

**Waycross-Ware County
Development Authority**

Financial Statements and Auditors' Report

For the Year Ended
December 31, 2018

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BEN P. LEE, CPA, CFE, CFF, CGMA, CGFM, CGFO
JAMES F. BARGER, CPA, CGMA
PAMELA A. MELTON, CPA, CGMA
JOSLYN SLOAN, CPA
TINA OWENS, CPA, CGMA

J. DENNIS SILVA, CPA, CGMA
DOUGLAS D. THORNTON, CPA
JAMIE B. CURTIS, CPA, CGMA
TRACY EVERLY

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, 2018, 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, 2018. 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 \$1,900,920 at December 31, 2018. 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, 2018, 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 10, 2019

Waycross and Ware County Development Authority
Statement of Net Position
December 31, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 110,310	\$ -	\$ 110,310
Receivable	-	-	-
Total current assets	<u>110,310</u>	<u>-</u>	<u>110,310</u>
Noncurrent assets:			
Capital assets:			
Land	1,447,637	-	1,447,637
Depreciable buildings, improvements vehicles, and equipment, net	447,409	-	447,409
Construction in progress	16,202	-	16,202
Total noncurrent assets	<u>1,911,248</u>	<u>-</u>	<u>1,911,248</u>
TOTAL ASSETS	<u>2,021,558</u>	<u>-</u>	<u>2,021,558</u>
LIABILITIES AND NET POSITION:			
LIABILITIES:			
Current liabilities:			
Payables and accruals	13,084	-	13,084
Current portion of note payable	8,832	-	8,832
Total current liabilities	<u>21,916</u>	<u>-</u>	<u>21,916</u>
Noncurrent liabilities:			
Note payable	1,496	-	1,496
TOTAL LIABILITIES	<u>23,412</u>	<u>-</u>	<u>23,412</u>
NET POSITION			
Invested in capital assets, net of related debt	1,900,920	-	1,900,920
Unrestricted	97,226	-	97,226
TOTAL NET POSITION	<u>\$ 1,998,146</u>	<u>\$ -</u>	<u>\$ 1,998,146</u>

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

Waycross and Ware County Development Authority
Statement of Activities
December 31, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
EXPENDITURES/EXPENSES AND LOSSES			
Personnel	\$ 123,072	\$ -	\$ 123,072
General and administrative	174,613	-	174,613
Depreciation expense	17,093	-	17,093
Total expenditures/expenses and losses	<u>314,778</u>	<u>-</u>	<u>314,778</u>
PROGRAM REVENUES			
City appropriations	52,250	-	52,250
County appropriations	127,250	-	127,250
Special Purpose Local Option Sales Tax (SPLOST)	385,429	-	385,429
Interest income	177	-	177
Total program revenues	<u>565,106</u>	<u>-</u>	<u>565,106</u>
NET PROGRAM REVENUE (EXPENSE)	<u>250,328</u>	<u>-</u>	<u>250,328</u>
OTHER FINANCING SOURCES (USES)			
Collection of property taxes for GATX	98,172	-	98,172
Property taxes paid to County for GATX	(91,937)	-	(91,937)
Other income	7,149	-	7,149
Total other financing sources (uses)	<u>13,384</u>	<u>-</u>	<u>13,384</u>
Change in net position	<u>263,712</u>	<u>-</u>	<u>263,712</u>
Net position, beginning of year	1,734,434	-	1,734,434
Net position, end of year	<u>\$ 1,998,146</u>	<u>\$ -</u>	<u>\$ 1,998,146</u>

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

Waycross and Ware County Development Authority
 Balance Sheet
 December 31, 2018

	General	Total Governmental Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 110,310	\$ 110,310
 TOTAL ASSETS	 110,310	 110,310
LIABILITIES AND FUND BALANCES		
Liabilities		
Payable and accruals	13,084	13,084
 TOTAL LIABILITIES	 13,084	 13,084
 Fund balances:		
Unassigned	97,226	97,226
 TOTAL LIABILITIES AND FUND BALANCES	 110,310	 110,310
 Fund balance - governmental fund	97,226	97,226
 Capital assets not recorded in governmental fund	1,900,920	1,900,920
 Net position, end of year	 \$ 1,998,146	 \$ 1,998,146

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, 2018

	General	Total Governmental
REVENUES		
Intergovernmental:		
City appropriations	\$ 52,250	\$ 52,250
County appropriations	127,250	127,250
Special Purpose Local Option Sales Tax (SPLOST)	385,429	385,429
Interest income	177	177
Total revenues	565,106	565,106
EXPENDITURES		
Current		
Personnel	123,072	123,072
General and administrative	173,922	173,922
Debt service		
Principal	8,546	8,546
Interest	691	691
Capital outlays	345,149	345,149
Total expenditures	651,380	651,380
Revenues over (under) expenditures	(86,274)	(86,274)
OTHER FINANCING SOURCES (USES)		
Collection of property taxes for GATX	98,172	98,172
Property taxes paid to County for GATX	(91,937)	(91,937)
Other income	7,149	7,149
Total other financing sources (uses)	13,384	13,384
Change in fund balance	(72,890)	(72,890)
Fund balance, beginning of year	170,116	170,116
Fund balance, end of year	\$ 97,226	\$ 97,226

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, 2018

	<u>General Fund</u> <u>2018</u>
Net change in fund balance - governmental fund	\$ (72,890)
Repayment of note principal is an expenditure in the governmental fund, but the repayment reduced long-term liabilities in the statement of net position.	8,546
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>328,056</u>
Change in net position of governmental activities	<u><u>\$ 263,712</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018.

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018, governmental capital assets consisted of the following:

Category	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions/ Transfer</u>	<u>Balance 12/31/18</u>
Land	\$ 1,118,690	\$ 328,947	\$ -	\$ 1,447,637
Land Improvements	1,882,194	-	-	1,882,194
Furn., Fixt., & Equip.	72,896	-	-	72,896
Vehicles	25,855	-	-	25,855
Construction in Progress	-	16,202	-	16,202
	<u>3,099,635</u>	<u>345,149</u>	<u>-</u>	<u>3,444,784</u>
Less: Accumulated Depreciation	<u>(1,516,443)</u>	<u>(17,093)</u>	<u>-</u>	<u>(1,533,536)</u>
	<u>\$ 1,583,192</u>	<u>\$ 328,056</u>	<u>\$ -</u>	<u>\$ 1,911,248</u>

Waycross/Ware County Development Authority
Waycross, Georgia
Notes to the Financial Statements
December 31, 2018

During 2018, the Authority purchased land in the amount of \$328,947 for development. As of December 31, 2018, \$16,202 in land improvements were made and recorded as construction in progress. Special Purpose Local Option Sales Tax (SPLOST) funds were used to cover land purchase and improvements. Once the project is complete, these improvements will be capitalized and depreciated over the useful life. For the year-ended December 31, 2018, the Authority recognized \$17,093 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:

<u>For the fiscal year-end</u>		
2019	\$	8,832
2020		<u>1,496</u>
	\$	<u>10,328</u>

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, 2018

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, 2018 was approximately \$15,471,115.

Note 10: Subsequent Events

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 10, 2019, the date the financial statements were available to be issued.