	$ 3,262,273	$ 226,465

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

Bonds Payable

Future debt service requirements on bonds payable at September 30, 2018, are as follows:

	Governmental Activities	
	Principal	Interest
Year ending September 30, 2019	$ 5,100,000	$ 849,609
2020	5,220,000	760,143
2021	4,505,000	672,981
2022	560,000	621,865
2023	580,000	601,145
2024-2028	3,275,000	2,631,878
2029-2033	4,110,000	1,792,265
2034-2037	4,140,000	583,420
	$ 27,490,000	$ 8,513,306

(Continued)

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

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

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

Capital Lease Payable

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

	Governmental Activities	Business-Type Activities - Landfill	Total
Buildings and improvements	$ 1,848,309	$ -	$ 1,848,309
Machinery and equipment	2,102,035	357,700	2,459,735
Vehicles	1,499,015	-	1,499,015
Total capital lease assets	5,449,359	357,700	5,807,059
Accumulated amortization	3,472,936	65,411	3,538,347
Capital lease assets, net	$ 1,976,423	$ 292,289	$ 2,268,712

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

	Governmental Activities	Business-Type Activities - Landfill	Total
Year ending September 30, 2019	$ 1,457,859	$ 202,048	$ 1,659,907
2020	423,757	-	423,757
2021	345,914	-	345,914
2022	216,546	-	216,546
Total minimum lease payments	2,444,076	202,048	2,646,124
Less: deferred interest	143,022	5,773	148,795
Present value minimum lease payments	$ 2,301,054	$ 196,275	$ 2,497,329

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

(Continued)

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

Note Payable

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

Projected future debt service requirements on the note payable based on the outstanding principal balance at September 30, 2018, are as follows:

	Business-Type Activities	
	Principal	Interest
Year ending September 30, 2019	24,489	19,304
2020	25,241	18,551
2021	26,017	17,776
2022	26,816	16,976
2023	27,640	16,152
2024-2028	151,473	67,490
2029-2033	176,217	42,746
2034-2038	196,360	14,015
	$ 654,253	$ 213,010

NOTE 7 – CONDUIT DEBT

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

As of September 30, 2018, the aggregate principal amount of debt issued by the Development Authority as conduit debt totaled $175,000,000.

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

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

Nonmajor governmental funds to general fund	$ 1,389,711
TSPLOST to general fund	2,128
Special facilities to general fund	342,785
General fund to fire and rescue	240,646
Development Authority to general fund	46,193
Capital projects to general fund	584,230
General fund to nonmajor governmental funds	482,200
General fund to landfill	535,993
	$ 3,623,886

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

(Continued)

NOTE 8 – INTERFUND BALANCES AND ACTIVITY (Continued)

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

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

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

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

Transfers To/From Other Funds

Transfers to/from other funds for the year ended September 30, 2018, consists of the following:

From the general fund to the development authority for bond interest payments	$	1,183,465
From the general fund to the E911 fund for operating expenditures		232,542
From the general fund to the multiple grant fund for county matching requirements		684
From the general fund to the transportation fund for operating expenditures		213,847
From the fire and rescue fund to the general fund for EMS cost		98,628
From the general fund to the special court fund for operating expenditures		21,896
	$	1,751,062

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Primary Government

Plan Administration
Seventy-four (74) of the County's full time employees are covered by the Pension Plan for Employees of the Walker County Commissioner and Sheriff's Department. This self-administered plan is a single employer, noncontributory, defined benefit plan established January 1, 1973, restated effective January 1, 1984 and amended effective December 31, 2005. Authority to establish, amend or discontinue the plan is assigned to the County. The plan is included in this report because the County has oversight responsibility as prescribed by the GASB. The plan does not issue separate financial statements but includes the financial statements and required supplementary information in the County's annual financial report.

Plan Membership:
As of January 1, 2018, 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	37
Active participants - below retirement age	71
Active participants - at or above retirement age	3
	133

(Continued)

NOTE 9 – 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, 2018, the County's contribution rate was 5.14% of covered payroll.

Net Pension Liability -
The County's net pension liability was measured as of January 1, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based upon the RP-2014 Mortality Table (2006 base year) projected using improvement Scale MP-2017 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, 2018 valuations were based on the results of the most recent experience study which was completed December 2017.

The long-term expected rate of return on assets of 5.97% 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Fixed Income	5.00%	95.00%
Domestic Large Equities	9.00%	5.00%

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Primary Government (Continued)

Discount Rate -
The discount rate used to measure the total pension liability was 5.00%. 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 3.16% was used in the development of the blended discount rate after that point. The 3.16% rate is based on the S&P Municipal Bond 20 Year High Grade Rated Index. Based on the long-term rate of return of 5.00% and the municipal bond rate of 3.16%, the blended discount rate would be 5.00%

Changes in the Net Position Liability -
The changes in the components of the net pension liability for the year are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Position Liability (Asset) (a) – (b)
Balance at January 1, 2017	$ 7,532,891	$ 3,135,813	$ 4,397,078
Changes for the year:			
Service cost	170,632	-	170,632
Interest	370,165	-	370,165
Differences between expected and actual experience	27,320	-	27,320
Changes in assumptions	(68,704)	-	(68,704)
Contributions	-	786,726	(786,726)
Net investment income	-	192,153	(192,153)
Benefit payments	(425,759)	(425,759)	-
Administrative expense	-	(16,726)	16,726
Net changes	73,654	536,394	(462,740)
Balance at January 1, 2018	$ 7,606,545	$ 3,672,207	$ 3,934,338

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 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease	Current	1% Increase
Discount rate	4.00%	5.00%	6.00%
Net pension liability	$ 4,605,668	$ 3,934,338	$ 3,358,408

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, 2018.

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Primary Government (Continued)

Pension Expense and Deferred Outflows of Resources:
For the year ended September 30, 2018, the County recognized pension expense of $1,148,354. At September 30,2018, the County reported deferred outflows of resources related to pension items from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 371,144
Differences resulting from changes in actuarial assumptions	259,160
Net difference between projected and actual earnings on Pension plan investments	56,170
Contributions subsequent to the measurement date of January 1, 2018*	715,935
	$ 1,402,409

*The amount shown for "contribution subsequent to the measurement date of January 1, 2018," will be recognized as a reduction to net pension liability in the next fiscal year.

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

Year ending September 30,	2019	$ 330,849
	2020	286,235
	2021	80,555
	2022	(11,165)
		$ 686,474

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, 2018, were as follows:

	Fair Value	Percent of Total
Guaranteed fixed income	$ 3,827,910	96.12%
Balanced funds	71,442	1.79%
Government/Corporate bond funds	6,217	0.16%
Equity growth funds	76,986	1.93%
	$ 3,982,555	100.00%

Component Unit

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

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Component Unit (Continued)

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

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

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

Member contributions under the old plan are 4.00% of annual compensation, up to $4,200, plus 6.00% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Health Department's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2018 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Health Department's contributions to ERS totaled $119,140 for the year ended June 30, 2018. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

At June 30, 2018, the Health Department reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The Health Department's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the Employer's proportion was 0.025561%, which was an decrease of 0.001998% from its proportion measured as of June 30, 2016.

For the year ended June 30,2018, the Health Department recognized pension expense of $42,472. At June 30, 2018, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 11,375	$ 8
Change in assumptions	2,363	-
Net differences between projected and actual earnings on pension plan investments	-	2,585
Changes in proportion and differences between employer contributions and proportionate share contributions	-	69,705
Employer contributions subsequent to the measurement date	119,140	-
	$ 132,878	$ 72,298

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Component Unit (Continued)

Health Department contributions subsequent to the measurement date of $119,140 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	2019	$ (62,432)
	2020	21,653
	2021	11,654
	2022	(29,435)
		$ (58,560)

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	3.25% - 7.00%, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

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

*Rates shown are net of the 2.75% assumed rate of inflation.

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

(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Component Unit (Continued)

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

	1% Decrease	Current	1% Increase
Discount rate	6.50%	7.50%	8.50%
Net pension liability	$ 1,465,252	$ 1,038,118	$ 673,760

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Component Unit

State OPEB Fund

Employees of State organizations as defined in §45-18-25 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 45 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

The State OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by Jaw to contract with the Department of Community Health (DCH) for inclusion in the plan. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The State OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

As established by the Board, the State OPEB Fund is substantially funded on a pay-as-you go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the State OPEB Fund from the Health Department were $86,474 for the year ended June 30, 2018. Active employees are not required to contribute to the State OPEB Fund.

At June 30, 2018, the Health Department reported a liability of $930,508 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The Health Department's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the Health Department's proportion was 0.022839%, which was a decrease of 0.001886% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Health Department recognized OPEB expense of $18,124. At June 30, 2018, the Health Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Component Unit (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ -	$ 67,389
Net differences between projected and actual earnings on OPEB plan investments Changes in proportion and differences between employer contributions and proportionate share contributions	3,986	-
	-	67,850
Employer contributions subsequent to the measurement date	86,474	-
	$ 90,460	$ 135,239

Health Department contributions subsequent to the measurement date of $86,474 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	2019	$ (39,738)
	2020	(39,738)
	2021	(39,738)
	2022	(12,039)
		$ (131,253)

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.75%
Projected salary increases	3.25% - 7.00%, including inflation
Investment rate of return	3.88% net of pension plan investment expense, including inflation

Healthcare cost trend rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of ultimate trend rate	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Component Unit (Continued)

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the State OPEB Fund is based on their current or last employer payroll location. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are allocated to the State OPEB Fund irrespective of retirement system affiliation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-tem1 expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Local Government Investment Pool	3.88%	100%

The discount rate has changed since the prior measurement date from 3.09% to 3.60%. In order to measure the total OPEB liability for the State OPEB Fund, a single equivalent interest rate of 3.60% was used as the discount rate. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.60% was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following presents the Health Department's proportionate share of the net OPEB liability calculated using the discount rate of 3.60%, as well as what the Health Department's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.60%) or 1-percentage-point higher (4.60%) than the current discount rate:

	1% Decrease	Current	1% Increase
Discount rate	2.60%	3.60%	4.60%
Employer's proportionate share of the Collective net OPEB liability	$ 1,112,801	$ 930,508	$ 785,029

Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at https://sao.georgia.gov/comprehensive-annual-financial-reports.

SEAD OPEB Plan

SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of the Employees' Retirement System of Georgia (ERS), the Legislative Retirement System (LRS), and the Georgia Judicial Retirement System (GJRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than OPEB Plans.

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Component Unit (Continued)

The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance in effect at age 60 or at tem1ination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2018.

At June 30, 2018, the Health Department reported a liability of $(93,332) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The Health Department's proportion of the net OPEB liability was based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2017. At June 30, 2017, the Health Department's proportion was 0.035910%, which was a decrease of 0.000135% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Health Department recognized OPEB expense of $(8,714). At June 30, 2018, the Health Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	$ -	$ 14,261
Changes in proportion and differences between employer contributions and proportionate share contributions	-	176
	$ -	$ 14,437

Health Department contributions subsequent to the measurement date of $0 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	2019	$ (3,653)
	2020	(3,653)
	2021	(3,665)
	2022	(3,666)
		$ (14,367)

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	3.25% - 7.00%, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Component Unit (Continued)

Postretirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July l, 2009 - June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-tern1 expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*Rates shown are net of the 2.75% assumed rate of inflation.

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

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

	1% Decrease	Current	1% Increase
Discount rate	6.50%	7.50%	8.50%
Net pension liability	$ (51,084)	$ (93,332)	$ (127,955)

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

NOTE 11 – DEFINED CONTRIBUTION PLAN

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

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

Plan participants vest 50% after five years of service and 100% after ten years of service. Forfeited funds are used to reduce future employer contributions. There were no payments made during the year ended September 30, 2018 for employer contributions. The County recognized pension expense $271,499 with no forfeitures available to reduce this amount for the year ended September 30, 2018. As of September 30, 2018, the County has $1,094,597 of pension expense accrued.

NOTE 12 – 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 2018 plan year are:

Number of participants	21
Participant contributions	$ 23,972

NOTE 13 – FUND DEFICITS

At September 30, 2018, the fire and rescue fund had a deficit fund balance of $75,981. This deficit will be reduced through general fund appropriation, as needed.

At September 30, 2018, the landfill had a deficit net position of $1,307,744. This deficit will be reduced through increased user charges, a decrease in contracted services and general fund appropriation, as needed.

Compliance with Finance Related Legal and Contractual Provisions

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

Excess of Expenditures Over Appropriations

For the year ended September 30, 2018, the County had expenditures exceed appropriations in the following funds and departments:

General fund –	
Health and welfare	$ 12,073
Culture and recreation	33,306
E911 fund –	
Public safety	5,001
Multiple grant fund –	
Judicial	22,705
Connection fund –	
Health and welfare	44
Transportation fund –	
Health and welfare	129,192

NOTE 14 – RISK MANAGEMENT

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

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

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

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

The County maintains a medical benefit plan to self-insure claims up to $110,000 per year for each individual covered; claims above $110,000 are covered by a stop-loss insurance policy. The County also had an aggregate stop-loss insurance policy which covers claims above $204,147 monthly and $2,449,759 annually. The County and its covered employees contribute to the fund to pay the claims and stop-loss insurance premiums. At September 30, 2018, 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, 2016	$ 127,142
Incurred claims (including claims incurred but not reported)	3,284,738
Claims paid during fiscal year 2017	3,006,604
Unpaid claims – September 30, 2017	278,134
Incurred claims (including claims incurred but not reported)	2,522,116
Claims paid during fiscal year 2018	2,183,512
Unpaid claims – September 30, 2018	$ 338,604

NOTE 15 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

At September 30, 2018, the County had incurred a liability of approximately $2,406,044 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately 96 percent of landfill capacity used to date.

(Continued)

NOTE 15 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The estimated costs of closure and postclosure care, as determined by the Georgia Environmental Protection Division, are subject to change including the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure, and other variables. The County also owns a solid waste landfill which discontinued operations in June 1998. The solid waste is accepted at a transfer station and transported to a location out of the County by an outside contractor. The landfill will continue to incur costs associated with the closing of the landfill in order to comply with Environmental Protection Agency requirements. In addition, the County will be required to monitor various wells for a period of time. At September 30, 2018, a liability for postclosure care costs is recorded in the amount of $2,235,812, which is based on engineering reports, for maintaining the landfill site in future years. However, management's estimate of postclosure costs is contingent upon its ability to satisfy EPA requirements, and costs could be significantly higher if full compliance is not achieved. These costs will be met with future County revenues.

NOTE 16 – JOINT VENTURE

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

NOTE 17 – COMMITMENTS AND CONTIGENCIES

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

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

(Continued)

NOTE 17 – COMMITMENTS AND CONTIGENCIES (Continued)

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

The courts had a sale and order of part of the HMC property, which provided a $1,295,000 credit toward any ultimate liability for the $10 million cap on the line of credit guarantee. The final judgment was for $8,705,000, plus accrued interest.

On January 4, 2018 a Forbearance Agreement was entered into between Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System and Walker County Georgia. Walker County shall pay the amount of $8,700,000 to Erlanger in twelve quarterly installments in the amount of $650,000 beginning, January 20, 2018, and the 13th and final installment in the amount of $900,000 on December 31, 2020.

The County will satisfy the obligation through a Public Health Facilities and Services Fee. The fee assessment Ordinance was passed by the Sole Commissioner on August 24, 2017 to take effect on October 1, 2017. The Fee would be added to the property tax bills for all parcels of property located within the county at a rate of 0.14% of the Assessed Property Value.

The County has recorded a long-term obligation reported as a nonexchange financial guarantee liability of $6,755,000 plus accrued interest on the statement of net position at September 30, 2018.

NOTE 18 – RELATED PARTY TRANSACTIONS

The County is governed by a sole Commissioner. The Commissioner is also listed as the CEO of Whitfield Oil Company. Whitfield Oil Company is a vendor for the County. Prior to being elected into office, the County purchased fuel and other lubricants from Whitfield Oil Company totaling $25,434, $248,630, $788,138, and $1,032,008 for the years ended September 30, 2017, 2016, 2015, and 2014, respectively. During the current fiscal year, the County paid a total of $15,547 to Whitfield Oil Company for lubricants and specialty products that were competitively priced with other local vendors.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2019, the date which this financial statement was available for issue.

Subsequent to year end the tax anticipation note of $1,000,000 was paid back in full and no further borrowings under this program are anticipated.

In April 2019, the County announced that the public health fee charged to pay back the Erlanger debt will be removed a year earlier than anticipated.

REQUIRED SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE:				
Taxes	$ 14,638,842	$ 14,638,842	$ 14,339,822	$ (299,020)
Other taxes	7,502,100	7,502,100	8,293,896	791,796
Licenses and permit	249,000	249,000	334,634	85,634
Intergovernmental	324,800	324,800	418,780	93,980
Charges for services	3,262,800	3,262,800	5,905,964	2,643,164
Fines and forfeitures	1,331,340	1,331,340	1,274,902	(56,438)
Investment earnings	15,200	15,200	104,339	89,139
Contributions and donations	-	-	73,944	73,944
Rental income	57,360	57,360	65,860	8,500
Other	55,000	411,000	529,461	118,461
Total revenue	27,436,442	27,792,442	31,341,602	3,549,160
EXPENDITURES:				
General Government -				
Governing body	597,715	597,715	541,506	(56,209)
Elections	244,262	244,262	212,217	(32,045)
Accounting	360,450	360,450	388,940	28,490
Licensing	5,340	5,340	3,018	(2,322)
Legal	-	40,400	47,152	6,752
Data processing	427,750	427,750	403,946	(23,804)
Human resources	57,400	57,400	56,766	(634)
Employee health clinic	312,500	200,100	216,356	16,256
Tax commissioner	1,009,910	1,009,910	1,027,127	17,217
Tax assessor	1,030,075	1,030,075	1,059,733	29,658
Board of equalization	14,475	14,475	2,895	(11,580)
Risk management	305,000	305,000	331,778	26,778
General government buildings and plant	566,850	660,250	550,386	(109,864)
Marsh Warthen house	6,625	6,625	6,436	(189)
Records management	64,785	64,785	32,289	(32,496)
General administration fees	58,000	58,000	58,757	757
Total general government	5,061,137	5,082,537	4,939,302	(143,235)

(Continued)

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
(Continued)				
Judicial -				
Clerk of courts	564,095	564,095	543,958	(20,137)
Drug court	145,646	145,646	-	(145,646)
Superior court	126,275	126,275	209,375	83,100
District attorney	418,343	418,343	339,654	(78,689)
State court	342,928	342,928	349,067	6,139
State court solicitor	208,427	208,427	201,483	(6,944)
Magistrate court	377,753	377,753	354,195	(23,558)
Probate court	254,360	254,360	271,148	16,788
Juvenile court	615,460	615,460	608,177	(7,283)
Public defender	286,125	286,125	263,576	(22,549)
Total judicial	3,339,412	3,339,412	3,140,633	(198,779)
Sheriff -				
Law enforcement administration	1,026,169	1,287,206	1,022,828	(264,378)
Criminal investigation	834,314	834,314	872,605	38,291
Vice control	67,258	67,258	183,227	115,969
Patrol	1,692,759	1,692,759	1,596,004	(96,755)
Custody of prisoners	2,409,101	2,409,101	2,091,618	(317,483)
Champs program	107,773	107,773	113,977	6,204
Training	107,262	107,262	115,423	8,161
Special detail services	11,200	6,163	9,596	3,433
Sheriff's office and buildings	245,000	245,000	216,154	(28,846)
Court services	909,979	909,979	847,104	(62,875)
Bailiff	11,265	11,265	4,333	(6,932)
Total sheriff	7,422,080	7,678,080	7,072,869	(605,211)
Public Safety -				
County police	563,000	563,000	470,421	(92,579)
Coroner/medical examiner	55,880	82,880	83,992	1,112
Animal control	249,755	311,355	287,527	(23,828)
Emergency Management	109,300	109,300	85,267	(24,033)
Total public safety	977,935	1,066,535	927,207	(139,328)

(Continued)

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
(Continued)				
Highways and Streets -				
Highways and street administration	338,200	281,188	224,968	(56,220)
Paved streets	1,344,900	1,190,044	1,045,563	(144,481)
Other maintenance	393,600	498,368	420,342	(78,026)
Traffic engineering	-	7,100	117	(6,983)
Closure and postclosure costs	70,000	70,000	36,488	(33,512)
Maintenance and shop	559,600	809,600	659,589	(150,011)
Total highways and streets	2,706,300	2,856,300	2,387,067	(469,233)
Health and Welfare -				
Public health administration	140,500	140,500	162,635	22,135
Children's crisis center	7,500	7,500	7,500	-
Health department building and plant	-	-	1,523	1,523
Intergovernmental welfare payments	36,000	36,000	30,481	(5,519)
Other welfare payments	1,000	1,000	-	(1,000)
DFACS building and plant	10,200	10,200	14,740	4,540
Meals on wheels	53,640	53,640	43,496	(10,144)
Senior center	3,062	3,062	3,600	538
Total health and welfare	251,902	251,902	263,975	12,073
Culture and Recreation -				
Civic center	139,200	139,200	169,078	29,878
Other recreational facilities	19,408	19,408	21,113	1,705
Agricultural center	16,500	16,500	18,178	1,678
Historical preservation	2,760	2,760	2,805	45
Library administration	165,000	165,000	165,000	-
Total culture and recreation	342,868	342,868	376,174	33,306
Housing and Development -				
County agent	58,875	58,875	45,753	(13,122)
Forest resources	12,468	12,468	12,468	-
Planning and zoning	76,000	76,000	76,259	259
Economic development	221,881	221,881	125,119	(96,762)
Total housing and development	369,224	369,224	259,599	(109,625)

(Continued)

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
(Continued)				
Debt Service -				
Principal	3,535,825	3,535,825	2,302,548	(1,233,277)
Interest	1,175,244	1,175,244	116,275	(1,058,969)
Total debt service	4,711,069	4,711,069	2,418,823	(2,292,246)
Capital Outlay -	595,020	595,020	532,895	(62,125)
Total expenditures	25,776,947	26,292,947	22,318,544	(3,974,403)
Excess revenues over expenditures	1,659,495	1,499,495	9,023,058	7,523,563
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	2,500	2,500
Transfers from other funds	-	-	145,007	145,007
Transfers to other funds	(1,659,495)	(1,659,495)	(1,698,813)	(39,318)
Total other financing sources (uses)	(1,659,495)	(1,659,495)	(1,551,306)	108,189
NET CHANGE IN FUND BALANCES	$ -	$ (160,000)	7,471,752	$ 7,631,752
FUND BALANCES:				
Beginning			90,783	
Ending			$ 7,562,535	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
FIRE & RESCUE

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE	$ 3,650,000	$ 3,650,000	$ 3,941,127	$ 291,127
EXPENDITURES	3,650,000	3,650,000	3,535,004	(114,996)
Excess revenues over expenditures	-	-	406,123	406,123
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(98,628)	(98,628)
Total other financing sources (uses)	-	-	(98,628)	(98,628)
NET CHANGE IN FUND BALANCES	$ -	$ -	307,495	$ 307,495
FUND BALANCES:				
Beginning			(302,689)	
Ending			$ 4,806	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT AUTHORITY

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE:				
Investment earnings	$ -	$ -	$ 9,509	$ 9,509
Rental income	-	-	95,600	95,600
Other	262,931	262,931	147,947	(114,984)
Total revenue	262,931	262,931	253,056	(9,875)
EXPENDITURES:				
Housing and Development	101,061	101,061	86,916	(14,145)
Total housing and development	101,061	101,061	86,916	(14,145)
Debt Service -				
Principal	500,000	500,000	500,000	-
Interest	683,466	683,466	683,466	-
Total debt service	1,183,466	1,183,466	1,183,466	-
Total expenditures	1,284,527	1,284,527	1,270,382	(14,145)
Excess revenues over expenditures	(1,021,596)	(1,021,596)	(1,017,326)	4,270
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,183,465	1,183,465	1,183,465	-
Total other financing sources (uses)	1,183,465	1,183,465	1,183,465	-
NET CHANGE IN FUND BALANCES	$ 161,869	$ 161,869	166,139	$ 4,270
FUND BALANCES:				
Beginning			689,859	
Ending			$ 855,998	

WALKER COUNTY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2018, the County had expenditures exceed appropriations in the following funds and departments:

General fund –		
Health and welfare	$	12,073
Culture and recreation		33,306
E911 –		
Public safety		5,001
Multiple Grand fund –		
Judicial		22,705
Connection fund –		
Health and welfare		44
Transportation fund –		
Health and welfare		129,192

WALKER COUNTY, GEORGIA

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDED SEPTEMBER 30, 2018

	2018	2017	2016	2015
TOTAL PENSION LIABILITY:				
Service cost	$ 170,632	$ 251,876	$ 226,555	$ 274,417
Interest on total pension liability	370,165	397,057	505,649	554,233
Changes in benefit terms	-	352,565	-	-
Difference between expected and actual experience	27,320	586,414	7,761	47,438
Changes in actuarial assumptions	(68,704)	(35,676)	681,701	-
Benefit payments	(425,759)	(3,502,918)	(413,705)	(2,840,762)
Net change in total pension liability	73,654	(1,950,682)	1,007,961	(1,964,674)
Total pension liability - beginning	7,532,891	9,483,573	8,475,612	10,440,286
Total pension liability - ending (a)	$ 7,606,545	$ 7,532,891	$ 9,483,573	$ 8,475,612
PLAN FIDUCIARY NET PENSION:				
Contributions - employer	786,726	859,582	790,436	780,000
Net investment income	192,153	126,602	122,382	272,621
Benefit payments	(425,759)	(3,502,918)	(413,705)	(2,840,762)
Administrative expenses	(16,726)	(19,582)	(20,436)	(31,334)
Net change in plan fiduciary net position	536,394	(2,536,316)	478,677	(1,819,475)
Plan fiduciary net position - beginning	3,135,813	5,672,129	5,193,452	7,012,927
Plan fiduciary net position - ending (b)	3,672,207	3,135,813	5,672,129	5,193,452
Net pension liability - ending (a) - (b)	$ 3,934,338	$ 4,397,078	$ 3,811,444	$ 3,282,160
Plan fiduciary net position as a percentage of the total pension liability	48.28%	41.63%	59.81%	61.28%
Covered-employee payroll	$ 3,027,577	$ 3,271,128	$ 4,536,786	$ 5,285,342
Net pension liability as a percentage of covered-employee payroll	129.95%	134.42%	84.01%	62.10%

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

WALKER COUNTY, GEORGIA

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS

YEAR ENDED SEPTEMBER 30, 2018

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 542,501	$ 597,452	$ 573,095	$ 551,476	$ 167,932
Contributions in relation to the actuarially determined contribution	786,726	859,582	790,436	804,705	941,295
Contribution excess	$ (244,225)	$ (262,130)	$ (217,341)	$ (253,229)	$ (773,363)
Covered employee payroll	$3,027,577	$3,271,128	$4,536,786	$5,347,289	$5,682,532
Contributions as a percentage of covered employee payroll	25.99%	26.28%	17.42%	15.05%	16.56%

	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 565,166	$ 796,609	$ 826,330	$ 777,960	$ 774,137
Contributions in relation to the actuarially determined contribution	945,118	1,290,355	1,017,442	1,124,332	1,078,215
Contribution excess	$ (379,952)	$ (493,746)	$ (191,112)	$ (346,372)	$ (304,078)
Covered employee payroll	$6,354,848	$6,531,854	$7,087,233	$7,317,071	$7,266,593
Contributions as a percentage of covered employee payroll	14.87%	19.75%	14.36%	15.37%	14.84%

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

WALKER COUNTY, GEORGIA

DEFINED BENEFIT PENSION PLAN
NOTES TO PENSION SCHEDULES

YEAR ENDED SEPTEMBER 30, 2018

VALUATION DATE
The actuarially determined contribution rates are determined as of January 1, 2018.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION

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

Actuarial Assumptions

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

CHANGES OF ASSUMPTIONS
The Municipal Bond Rate was updated from 3.71% to 3.16%

The Blended Rate changed from 4.94% to 5.00%

OTHER SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	E911	Law Library	Multiple Grant Fund	Court Supervision	Connection	Transportation	Special Court	Total Nonmajor Funds
ASSETS								
Cash and cash equivalents	$ -	$ 52,160	$ 1,455,948	$ 39,737	$ -	$ -	$ -	$ 1,547,845
Accounts receivable	135,683	-	2,459	-	-	-	-	138,142
Prepaid expenses	-	-	-	-	-	13,962	-	13,962
Due from other funds	-	-	322,348	-	6,239	153,613	-	482,200
Due from other governments	-	-	139,442	-	11,782	64,865	65,879	281,968
Total assets	135,683	52,160	1,920,197	39,737	18,021	232,440	65,879	2,464,117
LIABILITIES								
Accounts payable and accrued expenses	99,830	-	86	-	-	69,742	43,709	213,367
Due to other funds	3,165	-	1,218,138	16,375	47	131,200	20,786	1,389,711
Total liabilities	102,995	-	1,218,224	16,375	47	200,942	64,495	1,603,078
DEFERRED INFLOWS OF RESOURCES								
Unearned revenues - intergovernmental	-	-	660,173	-	-	-	-	660,173
Total deferred inflows of resources	-	-	660,173	-	-	-	-	660,173
FUND BALANCES								
Restricted for:								
Judicial	-	52,160	-	23,362	-	-	1,384	76,906
Public works	-	-	41,800	-	-	-	-	41,800
Health and welfare	-	-	-	-	17,974	31,498	-	49,472
Public safety	32,688	-	-	-	-	-	-	32,688
Total fund balances	32,688	52,160	41,800	23,362	17,974	31,498	1,384	200,866
Total liabilities, deferred inflows of resources, and fund balances	$ 135,683	$ 52,160	$ 1,920,197	$ 39,737	$ 18,021	$ 232,440	$ 65,879	$ 2,464,117

WALKER COUNTY, GEORGIA

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

YEAR ENDED SEPTEMBER 30, 2018

	E911	Law Library	Multiple Grant Fund	Court Supervision	Connection	Transportation	Special Court	Total Nonmajor Funds
REVENUES								
Intergovernmental	$ -	$ -	$ 436,258	$ -	$ 48,572	$ 536,301	$ 207,492	$ 1,228,623
Charges for services	1,035,200	-	-	-	-	116,682	-	1,151,882
Fines and forfeitures	-	20,274	-	1,750	-	-	-	22,024
Investment income	-	-	-	133	-	-	-	133
Contributions and donations	-	-	28,296	-	-	-	-	28,296
Total revenues	1,035,200	20,274	464,554	1,883	48,572	652,983	207,492	2,430,958
EXPENDITURES								
Current:								
General government	-	-	2,000	-	-	-	-	2,000
Judicial	-	27,342	352,831	1,305	-	-	228,004	609,482
Sheriff	-	-	1,119	-	-	-	-	1,119
Public safety	1,137,404	-	21,554	-	-	-	-	1,158,958
Public works	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	48,544	567,028	-	615,572
Debt service:								
Principal	286,562	-	-	-	-	-	-	286,562
Interest	25,035	-	-	-	-	-	-	25,035
Capital outlay	-	-	62,954	-	-	272,814	-	335,768
Total expenditures	1,449,001	27,342	440,458	1,305	48,544	839,842	228,004	3,034,496
Excess (deficiency) of revenues over (under) expenditures	(413,801)	(7,068)	24,096	578	28	(186,859)	(20,512)	(603,538)
Other financing sources								
Transfers in	232,542	-	684	-	-	213,847	21,896	468,969
Net change in fund balances	(181,259)	(7,068)	24,780	578	28	26,988	1,384	(134,569)
FUND BALANCE - beginning of period	213,947	59,228	17,020	22,784	17,946	4,510	-	335,435
FUND BALANCE - end of period	$ 32,688	$ 52,160	$ 41,800	$ 23,362	$ 17,974	$ 31,498	$ 1,384	$ 200,866

WALKER COUNTY, GEORGIA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	Tax Commissioner	Clerk of Courts	Probate Judge	Magistrate Judge	Total
ASSETS					
Cash and cash equivalents	$ 1,675,674	$ 1,041,321	$ 4,325	$ 31,368	$ 2,752,688
Total assets	1,675,674	1,041,321	4,325	31,368	2,752,688
LIABILITIES					
Accounts payable	925,397	-	-	16,680	942,077
Due to other governments	750,277	62,911	1,645	2,806	817,639
Due to heirs, litigants, and others	-	978,410	2,680	11,882	992,972
Total liabilities	1,675,674	1,041,321	4,325	31,368	2,752,688
NET POSITION	$ -	$ -	$ -	$ -	$ -

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
E911 FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE	$ 1,014,000	$ 1,014,000	$ 1,035,200	$ 21,200
EXPENDITURES	1,444,000	1,444,000	1,449,001	5,001
EXCESS OF REVENUES OVER EXPENDITURE	(430,000)	(430,000)	(413,801)	16,199
OTHER FINANCING SOURCES (USES):				
Transfers in	430,000	430,000	232,542	(197,458)
Total other financing sources (uses)	430,000	430,000	232,542	(197,458)
NET CHANGE IN FUND BALANCES	$ -	$ -	(181,259)	$ (181,259)
FUND BALANCES:				
Beginning			213,947	
Ending			$ 32,688	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE	$ 40,000	$ 40,000	$ 20,274	$ (19,726)
EXPENDITURES	40,000	40,000	27,342	(12,658)
NET CHANGE IN FUND BALANCES	$ -	$ -	(7,068)	$ (7,068)
FUND BALANCES:				
Beginning			59,228	
Ending			$ 52,160	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
MULTIPLE GRANT FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE	$ 789,111	$ 929,611	$ 464,554	$ (465,057)
EXPENDITURES	831,800	972,300	440,458	(531,842)
Excess revenues over expenditures	(42,689)	(42,689)	24,096	66,785
OTHER FINANCING SOURCES:				
Transfers in	42,689	42,689	684	(42,005)
Total other financing sources	42,689	42,689	684	(42,005)
NET CHANGE IN FUND BALANCES	$ -	$ -	24,780	$ 24,780
FUND BALANCES:				
Beginning			17,020	
Ending			$ 41,800	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
COURT SUPERVISION FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE	$ 2,500	$ 2,500	$ 1,883	$ (617)
EXPENDITURES	5,000	5,000	1,305	(3,695)
NET CHANGE IN FUND BALANCES	$ (2,500)	$ (2,500)	578	$ 3,078
FUND BALANCES:				
Beginning			22,784	
Ending			$ 23,362	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
CONNECTION FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE	$ 48,500	$ 48,500	$ 48,572	$ 72
EXPENDITURES	48,500	48,500	48,544	44
NET CHANGE IN FUND BALANCES	$ -	$ -	28	$ 28
FUND BALANCES:				
Beginning			17,946	
Ending			$ 17,974	

WALKER COUNTY, GEORGIA

BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUE	$ 417,175	$ 417,175	$ 652,983	$ 235,808
EXPENDITURES	710,650	710,650	839,842	129,192
Excess revenues over expenditures	(293,475)	(293,475)	(186,859)	106,616
OTHER FINANCING SOURCES:				
Transfers in	294,175	294,175	213,847	(80,328)
Total other financing sources	294,175	294,175	213,847	(80,328)
NET CHANGE IN FUND BALANCES	$ 700	$ 700	26,988	$ 26,288
FUND BALANCES:				
Beginning			4,510	
Ending			$ 31,498	

COMPLIANCE SECTION

WALKER COUNTY, GEORGIA

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

YEAR ENDED SEPTEMBER 30, 2018

Project	Original Estimated Cost	Prior Years	Expenditures Current Year	Total	Percentage of Completion	Cumulative Other Funding
Industrial Park	$ 6,600,000	$ 4,268,831	$ -	$ 4,268,831	65%	$ -
Road resurfacing and other capital roadwork improvements	9,100,000	5,443,773	-	5,443,773	60%	2,263,718
Equipment and vehicles for law enforcement	1,900,000	455,353	-	455,353	24%	-
Bridges and right of way acquisitions and maintenance	250,000	45,960	-	45,960	18%	-
Emergency services equipment including vehicles, fire hydrants and radio repeater for E-911	1,000,000	973,188	-	973,188	97%	-
Shooting range for Sheriff's office	30,000	-	-	-	0%	-
State patrol bar code readers and 10 assault rifles	30,000	30,000	-	30,000	100%	-
Industrial Park Development	1,300,000	9,101,025	-	9,101,025	100%	
Library-Lafayette project	300,000	507,173	-	507,173	100%	-
Library-Rossville project	600,000	-	-	-	0%	-
Multipurpose emergency facility-Mt. Pleasant community	400,000	-	-	-	0%	-
Multipurpose emergency facility-Hinkle community	250,000	1,094,897	-	1,094,897	100%	-
Emergency facility and community center-Cedar Grove	1,500,000	1,447,308	-	1,447,308	96%	-
Recreational facilities	1,000,000	617,584	-	617,584	62%	-
Water and Sewer improvements, including Armuchee	2,000,000	2,464,526	-	2,464,526	100%	-
Office equipment and furnishings	100,000	172,117	-	172,117	100%	-
Payments to Cities:						
Lafayette	2,904,660	1,238,410	451,857	1,690,267	58%	-
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%	-
	$32,960,000	$30,697,992	451,857	$31,149,849		$ 2,263,718

Reconciliation of SPLOST expenditures per financial statements to schedule of projects:	
SPLOST 2013 expenditures per financial statements	5,188,609
Less debt service:	
Principal	4,485,000
Interest and fiscal agent fees	251,752
SPLOST 2013 expenditures per schedule of projects	$ 451,857

WALKER COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice:			
Passed through State Criminal Justice Coordinating Council -			
Crime Victim Asssitance	16.575	C16-8-207	$ 159,534
Crime Victim Asssitance	16.575	C26-8-374	46,486
Total U.S. Department of Justice			206,020
U.S. Department of Transportation			
Passed through Georgia Department of Transportation -			
Formula Grants for Rural Areas	20.509	FTA FY18 5311	450,476
Formula Grants for Rural Areas	20.509	FTA FY19 5311	60,057
Total U.S. Department of Transportation			510,533
U.S. Department of Homeland Security			
Passed through Georgia Emergency Management Agency -			
Emergency Management Performance Grant	97.042	EMA-2017-EP-00001	11,223
Homeland Security Grant Program	97.067	EMW-2017-SS-00015-S01	45,049
Emergency Management Performance Grant	97.042	FEMA-4338-DR-GA	40,768
Total U.S. Department of Homeland Security			97,040
Total Federal Expenditures			$ 813,593

WALKER COUNTY, GEORGIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards include the federal and state grant activity of the Southeast Tennessee Human Resource Agency and are presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENTS

The County did not provide federal assistance to any subrecipients.

NOTE 3 – INDIRECT COST RATE

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

CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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

Commissioner
Walker County, Georgia
Lafayette, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2018, 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 May 15, 2019. Our report includes a reference to other auditors who audited the financial statements of the Walker County Health Department, as described in our report on Walker County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Walker County, Georgia's Response to Findings

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

Purpose of this Report

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

Chattanooga, Tennessee
May 15, 2019

CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Commissioner
Walker County, Georgia
Lafayette, Georgia

Report on Compliance for Each Major Federal Program

We have audited Walker County, Georgia's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2018. Walker County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Compliance for 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, 2018.

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, we considered Walker County, Georgia's internal control over compliance with the requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walker County, Georgia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Chattanooga, Tennessee
May 15, 2019

Henderson Hutcherson & McCullough, PLLC

WALKER COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS:

Opinion on Financial Statements:

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

None disclosed.

Material Noncompliance:

None disclosed.

Internal Control Deficiencies over Major Programs:

None disclosed.

Opinion on Compliance for Major Programs:

Unmodified opinion.

Findings Disclosed under the Uniform Guidance:

None disclosed.

Major Programs:	**CFDA #**
U.S. Department of Transportation	
Formula Grants for Rural Areas	20.509

Dollar Threshold Level between Type A and Type B Programs:

$750,000

Low-Risk Auditee under the Uniform Guidance:

No

WALKER COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2007-001

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

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

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

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

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

Planned Corrective Plan: See Management's response letter.

Finding 2015-004

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

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

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

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

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

Planned Corrective Plan: See Management's response letter.

(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2017-001

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

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

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

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

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

Planned Corrective Plan: See Management's response letter.

WALKER COUNTY, GEORGIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

SEPTEMBER 30, 2018

PRIOR FINANCIAL STATEMENT FINDINGS

Finding Control Number and Status –

07-1	The County has not fully implemented the corrective action plan. Journal entries were made during the audit process to adjust balance sheet accounts due to an extended annual financial closeout process.
15-4	The County has failed to implement the corrective action plan. The Clerk of Superior, State, and Juvenile Courts for Walker County are still unable to provide a reconciliation of cash balances to amounts held for others. These funds are being held by the respective Courts
17-1	Previously reported corrective action plan implemented. The finding is closed.
17-2	Previously reported corrective action plan implemented. The finding is closed.