TOWN OF
WAVERLY HALL, GEORGIA

FINANCIAL STATEMENTS

Year Ended June 30, 2018

AJK

TOWN OF WAVERLY HALL, GEORGIA
FINANCIAL STATEMENTS
Year Ended June 30, 2018

TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

Title page i
Table of contents ii

FINANCIAL SECTION

Independent auditors' report 1

Basic financial statements:
Government-wide financial statements:
Statement of net position 3
Statement of activities 4
Fund financial statements:
Balance sheet - Governmental funds 5
Reconciliation of fund balances on the balance sheet for governmental funds to net position of governmental activities on the statement of net position 6
Statement of revenues, expenditures, and changes in fund balances - Governmental funds 7
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities 8
Statement of revenues, expenditures, and changes in fund balance - Budget and actual - General fund 9
Statement of net position - Proprietary funds 10
Statement of revenues, expenses, and changes in fund net position - Proprietary funds 11
Statement of cash flows - Proprietary funds 12
Notes to financial statements 13

Supplementary data:
Nonmajor governmental funds:
Combining balance sheet - nonmajor governmental funds 23
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds 24
Schedule of revenues, expenditures, and changes in fund balance - Budget and actual - Special revenue fund - TIA 25
Schedule of special purpose sales and use tax 26
Community Development Block Grant:
Source and application of funds status report 27
Project Cost Schedule 28
Independent auditors' 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* 29
Schedule of audit findings and responses 31

AJK

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Council
Town of Waverly Hall
Waverly Hall, Georgia 31831

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waverly Hall, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Town of Waverly Hall, Georgia.

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.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate audit evidence regarding cash, accounts receivable, accounts payable, and other liabilities because the Town's accounting records were not maintained as an adequate set of financial records.

Other Matters

Required Supplementary Information

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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, 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 Town of Waverly Hall, Georgia's basic financial statements. The other supplemental data consisting of: the combining balance sheet and statement of revenues, expenditures, and changes in fund balances for nonmajor governmental funds; the schedule of revenues, expenditures, and changes in fund balance – budget and actual – TIA Fund; the schedule of special purpose sales and use tax; the source and application of funds status report-community development block grant; and the project cost schedule – community development block grant are presented of purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and is 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the supplemental information.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Town of Waverly Hall, Georgia. Accordingly, we do not express an opinion on these financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2020, on our consideration of the Town of Waverly Hall, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Waverly Hall, Georgia's internal control over financial reporting and compliance.

AJK, LLC

Manchester, Georgia
April 24, 2020

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 973,874	$ 63,362	$ 1,037,236
Receivables (net, where applicable, of allowance for uncollectibles):			
Property taxes	135		135
Other taxes	12,650		12,650
Accounts		10,248	10,248
Grant	17,058		17,058
Restricted cash		6,627	6,627
Capital assets, not being depreciated	511,434		511,434
Capital assets, net of depreciation	986,363	582,712	1,569,075
Total assets	2,501,514	662,949	3,164,463
Liabilities			
Accounts payable	27,298	1,416	28,714
Accrued liabilities	6,578		6,578
Accrued interest payable		579	579
Customer deposits		10,540	10,540
Noncurrent liabilities:			
Due within one year	7,390	17,030	24,420
Due in more than one year	55,610	300,189	355,799
Total liabilities	96,876	329,754	426,630
Net Position			
Net investment in capital assets	1,434,797	265,493	1,700,290
Restricted for:			
Capital projects	785,212		785,212
Public works	24,961		24,961
Unrestricted	159,668	67,702	227,370
Total net position	$ 2,404,638	$ 333,195	$ 2,737,833

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees Fines and Forfeitures	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 216,424	$ 36,383			$ (180,041)		$ (180,041)
Public safety	312,090	125,085	$ 10,520		(176,485)		(176,485)
Judicial	29,265				(29,265)		(29,265)
Public works	200,029			$ 480,153	280,124		280,124
Public welfare	341,093		332,288		(8,805)		(8,805)
Culture and recreation	91,226				(91,226)		(91,226)
Interest paid on long-term debt	3,497				(3,497)		(3,497)
Total governmental activities	1,193,624	161,468	342,808	480,153	(209,195)		(209,195)
Business-type activities:							
Water	171,382	111,637				(59,745)	(59,745)
Total business-type activities	171,382	111,637				(59,745)	(59,745)
Total primary government	$ 1,365,006	$ 273,105	$ 342,808	$ 480,153	(209,195)	(59,745)	(268,940)
General revenues:							
Taxes:							
Property					93,594		93,594
Sales					160,258		160,258
Franchise					41,354		41,354
Insurance premium					48,849		48,849
Other					70,061		70,061
Interest income					159		159
Transfers					(55,749)	55,749	-
Total general revenues and transfers					358,526	55,749	414,275
Change in net position					149,331	(3,996)	145,335
Net position - Beginning					2,255,307	337,191	2,592,498
Net position - Ending					$ 2,404,638	$ 333,195	$ 2,737,833

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

TOWN OF WAVERLY HALL, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	Major Governmental Fund Types			Nonmajor Governmental Fund Types	
		Capital Projects Funds			
	General	2014 SPLOST	CDBG	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 156,737	$ 706,181		$ 110,956	$ 973,874
Receivables (net, where applicable of allowances for uncollectibles):					
Property taxes	135				135
Other taxes	12,650				12,650
Grant			$ 17,058		17,058
Total assets	$ 169,522	$ 706,181	$ 17,058	$ 110,956	$ 1,003,717
Liabilities					
Accounts payable	$ 10,240		$ 17,058		$ 27,298
Accrued liabilities	6,578				6,578
Total liabilities	16,818	$ -	17,058	$ -	33,876
Fund Balances					
Fund balances:					
Restricted for:					
Capital projects		706,181		79,031	785,212
Public works				24,961	24,961
Committed for:					
Debt service				6,964	6,964
Unassigned	152,704				152,704
Total fund balances	152,704	706,181	-	110,956	969,841
Total liabilities and fund balances	$ 169,522	$ 706,181	$ 17,058	$ 110,956	$ 1,003,717

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

TOWN OF WAVERLY HALL, GEORGIA
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION
June 30, 2018

Fund balances - Total governmental funds	$	969,841
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:		
Add - Capital assets		2,525,297
Deduct - Accumulated depreciation		(1,027,500)
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position.		
General obligation bonds payable		(63,000)
Net position of governmental activities	$	2,404,638

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Major Governmental Fund Types			Nonmajor Governmental Fund Types	
		Capital Projects Funds			
	General	2014 SPLOST	CDBG	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	$ 106,238				$ 106,238
Sales	143,374			$ 16,884	160,258
Franchise	41,354				41,354
Insurance premium	48,849				48,849
Other	70,061				70,061
Licenses and permits	9,474				9,474
Intergovernmental		$ 390,379		87,841	478,220
Grants and subsidies			$ 331,288		331,288
Fees, fines and forfeitures	125,085				125,085
Investment income	113	1,933		46	2,092
Other revenue	38,429				38,429
Total revenues	582,977	392,312	331,288	104,771	1,411,348
Expenditures:					
Current:					
General government	195,588				195,588
Judicial	29,265				29,265
Public safety	249,173				249,173
Public works	75,678			12,475	88,153
Public welfare	9,805		331,288		341,093
Culture and recreation	6,016				6,016
Capital Outlay:					
General government				9,380	9,380
Public safety		172,502		998	173,500
Public works		109,519			109,519
Culture and recreation		481,761			481,761
Debt Service:					
Principal	6,940				6,940
Interest	3,497				3,497
Total expenditures	575,962	763,782	331,288	22,853	1,693,885
Excess (deficiency) of revenues over (under) expenditures	7,015	(371,470)	-	81,918	(282,537)
Other financing sources (uses):					
Transfers out	(13,858)	(41,891)			(55,749)
Total other financing sources (uses)	(13,858)	(41,891)	-	-	(55,749)
Net changes in fund balances	(6,843)	(413,361)	-	81,918	(338,286)
Fund balances at beginning of year	159,547	1,119,542	-	29,038	1,308,127
Fund balances at end of year	$ 152,704	$ 706,181	$ -	$ 110,956	$ 969,841

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

TOWN OF WAVERLY HALL, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Net changes in fund balances - Total governmental funds	$	(338,286)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays. 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 outlay ($573,842) exceeded depreciation ($80,521) in the current period.		493,321
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This adjustment combines the net change in the following:		
Deferred property tax		(12,644)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activites, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net change in the following:		
General obligation bonds payable		6,940
Change in net position of governmental activities	$	149,331

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes:			
Property	$ 109,200	$ 106,238	$ (2,962)
Sales	120,500	143,374	22,874
Franchise	43,600	41,354	(2,246)
Insurance premium	48,000	48,849	849
Other	63,000	70,061	7,061
Licenses and permits	11,250	9,474	(1,776)
Fees, fines and forfeitures	75,627	125,085	49,458
Investment income		113	113
Other revenue	17,224	38,429	21,205
Total revenues	488,401	582,977	94,576
Expenditures:			
Current:			
General government:			
Mayor and council	9,600	8,100	1,500
Administration	29,400	44,717	(15,317)
Financial administration	5,900	7,425	(1,525)
Elections	10,000	32	9,968
General government	99,704	135,314	(35,610)
Judicial:			
Judge	1,000	1,147	(147)
Court	16,055	28,118	(12,063)
Public safety:			
Police	206,945	222,801	(15,856)
Fire	20,484	26,372	(5,888)
Public works:			
Streets	64,060	75,678	(11,618)
Public welfare:			
Senior assistance	2,550	2,292	258
Community involvement	3,860	7,513	(3,653)
Culture and recreation:			
Parks and recreation	8,500	6,016	2,484
Debt Service:			
Principal	6,520	6,940	(420)
Interest	3,823	3,497	326
Total expenditures	488,401	575,962	(87,561)
Excess (deficiency) of revenues over (under) expenditures	-	7,015	7,015
Other financing sources (uses):			
Transfers out		(13,858)	(13,858)
Total other financing sources (uses)	-	(13,858)	(13,858)
Net changes in fund balances	-	(6,843)	(6,843)
Fund balances at beginning of year	159,547	159,547	-
Fund balances at end of year	$ 159,547	$ 152,704	$ (6,843)

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-Type Activities Major Fund Type
	Water
Assets	
Current assets:	
Cash and cash equivalents	$ 63,362
Receivables (net of allowance for uncollectibles)	10,248
Restricted cash	6,627
Total current assets	80,237
Noncurrent assets:	
Capital assets, net of depreciation	582,712
Total noncurrent assets	582,712
Total assets	662,949
Liabilities	
Current liabilities:	
Accounts payable	1,416
Accrued interest payable	579
Customer deposits	10,540
Notes payable, current portion	17,030
Total current liabilities	29,565
Noncurrent liabilities:	
Notes payable	300,189
Total noncurrent liabilities	300,189
Total liabilities	329,754
Net Position	
Net investment in capital assets	265,493
Unrestricted	67,702
Total net position	$ 333,195

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities Major Fund Type
	Water
Operating revenues:	
Charges for services:	
Sales	$ 111,637
Total operating revenues	111,637
Operating expenses:	
Cost of sales and services	18,924
Administration	71,755
Contractual and other services	43,290
Depreciation	30,464
Total operating expenses	164,433
Operating income (loss)	(52,796)
Nonoperating revenues (expenses):	
Interest expense	(6,949)
Total nonoperating revenues (expenses)	(6,949)
Income (loss) before transfers	(59,745)
Transfers in	55,749
Change in net position	(3,996)
Net position, at the beginning of the year	337,191
Net position, at the end of the year	$ 333,195

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities Major Fund Type	
		Water
Cash flows from operating activities:		
Receipts from customers	$	110,209
Payments to employees for services		(54,170)
Payments to suppliers of goods and services		(80,468)
Net cash provided (used) by operating activities		(24,429)
Cash flows from noncapital financing activities:		
Transfers in		55,749
Net cash provided (used) by noncapital financing activities		55,749
Cash flows from capital and related financing activities:		
Purchase of capital assets		(24,365)
Principal paid on capital debt		(16,672)
Interest paid on capital debt		(6,949)
Net cash provided (used) by capital and related financing activities		(47,986)
Net increase (decrease) in cash and cash equivalents		(16,666)
Cash at beginning of year		86,655
Cash at end of year	$	69,989
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	$	(52,796)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		30,464
(Increase) or decrease in:		
Accounts receivable		539
Increase (decrease) in:		
Accounts payable		(669)
Customer deposits		(1,967)
Net cash provided (used) by operating activities	$	(24,429)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Waverly Hall, Georgia (the Town) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

The Town of Waverly Hall, Georgia operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, public works, development, culture, recreation, and public utilities. The Mayor and Town Council are elected by the citizens of Waverly Hall and as such have the decision-making authority over the Town.

The Town is not included in any other "reporting entity" as defined by the Governmental Accounting Standards Board. As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Based on these criteria, the Town of Waverly Hall has no component units.

A. 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 nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column on the governmental and proprietary fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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, including property taxes, 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 Town 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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants from other governments, charges for services and interest 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 Town.

The Town reports the following major governmental funds:

General Fund - This is the operating fund of the Town. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

2014 SPLOST Fund - This is the capital project fund which accounts for the acquisition of capital assets or construction of major capital projects.

CDBG Fund - This is a capital project fund which accounts for activity related to the Town's community development projects.

The Town reports the following major proprietary funds:

Water Fund - This fund accounts for activities of the government's water activities including water supply and wastewater treatment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the Town. 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, including special assessments. 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 *nonoperating* 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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 nonoperating revenues and expenses.

The Town's net position is reported in three parts: 1) net investment in capital assets; 2) restricted net position; and 3) unrestricted net position. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Budgets and Budgetary Accounting

An annual budget is legally adopted for the General Fund and Special Revenue Funds. The capital project funds representing the Special Purpose Local Option Sales Tax (2014 SPLOST) and CDBG adopt their budgets on a project length basis instead of an annual budget. The Budget Committee prepares the proposed budget, which is submitted to the Town Council for review. The Council holds a public budget hearing, and afterward adopts the official Town budget. The legal level of control (the level at which expenditures may not legally exceed the budget) is exercised by the Town Council on a departmental basis. The Council may amend the budget when unexpected modifications are required.

Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget amounts shown in these financial statements include any amendments approved by the Town council during the year.

D. Cash and Investments

The Town'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, and nonnegotiable certificates of deposit regardless of maturity.

Statutes authorize the Town to invest in obligations of the United States and its agencies and in certificates of deposit of banks which have deposits insured by the Federal Deposit Insurance Corporation (FDIC) provided, however, that the portion of such certificates of deposit in excess of the amount insured by the FDIC is adequately collateralized.

The Town has no investments.

E. Compensated absences

Vacation and sick leave does not accumulate for the Town's employees. Terminated employees may not receive unused sick or vacation pay; therefore, no accrual for earned but unpaid leave has been made in the financial statements.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

G. Revenue Recognition - Property Taxes

The Town's property taxes are normally levied each October on the assessed value as of the prior January 1 for all real and business personal property located within the Town limits. Taxes are due sixty days after the levy date. Taxes not paid thirty days after the due date are considered to be delinquent.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. An allowance for uncollectible taxes is provided for delinquent taxes.

H. Inventory and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market and consists of expendable supplies. The Town uses the "consumption" method to record inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Restricted Cash

Certain cash in the proprietary funds of the Town is restricted for debt service related to a note payable obtained by the Water Fund.

J. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of three years. Infrastructure assets acquired or constructed after July 1, 2003 will be capitalized. Prior infrastructure assets have not been capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The costs of normal maintenance and repairs to all capital assets that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	50-60 years
Improvements	30 years
Vehicles	7 years
Equipment	10 years
Sidewalks	40 years
Water distribution	50 years
Sewer distribution	50 years

K. Long-Term Obligations

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

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. Premiums received on debt issuances are 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.

L. Fund Equity

The Town has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength to the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory or prepaid items) or are required to be maintained intact;
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- **Committed fund balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- **Assigned fund balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- **Unassigned fund balance** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget documentation as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for a specific purpose (such as purchase of capital assets, construction, debt service, or for other purposes). It is the Town's policy to use restricted fund balances first, assigned, followed by committed, and then unassigned amounts, respectively.

M. Deferred outflows/inflows of resources

In addition to assets, the financial statements of the Town will sometimes report a separate section for deferred outflows of resources. This separate 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 in the form of expense or expenditure until that time. Currently, the Town has no items that qualify for reporting as a deferred outflow of resources.

Also, in addition to liabilities, the financial statement of the Town will sometimes report a separate section for deferred inflows of resources. This separate element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources in the form of revenue until that time. Currently, the Town of has no items that qualify for reporting as a deferred inflow of resources.

N. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

O. Use of Estimates to Prepare Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

P. Subsequent Events

Subsequent events have been evaluated by management through April 24, 2020 which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

At year end, the carrying amount of the Town's deposits was $1,043,863 and the bank balance was $1,060,108. Of the bank balance, $250,000 was covered by federal depository insurance and $810,108 was covered by collateral held in the pledging bank's trust department or by its agent in the Town's name.

The Town does not have a deposit policy for custodial credit risk.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 214,264			$ 214,264
Construction in progress		$ 297,170		297,170
Total capital assets, not being depreciated	214,264	297,170	$ -	511,434
Capital assets being depreciated:				
Improvements	269,850			269,850
Buildings	807,077	147,050		954,127
Equipment	407,141	62,733		469,874
Vehicles	253,123	66,889		320,012
Total capital assets being depreciated	1,737,191	276,672	-	2,013,863
Less, accumulated depreciation for:				
Improvements	(96,595)	(10,426)		(107,021)
Buildings	(301,412)	(17,143)		(318,555)
Equipment	(344,861)	(28,569)		(373,430)
Vehicles	(204,111)	(24,383)		(228,494)
Total accumulated depreciation	(946,979)	(80,521)	-	(1,027,500)
Total capital assets being depreciated, net	790,212	196,151	-	986,363
Total governmental activities capital assets, net	$ 1,004,476	$ 493,321	$ -	$1,497,797

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Buildings	$ 14,894			$ 14,894
Vehicles	26,253	$ 24,365		50,618
Equipment	85,773			85,773
Water distribution system	1,004,205			1,004,205
Sewerage treatment plant	113,778			113,778
Total capital assets being depreciated	1,244,903	24,365	$ -	1,269,268
Less, accumulated depreciation for:				
Buildings	(8,745)	(745)		(9,490)
Vehicles	(18,464)	(1,907)		(20,371)
Equipment	(77,400)	(4,140)		(81,540)
Water distribution system	(437,706)	(23,672)		(461,378)
Sewerage treatment plant	(113,777)			(113,777)
Total accumulated depreciation	(656,092)	(30,464)	-	(686,556)
Total business-type activities capital assets, net	$ 588,811	$ (6,099)	$ -	$ 582,712

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

Governmental activities:	
General government	$ 11,456
Public safety	53,272
Public works	2,357
Culture and recreation	13,436
Total depreciation expense - Governmental activities	$ 80,521
Business-type activities:	
Water	$ 30,464

5. LONG-TERM DEBT

A. General Obligation Bonds

In 1996, the Town issued general obligation bonds in the amount of $150,000 to finance construction of a fire department building. Bods are payable in annual installments including interest. The bonds are paid from General Fund revenues including an annual stipend from Harris County.

General obligation bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Construction of Fire Department Building	5.00%	$ 63,000

General obligation bond debt service requirements maturity are as follows:

Year ending June 30:	Principal	Interest
2019	$ 7,390	$ 3,150
2020	7,870	2,781
2021	8,380	2,387
2022	8,930	1,968
2023	9,510	1,522
2024-2025	20,920	1,585
	$ 63,000	$ 13,393

B. Notes Payable

During the year ended June 30, 2015, the Town entered into a note payable agreement with the Georgia Environmental Finance Authority (GEFA) to finance water system improvements. The original amount of this note was $385,000, it is payable in monthly installments of $1,968 including interest at 2.13%, and it is being repaid through Water Fund revenue.

Cash in the amount of $6,662 is set aside in a sinking fund to repay the debt.

Debt service requirements to maturity on the note is as follows:

Year ending June 30:	Principal	Interest
2019	$ 17,030	$ 6,591
2020	17,396	6,225
2021	17,770	5,851
2022	18,153	5,468
2023	18,543	5,078
2024-2028	98,872	19,233
2029-2033	109,973	8,132
2034	19,482	191
	$ 317,219	$ 56,769

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General obligation bonds	$ 69,940	$ -	$(6,940)	$ 63,000	$ 7,390
Governmental activity long-term liabilities	$ 69,940	$ -	$(6,940)	$ 63,000	$ 7,390
Business-type activities:					
Note payable	$ 333,891	$ -	$(16,672)	$ 317,219	$ 17,030
Business-type activities long-term liabilities	$ 333,891	$ -	$(16,672)	$ 317,219	$ 17,030

6. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2018 were as follows:

Transfers from	Transfers To	
	Water Fund	Total
General Fund	$ 13,858	$ 13,858
2014 SPLOST	41,891	41,891
Total	$ 55,749	$ 55,749

Transfers are used to transfer funds for capital projects between the 2014 SPLOST fund and water fund for SPLOST approved projects. Transfers made between the general fund and the water fund were to supplement operations.

7. RISK MANAGEMENT

The Town is exposed to various forms of risk of loss to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all of these categories except natural disasters, for which the Town is self-insured. Because of no recent history or loss from natural disasters, no estimated liability has been recorded.

There have been no decreases in insurance coverage from the prior year. Settled claims have not exceeded excess coverage in any of the past three years.

The Town is also a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As a part of this risk pool, the Town is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with and coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Town is also to allow the pool's agents and attorneys to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by the fund.

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

8. COMMITMENTS AND CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Town does not contribute to state unemployment funds. Instead, the Town directly reimburses the State for unemployment benefits actually paid during each year. At June 30, 2018, there were no unpaid claims that Town management believes to be material.

9. JOINT VENTURE

Under Georgia law, the Town, in conjunction with the other municipalities and county governments in a sixteen-county area, is a member in the River Valley Regional Commission (RC) and is required to pay dues thereto. During the year ended June 30, 2018, the Town paid $823 in membership dues. Membership in the RC is required under O.C.G.A. Section 50-8-34. The RC governing board included the chief elected official of each county and municipality included in the RC area. Member governments are liable for any debts or obligations incurred by the RC.

Separate RC financial statements may be obtained from:

River Valley Regional Commission
P.O. Box 1908
Columbus, Georgia 31902

11. FUND BALANCES

All funds operated by the Town had positive fund balances at June 30, 2018.

TOWN OF WAVERLY HALL, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Fund	Capital Projects Fund		Total Nonmajor Governmental Funds
	TIA	2009 SPLOST	Debt Service	
Assets				
Cash and cash equivalents	$ 24,961	$ 79,031	$ 6,964	$ 110,956
Total assets	$ 24,961	$ 79,031	$ 6,964	$ 110,956
Liabilities and fund balance				
Liabilities:				
Total liabilities	$ -	$ -	$ -	$ -
Fund balance:				
Restricted for:				
Public works	24,961			24,961
Capital projects		79,031		79,031
Committed for:				
Debt service			6,964	6,964
Total fund balance	24,961	79,031	6,964	110,956
Total liabilities and fund balance	$ 24,961	$ 79,031	$ 6,964	$ 110,956

TOWN OF WAVERLY HALL, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Special Revenue Fund	Capital Projects Fund		Total Nonmajor Governmental Funds
	TIA	2009 SPLOST	Debt Service	
Revenues:				
Sales tax	$ 16,884			$ 16,884
Intergovernmental		$ 87,841		87,841
Investment income	40		$ 6	46
Total revenues	16,924	87,841	6	104,771
Expenditures:				
Current:				
Public works	12,475			12,475
Capital outlay		10,378		10,378
Total expenditures	12,475	10,378	-	22,853
Excess of revenues over (under) expenditures	4,449	77,463	6	81,918
Net change in fund balance	4,449	77,463	6	81,918
Fund balance, beginning of year	20,512	1,568	6,958	29,038
Fund balance, end of year	$ 24,961	$ 79,031	$ 6,964	$ 110,956

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TIA
Year Ended June 30, 2018

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Sales tax	$ 12,500	$ 16,884	4,384
Investment income		40	40
Total revenues	12,500	16,924	4,424
Expenditures:			
Current:			
Public works:			
Streets	12,500	12,475	25
Total expenditures	12,500	12,475	25
Excess (deficiency) of revenues over (under) expenditures	-	4,449	4,449
Net changes in fund balances	-	4,449	4,449
Fund balances at beginning of year	20,512	20,512	-
Fund balances at end of year	$ 20,512	$ 24,961	$ 4,449

TOWN OF WAVERLY HALL, GEORGIA
SCHEDULE OF SPECIAL PURPOSE SALES AND USE TAX
Year Ended June 30, 2018

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Special Local Option Sales Tax - 2009					
Government buildings	$ 50,000	$ 78,300	$ 60,190	$ 9,380	$ 69,570
Fire department building and equipment	100,000	120,000	131,467		131,467
Police department equipment	45,000	71,700	58,698	998	59,696
Recreational facilities	100,000	100,000	100,000		100,000
Water system improvements	175,000	80,000	26,643		26,643
Street improvements	30,000	50,000	41,445		41,445
	$ 500,000	$ 500,000	$ 418,443	$ 10,378	$ 428,821
Special Local Option Sales Tax - 2014					
Fire department building and equipment	$ 101,000	$ 101,000		$ 100,761	$ 100,761
Baseball and tennis facilities	850,000	850,000	$ 32,795	138,814	171,609
Gym renovation and walking trail	200,000	200,000	4,100	157,430	161,530
Football facility	450,000	450,000		185,517	185,517
Police department equipment	126,000	126,000	9,111	71,740	80,851
Renovation for community center	150,000	150,000	6,740		6,740
Water system improvements	100,000	100,000		41,891	41,891
Street improvements	200,000	200,000		109,520	109,520
	$ 2,177,000	$ 2,177,000	$ 52,746	$ 805,673	$ 858,419

TOWN OF WAVERLY HALL, GEORGIA
SOURCE AND APPLICATION OF FUNDS STATUS REPORT
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2018

CDBG 12p-x-072-2-5488:

Total grant	$	500,000
Less, total funds drawn down by recipient for the year ended:		
June 30, 2018		(331,288)
June 30, 2017		-
June 30, 2016		-
June 30, 2015		(59,030)
June 30, 2014		(25,865)
June 30, 2013		(20,062)
Program funds available for future drawn down	$	63,755
Total program funds drawn down by recipient for the year ended June 30, 2018	$	331,288
Add, program income applicable to the year ended June 30, 2018		-
Total program funds drawn down by recipient and program income for the year ended June 30, 2018	$	331,288

TOWN OF WAVERLY HALL, GEORGIA
PROJECT COST SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2018

Activity:	Revised Budgeted Expenditures	Year Ended June 30, 2018	Prior Years	Questioned Cost
CDBG 12p-x-072-2-5488				
P-001-01	$ 36,046	$ 28,046	$ 8,000	None
C-022-00	1,322			
P03J-02	46,200	4,620	41,580	None
T-03K-00	29,107	1,080	28,377	None
P-03K-02	357,325	297,542		None
A-21A-00	30,000		27,000	
	$ 500,000	$ 331,288	$ 104,957	

AJK

AJK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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(706) 846-8401 ☐ Fax (706) 846-3370

INDEPENDENT AUDITORS' 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*

Honorable Mayor and
Members of Town Council
Waverly Hall, Georgia

We were engaged to audit, in accordance with the 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 Town of Waverly Hall, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Waverly Hall, Georgia's basic financial statements and have issued our report thereon dated April 24, 2020. Our report disclaims an opinion on such financial statements because of we were unable to obtain sufficient appropriate audit evidence regarding cash, accounts receivable, accounts payable, and other liabilities because the Town's accounting records were not maintained as an adequate set of financial records. Therefore, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Town of Waverly Hall, Georgia. Accordingly, we do not express an opinion on these financial statements.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the Town of Waverly Hall, Georgia, we considered the Town of Waverly Hall, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waverly Hall, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Waverly Hall, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of audit findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of audit findings and responses to be material weaknesses as noted as item 18-3 through 18-5.

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. We consider the deficiencies described in the accompanying schedule of audit findings and responses to be significant deficiencies as noted as 18-1 through 18-2.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Town of Waverly Hall, Georgia, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Town of Waverly Hall, Georgia's Response to Findings

Town of Waverly Hall, Georgia's response to the findings identified in our engagement is described in the accompanying schedule of audit findings and responses. Town of Waverly Hall, Georgia's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit 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.

AJK, LLC

Manchester, Georgia
April 24, 2020

MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES

18-1 Segregation of Duties

Condition and Criteria: Due to the small size of the Town's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and cash disbursements functions. Management should implement other internal controls in areas where segregation of duties are not practical.

Effect: Failure to implement offsetting controls in the cash receipts and disbursements functions could result in unauthorized or fraudulent transactions.

Recommendation: We recommend the Town Council implement other internal controls in areas where segregation of duties is not practical.

Response: We concur and will implement offsetting controls when practical.

18-2 Controls Over Financial Statement Preparation

Condition and Criteria: Town personnel do not currently possess the skills necessary to prepare the financial statements and related footnote disclosure in accordance with generally accepted accounting principles. This could result in the omission of a material financial statement element or disclosure that might not be detected by management.

Effect: The deficiency identified above could result in a material misstatement to the Town's financial statements that would not be prevented or detected on a timely basis.

Recommendation: The Town should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

Response: We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

18-3 Inadequate Documentation Maintained

Condition and Criteria: During our audit, we noted a significant amount of critical documentation was missing from the records maintained by the Town. While performing our test work, we noted several invoices, bank statements, and other documentation that should be maintained to support the records of the Town were missing.

Effect: Failure to maintain complete documentation for deposits and disbursements can result in unauthorized and fraudulent transactions. Unauthorized and fraudulent transactions could significantly misstate the financial statements.

Recommendation: Every transaction should have supporting documentation. Deposits should be supported by a receipt system, and disbursements should be supported with an invoice and proper approval should be documented.

Response: We concur.

18-4 Improper or Lack of Approval of Disbursements

Condition and Criteria:	During our audit, we noted several disbursements with improper or lack of appropriate approval. Nonrecurring disbursements exceeding a certain dollar amount require approval from council. Several disbursements we examined required additional approval from council, but was not noted.
Effect:	Lack of approval of significant disbursements is a violation of the Town's charter and employee policy. This is also an internal control issue. Improper or lack of approval of disbursements could result in fraudulent transactions which could significantly misstate the financial statements.
Recommendation:	All disbursements exceeding the specified dollar amount should be approved by council before they are distributed to the payee. Approval should be noted on the invoice or within the Town minutes.
Response:	We concur.

18-5 Lack of Approval of Water Billing Adjustments

Condition and Criteria:	During our audit, we noted that all water customers' bills were adjusted a significant amount during the month of April 2018. No accompanying approval was noted from Town council regarding this adjustment. The water department head (a Town council member) did not bring the matter before council before making the adjustments.
Effect:	Improper or lack of approval of adjustments to customers' bills could result in a misstatement of the financial statements.
Recommendation:	All significant adjustments to water bills should be approved by Town council. This approval should be documented within the Town minutes.
Response:	We concur.