

CITY OF WAYCROSS, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

CITY OF WAYCROSS, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Commission
Waycross, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Waycross, Georgia** (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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 ("GAAP"); 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.

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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with GAAP.

Other Matters*Required Supplementary Information*

GAAP requires that the budgetary comparison for the General Fund (page 9), the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions – Retirement Plan (on pages 48 and 49) 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 ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis ("MD&A") that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedules of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated ("O.C.G.A.") §48-8-121, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements, the schedules of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedules of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards 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 June 8, 2020, on our consideration of the City'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 solely 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 the effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Savannah, Georgia
June 8, 2020

CITY OF WAYCROSS, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,921,226	\$ 1,051,818	\$ 12,973,044
Taxes receivable	258,794	-	258,794
Accounts receivable, net of allowances	245,031	1,226,949	1,471,980
Due from other governments	771,242	-	771,242
Internal balances	(1,668,961)	1,668,961	-
Inventories	61,210	49,302	110,512
Prepaid expenses	4,996	-	4,996
Capital assets:			
Nondepreciable	5,738,631	2,409,568	8,148,199
Depreciable, net	15,449,521	30,530,162	45,979,683
Total assets	32,781,690	36,936,760	69,718,450
DEFERRED OUTFLOWS OF RESOURCES			
Pension	1,418,610	-	1,418,610
Total deferred outflows or resources	1,418,610	-	1,418,610
LIABILITIES			
Accounts payable	1,519,215	526,933	2,046,148
Accrued liabilities	277,636	24,353	301,989
Customer deposits payable	-	261,377	261,377
Capital leases due within one year	103,199	42,511	145,710
Capital leases due in more than one year	240,830	29,412	270,242
Notes payable due within one year	30,000	-	30,000
Notes payable due in more than one year	492,500	-	492,500
Loans payable due within one year	-	907,898	907,898
Loans payable due in more than one year	-	3,903,719	3,903,719
Compensated absences due within one year	126,245	6,183	132,428
Compensated absences due in more than one year	294,572	14,426	308,998
Net pension liability due in more than one year	5,013,749	-	5,013,749
Total liabilities	8,097,946	5,716,812	13,814,758
DEFERRED INFLOWS OF RESOURCES			
Pension	1,277,685	-	1,277,685
Total deferred inflows of resources	1,277,685	-	1,277,685
NET POSITION			
Net investment in capital assets	20,321,623	1,278,751	21,600,374
Restricted for:			
Capital projects	9,529,959	-	9,529,959
Community development projects	350,605	-	350,605
Other projects	31,611	-	31,611
Unrestricted	(5,409,129)	29,941,197	24,532,068
Total net position	\$ 24,824,669	\$ 31,219,948	\$ 56,044,617

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

CITY OF WAYCROSS, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,833,820	\$ 1,177,186	\$ -	\$ -	\$ (1,656,634)	\$ -	\$ (1,656,634)
Public safety	6,598,013	24,509	-	-	(6,573,504)	-	(6,573,504)
Public works	3,661,639	16,424	-	6,360,530	2,715,315	-	2,715,315
Community development	930,982	-	18,956	-	(912,026)	-	(912,026)
Interest on long-term debt	10,080	-	-	-	(10,080)	-	(10,080)
Total governmental activities	<u>14,034,534</u>	<u>1,218,119</u>	<u>18,956</u>	<u>6,360,530</u>	<u>(6,436,929)</u>	<u>-</u>	<u>(6,436,929)</u>
Business-type activities:							
Public utilities	7,041,279	7,136,520	-	258,463	-	353,704	353,704
Waste management	2,493,197	2,351,851	-	-	-	(141,346)	(141,346)
City auditorium	172,688	41,640	-	-	-	(131,048)	(131,048)
Total business-type activities	<u>9,707,164</u>	<u>9,530,011</u>	<u>-</u>	<u>258,463</u>	<u>-</u>	<u>81,310</u>	<u>81,310</u>
Total primary government	<u>\$ 23,741,698</u>	<u>\$ 10,748,130</u>	<u>\$ 18,956</u>	<u>\$ 6,618,993</u>	<u>(6,436,929)</u>	<u>81,310</u>	<u>(6,355,619)</u>
General revenues							
Taxes:							
Property taxes					3,919,977	-	3,919,977
Sales taxes					3,151,158	-	3,151,158
Franchise taxes					1,147,749	-	1,147,749
Other taxes					1,996,089	-	1,996,089
Unrestricted investment earnings					38,490	40,692	79,182
Miscellaneous					1,125,284	-	1,125,284
Total general revenues and transfers					<u>11,378,747</u>	<u>40,692</u>	<u>11,419,439</u>
Change in net position					4,941,818	122,002	5,063,820
Net position, beginning of year, as restated					19,882,851	31,097,946	50,980,797
Net position, end of year					<u>\$ 24,824,669</u>	<u>\$ 31,219,948</u>	<u>\$ 56,044,617</u>

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

CITY OF WAYCROSS, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	SPLOST 2014 Fund	TSPLOST Fund	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 509,760	\$ 4,525,976	\$ 3,972,094	\$ 1,558,605	\$ 10,566,435
Taxes receivable, net	258,794	-	-	-	258,794
Accounts receivable, net	136,864	-	-	-	136,864
Due from other governments	261,764	210,166	299,312	-	771,242
Due from other funds	954,154	-	-	-	954,154
Inventories	32,171	-	-	-	32,171
Prepaid expenditures	-	-	-	4,996	4,996
Other receivables	-	-	-	99,030	99,030
Total assets	<u>\$ 2,153,507</u>	<u>\$ 4,736,142</u>	<u>\$ 4,271,406</u>	<u>\$ 1,662,631</u>	<u>\$ 12,823,686</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 166,415	\$ 206,251	\$ 595	\$ 98,381	\$ 471,642
Accrued liabilities	256,724	-	-	-	256,724
Total liabilities	<u>423,139</u>	<u>206,251</u>	<u>595</u>	<u>98,381</u>	<u>728,366</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	274,568	-	-	-	274,568
Total deferred inflows of resources	<u>274,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,568</u>
FUND BALANCES					
Nonspendable	32,171	-	-	4,996	37,167
Restricted	-	4,529,891	4,270,811	1,416,863	10,217,565
Committed	-	-	-	56,758	56,758
Assigned	-	-	-	89,064	89,064
Unassigned	1,423,629	-	-	(3,431)	1,420,198
Total fund balances	<u>1,455,800</u>	<u>4,529,891</u>	<u>4,270,811</u>	<u>1,564,250</u>	<u>11,820,752</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,153,507</u>	<u>\$ 4,736,142</u>	<u>\$ 4,271,406</u>	<u>\$ 1,662,631</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,188,152
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	274,568
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
These deferred outflows of resources consist of pension and other post-employment benefits related experience differences, assumption changes and contributions.	1,418,610
Internal service funds are used by management to charge the costs of certain functions to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	(2,298,582)
Deferred inflows of resources are not available to pay for current expenditures and, therefore, are not reported in the funds.	
These deferred inflows of resources consist of pension and other post-employment benefits related differences between projected and actual earnings on plan investments.	(1,277,685)
Certain liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	

Net pension liability	\$ (5,013,749)	
Capital leases payable	(344,029)	
Notes payable	(522,500)	
Compensated absences	(420,817)	
Accrued interest	(51)	
	<u>(6,301,146)</u>	

Net position of governmental activities	<u>\$ 24,824,669</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WAYCROSS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	SPLOST 2014 Fund	TSPLOST Fund	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES					
Taxes	\$ 9,725,016	\$ -	-	\$ 479,630	\$ 10,204,646
Fines and forfeitures	229,065	-	-	-	229,065
Licenses and permits	924,058	-	-	-	924,058
Intergovernmental	-	2,529,271	3,513,617	256,067	6,298,955
Charges for services	29,845	-	-	35,151	64,996
Interest revenue	16,501	75,615	4,916	21,989	119,021
Other revenues	655,003	-	-	470,281	1,125,284
Total revenues	<u>11,579,488</u>	<u>2,604,886</u>	<u>3,518,533</u>	<u>1,263,118</u>	<u>18,966,025</u>
EXPENDITURES					
Current:					
General government	2,039,794	-	-	8,207	2,048,001
Public safety	5,865,367	-	-	21,481	5,886,848
Public works	2,647,202	-	-	236,229	2,883,431
Community development	804,722	-	-	98,857	903,579
Debt service:					
Principal	137,333	-	-	-	137,333
Interest	10,029	-	-	-	10,029
Capital outlay	-	1,756,301	27,094	818,533	2,601,928
Total expenditures	<u>11,504,447</u>	<u>1,756,301</u>	<u>27,094</u>	<u>1,183,307</u>	<u>14,471,149</u>
Excess of revenues over expenditures	<u>75,041</u>	<u>848,585</u>	<u>3,491,439</u>	<u>79,811</u>	<u>4,494,876</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	291,283	-	-	151,375	442,658
Transfers out	(112,068)	-	-	(330,590)	(442,658)
Capital leases	262,014	-	-	-	262,014
Total other financing sources (uses)	<u>441,229</u>	<u>-</u>	<u>-</u>	<u>(179,215)</u>	<u>262,014</u>
Net change in fund balances	516,270	848,585	3,491,439	(99,404)	4,756,890
Fund balances, beginning of year	<u>939,530</u>	<u>3,681,306</u>	<u>779,372</u>	<u>1,663,654</u>	<u>7,063,862</u>
Fund balances, end of year	<u>\$ 1,455,800</u>	<u>\$ 4,529,891</u>	<u>4,270,811</u>	<u>\$ 1,564,250</u>	<u>\$ 11,820,752</u>

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

CITY OF WAYCROSS, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds. \$ 4,756,890

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

Capital outlay	\$ 2,377,079	
Depreciation expense	<u>(1,320,285)</u>	1,056,794

The net effect of various miscellaneous transactions (i.e., sales and donations) is to decrease net position. (24,234)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 10,327

Internal service funds are used by management to charge the costs of certain functions to individual funds. The net revenue of certain activities in the internal service funds is reported with governmental activities. (872,420)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Capital lease proceeds	\$ (262,014)	
Principal payments of long-term debt	<u>137,333</u>	(124,681)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	\$ 257,765	
Accrued interest	(51)	
Compensated absences	<u>(118,572)</u>	<u>139,142</u>

\$ 4,941,818

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

CITY OF WAYCROSS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,183,000	\$ 10,183,000	\$ 9,725,016	\$ (457,984)
Fees and fines	301,000	301,000	229,065	(71,935)
Licenses and permits	873,600	873,600	924,058	50,458
Charges for services	30,000	30,000	29,845	(155)
Investment earnings	4,500	4,500	16,501	12,001
Other revenues	793,135	793,135	655,003	(138,132)
Total revenues	<u>12,185,235</u>	<u>12,185,235</u>	<u>11,579,488</u>	<u>(605,747)</u>
EXPENDITURES				
Current:				
General government	2,332,855	2,323,188	2,039,794	283,394
Public safety	6,428,113	6,427,413	5,865,367	562,046
Public works	2,724,819	2,734,486	2,647,202	87,284
Community development	820,692	821,392	804,722	16,670
Debt service:				
Principal	30,000	30,000	137,333	(107,333)
Interest and other charges	-	-	10,029	(10,029)
Total expenditures	<u>12,336,479</u>	<u>12,336,479</u>	<u>11,504,447</u>	<u>832,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(151,244)</u>	<u>(151,244)</u>	<u>75,041</u>	<u>226,285</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	217,200	217,200	291,283	74,083
Transfers out	-	-	(112,068)	(112,068)
Capital leases	-	-	262,014	262,014
Total other financing sources, net	<u>217,200</u>	<u>217,200</u>	<u>441,229</u>	<u>224,029</u>
Net change in fund balances	65,956	65,956	516,270	450,314
Fund balances, beginning of year	<u>939,530</u>	<u>939,530</u>	<u>939,530</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,005,486</u>	<u>\$ 1,005,486</u>	<u>\$ 1,455,800</u>	<u>\$ 450,314</u>

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

CITY OF WAYCROSS, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2019

	Public Utilities Fund	Waste Management Fund	Nonmajor City Auditorium Fund
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 891,646	\$ 133,059	\$ 26,944
Accounts receivable, net of allowances	955,630	271,319	-
Due from other funds	1,668,961	-	-
Inventories	49,302	-	-
Total current assets	3,565,539	404,378	26,944
NON-CURRENT ASSETS			
Restricted assets, cash	169	-	-
Capital assets:			
Nondepreciable	2,399,216	10,352	-
Depreciable, net of accumulated depreciation	29,090,812	160,599	1,278,751
Total non-current assets	31,490,197	170,951	1,278,751
Total assets	35,055,736	575,329	1,305,695
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	289,134	235,230	2,569
Accrued liabilities	18,247	5,830	276
Due to other funds	-	-	-
Compensated absences	-	6,183	-
Customer deposits payable	228,674	13,277	19,426
Current portion - capital leases	17,158	25,353	-
Current portion - loans payable	907,898	-	-
Total current liabilities	1,461,111	285,873	22,271
NON-CURRENT LIABILITIES			
Compensated absences	-	14,426	-
Capital leases payable, net of current portion	9,899	19,513	-
Loans payable, net of current portion	3,903,719	-	-
Total non-current liabilities	3,913,618	33,939	-
Total liabilities	5,374,729	319,812	22,271
NET POSITION			
Net investment in capital assets	26,651,354	126,085	1,278,751
Unrestricted	3,029,653	129,432	4,673
Total net position	\$ 29,681,007	\$ 255,517	\$ 1,283,424

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

<u>Totals</u>	<u>Internal Service Funds</u>
\$ 1,051,649	\$ 1,354,791
1,226,949	9,137
1,668,961	-
49,302	29,039
<u>3,996,861</u>	<u>1,392,967</u>
169	-
2,409,568	-
30,530,162	-
<u>32,939,899</u>	<u>-</u>
<u>36,936,760</u>	<u>1,392,967</u>
526,933	1,047,573
24,353	20,861
-	2,623,115
6,183	-
261,377	-
42,511	-
907,898	-
<u>1,769,255</u>	<u>3,691,549</u>
14,426	-
29,412	-
3,903,719	-
<u>3,947,557</u>	<u>-</u>
<u>5,716,812</u>	<u>3,691,549</u>
28,056,190	-
3,163,758	(2,298,582)
<u>31,219,948</u>	<u>\$ (2,298,582)</u>

CITY OF WAYCROSS, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Public Utilities Fund	Waste Management Fund	Nonmajor City Auditorium Fund
OPERATING REVENUES			
Charges for services	\$ 7,136,520	\$ 2,351,851	\$ 41,640
Other services	-	-	-
Total operating revenues	<u>7,136,520</u>	<u>2,351,851</u>	<u>41,640</u>
OPERATING EXPENSES			
Personal services	2,181,194	783,131	7,199
Contractual services	2,647,862	1,357,240	2,908
Utilities	-	-	17,933
Repairs and maintenance	220,222	302,266	3,245
Other supplies and expenses	640,992	1,057	3,525
Insurance claims and expenses	-	11,382	795
Retirement payments	-	-	-
Depreciation	1,211,354	36,396	137,083
Total operating expenses	<u>6,901,624</u>	<u>2,491,472</u>	<u>172,688</u>
Operating income (loss)	<u>234,896</u>	<u>(139,621)</u>	<u>(131,048)</u>
NON-OPERATING INCOME (EXPENSES)			
Miscellaneous revenue	-	-	-
Interest income	40,692	-	-
Interest expense	(139,655)	(1,725)	-
Total non-operating income (expenses)	<u>(98,963)</u>	<u>(1,725)</u>	<u>-</u>
Income (loss) before capital contributions	<u>135,933</u>	<u>(141,346)</u>	<u>(131,048)</u>
CAPITAL CONTRIBUTIONS	<u>258,463</u>	<u>-</u>	<u>-</u>
Change in net position	394,396	(141,346)	(131,048)
Net position, beginning of year, as restated	<u>29,286,611</u>	<u>396,863</u>	<u>1,414,472</u>
Net position, end of year	<u>\$ 29,681,007</u>	<u>\$ 255,517</u>	<u>\$ 1,283,424</u>

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

<u>Totals</u>	<u>Internal Service Funds</u>
\$ 9,530,011	\$ 449,014
-	4,264,397
<u>9,530,011</u>	<u>4,713,411</u>
2,971,524	337,065
4,008,010	22,465
17,933	-
525,733	28,160
645,574	-
12,177	3,986,391
-	1,262,900
1,384,833	-
<u>9,565,784</u>	<u>5,636,981</u>
<u>(35,773)</u>	<u>(923,570)</u>
-	51,112
40,692	38
(141,380)	-
<u>(100,688)</u>	<u>51,150</u>
<u>(136,461)</u>	<u>(872,420)</u>
<u>258,463</u>	<u>-</u>
122,002	(872,420)
<u>31,097,946</u>	<u>(1,426,162)</u>
<u>\$ 31,219,948</u>	<u>\$ (2,298,582)</u>

CITY OF WAYCROSS, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Public Utilities Fund	Waste Management Fund	Nonmajor City Auditorium Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 5,058,695	\$ 2,336,711	\$ 41,640
Receipts from other funds for services	-	-	-
Payments to suppliers	(4,170,050)	(1,394,181)	(19,845)
Payments to employees	(2,181,194)	(783,131)	(6,923)
Net cash provided by (used in) operating activities	<u>(1,292,549)</u>	<u>159,399</u>	<u>14,872</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Miscellaneous non-operating revenue	-	-	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the issuance of loans	1,929,239	-	-
Acquisition and construction of capital assets	(1,071,763)	-	-
Principal paid on capital leases payable	(16,527)	(24,615)	-
Principal paid on loans payable	(885,286)	-	-
Interest paid	(121,408)	(1,725)	-
Net cash used in capital and related financing activities	<u>(165,745)</u>	<u>(26,340)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	40,692	-	-
Net cash provided by investing activities	<u>40,692</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	<u>(1,417,602)</u>	<u>133,059</u>	<u>14,872</u>
Cash and cash equivalents:			
Beginning of year	<u>2,309,417</u>	<u>-</u>	<u>12,072</u>
End of year	<u>\$ 891,815</u>	<u>\$ 133,059</u>	<u>\$ 26,944</u>
Classified as:			
Cash and cash equivalents	\$ 891,646	\$ 133,059	\$ 26,944
Restricted assets, cash	169	-	-
	<u>\$ 891,815</u>	<u>\$ 133,059</u>	<u>\$ 26,944</u>

(Continued)

<u>Totals</u>	<u>Internal Service Funds</u>
\$ 7,437,046	\$ 3,863,048
-	3,355,720
(5,584,076)	(6,470,159)
<u>(2,971,248)</u>	<u>(337,662)</u>
<u>(1,118,278)</u>	<u>410,947</u>
-	51,112
-	51,112
1,929,239	-
(1,071,763)	-
(41,142)	-
(885,286)	-
<u>(123,133)</u>	<u>-</u>
<u>(192,085)</u>	<u>-</u>
40,692	38
<u>40,692</u>	<u>38</u>
(1,269,671)	462,097
2,321,489	892,694
<u>\$ 1,051,818</u>	<u>\$ 1,354,791</u>
\$ 1,051,649	\$ 1,354,791
169	-
<u>\$ 1,051,818</u>	<u>\$ 1,354,791</u>

CITY OF WAYCROSS, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Public Utilities Fund	Waste Management Fund	Nonmajor City Auditorium Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 234,896	\$ (139,621)	\$ (131,048)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,211,354	36,396	137,083
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(383,984)	(20,542)	-
(Increase) decrease in due from other funds	(940,961)	-	-
Decrease in prepaids	-	69,981	-
Increase (decrease) in accounts payable	(643,831)	205,338	2,528
Increase (decrease) in accrued liabilities	-	245	276
Increase in compensated absences	-	5,402	-
Increase (decrease) in customer deposits	(2,880)	2,200	6,033
Decrease in line of credit	(17,143)	-	-
Increase (decrease) in due to other funds	(750,000)	-	-
Net cash provided by (used in) operating activities	<u>\$ (1,292,549)</u>	<u>\$ 159,399</u>	<u>\$ 14,872</u>

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

<u>Totals</u>	<u>Internal Service Funds</u>
\$ (35,773)	\$ (923,570)
1,384,833	-
(404,526)	119
(940,961)	723,207
69,981	31,758
(435,965)	(1,170,243)
521	(597)
5,402	-
5,353	-
(17,143)	-
(750,000)	1,750,273
<u>\$ (1,118,278)</u>	<u>\$ 410,947</u>

CITY OF WAYCROSS, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019**

	Total Agency Funds
ASSETS	
Cash and cash equivalents	\$ 188,902
Total assets	<u>188,902</u>
LIABILITIES	
Refundable court bonds	140,016
Seized funds held	48,886
Total liabilities	<u>\$ 188,902</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF WAYCROSS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waycross, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("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 more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City of Waycross, Georgia was incorporated in 1874 and operates under the leadership of the Mayor, City Manager and City Commission consisting of four members and provides or assists in providing the following services: public safety (police department), highways and streets, public improvements, recreation, and general administrative and other services. In addition, the City operates enterprise funds (water and sewer, waste management, and City Auditorium) for incorporated and immediate surrounding areas.

Standards published by the GASB define the financial reporting entity as: a) the primary government, b) organizations for which the primary government is financially responsible, and c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and: 1) it is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose its will on that organization, or 3) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The financial statements of the City do not include any component units.

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, internal service funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund, internal service fund, and the fiduciary fund financial statements, although the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The **2014 SPLOST Fund** accounts for capital projects of the City from resources provided by the 2014 special Ware County 1% sales and use tax.

The **TSPLOST Fund** accounts for the collection of the transportation special purpose local option sales tax funds collected by Ware County and disbursed to the City. These funds are used for transportation projects as approved by voter referendum.

The City reports the following major proprietary funds:

The **Public Utilities Fund** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Waste Management Fund** accounts for the operations of solid waste collection and disposal services. All costs are financed through charges to sanitation customers.

Additionally, the City reports the following fund types:

The **Special Revenue Funds** account for revenue sources that are legally restricted to expenditure for specific purposes.

Capital Projects Funds are used to account for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

Internal Service Funds are used to account for the fleet management services, payroll services, retirement, self-funded property and casualty insurance, self-funded workers compensation insurance, and self-funded health insurance provided to departments of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Agency Funds are used to account for the collection and disbursement of monies by the City's Municipal Court and Police Condemnation fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's internal service functions and the other City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

An annual budget is adopted (as required by law) by the City for the general and special revenue funds. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. The City Commission approves, by ordinance, total budget appropriation and departmental budgets. The City Manager is authorized to transfer budget amounts between line items within any department in conjunction with the department head; however, any revisions that alter the total appropriations of any department or fund must be approved by the City Commission. Therefore, the level of budgetary responsibility is by department-level appropriations; however, for reporting purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
4. Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.
5. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
6. Formal budgetary integration is employed as management control device during the year for the General Fund. The budget for the General Fund is prepared on the cash and expenses/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that applicable purchase orders are expected to be issued. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except for that depreciation, certain capital expenses, and certain non-operating income and expense items are not considered. Annual appropriated budgets are adopted for the special revenue funds. Annual appropriated budgets are also adopted for the following internal service funds; Health Insurance, Liability Insurance, Workers Compensation Insurance, Retirement Fund, and City Garage Fund.

Budgeted amounts are as originally adopted or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations, which were adopted.

The Official Code of Georgia Annotated ("O.C.G.A.") § 36-81-3(b) requires an annual balanced budget for the general fund, each special revenue fund and requires a project-length balanced budget for each capital project fund. For the year ended June 30, 2019, the City did not adopt annual budgets for the Forfeited Property Fund, Jail Fund, Community Development Fund, EIP Revolving Loan Fund, Fire Department Fund, Okefenokee Classic, Miscellaneous Grants, Miscellaneous Fund, Cemetery Trust, Fallen Firefighter Scholarship Fund, ATM Machine Fund, and LMIG Fund.

The legal level of budgetary control for the City is at the department level.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loans which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund 1 was created under O.C.G.A. §36-83-8 and is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The Georgia Fund 1 is not registered with the SEC as an investment company. The Georgia Fund 1's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The Georgia Fund 1 distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The Georgia Fund 1 also adjusts the value of its investments to fair market value as of year-end and the City's investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as investments for financial statement presentation.

G. Inventory and Prepaid Items

Inventory is valued at the lower of cost or market using the weighted average method. The City accounts for inventory on the purchase basis. Prepaid expenses are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure is made for goods or services that were purchased for consumption, but not consumed as of June 30.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the fund financial statements. Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as "advances". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. 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 City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Depreciation is provided on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 – 50
Machinery and equipment	5 – 10
Vehicles	5 – 10
Infrastructure	20 – 35

J. Long-Term Liabilities

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, as well as deferred charges, are deferred and amortized over the life of the bonds using the straight line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to service already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City 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 City 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 imposed by formal action of the City Commission through the adoption of a resolution. Only the City Commission may modify or rescind the commitment.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Commission has authorized the City Manager of City Finance Director to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City 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 for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

M. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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/expenditure) until then. The City has three items that qualify for reporting in this category. All of these items relate to the City's Retirement Plan and are reported in the government-wide Statement of Net Position. Experience differences result from periodic studies by the City'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 differences are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the 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. Additionally, any contributions made by the City to the pension plan, before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, one of which arises only under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The other item relates to the City's Retirement Plan and is reported in the government-wide Statement of Net Position. The net difference between projected and actual earnings on pension plan investments is deferred and amortized against pension expense over a five year period, resulting in recognition as deferred inflows of resources.

O. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Waycross Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEFICIT FUND BALANCE AND NET POSITION

The following funds had deficit fund balance/net positions at June 30, 2019:

	Fund Deficit
Special Revenue Funds:	
FEMA Grants Fund	\$ 3,431
Internal Service Funds:	
Health Insurance Fund	\$ 2,799,664
Workers Compensation Fund	687,590
Warehouse Fund	10,686

The fund balance and net position deficits will be reduced through General Fund transfers and Public Utility transfers.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2019, the carrying amount of the City's bank deposits was \$13,161,945 and the respective bank balances totaled \$12,860,797. Of the total bank balance, \$8,890,875 was collateralized with pooled securities held by the pledging financial institutions trust department or agent on the government's name. The remaining bank balance was not collateralized.

As of June 30, 2019, the City's carrying amount of deposits, related bank balances, and other cash were as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 12,973,044
Amounts as presented on the fiduciary statement of net position:	
Cash and cash equivalents - Agency Fund	188,902
Total	\$ 13,161,946
Cash deposited with financial institutions	\$ 13,161,946

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City has a policy to reduce its exposure to this risk by requiring deposits to be collateralized in accordance with State law. As of June 30, 2019, the City's bank balance was not exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Accounts Receivable

Receivables as of June 30, 2019, including the applicable allowances for uncollectible accounts for governmental funds, are as follows:

	<u>General</u>	<u>2014 SPLOST</u>	<u>TSPLOST</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:					
Taxes	\$ 328,257	\$ -	-	\$ -	\$ 328,257
Accounts	136,864	-	-	-	136,864
Intergovernmental	261,764	210,166	299,312	-	771,242
Other	-	-	-	99,030	99,030
Gross receivables	<u>726,885</u>	<u>210,166</u>	<u>299,312</u>	<u>99,030</u>	<u>1,335,393</u>
Less: allowance for uncollectibles	(69,463)	-	-	-	(69,463)
Net total receivables	<u>\$ 657,422</u>	<u>\$ 210,166</u>	<u>299,312</u>	<u>\$ 99,030</u>	<u>\$ 1,265,930</u>

Receivables as of June 30, 2019, including the applicable allowances for uncollectible accounts for business type funds, are as follows:

	<u>Public Utilities</u>	<u>Waste Management</u>	<u>Internal Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 1,168,692	\$ 317,892	\$ 9,137	\$ 1,495,721
Gross receivables	1,168,692	317,892	9,137	1,495,721
Less: allowance for uncollectibles	(213,062)	(46,573)	-	(259,635)
Net total receivables	<u>\$ 955,630</u>	<u>\$ 271,319</u>	<u>\$ 9,137</u>	<u>\$ 1,236,086</u>

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before December 1. The City's taxes are billed and collected by the Ware County Tax Commissioner. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that the taxes are not collectible.

Hotel/Motel Lodging Taxes

The City is required to disburse funds received from the collection of hotel/motel taxes pursuant to O.C.G.A. §48-13- 51(a)(3.7). The tax rate is 5% and is levied on a monthly basis. The City received \$479,630 from the collection of the hotel/motel tax during the fiscal year ended June 30, 2019. The City disbursed \$88,760 for the promotion of tourism. The remaining balance of lodging tax funds were transferred to the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 5,099,609	\$ -	\$ -	\$ -	\$ 5,099,609
Construction in progress	348,928	1,788,363	(23,734)	(1,474,535)	639,022
Total capital assets, not being depreciated	<u>5,448,537</u>	<u>1,788,363</u>	<u>(23,734)</u>	<u>(1,474,535)</u>	<u>5,738,631</u>
Capital assets, being depreciated:					
Buildings	9,195,933	-	-	1,474,535	10,670,468
Machinery and equipment	3,779,393	370,111	(500)	-	4,149,004
Vehicles	5,736,362	218,605	-	-	5,954,967
Infrastructure	38,039,013	-	-	-	38,039,013
Total capital assets, being depreciated	<u>56,750,701</u>	<u>588,716</u>	<u>(500)</u>	<u>1,474,535</u>	<u>58,813,452</u>
Less accumulated depreciation for:					
Buildings	(4,717,341)	(205,036)	-	-	(4,922,377)
Machinery and equipment	(3,077,295)	(203,828)	-	-	(3,281,123)
Vehicles	(4,769,670)	(362,797)	-	-	(5,132,467)
Infrastructure	(29,479,340)	(548,624)	-	-	(30,027,964)
Total accumulated depreciation	<u>(42,043,646)</u>	<u>(1,320,285)</u>	<u>-</u>	<u>-</u>	<u>(43,363,931)</u>
Total capital assets, being depreciated, net	<u>14,707,055</u>	<u>(731,569)</u>	<u>(500)</u>	<u>1,474,535</u>	<u>15,449,521</u>
Governmental activities capital assets, net	<u>\$ 20,155,592</u>	<u>\$ 1,056,794</u>	<u>\$ (24,234)</u>	<u>\$ -</u>	<u>\$ 21,188,152</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service funds capital assets are included as part of the above totals for governmental activities. At year-end, all capital assets in the internal service funds were fully depreciated and included in the above amounts.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land and improvements	\$ 235,859	\$ -	\$ -	\$ -	\$ 235,859
Construction in progress	1,101,947	1,071,762	-	-	2,173,709
Total capital assets, not being depreciated	<u>1,337,806</u>	<u>1,071,762</u>	<u>-</u>	<u>-</u>	<u>2,409,568</u>
Capital assets, being depreciated:					
Buildings	12,194,322	1	-	-	12,194,323
Machinery and equipment	4,880,382	-	-	-	4,880,382
Vehicles	863,874	-	-	-	863,874
Infrastructure	53,802,450	-	-	-	53,802,450
Total capital assets, being depreciated	<u>71,741,028</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>71,741,029</u>
Less accumulated depreciation for:					
Buildings	(7,821,694)	(283,364)	-	-	(8,105,058)
Machinery and equipment	(4,409,768)	(75,245)	-	-	(4,485,013)
Vehicles	(788,760)	(20,486)	-	-	(809,246)
Infrastructure	(26,805,812)	(1,005,738)	-	-	(27,811,550)
Total accumulated depreciation	<u>(39,826,034)</u>	<u>(1,384,833)</u>	<u>-</u>	<u>-</u>	<u>(41,210,867)</u>
Total capital assets, being depreciated, net	<u>31,914,994</u>	<u>(1,384,832)</u>	<u>-</u>	<u>-</u>	<u>30,530,162</u>
Business-type activities capital assets, net	<u>\$ 33,252,800</u>	<u>\$ (313,070)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,939,730</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 108,955
Public safety	479,596
Public works	711,683
Community development	20,051
Total depreciation expense - governmental activities	<u>\$ 1,320,285</u>
Business-type activities:	
Public utilities	\$ 1,211,354
Waste management	36,396
City auditorium	137,083
Total depreciation expense - business-type activities	<u>\$ 1,384,833</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Capital leases	\$ 189,348	\$ 262,014	\$ (107,333)	\$ 344,029	\$ 103,199
Notes payable	552,500	-	(30,000)	522,500	30,000
Net pension liability	5,965,722	2,353,834	(3,305,807)	5,013,749	-
Compensated absences	317,061	340,174	(236,418)	420,817	126,245
Governmental activity Long-term liabilities	<u>\$ 7,024,631</u>	<u>\$ 2,956,022</u>	<u>\$ (3,679,558)</u>	<u>\$ 6,301,095</u>	<u>\$ 259,444</u>
<u>Business-type activities:</u>					
Line of credit	\$ 17,143	\$ -	\$ (17,143)	\$ -	\$ -
Capital leases	113,064	-	(41,141)	71,923	42,511
Loans payable	4,026,128	1,670,776	(885,287)	4,811,617	907,898
Compensated absences	15,153	24,905	(19,449)	20,609	6,183
Business-type activity Long-term liabilities	<u>\$ 4,171,488</u>	<u>\$ 1,695,681</u>	<u>\$ (963,020)</u>	<u>\$ 4,904,149</u>	<u>\$ 956,592</u>

Liabilities for compensated absences are liquidated using resources from the fund in which the employee terminating service previously charged their salary and benefits to, which is the General Fund, Cemetery Fund, and Waste Management Fund. The net pension liability is liquidated by the General Fund.

Notes and Loans Payable

Business-Type Activities Loans:

In October 1998, the City entered into a loan agreement (98-L68WJ) with the Georgia Environmental Facilities Authority for certain water and sewer projects for a total amount of \$2,000,000. Repayment is over 80 quarterly payments beginning September 1, 2001 at 4.1%. At June 30, 2019, the outstanding balance on this loan was \$224,333 and quarterly payments are \$38,616.

In August 2000, the City entered into a loan program (CWSRF 00-001) with the Georgia Department of Natural Resources and the Georgia Environmental Facilities Authority for certain sewer improvements for a total amount of \$935,467. Repayment is over 78 quarterly payments at 3% beginning September 1, 2002. At June 30, 2019, the outstanding balance of this loan was \$154,785 and quarterly payments are \$16,124. This loan is to be repaid from revenues of the Water and Sewer System; however, the obligation to repay this loan is a general obligation of the City to which it has dedicated its general power of taxation.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Notes and Loans Payable (Continued)

Business-Type Activities Loans (Continued):

In September 2000, the City entered into a loan agreement (2000-L36WJ) with the Georgia Environmental Facilities Authority for sewer improvements for a total amount of \$9,815,000. Repayment is over 80 quarterly payments beginning October 1, 2002 at 2%. At June 30, 2019, the outstanding balance was \$1,806,092 and quarterly payments of \$154,018. This loan is to be repaid from revenues of the Water and Sewer System; however, the obligation to repay this loan is a general obligation of the City.

In June 2003, the City entered into a loan agreement (CWSRF-00-020) with the Georgia Environmental Facilities Authority for certain water and sewer projects. At June 30, 2019, the outstanding balance was \$947,694. Repayment is over 80 quarterly payments of \$34,376 at 3%. This loan is to be repaid from revenues of the Water and Sewer System; however, the obligation to repay this loan is a general obligation of the City.

In November 2009, the City entered into a loan agreement (CW09071PF60) with the Georgia Environmental Facilities Authority for the construction of a litter trap. The total amount received was \$120,785 as part of the American Recovery and Reinvestment Act ("ARRA"). The ARRA funds will help finance water system improvements through a low-interest loan in the amount of \$47,393 and a subsidy of \$80,400. At June 30, 2019, the outstanding loan balance was \$7,937. Repayment is over 120 monthly payments of \$451 at 3%.

In October 2016, the City entered into a loan agreement (DW2016005) with the Georgia Environmental Facilities Authority for replacement of existing water meters with an advanced metering infrastructure system ("AMI") and software upgrades. At June 30, 2019, the outstanding balance was \$1,670,776. This loan is still in the drawdown phase, therefore maturities are not available and not presented below.

Debt service requirements to maturities on these loans, including interest, are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 977,952	\$ 907,898	\$ 70,054
2021	899,453	852,272	47,181
2022	785,824	757,086	28,738
2023	155,370	138,431	16,939
2024	137,505	124,316	13,189
2025 – 2027	377,315	360,838	16,477
	<u>\$ 3,333,419</u>	<u>\$ 3,140,841</u>	<u>\$ 192,578</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Notes and Loans Payable (Continued)

Governmental Activities Note:

In March 2010, the City entered into an agreement with BC Waycross Associates, LLP to finance construction of storm water infrastructure and a regional storm water retention pond on the owner's property to accept off-site storm water runoff and render owner's property suitable for development. The total amount financed of \$800,000 is due in 320 monthly payments of \$2,500 beginning March 15, 2010 at 0% interest. At June 30, 2019, the outstanding balance on this loan was \$522,500.

Debt service requirements to maturities on this loan are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 30,000	\$ 30,000	\$ -
2021	30,000	30,000	-
2022	30,000	30,000	-
2023	30,000	30,000	-
2024	30,000	30,000	-
2025 – 2029	150,000	150,000	-
2030 – 2034	150,000	150,000	-
2035 – 2037	72,500	72,500	-
	<u>\$ 522,500</u>	<u>\$ 522,500</u>	<u>\$ -</u>

Capital Leases

The City has entered into various lease agreements as lessee to finance various machinery and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a summary of equipment leased under capital lease agreements by the City as of June 30, 2019.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Equipment	\$ 640,528	\$ 203,614	\$ 844,142
Less accumulated depreciation	<u>(272,549)</u>	<u>(107,261)</u>	<u>(379,810)</u>
Carrying value	<u>\$ 367,979</u>	<u>\$ 96,353</u>	<u>\$ 464,332</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Capital Leases (Continued)

The following is a schedule of the future minimum lease payments required under these capital leases and the present value of the net minimum lease payments at June 30, 2019:

Fiscal year ending	Governmental Activities	Business-type Activities	Total
2020	\$ 113,199	\$ 44,069	\$ 157,268
2021	82,686	29,700	112,386
2022	80,106	-	80,106
2023	63,738	-	63,738
2024	25,154	-	25,154
2025	4,396	-	4,396
Total minimum lease payments	369,279	73,769	443,048
Less amount representing interest	(25,250)	(1,846)	(27,096)
Present value of future minimum lease payments	344,029	71,923	415,952
Less current maturities	(103,199)	(42,511)	(145,710)
	<u>\$ 240,830</u>	<u>\$ 29,412</u>	<u>\$ 270,242</u>

NOTE 7. PENSION PLAN

A. Plan Description

The City, as authorized by the City Commission, has established a non-contributory defined benefit pension plan, the City of Waycross Retirement Plan (the "Plan"), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System ("GMEBS"), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Commission, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

Plan membership. As of January 1, 2019, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	169
Inactive plan members entitled to, but not receiving benefits	66
Active plan members	<u>185</u>
Total	<u><u>420</u></u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan, as adopted by the City Commission, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Commission. City contributions to the Plan were \$947,175 for the year ended June 30, 2019.

B. Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018.

Actuarial assumptions. The total pension liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, plus service based merit increases
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45 %	6.40%
International equity	20	7.40
Domestic fixed income	20	1.75
Real estate	10	5.10
Global fixed income	5	3.03
Cash	-	
Total	100 %	

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

Discount rate. 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 City 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 of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	\$ 27,829,361	\$ 21,863,639	\$ 5,965,722
Changes for the year:			
Service cost	192,647	-	192,647
Interest	2,040,414	-	2,040,414
Differences between expected and actual experience	74,368	-	74,368
Contributions – employer	-	1,155,866	(1,155,866)
Net investment income	-	2,149,941	(2,149,941)
Benefit payments, including refunds of employee contributions	(1,632,975)	(1,632,975)	-
Administrative expense	-	(46,405)	46,405
Net changes	<u>674,454</u>	<u>1,626,427</u>	<u>(951,973)</u>
Ending Balance	<u>\$ 28,503,815</u>	<u>\$ 23,490,066</u>	<u>\$ 5,013,749</u>

The required schedule of changes in the City's 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 presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 8,147,281	\$ 5,013,749	\$ 2,365,308

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

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 expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2018, and the current sharing pattern of costs between employer and employee.

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$899,894. At June 30, 2019, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,277,685
Differences between expected and actual experience	305,423	-
Changes in actuarial assumptions	166,012	-
City contributions subsequent to the measurement date	947,175	-
Total	\$ 1,418,610	\$ 1,277,685

City contributions subsequent to the measurement date of \$947,175, are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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,		
	2020	\$ 170,199
	2021	(483,533)
	2022	(386,956)
	2023	(105,960)
	Total	\$ (806,250)

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND BALANCES AND TRANSFERS

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2019, balances of interfund amounts receivable or payable have been recorded.

Interfund receivable and payable balances as of June 30, 2019, are as follows:

Due From	Due To		
	General	Public Utilities	Total
Health Insurance Fund	\$ 954,154	\$ 1,668,961	\$ 2,623,115
Total	\$ 954,154	\$ 1,668,961	\$ 2,623,115

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services. Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financial sources (uses) in the Governmental Funds and transfers section in the Proprietary Funds.

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer From	Transfer To		
	General	Nonmajor Governmental	Total
General Fund	\$ -	\$ 112,068	\$ 112,068
Nonmajor Governmental	291,283	39,307	330,590
Total	\$ 291,283	\$ 151,375	\$ 442,658

NOTE 9. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan in accordance with IRS Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City funds are amounts of compensation deferred under the plan, at the direction of the covered employee, through investments in fixed and variable annuity contracts underwritten by Nationwide Life Insurance Company.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFERRED COMPENSATION PLAN (CONTINUED)

In accordance with current GASB pronouncements, the deferred compensation plan is no longer included in the financial statements. Plan assets are held in trust for the benefit of the plan participants and their beneficiaries and will not be diverted for any other purpose. Amendments to the laws governing Section 457, deferred compensation plans, substantially became effective January 1, 1997.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The City has participated in a number of federally assisted grant programs, principal of which are the FEMA Grant, EIP Revolving Loan, and CDBG Grants. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could result in request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. The amount of expenditures which may be disallowed by granting agencies cannot be determined at this time; although, the City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. The City estimates that the potential claims from the pending lawsuits against the City, not covered by insurance, would not materially affect the financial statements of the City.

NOTE 11. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the eighteen county South Georgia area, is a member of the Southern Georgia Regional Development Commission ("SGRC") and is required to pay annual dues thereto. During the year ended June 30, 2019, the City paid \$17,611 in such dues. Membership in the SGRC is required by the O.C.G.A. §50- 8-34 which provides for the organizational structure of the RCs in Georgia. The RC Board membership includes elected officials from member counties and cities and nonpublic appointed members. The law defines RCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. Separate financial statements may be obtained from:

Southern Georgia Regional Commission
1725 South Georgia Parkway
Waycross, Georgia 31503

The Housing Authority of the City of Waycross, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of a majority of members appointed originally by the City. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Waycross, Georgia is a related organization.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 1992, the City established internal service funds to account for and finance its uninsured risks of loss. The City maintains commercial insurance coverage covering general liability claims and property damage claims.

In January 1992, the City established a limited risk program for workers' compensation. The City hired Corvel Corporation as administrator for this program. The plan provides coverage for up to a maximum of \$350,000 for each worker's compensation claim. The City purchases commercial insurance for these claims in excess of coverage provided by these funds and for all other insignificant risks of loss. Settled claims in the past three years have not exceeded the commercial coverages.

All funds of the City participate in the program and make payments to the funds based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

The City maintains the Health Insurance Fund to account for the City's employee health care coverage, which is self-insured by the City. The City has established an internal service fund to account for its self- insurance program. The purpose of this fund is to pay medical insurance claims of the City employees and their covered dependents and minimize the total costs of annual insurance to the municipality. The private insurance carrier determines premium payments to be made by the City. Annual claims are paid from accumulated premium payments, and claims exceeding accumulated premium payments are paid by the private insurance carrier. Estimated claims incurred, but not reported, of \$275,252 have been recorded as of June 30, 2019. Dependent coverage is funded by charges to employees. Revenues are recognized from payroll deductions and City contributions. The Claims liability of \$275,252 reported in the Health Insurance Fund at June 30, 2019 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in the fiscal years 2017 – 2019 were:

Fiscal Year	Balance Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance End of Fiscal Year
2017	\$ 206,166	\$ 2,177,343	\$ 2,282,593	\$ 100,916
2018	100,916	1,370,652	1,413,829	57,739
2019	57,739	1,093,680	876,167	275,252

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT (CONTINUED)

Also, the City has established an internal service fund to account for its self-insurance program relating to workers compensation insurance. The purpose of this fund is to pay worker's compensation claims of the city employees while minimizing the total costs to the municipality. The City maintains a stop-loss policy with a private insurance company. City officials believe that the reserve in this fund is adequate to cover any incurred, but not reported, losses through the statement date. Changes in the claims liability amount in the fiscal years 2017 – 2019 were:

Fiscal Year	Balance Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance End of Fiscal Year
2017	\$ 44,250	\$ 321,747	\$ 339,947	\$ 26,050
2018	26,050	530,985	485,558	71,477
2019	71,477	3,149,659	2,473,648	747,488

NOTE 13. RESTATEMENT

Effective July 1, 2018, the City migrated the GEFA project expenditures for meter replacements from the GEFA Fund to the Public Utilities Fund in order to track this project in the same fund that is financing the project. The financial activity was previously accounted for in a separate GEFA Fund. The City restated beginning fund balances as of July 1, 2018 as follows:

	GEFA Project Fund	Public Utilities Fund
Beginning fund balance/net position, June 30, 2018, as previously reported	\$ (932,965)	\$ 30,219,576
Adjustment to move GEFA Fund	932,965	(932,965)
Beginning fund balance/net position, June 30, 2018, as restated	<u>\$ -</u>	<u>\$ 29,286,611</u>

The City restated net position at the government wide level as of July 1, 2018 as follows:

	Governmental Activities	Business-type Activities
Beginning net position, June 30, 2018, as previously reported	\$ 18,949,886	\$ 32,030,911
Adjustment to move GEFA Fund	932,965	(932,965)
Beginning net position, June 30, 2018, as restated	<u>\$ 19,882,851</u>	<u>\$ 31,097,946</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 14. FUND EQUITY

The City's fund balances at June 30, 2019 are classified as follows:

Nonspendable – The following fund balances are nonspendable because they are allocated to:

General Fund:		
Inventories	\$	32,171
WPD Info Technology Fund:		
Prepays		4,996
Total Nonspendable	\$	37,167

Restricted – The following fund balances are restricted for:

<i>Cemetery Fund</i> - used to account for funds that accumulated for cemetery improvements and expansion.	\$	1,543
<i>Forfeited Property Fund</i> - used to account for funds received from property for forfeitures.		19,761
<i>Jail Fund</i> - used to account for vending revenue of the jail.		737
<i>EIP Revolving Loan Fund</i> - used to account for revolving loans issued to local businesses.		168,809
<i>Waycross Fire Dept. Fund</i> - used to account for contributions and miscellaneous grants received for the purpose of the fire department.		8,787
<i>Hotel/Motel Tax Fund</i> - used to account for hotel/motel tax revenues.		246,458
<i>ATM Machine Fund</i> - used to account for fees earned at the ATM Machine.		25,032
Total Restricted for Special Revenue	\$	471,127

NOTES TO FINANCIAL STATEMENTS

NOTE 14. FUND EQUITY (CONTINUED)

Capital Project Funds:

<i>SPLOST 2008 – 2013 Fund</i> - used to account for capital projects financed with special purpose local option sales tax.	\$ 473,765
<i>SPLOST 2014 Fund</i> - used to account for capital projects financed with special purpose local option sales tax.	4,529,891
<i>TSPLOST Fund</i> - used to account for capital projects financed with transportation special purpose local option sales tax.	4,270,811
<i>LMIG Fund</i> - used to account for capital projects financed with Georgia DOT local maintenance improvement program.	<u>471,971</u>
Total Restricted for Capital Projects	<u>\$ 9,746,438</u>
Total Restricted Fund Balance	<u><u>\$ 10,217,565</u></u>

Committed – The following fund balances are committed to:

<i>Community Development Fund</i> - used to account for miscellaneous revenues that are committed to community development expenditures.	<u>\$ 56,758</u>
Total Committed Fund Balance	<u><u>\$ 56,758</u></u>

Assigned – The following fund balances are assigned to:

<i>WPD Info Technology Fund</i> - used to account for fines and forfeitures that are restricted for the use of police department information technology expenditures.	\$ 1,387
<i>Okefenokee Classic Fund</i> - used to account for activity involving Okefenokee classic and related community events.	43,237
<i>Misc Grants Fund</i> - used to account for various types of grants.	26,779
<i>Misc Fund</i> - used to account for donations for the purpose of upkeep and improvements to Henry Walker Park.	5,178
<i>Fallen Firefighter Scholarship Fund</i> - used to account for donations for the purpose of awarding scholarships.	<u>12,483</u>
Total Assigned Fund Balance	<u><u>\$ 89,064</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 14. FUND EQUITY (CONTINUED)

Unassigned – The City's policy is to maintain an adequate General Fund unassigned balance to provide liquidity in the event of economic downturn or natural disaster.

The following balances are unassigned:

<i>General Fund</i>	\$ 1,423,629
<i>FEMA Grants Fund</i> - negative restricted fund balance reported as unassigned.	<u>(3,431)</u>
Total Unassigned Fund Balance	<u><u>\$ 1,420,198</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYCROSS, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE FISCAL YEAR ENDED JUNE 30,

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 192,647	\$ 225,540	\$ 207,015	\$ 227,258	\$ 251,053
Interest on total pension liability	2,040,414	1,990,517	1,892,540	1,792,817	1,793,391
Differences between expected and actual experience	74,368	227,231	720,404	750,194	7,838
Changes of assumptions	-	-	-	-	(652,628)
Benefit payments, including refunds of employee contributions	(1,632,975)	(1,592,095)	(1,519,404)	(1,447,622)	(1,366,508)
Other	-	498,035	-	-	-
Net change in total pension liability	674,454	1,349,228	1,300,555	1,322,647	33,146
Total pension liability - beginning	27,829,361	26,480,133	25,179,578	23,856,931	23,823,785
Total pension liability - ending (a)	28,503,815	27,829,361	26,480,133	25,179,578	23,856,931
Plan fiduciary net position					
Contributions - employer	1,155,866	1,295,082	1,052,861	1,271,784	1,346,236
Net investment income	2,149,941	2,888,955	1,970,741	215,191	1,828,654
Benefit payments, including refunds of member contributions	(1,632,975)	(1,592,095)	(1,519,404)	(1,447,622)	(1,366,508)
Administrative expenses	(46,405)	(49,773)	(29,741)	(33,233)	(26,282)
Net change in plan fiduciary net position	1,626,427	2,542,169	1,474,457	6,120	1,782,100
Plan fiduciary net position - beginning	21,863,639	19,321,470	17,847,013	17,840,893	16,058,793
Plan fiduciary net position - ending (b)	23,490,066	21,863,639	19,321,470	17,847,013	17,840,893
City's net pension liability - ending (a) - (b)	\$ 5,013,749	\$ 5,965,722	\$ 7,158,663	\$ 7,332,565	\$ 6,016,038
Plan fiduciary net position as a percentage of the total pension liability	82.4%	78.6%	73.0%	70.9%	74.8%
Covered payroll	\$ 6,590,887	\$ 6,483,790	\$ 7,006,241	\$ 6,658,368	\$ 6,733,231
Net pension liability as a percentage of covered payroll	76.1%	92.0%	102.2%	110.1%	89.3%

Notes to the Schedule:

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

CITY OF WAYCROSS, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS RETIREMENT PLAN FOR THE FISCAL YEAR ENDED JUNE 30,

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,201,300	\$ 1,262,900	\$ 1,175,945	\$ 1,142,494	\$ 1,313,925
Contributions in relation to the actuarially determined contribution	1,201,300	1,262,900	1,173,157	1,047,286	1,314,801
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,788</u>	<u>\$ 95,208</u>	<u>\$ (876)</u>
Covered employee payroll	\$ 6,590,887	\$ 6,483,790	\$ 7,006,241	\$ 6,658,368	\$ 6,733,231
Contributions as a percentage of covered-employee payroll	18.2%	19.5%	16.7%	15.7%	19.5%

Notes to the Schedule:

Valuation Date	January 1, 2019
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return	
On Investments	7.50%
Projected Salary Increases	2.75%, plus service based merit increases
Cost-of-living Adjustment	0.00%
Amortization Method	Closed level dollar for unfunded liability

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

**COMBINING STATEMENTS
AND SCHEDULES**

CITY OF WAYCROSS, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Cemetery Fund** accounts for the revenues received for the upkeep of cemetery lots within the City.

The **Forfeited Property Fund** accounts for confiscated and condemned funds received and disbursed for law enforcement expenditures.

The **Jail Fund** accounts for revenues collected by the imposition of a 10% add-on fine as provided for by the Georgia Jail Construction and Staffing Act.

The **WPD Info Technology Fund** accounts for fees collected for information technology.

The **Community Development Fund** accounts for the receipt and expenditures of monies received from community block grants for improvements to the community.

The **EIP Revolving Loan Fund** accounts the operations of the City's revolving loans for various activities.

The **Waycross Fire Dept. Fund** accounts for the activity of the City's fire department.

The **Okefenokee Classic Fund** accounts for activities for the Okefenokee Classic.

The **FEMA Grants Fund** accounts for the federal grant monies received from the Federal Emergency Management Association.

The **Miscellaneous Grants Fund** accounts for grants that are not significant in nature.

The **Hotel/Motel Tax Fund** accounts for revenues and expenditures for hotel/motel taxes collected by the City.

The **Miscellaneous Fund** accounts for miscellaneous items not associated with any existing funds.

The **Cemetery Trust Fund** accounts for monies put forth to ensure that income will always be available for the continued upkeep of the cemeteries.

The **Fallen Firefighters Scholarship Fund** accounts for scholarship monies raised for fallen firefighters.

The **ATM Machine Fund** accounts for fees earned at the ATM Machine.

CITY OF WAYCROSS, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **Capital Reserve Fund** accounts for reserves held for capital projects.

The **LMIG Fund** accounts for local maintenance and improvements grants received by the City.

The **SPLOST 2008 – 2013 Fund** accounts for the special one cent sales tax revenues that are specifically restricted to various capital improvements within the City limits.

CITY OF WAYCROSS, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Special Revenue Funds					
	Cemetery Fund	Forfeited Property Fund	Jail Fund	WPD Info Technology Fund	Community Development Fund	EIP Revolving Loan Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ 19,761	\$ 737	\$ -	\$ 56,758	\$ 116,253
Prepaid expenses	-	-	-	4,996	-	-
Other receivable	5,175	-	-	1,387	-	52,556
Total assets	<u>\$ 5,175</u>	<u>\$ 19,761</u>	<u>\$ 737</u>	<u>\$ 6,383</u>	<u>\$ 56,758</u>	<u>\$ 168,809</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 3,632	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>3,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	4,996	-	-
Restricted	1,543	19,761	737	-	-	168,809
Committed	-	-	-	-	56,758	-
Assigned	-	-	-	1,387	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	<u>1,543</u>	<u>19,761</u>	<u>737</u>	<u>6,383</u>	<u>56,758</u>	<u>168,809</u>
Total liabilities and fund balances (deficits)	<u>\$ 5,175</u>	<u>\$ 19,761</u>	<u>\$ 737</u>	<u>\$ 6,383</u>	<u>\$ 56,758</u>	<u>\$ 168,809</u>

(Continued)

Special Revenue Funds

Waycross Fire Dept. Fund	Okefenokee Classic Fund	FEMA Grants Fund	Misc Grants Fund	Hotel/Motel Tax Fund	Miscellaneous Fund	Cemetery Trust Fund	Fallen Firefighters Scholarship	ATM Machine Fund
\$ 8,787	\$ 41,512	\$ 566	\$ 26,779	\$ 211,170	\$ 5,178	\$ -	\$ 12,483	\$ 26,732
-	-	-	-	-	-	-	-	-
-	1,725	-	-	38,187	-	-	-	-
<u>\$ 8,787</u>	<u>\$ 43,237</u>	<u>\$ 566</u>	<u>\$ 26,779</u>	<u>\$ 249,357</u>	<u>\$ 5,178</u>	<u>\$ -</u>	<u>\$ 12,483</u>	<u>\$ 26,732</u>
\$ -	\$ -	\$ 3,997	\$ -	\$ 2,899	\$ -	\$ -	\$ -	\$ 1,700
-	-	3,997	-	2,899	-	-	-	1,700
-	-	-	-	-	-	-	-	-
8,787	-	-	-	246,458	-	-	-	25,032
-	-	-	-	-	-	-	-	-
-	43,237	-	26,779	-	5,178	-	12,483	-
-	-	(3,431)	-	-	-	-	-	-
<u>8,787</u>	<u>43,237</u>	<u>(3,431)</u>	<u>26,779</u>	<u>246,458</u>	<u>5,178</u>	<u>-</u>	<u>12,483</u>	<u>25,032</u>
<u>\$ 8,787</u>	<u>\$ 43,237</u>	<u>\$ 566</u>	<u>\$ 26,779</u>	<u>\$ 249,357</u>	<u>\$ 5,178</u>	<u>\$ -</u>	<u>\$ 12,483</u>	<u>\$ 26,732</u>

CITY OF WAYCROSS, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Capital Project Funds			Totals
	Capital Reserve Fund	LMIG Fund	SPLOST 2008-2013 Fund	
ASSETS				
Cash and cash equivalents	\$ -	\$ 471,971	\$ 559,918	\$ 1,558,605
Prepaid expenses	-	-	-	4,996
Other receivable	-	-	-	99,030
Total assets	<u>\$ -</u>	<u>\$ 471,971</u>	<u>\$ 559,918</u>	<u>\$ 1,662,631</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 86,153	\$ 98,381
Total liabilities	<u>-</u>	<u>-</u>	<u>86,153</u>	<u>98,381</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	4,996
Restricted	-	471,971	473,765	1,416,863
Committed	-	-	-	56,758
Assigned	-	-	-	89,064
Unassigned	-	-	-	(3,431)
Total fund balances (deficits)	<u>-</u>	<u>471,971</u>	<u>473,765</u>	<u>1,564,250</u>
Total liabilities and fund balances (deficits)	<u>\$ -</u>	<u>\$ 471,971</u>	<u>\$ 559,918</u>	<u>\$ 1,662,631</u>

(Concluded)

CITY OF WAYCROSS, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds					
	Cemetery Fund	Forfeited Property Fund	Jail Fund	WPD Info Technology Fund	Community Development Fund	EIP Revolving Loan Fund
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees	-	22,993	-	10,658	-	-
Intergovernmental	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	2,540
Other revenues	183,796	-	818	-	-	-
Total revenues	<u>183,796</u>	<u>22,993</u>	<u>818</u>	<u>10,658</u>	<u>-</u>	<u>2,540</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	18,471	1,620	-	-	-
Public works	229,102	-	-	-	-	-
Community development	-	-	-	-	4,038	-
Capital outlay	-	-	-	30,260	-	-
Total expenditures	<u>229,102</u>	<u>18,471</u>	<u>1,620</u>	<u>30,260</u>	<u>4,038</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,306)</u>	<u>4,522</u>	<u>(802)</u>	<u>(19,602)</u>	<u>(4,038)</u>	<u>2,540</u>
Other financing sources (uses)						
Transfers in	83,605	-	-	14,697	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>83,605</u>	<u>-</u>	<u>-</u>	<u>14,697</u>	<u>-</u>	<u>-</u>
Net change in fund balances	38,299	4,522	(802)	(4,905)	(4,038)	2,540
Fund balances (deficits), beginning of year	<u>(36,756)</u>	<u>15,239</u>	<u>1,539</u>	<u>11,288</u>	<u>60,796</u>	<u>166,269</u>
Fund balances (deficits), end of year	<u>\$ 1,543</u>	<u>\$ 19,761</u>	<u>\$ 737</u>	<u>\$ 6,383</u>	<u>\$ 56,758</u>	<u>\$ 168,809</u>

(Continued)

Special Revenue Funds

Waycross Fire Dept. Fund	Okefenokee Classic Fund	FEMA Grants Fund	Misc Grants Fund	Hotel/Motel Tax Fund	Miscellaneous Fund	Cemetery Trust Fund	Fallen Firefighters Scholarship	ATM Machine Fund
\$ -	\$ -	\$ -	\$ -	\$ 479,630	\$ -	\$ -	\$ -	\$ -
1,500	-	-	-	-	-	-	-	-
-	-	-	18,956	-	-	-	-	-
-	-	-	-	-	5	-	-	382
5,236	30,148	232,077	-	-	-	-	4,650	13,556
<u>6,736</u>	<u>30,148</u>	<u>232,077</u>	<u>18,956</u>	<u>479,630</u>	<u>5</u>	<u>-</u>	<u>4,650</u>	<u>13,938</u>
-	-	-	-	-	-	-	-	8,207
-	-	-	1,390	-	-	-	-	-
-	-	-	7,127	-	-	-	-	-
-	59	-	-	88,760	-	-	6,000	-
-	-	236,074	-	-	-	-	-	-
<u>-</u>	<u>59</u>	<u>236,074</u>	<u>8,517</u>	<u>88,760</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>8,207</u>
<u>6,736</u>	<u>30,089</u>	<u>(3,997)</u>	<u>10,439</u>	<u>390,870</u>	<u>5</u>	<u>-</u>	<u>(1,350)</u>	<u>5,731</u>
-	-	-	-	-	-	254	-	17,452
-	-	-	-	(291,283)	-	(39,307)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(291,283)</u>	<u>-</u>	<u>(39,053)</u>	<u>-</u>	<u>17,452</u>
6,736	30,089	(3,997)	10,439	99,587	5	(39,053)	(1,350)	23,183
2,051	13,148	566	16,340	146,871	5,173	39,053	13,833	1,849
<u>\$ 8,787</u>	<u>\$ 43,237</u>	<u>\$ (3,431)</u>	<u>\$ 26,779</u>	<u>\$ 246,458</u>	<u>\$ 5,178</u>	<u>\$ -</u>	<u>\$ 12,483</u>	<u>\$ 25,032</u>

CITY OF WAYCROSS, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Capital Project Funds			Totals
	Capital Reserve Fund	LMIG Fund	SPLOST 2008-2013 Fund	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 479,630
Fees	-	-	-	35,151
Intergovernmental	-	237,111	-	256,067
Interest revenue	-	-	19,062	21,989
Other revenues	-	-	-	470,281
Total revenues	<u>-</u>	<u>237,111</u>	<u>19,062</u>	<u>1,263,118</u>
Expenditures				
Current:				
General government	-	-	-	8,207
Public safety	-	-	-	21,481
Public works	-	-	-	236,229
Community development	-	-	-	98,857
Capital outlay	-	187,891	364,308	818,533
Total expenditures	<u>-</u>	<u>187,891</u>	<u>364,308</u>	<u>1,183,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>49,220</u>	<u>(345,246)</u>	<u>79,811</u>
Other financing sources (uses)				
Transfers in	35,367	-	-	151,375
Transfers out	-	-	-	(330,590)
Total other financing sources (uses)	<u>35,367</u>	<u>-</u>	<u>-</u>	<u>(179,215)</u>
Net change in fund balances	35,367	49,220	(345,246)	(99,404)
Fund balances (deficits), beginning of year	<u>(35,367)</u>	<u>422,751</u>	<u>819,011</u>	<u>1,663,654</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ 471,971</u>	<u>\$ 473,765</u>	<u>\$ 1,564,250</u>

(Concluded)

CITY OF WAYCROSS, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2008-2013
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Project Description	Original Estimated Cost	Current Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Roads and streets	\$ 5,381,812	\$ 5,381,812	\$ 3,739,852	\$ -	\$ 3,739,852
Public buildings	3,600,000	3,600,000	3,265,611	364,308	3,629,919
Information technology	75,000	75,000	60,921	-	60,921
Water and sewer rehabilitation and expansion	2,000,000	2,000,000	1,132,751	-	1,132,751
Fire and special purpose vehicles	1,350,000	1,369,332	1,369,332	-	1,369,332
Property acquisition and demolition	600,000	600,000	133,908	-	133,908
Downtown Development Authority	500,000	500,000	387,259	-	387,259
	<u>\$ 13,506,812</u>	<u>\$ 13,526,144</u>	<u>\$ 10,089,634</u>	<u>\$ 364,308</u>	<u>\$ 10,453,942</u>

CITY OF WAYCROSS, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2014
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
Roads, streets and bridge improvements and equipment	\$ 5,740,000	\$ 5,740,000	\$ 1,916,733	\$ 250,641	\$ 2,167,374
Water and sewer rehabilitation	1,000,000	1,000,000	355,787	198,292	554,079
Public facility improvements, demolition and acquisition	6,422,000	6,422,000	1,349,480	1,233,978	2,583,458
Public safety and special purpose vehicle fleet	1,500,000	1,500,000	1,424,400	-	1,424,400
City park improvements	435,000	435,000	64,219	5,890	70,109
Development authority construction, infrastructure economic development	250,000	250,000	-	7,500	7,500
Information technology equipment, software and training	125,000	125,000	97,887	60,000	157,887
	<u>\$ 15,472,000</u>	<u>\$ 15,472,000</u>	<u>\$ 5,208,506</u>	<u>\$ 1,756,301</u>	<u>\$ 6,964,807</u>

CITY OF WAYCROSS, GEORGIA

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The **Liability Insurance Fund** accounts for liability insurance provided to departments of the City.

The **Health Insurance Fund** accounts for health insurance provided to departments of the City.

The **Retirement Fund** accounts for retirement costs provided to departments of the City.

The **Workers Compensation Fund** accounts for workers comp insurance provided to departments of the City.

The **Payroll Fund** accounts for payroll services provided to departments of the City.

The **Warehouse Fund** accounts for storage of certain supplies and materials for the City's use.

The **City Garage Fund** accounts for fleet management services provided to departments of the City.

CITY OF WAYCROSS, GEORGIA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019**

	Health Insurance Fund	Workers Compensation Fund	Liability Insurance Fund
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 26,995	\$ 59,898	\$ 743,793
Accounts receivable, net of allowances	9,137	-	-
Inventories	-	-	-
Total assets	<u>36,132</u>	<u>59,898</u>	<u>743,793</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	279,049	747,488	-
Accrued liabilities	-	-	-
Due to other funds	2,556,747	-	-
Total liabilities	<u>2,835,796</u>	<u>747,488</u>	<u>-</u>
NET POSITION			
Unrestricted	(2,799,664)	(687,590)	743,793
Total net position	<u><u>\$ (2,799,664)</u></u>	<u><u>\$ (687,590)</u></u>	<u><u>\$ 743,793</u></u>

Retirement Fund	Payroll Fund	Warehouse Fund	City Garage Fund	Total Internal Service Funds
\$ 385,038	\$ 44,788	\$ 60,273	\$ 34,006	\$ 1,354,791
-	-	-	-	9,137
-	-	-	29,039	29,039
<u>385,038</u>	<u>44,788</u>	<u>60,273</u>	<u>63,045</u>	<u>1,392,967</u>
-	11,831	4,591	4,614	1,047,573
-	-	-	20,861	20,861
-	-	66,368	-	2,623,115
<u>-</u>	<u>11,831</u>	<u>70,959</u>	<u>25,475</u>	<u>3,691,549</u>
385,038	32,957	(10,686)	37,570	(2,298,582)
<u>\$ 385,038</u>	<u>\$ 32,957</u>	<u>\$ (10,686)</u>	<u>\$ 37,570</u>	<u>\$ (2,298,582)</u>

CITY OF WAYCROSS, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Health Insurance Fund	Workers Compensation Fund	Liability Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 449,014	\$ -	\$ -
Operating contributions	1,730,010	535,000	300,000
Total operating revenues	<u>2,179,024</u>	<u>535,000</u>	<u>300,000</u>
OPERATING EXPENSES			
Personal services	-	-	-
Purchased or contracted service	-	-	-
Repairs and maintenance	-	-	-
Insurance claims and expenses	2,121,908	1,555,153	303,648
Retirement payments	-	-	-
Total operating expenses	<u>2,121,908</u>	<u>1,555,153</u>	<u>303,648</u>
Operating income (loss)	<u>57,116</u>	<u>(1,020,153)</u>	<u>(3,648)</u>
NON-OPERATING REVENUES			
Interest revenue	-	-	-
Miscellaneous revenue	49,993	46	1,073
Total non-operating revenues	<u>49,993</u>	<u>46</u>	<u>1,073</u>
Change in net position	107,109	(1,020,107)	(2,575)
NET POSITION, beginning of year	<u>(2,906,773)</u>	<u>332,517</u>	<u>746,368</u>
NET POSITION, end of year	<u>\$ (2,799,664)</u>	<u>\$ (687,590)</u>	<u>\$ 743,793</u>

Retirement Fund	Payroll Fund	Warehouse Fund	City Garage Fund	Total Internal Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 449,014
1,302,771	17,596	-	379,020	4,264,397
<u>1,302,771</u>	<u>17,596</u>	<u>-</u>	<u>379,020</u>	<u>4,713,411</u>
-	-	6,633	330,432	337,065
-	-	-	22,465	22,465
-	-	-	28,160	28,160
-	5,682	-	-	3,986,391
1,262,900	-	-	-	1,262,900
<u>1,262,900</u>	<u>5,682</u>	<u>6,633</u>	<u>381,057</u>	<u>5,636,981</u>
<u>39,871</u>	<u>11,914</u>	<u>(6,633)</u>	<u>(2,037)</u>	<u>(923,570)</u>
-	38	-	-	38
-	-	-	-	51,112
-	<u>38</u>	-	-	<u>51,150</u>
39,871	11,952	(6,633)	(2,037)	(872,420)
<u>345,167</u>	<u>21,005</u>	<u>(4,053)</u>	<u>39,607</u>	<u>(1,426,162)</u>
<u>\$ 385,038</u>	<u>\$ 32,957</u>	<u>\$ (10,686)</u>	<u>\$ 37,570</u>	<u>\$ (2,298,582)</u>

CITY OF WAYCROSS, GEORGIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Health Insurance Fund	Workers Compensation Fund	Liability Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,863,048	\$ -	\$ -
Receipts from other funds for services	-	913,155	395,913
Payments to suppliers	(3,913,041)	(879,142)	(303,648)
Payments to employees	-	-	-
Net cash provided by (used in) operating activities	<u>(49,993)</u>	<u>34,013</u>	<u>92,265</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Miscellaneous non-operating revenue	<u>49,993</u>	<u>46</u>	<u>1,073</u>
Net cash provided by non-capital financing activities	<u>49,993</u>	<u>46</u>	<u>1,073</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash and cash equivalents	-	34,059	93,338
Cash and cash equivalents:			
Beginning of year	<u>26,995</u>	<u>25,839</u>	<u>650,455</u>
End of year	<u>\$ 26,995</u>	<u>\$ 59,898</u>	<u>\$ 743,793</u>

(Continued)

<u>Retirement Fund</u>	<u>Payroll Fund</u>	<u>Warehouse Fund</u>	<u>City Garage Fund</u>	<u>Total Internal Service Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,863,048
1,520,021	20,970	126,641	379,020	3,355,720
(1,262,900)	(5,682)	(59,735)	(46,011)	(6,470,159)
-	-	(6,633)	(331,029)	(337,662)
<u>257,121</u>	<u>15,288</u>	<u>60,273</u>	<u>1,980</u>	<u>410,947</u>
-	-	-	-	51,112
-	-	-	-	51,112
-	38	-	-	38
-	38	-	-	38
257,121	15,326	60,273	1,980	462,097
127,917	29,462	-	32,026	892,694
<u>\$ 385,038</u>	<u>\$ 44,788</u>	<u>\$ 60,273</u>	<u>\$ 34,006</u>	<u>\$ 1,354,791</u>

CITY OF WAYCROSS, GEORGIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Health Insurance Fund</u>	<u>Workers Compensation Fund</u>	<u>Liability Insurance Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 57,116	\$ (1,020,153)	\$ (3,648)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Changes in assets and liabilities:			
Decrease in accounts receivable	119	-	-
Decrease in due from other funds	-	346,397	95,913
Decrease in prepaids and other assets	-	31,758	-
Increase (decrease) in accounts payable	(1,791,133)	676,011	-
Decrease in accrued liabilities	-	-	-
Increase in due to other funds	1,683,905	-	-
Net cash provided by (used in) operating activities	<u>\$ (49,993)</u>	<u>\$ 34,013</u>	<u>\$ 92,265</u>

(Concluded)

<u>Retirement Fund</u>	<u>Payroll Fund</u>	<u>Warehouse Fund</u>	<u>City Garage Fund</u>	<u>Total Internal Service Funds</u>
\$ 39,871	\$ 11,914	\$ (6,633)	\$ (2,037)	\$ (923,570)
-	-	-	-	119
217,250	3,374	60,273	-	723,207
-	-	-	-	31,758
-	-	(59,735)	4,614	(1,170,243)
-	-	-	(597)	(597)
-	-	66,368	-	1,750,273
<u>\$ 257,121</u>	<u>\$ 15,288</u>	<u>\$ 60,273</u>	<u>\$ 1,980</u>	<u>\$ 410,947</u>

CITY OF WAYCROSS, GEORGIA

AGENCY FUNDS

Agency funds are used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

The **Police Condemnation Fund** accounts for monies seized that are waiting to be disposed of by the court system.

The **Municipal Court Fund** accounts for court bonds held awaiting court dates.

CITY OF WAYCROSS, GEORGIA

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Police Condemnation</u>	<u>Municipal Court</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 48,886	\$ 140,016	\$ 188,902
Total assets	<u>48,886</u>	<u>140,016</u>	<u>188,902</u>
LIABILITIES			
Refundable court bonds	-	140,016	140,016
Seized funds held	48,886	-	48,886
Total liabilities	<u>\$ 48,886</u>	<u>\$ 140,016</u>	<u>\$ 188,902</u>

COMPLIANCE SECTION



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

**To the Honorable Mayor and Members
of the City Commission
Waycross, 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, each major fund, and the aggregate remaining fund information of the City of Waycross, Georgia (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Waycross, Georgia's basic financial statements and have issued our report thereon dated June 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

City of Waycross, Georgia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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.

Mauldin & Jenkins, LLC

Savannah, Georgia
June 8, 2020



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

To the Honorable Mayor and Members
of the City Commission
Waycross, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Waycross, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the City 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 June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC

CITY OF WAYCROSS, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Total Expenditures	Passed Through to Subrecipients
<u>Department of Homeland Security</u>				
Direct Award				
Assistance to Firefighters Grant Program	97.044	N/A	\$ 232,077	\$ -
Total Department of Homeland Security			<u>232,077</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Award				
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	N/A	30,918	-
(Passed through the Georgia Department of Natural Resources)				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	GEFA-DW2016005	1,699,762	-
Total U.S. Environmental Protection Agency			<u>1,730,680</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,962,757</u>	<u>\$ -</u>

CITY OF WAYCROSS, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Waycross, Georgia (the "City"), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. DE MINIMIS INDIRECT COST RATE

The City chose not to use the 10% de minimis cost rate for the year ended June 30, 2019.

NOTE 3. NON-CASH AWARDS

The City did not receive non-cash federal awards during the year ended June 30, 2019.

CITY OF WAYCROSS, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance? Yes No

Identification of major program:

CFDA Number

66.468

Name of Federal Program or Cluster

U.S. Environmental Protection Agency
Capitalization Grants for Drinking Water
State Revolving Funds

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

Auditee qualified as low-risk auditee? Yes No

CITY OF WAYCROSS, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019 – 001. Special Revenue Fund Budgets

Criteria: In accordance with state law, all local governments shall operate under an annual balanced budget for the General Fund, each special revenue fund, and each debt service fund in use by the local government.

Condition/Context: Management has not adopted an annual budget for the Forfeited Property Fund, Jail Fund, Community Development Fund, EIP Revolving Loan Fund, Fire Department Fund, Okefenokee Classic, Miscellaneous Grants, Miscellaneous Fund, Cemetery Trust, Fallen Firefighter Scholarship Fund, ATM Machine Fund, or the LMIG Fund.

Effect: The purpose of state law is to establish minimum budget, accounting, and auditing requirements for local governments so as to provide local taxpayers with an opportunity to gain information concerning the purposes for which local revenues are proposed to be spent and are actually spent and to assist local governments in generally improving local financial management practices. When budgets are not adopted it is difficult for local taxpayers and other interested parties to gain information on how local revenues were proposed to be spent.

Cause: Oversight during budget process.

Recommendation: We recommend management adopt budgets for all special revenue funds.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding. In FY 2020 management will prepare and pass budgets for all special revenue funds as required by statute.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF WAYCROSS, GEORGIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.