

**Waycross-Ware County
Development Authority**

Financial Statements and Auditors' Report

For the Year Ended
December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Waycross-Ware County Development Authority
Waycross, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Waycross-Ware County Development Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on Capital Improvements and Leased Property

We were unable to verify the capital improvement amounts related to leased property included in governmental activities as December 31, 2019. In an effort to obtain details of capital land improvements recorded in the Statement of Net Position in the amount of \$1,438,222, the Waycross-Ware County Development Authority provided a list of capital improvements gathered from tax records. The list of capital improvements totaled an amount of approximately \$19,357,000, which includes multiple buildings. The improvements documented in the tax records are attached to leased properties. We were unable to substantiate ownership of the improvements

due to these various lease arrangements on the properties. The Authority is working to identify ownership of these properties. Since we were unable to verify ownership, we were unable to verify the land improvement amount of \$1,438,222, net of Accumulated Depreciation of \$1,438,222, included in capital assets net of related debt of the governmental activities of \$2,024,263 at December 31, 2019. We were unable to satisfy ourselves as to the reported amounts through other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on Capital Improvements and Leased Property" paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the Waycross-Ware County Development Authority, as of December 31, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Coastal CPAs, LLC

Coastal CPAs, LLC

St. Simons Island, Georgia

June 17, 2020

Waycross and Ware County Development Authority
Statement of Net Position
December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 124,857	\$ -	\$ 124,857
Receivable	-	-	-
Total current assets	<u>124,857</u>	<u>-</u>	<u>124,857</u>
Noncurrent assets:			
Capital assets:			
Land	1,447,637	-	1,447,637
Depreciable buildings, improvements vehicles, and equipment, net	434,119	-	434,119
Construction in progress	<u>144,012</u>	<u>-</u>	<u>144,012</u>
Total noncurrent assets	<u>2,025,768</u>	<u>-</u>	<u>2,025,768</u>
TOTAL ASSETS	<u>2,150,625</u>	<u>-</u>	<u>2,150,625</u>
LIABILITIES AND NET POSITION:			
LIABILITIES:			
Current liabilities:			
Payables and accruals	1,302	-	1,302
Current portion of note payable	<u>1,505</u>	<u>-</u>	<u>1,505</u>
Total current liabilities	<u>2,807</u>	<u>-</u>	<u>2,807</u>
Noncurrent liabilities:			
Note payable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,807</u>	<u>-</u>	<u>2,807</u>
NET POSITION			
Invested in capital assets, net of related debt	2,024,263	-	2,024,263
Unrestricted	<u>123,555</u>	<u>-</u>	<u>123,555</u>
TOTAL NET POSITION	<u>\$ 2,147,818</u>	<u>\$ -</u>	<u>\$ 2,147,818</u>

The accompanying notes are an integral part of this financial statement.

Waycross and Ware County Development Authority
Statement of Activities
December 31, 2019

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
EXPENDITURES/EXPENSES AND LOSSES			
Personnel	\$ 107,425	\$ -	\$ 107,425
General and administrative	122,056	-	122,056
Depreciation expense	17,515	-	17,515
Total expenditures/expenses and losses	<u>246,996</u>	<u>-</u>	<u>246,996</u>
PROGRAM REVENUES			
City appropriations	50,000	-	50,000
County appropriations	125,000	-	125,000
Special Purpose Local Option Sales Tax (SPLOST)	146,182	-	146,182
Interest income	607	-	607
Total program revenues	<u>321,789</u>	<u>-</u>	<u>321,789</u>
NET PROGRAM REVENUE (EXPENSE)	<u>74,793</u>	<u>-</u>	<u>74,793</u>
OTHER FINANCING SOURCES (USES)			
Collection of property taxes for GATX	98,172	-	98,172
Property taxes paid to County for GATX	(91,938)	-	(91,938)
Other income	68,645	-	68,645
Total other financing sources (uses)	<u>74,879</u>	<u>-</u>	<u>74,879</u>
Change in net position	<u>149,672</u>	<u>-</u>	<u>149,672</u>
Net position, beginning of year	1,998,146	-	1,998,146
Net position, end of year	<u>\$ 2,147,818</u>	<u>\$ -</u>	<u>\$ 2,147,818</u>

The accompanying notes are an integral part of this financial statement.

Waycross and Ware County Development Authority
Balance Sheet
December 31, 2019

	General	Total Governmental Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 124,857	\$ 124,857
 TOTAL ASSETS	 <u>124,857</u>	 <u>124,857</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Payable and accruals	2,807	2,807
 TOTAL LIABILITIES	 <u>2,807</u>	 <u>2,807</u>
 Fund balances:		
Unassigned	122,050	122,050
 TOTAL LIABILITIES AND FUND BALANCES	 <u>124,857</u>	 <u>124,857</u>
 Fund balance - governmental fund	122,050	122,050
 Capital assets not recorded in governmental fund	2,025,768	2,025,768
 Net position, end of year	 <u>\$ 2,147,818</u>	 <u>\$ 2,147,818</u>

The accompanying notes are an integral part of this financial statement.

Waycross and Ware County Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2019

	General	Total Governmental
REVENUES		
Intergovernmental:		
City appropriations	\$ 50,000	\$ 50,000
County appropriations	125,000	125,000
Special Purpose Local Option Sales Tax (SPLOST)	146,182	146,182
Interest income	607	607
	<u>321,789</u>	<u>321,789</u>
Total revenues		
EXPENDITURES		
Current		
Personnel	107,425	107,425
General and administrative	121,846	121,846
Debt service		
Principal	10,328	10,328
Interest	210	210
Capital outlays	132,035	132,035
	<u>371,844</u>	<u>371,844</u>
Total expenditures		
Revenues over (under) expenditures	<u>(50,055)</u>	<u>(50,055)</u>
OTHER FINANCING SOURCES (USES)		
Collection of property taxes for GATX	98,172	98,172
Property taxes paid to County for GATX	(91,938)	(91,938)
Other income	68,645	68,645
	<u>74,879</u>	<u>74,879</u>
Total other financing sources (uses)		
Change in fund balance	<u>24,824</u>	<u>24,824</u>
Fund balance, beginning of year	<u>97,226</u>	<u>97,226</u>
Fund balance, end of year	<u>\$ 122,050</u>	<u>\$ 122,050</u>

The accompanying notes are an integral part of this financial statement.

Waycross/Ware County Development Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
For the year ended December 31, 2019

	General Fund 2018
Net change in fund balance - governmental fund	\$ 24,824
Repayment of note principal is an expenditure in the governmental fund, but the repayment reduced long-term liabilities in the statement of net position.	10,328
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.	<u>114,520</u>
Change in net position of governmental activities	<u><u>\$ 149,672</u></u>

The accompanying notes are an integral part of this financial statement.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

The financial statements of the Waycross/Ware County Development Authority (the Authority) 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 financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

The reporting entity of Waycross/Ware County Development Authority consists of the primary authority governmental unit (which includes all of the funds, organizations, institutions, agencies, and offices that make up the legal entity, plus those funds which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); the organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separated organizations for which the elected officials of the primary government are financially accountable. Waycross/Ware County Development Authority is financially accountable if its Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, Waycross/Ware County Development Authority. The Authority may also be financially accountable for another organization if fiscally dependent on the Authority.

There are no component units to the Authority's operation.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued the Statement of Governmental Accounting Standards No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (no. 34). GASB No. 34 amended accounting principles generally accepted in the United States (USGAAP) by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For Waycross/Ware County Development Authority, GASB No. 34 implementation is first required for the calendar year ending December 31, 2003. The new reporting model significantly changed the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds and fiduciary-type component units. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A. above, and may be classified as either governmental or business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Waycross/Ware County Development Authority and for each of the Authority’s governmental activities. Direct expenses are those that are specifically associated with a particular function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: Governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Authority and it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent corresponding total for all funds of that category of type, and
2. Total assets, liabilities, revenues or expenditures/expense of the individual governmental or enterprise fund are at least 5 percent of corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operation.

There are no reportable funds as separate accounting entities for the Waycross/Ware County Development Authority. They are all funds from the same general sources used for the same general purpose.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Measurement focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both government and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental and similar fiduciary fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and similar trust funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund financial Statements:

All governmental funds and similar fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for Waycross/Ware County Development Authority, the length of that cycle is 45 days. There are no accrued revenues at December 31, 2019.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and savings accounts that are held in money market accounts. The money market amount routinely exceeds the Federal Depository Insurance Corporation limit, however, the Board believes that the credit risk related to these deposits is minimal.

There are no other short-term or long-term investments.

E. Capital Assets

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. The Authority's policy is to capitalize those assets with a useful life greater than one year, and an initial acquisition cost of \$1,000 or greater. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2003 were not required to be capitalized by the Authority.

Depreciation of all exhaustible capital assets is charged an allocation expense against operations in the government-wide financial statements.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

Accumulated depreciation is reported on the government-wide Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The range of estimated useful lives of capital assets by asset class is as follows:

Land and land rights	Not depreciated
Improvements other than buildings	10 – 25 years
Buildings	40 – 99 years
Machinery, furniture, and equipment	3 – 25 years
Infrastructure	25 – 50 years
Utility property and improvements	10 – 50 years

Governmental activities capital assets and related depreciation expenses are only reported in the Governmental Activities columns on the government-wide financial statements. Because their measurement focus is on “current financial resources,” capital assets and related depreciation expenses are not recorded in the governmental fund-type financial statements. Instead, in the governmental fund-type financial statements, capital asset acquisitions are reported as Capital Outlay expenditures.

F. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

H. Equity Classifications

Government-wide Statements: Equity is classified as net position and is displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements: Governmental fund equity is classified as fund balances and may distinguish between “Reserved” and “Unreserved” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (Except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

I. Application of Net Assets

It is Waycross/Ware County Development Authority’s policy to first use restricted net position, prior to the use of unrestricted net position, when expense is incurred for purposes for which both restricted and unrestricted net position are available.

Note 2: Related Organizations

The Waycross/Ware County Development Authority is a related organization of the City of Waycross and Ware County Governments.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

Note 3: Funding

The Waycross/Ware County Development Authority is economically dependent upon funding provided by the City of Waycross and Ware County Governments. Four members of the Authority are appointed by the Waycross City Commission and four members are appointed by the Board of Commissioners of Ware County.

Note 4: Legal Compliance – Budgets

A request for budget appropriations for the next fiscal year is prepared for the general fund operations and is submitted to the Board of Directors of the Waycross/Ware County Development Authority for approval.

Note 5: Designated Fund Equity

The following is a summary of the amounts within reserved equity which are intended to be used for specific purposes:

<u>Fund</u>	<u>Purpose</u>
Governmental Activities	Excess prior year appropriations from the Ware County and City of Waycross Governments is reserved for future Authority expenditures, if needed.

Note 6: Capital Assets

At December 31, 2019, governmental capital assets consisted of the following:

Category	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Deletions/ Transfer</u>	<u>Balance 12/31/19</u>
Land	\$ 1,447,637	\$ -	\$ -	\$ 1,447,637
Land Improvements	1,882,194	-	-	1,882,194
Furn., Fixt., & Equip.	72,896	4,226	-	77,122
Vehicles	25,855	-	-	25,855
Construction in Progress	16,202	127,809	-	144,011
	3,444,784	132,035	-	3,576,819
Less: Accumulated Depreciation	(1,533,536)	(17,515)	-	(1,551,051)
	<u>\$ 1,911,248</u>	<u>\$ 114,520</u>	<u>\$ -</u>	<u>\$ 2,025,768</u>

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

During 2019, the Authority incurred \$127,809 in land improvements for the Norton Property project and other special projects. These expenses were recorded as construction in progress. Special Purpose Local Option Sales Tax (SPLOST) funds were used to cover land improvements. Once these projects are complete, these improvements will be capitalized and depreciated over the useful life. For the year-ended December 31, 2019, the Authority recognized \$17,515 in depreciation expense.

Note 7: Note Payable

The Authority obtained a loan in the amount of \$25,855 for the purchase of a vehicle in 2017. The interest rate applied to the loan was 2.90% with a maturity date of February 25, 2020. The minimum note obligations are as follows:

For the fiscal year-end	
2020	\$ 1,505

Note 8: Leasehold Conduit Loans

The Authority has entered into various agreements with private industry to secure financing for their capital buildings, equipment and other leasehold improvements. These arrangements are done to provide favorable property tax incentives to new or expanding businesses. The authority is not considered to be liable for the outstanding balances of these loans as the property is considered the only collateral.

Note 9: Conduit Debt Obligations

In accordance with provisions of the Revenue Bond Laws of the State of Georgia, the Authority issued a number of Revenue Bonds in 2017 for the purpose of loaning the proceeds to a local business to finance the acquisition and/or construction of facilities and equipment.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2019

The bond issues are special obligations of the Authority and the Authority, as Issuer, has no obligation for the debt beyond the resources provided by the related loans. In addition, the bonds are not in any way an obligation of Ware County, Georgia, nor the State of Georgia. The aggregate amount of conduit debt obligations outstanding as of December 31, 2019 was approximately \$19,873,233.

Note 10: Subsequent Events

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 17, 2020, the date the financial statements were available to be issued.

**Waycross-Ware County
Development Authority**

**Communication of Audit Results
June 10, 2019**



BEN P. LEE, CPA, CFE, CFF, CGMA, CGFM, CGFO
JAMES F. BARGER, CPA, CGMA
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TRACY EVERLY

The Board of Directors
Waycross-Ware County Development Authority
Brunswick, Georgia

We are pleased to present the results of our audit for the year ended December 31, 2019 for the Waycross-Ware County Development Authority ("the Authority").

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgement, significant and relevant to your responsibilities in overseeing the financial reporting process.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Authority's accounting practices and policies, management's judgements and estimates, financial statement disclosures, and other required matters.

This communication is intended solely for the information and use of those charged with governance and, if appropriate, management of the Authority and is not intended and should not be used by anyone other than these specified parties.

We are pleased to be of service to the Waycross-Ware County Development Authority and look forward to meeting you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Coastal CPAs, LLC

St. Simons Island, Georgia
June 10, 2019

Discussion Outline

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Status of Our Audit

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Waycross-Ware County Development Authority for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you earlier and outlined below. Overall, our audit strategy is to focus on higher risk areas of material misstatement (whether due to error or fraud) and other areas of concern for management and those charged with governance. Our audit strategy included consideration of:
 - Prior year audit results along with interim results, including discussions with management and those charged with governance regarding the Authority's operations, business activities, and risks.
 - Inherent risk within the Authority (i.e., the susceptibility of the financial statements to material error or fraud) before recognizing the effectiveness of the control systems.
 - A continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the Authority.
 - Recent developments within the industry, regulatory environment, and general economic conditions.
 - Recently issued and effective accounting and financial reporting guidance.
 - The Authority's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions.
 - The control environment, risk management and monitoring processes, and the possibility that the control systems and procedures may fail to prevent or detect a material error or fraud. We placed reliance on internal controls, where applicable, in determining the degree of detailed substantive testing required.
 - Information about systems and the computer environment in which financial records and related systems operate.
 - Based upon our initial assessment, our audit entailed a combination of testing controls for reliance and substantive testing. The primary areas of focus in our overall audit strategy included the following:
 - Fraud Risk
 - Internal Control Over Financial Reporting
 - Revenue Recognition

Status of Our Audit

- We will issue a modified opinion on the financial statements and release our report on June 10, 2019.
- All records and information requested by Coastal CPAs LLC were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of the Authority's personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, AND ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the Authority's accounting practices, policies, and estimates:

The Authority's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with accounting principles generally accepted in the United States of America and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- There were no changes in significant accounting policies and practices during 2019.
- Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Authority's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are listed below:

Significant accounting estimates include:

Useful Lives of Property

Valuation of Investment Securities

- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2019.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

QUALITY OF THE AUTHORITY'S FINANCIAL REPORTING

We have summarized our assessment of the quality of the Authority's financial reporting as follows:

Qualitative aspects of significant accounting policies and practices – We have reviewed the Authority's significant accounting policies and take no exception to the quality or consistency in the application or clarity of the Authority's policies and practices.

Our conclusions regarding significant accounting estimates – We have reviewed management's conclusions related to each of the significant accounting estimates and find such to be reasonable.

New accounting pronouncements – There were no new accounting pronouncements that had a significant impact on the Authority.

Alternative accounting treatments – We have summarized as follows the areas or policies where alternative treatments were available to the Authority:

- Selection of depreciable lives and in-service dates of assets – other lives may be reasonable and appropriate.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Waycross-Ware County Development Authority as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Authority's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Deficiency in 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.

Significant Deficiency A deficiency, or 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.

Material Weakness A deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses. We consider the following deficiencies in the Authority's internal control to be significant deficiencies:

Deficiency – Segregation of Duties

Due to the size of the Waycross-Ware County Development Authority, there is not an adequate number of employees to provide for the proper segregation of duties. This condition represents a significant deficiency in the design or operation of the Authority's internal control structure and could possibly affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Authority's financial statements.

Recommendation

Although it is not financially feasible to eliminate this deficiency due to the Authority's limited resources, the Board of Directors and Executive Director should be conscious of this deficiency and consider all available compensating controls, such as outsourcing of certain accounting functions and continuous board oversight and awareness.

Deficiency – Assets of the Authority and Leased Property - Basis of Modified Opinion

We were not able to substantiate the ownership of the capital assets of the Authority, including values assigned to land and property improvements due to various lease engagements on the properties.

Recommendation

The client should evaluate County tax records for each parcel of land owned by the Authority in order to determine that the land value and improvements were properly recorded on the Authority's financial statements, as well as, evaluate ownership of current leases with tenants.

Deficiency – Anti-Fraud Program

The Authority does not have a written Anti-Fraud Program. The Association of Certified Fraud Examiners reports that fraud prevention requires a system of rules, which, in their aggregate, minimize the likelihood of fraud occurring while maximizing the possibility of detecting any fraudulent activity that may transpire. The potential of being caught most often persuades likely perpetrators not to commit the fraud. Because of this principle, the existence of a thorough control system is essential to fraud prevention. The absence of an Anti-Fraud Program increases the risk that a material misstatement in the financial statements could occur.

Recommendation

The Authority should develop a written Anti-Fraud Program which would include (a) a Fraud Policy; (b) a Code of Business Ethics and Conduct; (c) annual certification by employees of compliance with both the Fraud Policy and Code of Business Ethics and Conduct, including completion of a detailed compliance questionnaire and (d) a checklist for managing and assessing the level of risk inherent in the Authority's control environment. These programs and controls would involve (a) specific controls designed to mitigate specific risks of fraud – for example, controls to address specific assets susceptible to misappropriation, and (b) broader programs designed to prevent, deter, and detect fraud – for example, programs to promote a culture of honesty and ethical behavior. Although many organizations do not realize it, the current legal environment imposes a responsibility on organizations to identify misconduct and to deal with any known or suspected instances of misconduct. The organization can be held criminally responsible even if those in management had no knowledge of or participation in underlying criminal events. Management (which includes the elected governing body) is responsible for designing and implementing systems and procedures for the prevention and detection of fraud and, along with the governing body, for ensuring a culture and environment that promotes honesty and ethical behavior.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the Authority:

Significant changes to planned audit strategy or significant risks initially identified

There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.

Obtain information from those charged with governance relevant to the audit

There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Authority's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.

Nature and extent of specialized skills or knowledge needed related to significant risks

There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.

Consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Disagreements with management

For purposes of this communication, a disagreement with management is financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit.

Significant issues discussed with management in connection with appointment or retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Representations requested from management

We have requested certain representations from management that are included in the management representation letter dated June 10, 2019.

Restriction of use

This information is intended solely for the use of management, the Board of Directors, and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Independence Communication

Our engagement letter to you describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Authority with respect to independence as agreed to by the Authority. Please refer to that letter for further information.