# Washington-Wilkes Payroll Development Authority, Georgia
# ANNUAL FINANCIAL REPORT
# For the year ended June 30, 2016

**Washington-Wilkes Payroll Development Authority**
**Annual Financial Report**
**June 30, 2016**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Wilkes County, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of governmental activities and the major fund of Washington-Wilkes Payroll Development Authority (WWPDA), Georgia, as of and for the year ended June 30, 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation for these financial statements in accordance with accounting principles generally accepted in the Unites States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 of 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 opinions, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities of WWPDA, Georgia, as of June 30, 2016, and the respective changes in financial position for the required funds for the year then ended in conformity with accounting principles generally accepted in the United State of America.

**Other Matters**

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has omitted management's discussion and analysis 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 the Governmental Accounting Standards Board, which consider it to be a part of financial reporting for

placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by that missing information.

I have applied certain limited procedures to the budgeted financial statements in accordance with auditing standards generally accepted in the Unites States of America, which consisted of inquires of management regarding 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.

**Supplementary and Other Information**

My audit was performed for the purpose of forming opinions on the respective financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and is the responsibility of the County's management.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued a report dated November 15, 2016, on my consideration of WWPDA's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the County's internal control over financial reporting and compliance.

Steven G Albertson

Steven G. Albertson, CPA
Washington, Georgia
November 15, 2016

# Basic Financial Statements

# Government Wide Financial Statements

Washington-Wilkes Payroll Development Authority
Statement of Net Position
June 30, 2016

| | Primary Government |
|---|---|
| | Governmental Activities |
| **Assets** | |
| **Current Assets** | |
| Cash and Cash equivalents | 288,859 |
| Investments | |
| Prepaid items | |
| **Capital Assets** | |
| Nondepreciable capital assets | 511,435 |
| Depreciable capital assets, net | 1,133,858 |
| Total Assets | 1,934,152 |
| **Liabilities** | |
| **Current Liabilities** | |
| Accounts payable | 0 |
| **Long Term Liabilities** | |
| Compensated absences payable (net of current portion) | |
| Long Term notes payable/guarenteed | 1,830,648 |
| **Net Postion** | |
| Invested in capital assets, net of related debt | -185,355 |
| Unrestricted | 288,859 |
| **Total Net Position** | 103,504 |

See accompanying notes to the basic financial statements



The accompanying notes are an intergral part of the financial statements.

Washington-Wilkes Payroll Development Authority
Statement of Activities
For the year ended June 30, 2016

| Functions | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Capital Grants, Contributions and Interest | Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities | Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities | Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total |
|---|---|---|---|---|---|---|
| **Primary Government** | | | | | | |
| **Governmental Activities** | | | | | | |
| General government | | | | 0 | | 0 |
| Judicial | | | | | | |
| Financial services | | | | | | |
| Public safety | | | | 0 | | 0 |
| Public works | | | | 0 | | 0 |
| Industrial Development | 287,652 | 231,508 | 0 | (56,144) | | (56,144) |
| Interest | 37,007 | | | (37,007) | | (37,007) |
| **Total Governmental Activities** | 324,658 | 231,508 | 0 | (93,151) | 0 | (93,151) |
| **General Revenues** | | | | | | |
| Property taxes levied for: | | | | | | |
| General purposes | | | | 0 | | 0 |
| Debt service | | | | 0 | | 0 |
| Sales taxes | | | | 0 | | 0 |
| Hotel/motel taxes | | | | 0 | | 0 |
| Intergovernmental revenues | | | | 4,528 | | 4,528 |
| Investment earnings | | | | 0 | | 0 |
| Other revenues | | | | 66,794 | | 66,794 |
| **Total General Revenues** | | | | 71,322 | 0 | 71,322 |
| Sale of assets | | | | (2,052,157) | 0 | (2,052,157) |
| **Total General Revenues and asset sales** | | | | (1,980,836) | 0 | (1,980,836) |
| **Change in Net Assets** | | | | (2,073,986) | 0 | (2,073,986) |
| **Net Assets beginning of year -(Note 2D)** | | | | 2,177,490 | | 2,177,490 |
| **Net Assets End of Year** | | | | 103,504 | 0 | 103,504 |

See accompanying notes to the basic finnancial statements

# Fund Financial Statements

Washington-Wilkes Payroll Development Authority
Combined Balance Sheet - All Fund Types
June 30, 2016

| | General Fund |
|---|---|
| **ASSETS** | |
| Cash | $ 288,859 |
| Due from County | $ - |
| Due from Others | $ - |
| Investment in General Fixed Assets | $ - |
| Total Assets | $ 288,859 |
| **LIABILITIES AND FUND BALANCE** | |
| Liabilities | |
| Accounts Payable | $ - |
| Fund Balance | |
| Investment in General Fixed Assets | $ - |
| Reserved for Statutory Purposes | $ - |
| Unreserved & Undesignated | $ 288,859 |
| Total Fund Balance | $ 288,859 |
| Total Liabilities and Fund Balance | $ 288,859 |

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

Washington-Wilkes Payroll Development Authority, Georgia
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

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

| | |
|---|---|
| Total Fund balance on Balance Sheet | $ 288,859 |
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (capital assets net of depreciation: see Note 4-D) | $ 1,645,293 |
| Loan balances not shown on Fund statements<br>Long-term Liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds (Loans payable) | $ (1,830,648) |
| Net position of governmental activities | $ 103,504 |



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

Washington-Wilkes Payroll Development Authority
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types
For the year ending June 30, 2016

| | General |
|---|---|
| Revenue | |
| County Appropriations | $ 4,528 |
| Rent | $ 198,900 |
| Reimbursements | $ 32,608 |
| State Grants | $ - |
| Other Revenue | $ - |
| Total Revenue | $ 236,035 |
| | |
| Operating Expenditures | |
| Personnel | $ - |
| Buildings and maintenance | $ 65,416 |
| Seminars and travel | $ 8,144 |
| Other operating expenditures | $ 118,558 |
| Total Operating Expenditures | $ 192,117 |
| | |
| Excess (deficit) of Revenues over Expenditures before capital expenditures | $ 43,918 |
| | |
| Capital Revenues | |
| Loan Proceeds | $ 500,000 |
| Sale of Assets | $ 66,794 |
| | |
| Capital Expenditures | |
| Interest | $ 37,007 |
| Industrial Development | $ 500,000 |
| | |
| Excess (deficit) of Revenues over Expenditures | $ 73,706 |
| | |
| Beginning Fund Balance | $ 215,153 |
| | |
| Ending Fund Balance | $ 288,859 |



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

Washington-Wilkes Payroll Development Authority, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2016

| | | |
|---|---|---|
| Net change in Fund balances - total governmental funds | $ | 73,706 |
| Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. | $ | 500,000 |
| Sale of assets | $ | (2,052,157.00) |
| Loan principle payments for which the PDA is Guarantor. | $ | - |
| Loan proceeds are recorded as financing revenues in the fund statements | $ | (500,000.00) |
| Depreciation for the current year. | $ | (95,535) |
| Change in net assets of governmental activities. | $ | (2,073,986) |

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

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# Washington-Wilkes Payroll Development Authority, Georgia
## Notes to the Financial Statements
## June 30, 2016

**Note 1**
General Statement

The Washington-Wilkes Payroll Development Authority is a governmental organization chartered by the State of Georgia. It is formed for the purpose of promoting business development in Wilkes County, Georgia, and the City of Washington, Georgia. Its five member board is comprised of Wilkes County elected officials, City of Washington elected officials, and the president of the Washington-Wilkes Chamber of Commerce.

The accounting and reporting policies of the Washington-Wilkes Payroll Development Authority, Georgia, relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Washington-Wilkes Payroll Development Authority, Georgia, are described below.

Financial Reporting Entity

The Washington-Wilkes Payroll Development Authority, Georgia, combined financial statements include the accounts of all Washington-Wilkes Payroll Development Authority, Georgia, operations. The criteria for including organizations as component units within the Washington-Wilkes Payroll Development Authority, Georgia, reporting entity, are dependant on the significance of their operational or financial relationships with the city. Based on the aforementioned criteria, the Washington-Wilkes Payroll Development Authority, Georgia, has no component units, but is a discretely presented component unit of the government wide statements of Wilkes County, Georgia.

B. BASIS OF PRESENTATION

The Authority's basic financial statements consist of government-wide 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.

**Government-wide Financial Statements** – The government-wide financial statements include a statement of net position and a statement of activities. These statements report financial information for the Department as a whole. All funds other than fiduciary activities are included at the government-wide reporting level. Individual funds are not displayed at this reporting level, but the statements distinguish governmental activities, generally supported by taxes and Department general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the Department.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Department's governmental activities and for each identifiable activity of the business-type activities of the Department. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The Department does not allocate indirect expenses to functions in the statements of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Department's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues

are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions,* the determining factor is to which function the revenues are *restricted.*

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the Department. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Department.

**Fund Financial Statements** – During the year, the Department segregates transactions related to certain Department functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Department at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds. The fiduciary finds are reported by type.

**Fund Accounting** – The Department uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Department uses three categories of funds: governmental, proprietary and fiduciary.

**Government Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Department reports the difference between governmental fund assets and liabilities as fund balance. The following are the Department's major governmental funds:

> **General Fund** – The general fund accounts for all financial resources except those required to be accounted for in other funds. The general fund's fund balance is available to the Department for any purpose provided it is expended or transferred according to the general laws of Georgia.

Special Revenue Fund - The Special Revenue Fund is used to account for specific revenue sources, including special services district, grants, and similar trust funds, that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds, and Trust Funds).

The authority has no proprietary type funds.

C. BASIS OF ACCOUNTING

Measurement Focus/Basis of Accounting

**Government-wide Financial Statements** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation to the Department are included on the statement of net position. The statement of activities reports revenues and expenses, including depreciation.

**Fund Financial Statements** – All government funds are accounted for using a flow of current financial resources measurement focus in these financial statements. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurements focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Department finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange Transactions** – Revenue resulting from exchange transaction, in which each party gives and receives revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Department, phrase "available for exchange transactions" means expected to be received within twelve months of year-end.

**Revenues – Non-Exchange Transactions** – Non-exchange transactions in which the Department receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donation. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place and on the modified accrual basis, it is recognized in the year received (i.e., when considered available). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Department must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provide to the Department on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to e susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

**Deferred Revenue** – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.
Sales taxes collected by the State of Georgia, Department of Revenue, for the May and June sales are reported as deferred revenue at year-end. Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

**Expenses/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

**D. Assets, Liabilities and Fund Equity**

**1-D-1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Department. Investments are stated at fair value based on quoted market prices. Although the PDA has no formal policy in regard to depository risk, it follows the laws of the State of Georgia.

Georgia law authorizes the Department to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the government or governmental agency
- Obligations of any corporation of the government
- Prime bankers' acceptances
- The State of Georgia local government pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S, obligations.

**1-D-2. Receivables**

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

**1-D-3. Interfund Balances**

On the fund financial statements, receivables and payable resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the government-wide statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

**1-D-4. Consumable Inventories**

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

On the fund financial statement, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure in the governmental fund types when consumed.

**1-D-5. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Department reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Department maintains a capitalization threshold of five thousand dollars. The Department's infrastructure consists of roads, bridges, and water and sewer lines. Improvements (i.e., betterments) to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Department's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Assets | Beginning Balance 7/1/2015 | Additions | Retirements | Ending Balance 6/30/2016 |
|---|---|---|---|---|
| Land | $ 511,435 | $ - | $ - | $ 511,435 |
| Depreciable assets | | | | |
| Buildings | $ 3,605,323 | $ 500,000 | $ (1,825,450) | $ 2,279,873 |
| Office Equipment | $ 4,650 | $ - | $ - | $ 4,650 |
| Engineering and Construction | $ 377,987 | $ - | $ - | $ 377,987 |
| | $ 4,499,395 | $ 500,000 | $ (1,825,450) | $ 3,173,945 |
| | | Current | Disposed | |
| Less Accumulated depreciation | $ (1,018,037) | $ (95,535) | $ 415,080 | $(1,528,652) |
| Net Assets | $ 3,481,358 | $ 404,465 | $ (1,410,370) | $ 1,645,293 |

The PDA purchased two buildings from Wills Memorial Hospital for $500,000 and created a capital lease for the repurchase of the buildings. The term is for 11.5 years.

Compensated Absences

The Washington-Wilkes Payroll Development Authority, Georgia, currently has no employees therefore there are no accruals for compensated absences.

Comparative Data

Comparative totals for the prior year have not been presented in the accompanying combined financial statements. Previous year's audits are available at the Authority's offices at 23 Court Street, Washington, Georgia.

**1-D-6. Fund Equity**

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

**Fund Balance** – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily to the extent to which the County is bound to honor constraints on the specific purposes for which the 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 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 enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws and 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 County. The County may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

The County has adopted a 35 percent reserve policy to retain in reserve an equivalent of 35 percent of current year budgeted revenues from the unreserved/undesignated fund balance.

**Net Position Flow Assumptions** – In order to report net position as restricted versus an unrestricted net position, the County has established a policy of using restricted positions fully before using unrestricted positions.

**Net position** – Net position represent the difference between assets and liabilities. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of governments. All other net position are reported as unrestricted.

## NOTE 2 – CHANGE IN FINANCIAL REPORTING MODEL

In fiscal year 2013, the WWPDA implemented *GASB Statement 63, Financial Reporting of Deferred Income Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *GASB Statement 65, Items previously reported as Assets and Liabilities.* As a result there are numerous changes in terminology throughout the financial section of this report.

## NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits

The Commission maintains its cash on deposits with local financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). Under Georgia law, the Commission may invest and reinvest any money subject to its control in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the Local Government Investment Pool established by state law; and obligations of other political subdivisions of Georgia.

The Washington-Wilkes Payroll Development Authority, Georgia's, deposits are categorized to give an indication of the level of risk assumed by the Washington-Wilkes Payroll Development Authority, Georgia, at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the Washington-Wilkes Payroll Development Authority, Georgia, or its agent in the Washington-Wilkes Payroll Development Authority, Georgia's, name. Category 2 includes deposits for which the collateralized securities are held by the financial institution's trust department or agent in the Washington-Wilkes Payroll Development Authority, Georgia's name. Category 3 includes uncollateralized deposits or deposits collateralized by securities which are held in the financial institution's name, or by its trust department or agent but not in the Washington-Wilkes Payroll Development Authority, Georgia's name.

As of June 30, 2016, the Washington-Wilkes Payroll Development Authority, Georgia's deposits were insured by the FDIC up to $250,000 per financial institution. Excess deposits were collateralized by the financial institutions with securities held by the institution's agents in the Washington-Wilkes Payroll Development Authority, Georgia's name. Collateral is maintained at 110% of the deposit balance.

The following schedule shows the Washington-Wilkes Payroll Development Authority, Georgia's deposit balances at year-end by credit category:

| | |
|---|---|
| Category 1 | 288,859 |
| Category 2 | |
| Category 3 | |
| Total | 288,859 |

The carrying amount for the cash balances is $288,859.

## NOTE 4 - TAXES:

The Authority cannot currently levy any type of tax.

## NOTE 5 - INDIVIDUAL FUND DISCLOSURES:

For the year ended June 30, 2016, the general fund had no excess of expenditures over budget.

## NOTE 6 - CONTINGENT LIABILITIES:

Although the Washington-Wilkes Payroll Development Authority, Georgia, did not participate in federal

and state assisted grant programs during the period these programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise, as the result of these audits, is not believed to be material.

Various claims and lawsuits may arise against the Washington-Wilkes Payroll Development Authority, Georgia. In the opinion of Commission management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the Washington-Wilkes Payroll Development Authority, Georgia's, financial position.

The WWPDA is the guarantor for loans as detailed in NOTE 8 and 9. There may be contingent liability for these loans. All loans are current at this time.

**NOTE 7 - RISK MANAGEMENT:**
The Washington-Wilkes Payroll Development Authority is under the umbrella of Wilkes County for insurance purposes.

**NOTE 8 - BONDS and LEASE PURCHASE AGREEMENTS:**
The WWPDA has a lease-purchase agreement with Ruffin Flag Company for the building on Water Street. The Washington Manufacturing Plant is currently occupied by Atlanta Fiberglass, with the Authority responsible for the loan payments. The Authority passes through or makes these payments to the Farmers and Merchants Bank.

**NOTE 9 – LONG TERM LIABILITIES:**
The companies responsible for the loans on two buildings/land holdings are current with their lease/purchase payments. A liability has been accrued to the Authority as guarantor for the outstanding loans until the loans are settled in the amount of $407,988. The PDA is directly responsible for loans in the amount of $1,111,032. The following activity took place during the year ended June 30, 2016:

| | Balance 7/1/15 | Additions | Principle | Interest | Balance 6/30/16 |
|---|---|---|---|---|---|
| **PDA as Guarantor** | | | | | |
| Duckhead Property sold Soren Dresch 440975900 | $ - | | $ - | $ - | $ - |
| LOC Callaway Manufacturing LLC Blake and Gene Callaway | $ 407,987.83 | $ - | $ 21,483.75 | $ - | $ 386,504.08 |
| **Totals as Guarantor** | $ 407,987.83 | $ - | $ 21,483.75 | $ - | $ 386,504.08 |
| **PDA as Primary** | | | | | |
| Wills Memorial Hospital bldgs 442380800 | $ - | $ 500,000.00 | $ - | $ - | $ 500,000.00 |
| FSB Loan – 431811600 | $ - | $ - | $ - | $ - | $ - |
| FSB 432245200 | $ 184,585.13 | $ - | $ - | $ - | $ 184,585.13 |
| Lazarus Fin 44201800 | $ 426,518.40 | $ - | $ 17,038.93 | $ - | $ 409,479.47 |
| | $ - | | $ - | $ - | $ - |
| Wash Manft 441781700 Atlanta Fiberglass | $ 499,928.68 | | $ 149,849.46 | $ - | $ 350,079.22 |
| Interest | | | | $ 37,006.75 | |
| **Totals as Primary** | $1,111,032.21 | $ 500,000.00 | $ 166,888.39 | $ 37,006.75 | $ 1,444,143.82 |
| Grand Totals | $1,519,020.04 | $ 500,000.00 | $ 188,372.14 | $ 37,006.75 | $ 1,830,647.90 |

**NOTE 10 - SUBSEQUENT EVENTS:**

There were no subsequent events of a material nature which would affect the financial statements.

# Required Supplementary Information

Washington-Wilkes Payroll Development Authority
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget versus Actual - All Governmental Fund Types
For the year ended June 30, 2016

| | Actual | Budget | Difference |
|---|---|---|---|
| Revenue | | | |
| County Appropriations | $ 4,528 | $ - | $ 4,528 |
| Rent | $ 198,900 | $ 198,900 | $ - |
| Reimbursements | $ 32,608 | $ 178,000 | $ (145,392) |
| State Grants | $ - | $ - | |
| Other Revenue | $ - | $ - | $ - |
| Total Revenue | $ 236,035 | $ 376,900 | $ (140,865) |
| Operating Expenditures | | | |
| Personnel | $ - | $ - | $ - |
| Buildings and maintenance | $ 65,416 | $ 65,416 | $ - |
| Seminars and travel | $ 8,144 | $ 8,144 | $ - |
| Other operating expenditures | $ 118,558 | $ 118,558 | $ - |
| Total Operating Expenditures | $ 192,117 | $ 192,117 | $ - |
| Excess (deficit) of Revenues over Expenditures before capital expenditures | $ 43,918 | $ 184,783 | $ (140,865) |
| Capital Revenues | | | |
| Loan Proceeds | $ 500,000 | $ 500,000 | $ - |
| Sale of Assets | $ 66,794 | $ 66,794 | $ - |
| Capital Expenditures | | | |
| Interest | $ 37,007 | $ 37,007 | $ - |
| Industrial Development | $ 500,000 | $ 20,500 | $ 479,500 |
| Excess (deficit) of Revenues over Expenditures | $ 73,706 | $ 73,706 | $ - |
| Beginning Fund Balance | $ 215,153 | | |
| Ending Fund Balance | $ 288,859 | | |

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

# Steven G. Albertson, CPA, PC
## Certified Public Accountant

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

To the Board
Washington-Wilkes Payroll Development Authority, Georgia

I have audited the accompanying financial statements of governmental activities for each major fund of the Washington-Wilkes Payroll Development Authority, Georgia, as of and for the year ended June 30, 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents and have issued my report thereon dated November 15, 2016. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing our audit, I considered Washington-Wilkes Payroll Development Authority, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements in a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters which might be material weaknesses. I noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Washington-Wilkes Payroll Development Authority, Georgia's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the audit committee, management, others within the organization, Authority Commissioners, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

*Steven G Albertson*

Steven G. Albertson, CPA
Washington, Georgia
November 15, 2016