TOWN OF
WAVERLY HALL, GEORGIA

FINANCIAL STATEMENTS

Year Ended June 30, 2020

AJK

TOWN OF WAVERLY HALL, GEORGIA
FINANCIAL STATEMENTS
Year Ended June 30, 2020

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AJK, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waverly Hall, Georgia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Waverly Hall, Georgia'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and TIA Fund of the Town of Waverly Hall, Georgia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waverly Hall, Georgia's basic financial statements. The other supplemental information consisting of the schedule of special purpose sales tax and use tax and the Community Development Block Grant's source and application of funds status report and project cost schedule, are presented for 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Waverly Hall, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waverly Hall, Georgia's internal control over financial reporting and compliance.

AJK, LLC

Manchester, Georgia
June 28, 2021

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 528,236	$ 24,308	$ 552,544
Receivables (net, where applicable, of allowance for uncollectibles):			
Sales taxes	15,303		15,303
Accounts		18,464	18,464
Internal balance	13,269	(13,269)	-
Restricted cash		5,835	5,835
Capital assets, not being depreciated	713,517		713,517
Capital assets, net of depreciation	1,357,447	544,200	1,901,647
Total assets	2,627,772	579,538	3,207,310
Liabilities			
Accounts payable	2,609	308	2,917
Accrued liabilities	4,911		4,911
Unearned revenue	54,582		54,582
Customer deposits		11,310	11,310
Long-term debt:			
Due within one year	8,380	15,693	24,073
Due in more than one year	39,360	267,100	306,460
Total liabilities	109,842	294,411	404,253
Net Position			
Net investment in capital assets	2,023,224	261,407	2,284,631
Restricted for:			
Capital projects	278,961		278,961
Public works	42,692		42,692
Unrestricted	173,053	23,720	196,773
Total net position	$ 2,517,930	$ 285,127	$ 2,803,057

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

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	$ 249,235	$ 15,957			$ (233,278)		$ (233,278)
Public safety	333,698	177,548	$ 24,315	$ 76,571	(55,264)		(55,264)
Judicial	44,707				(44,707)		(44,707)
Public works	411,025			100,654	(310,371)		(310,371)
Public welfare	6,508				(6,508)		(6,508)
Culture and recreation	24,554				(24,554)		(24,554)
Interest paid on long-term debt	2,781				(2,781)		(2,781)
Total governmental activities	1,072,508	193,505	24,315	177,225	(677,463)		(677,463)
Business-type activities:							
Water	164,618	143,071				(21,547)	(21,547)
Total business-type activities	164,618	143,071				(21,547)	(21,547)
Total primary government	$ 1,237,126	$ 336,576	$ 24,315	$ 177,225	(677,463)	(21,547)	(699,010)
General revenues:							
Taxes:							
Property					129,828		129,828
Sales					184,033		184,033
Franchise					41,092		41,092
Insurance premium					55,959		55,959
Other					31,857		31,857
Interest income					186		186
Transfers					(19,339)	19,339	-
Total general revenues and transfers					423,616	19,339	442,955
Change in net position					(253,847)	(2,208)	(256,055)
Net position - Beginning					2,771,777	287,335	3,059,112
Net position - Ending					$ 2,517,930	$ 285,127	$ 2,803,057

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

TOWN OF WAVERLY HALL, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	Major Governmental Fund Types			Nonmajor Governmental Fund Types	
	General	SPLOST	TIA	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 172,985	$ 278,961	$ 69,311	$ 6,979	$ 528,236
Receivables (net, where applicable of allowances for uncollectibles):					
Sales taxes	15,303				15,303
Due from other funds	13,269				13,269
Total assets	$ 201,557	$ 278,961	$ 69,311	$ 6,979	$ 556,808
Liabilities					
Accounts payable	$ 2,609				$ 2,609
Accrued liabilities	4,911				4,911
Due to other funds					-
Unearned revenue	54,582				54,582
Total liabilities	62,102	$ -	$ -	$ -	62,102
Fund Balances					
Fund balances:					
Restricted for:					
Capital projects		278,961			278,961
Public works			69,311		69,311
Committed for:					
Debt service				6,979	6,979
Unassigned	139,455				139,455
Total fund balances	139,455	278,961	69,311	6,979	494,706
Total liabilities and fund balances	$ 201,557	$ 278,961	$ 69,311	$ 6,979	$ 556,808

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, 2020

Fund balances - Total governmental funds	$ 494,706
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	3,273,236
Deduct - Accumulated depreciation	(1,202,272)
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	(47,740)
Net position of governmental activities	$ 2,517,930

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, 2020

	Major Governmental Fund Types			Nonmajor Governmental Fund Type	
	General	SPLOST	TIA	Debit Service Fund	Total Governmental Funds
Revenues:					
Taxes:					
Property	$ 129,828				$ 129,828
Sales	165,063		$ 18,970		184,033
Franchise	41,092				41,092
Insurance premium	55,959				55,959
Other	31,857				31,857
Licenses and permits	10,845				10,845
Intergovernmental	24,315	$ 99,384			123,699
Grants and subsidies	76,571				76,571
Fees, fines and forfeitures	177,548				177,548
Investment income	118	1,270	61	$ 7	1,456
Other revenue	5,112				5,112
Total revenues	718,308	100,654	19,031	7	838,000
Expenditures:					
Current:					
General government	233,242				233,242
Judicial	45,955				45,955
Public safety	270,824				270,824
Public works	51,448		1,324		52,772
Public welfare	6,508				6,508
Culture and recreation	5,914				5,914
Capital Outlay:					
General government		20,368			20,368
Public safety	93,041				93,041
Public works		356,948			356,948
Culture and recreation		24,687			24,687
Debt Service:					
Principal	7,870				7,870
Interest	2,781				2,781
Total expenditures	717,583	402,003	1,324	-	1,120,910
Excess (deficiency) of revenues over (under) expenditures	725	(301,349)	17,707	7	(282,910)
Other financing sources (uses):					
Transfers in			26,619		26,619
Transfers out	(26,619)	(19,339)			(45,958)
Total other financing sources (uses)	(26,619)	(19,339)	26,619	-	(19,339)
Net changes in fund balances	(25,894)	(320,688)	44,326	7	(302,249)
Fund balances at beginning of year	165,349	599,649	24,985	6,972	796,955
Fund balances at end of year	$ 139,455	$ 278,961	$ 69,311	$ 6,979	$ 494,706

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, 2020

Net changes in fund balances - Total governmental funds	$ (302,249)
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 ($136,225) exceeded depreciation ($95,693) in the current period.	40,532
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	7,870
Change in net position of governmental activities	$ (253,847)

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, 2020

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes:			
Property	$ 166,000	$ 129,828	$ (36,172)
Sales	145,000	165,063	20,063
Franchise	47,737	41,092	(6,645)
Insurance premium	54,000	55,959	1,959
Other	11,050	31,857	20,807
Licenses and permits	7,700	10,845	3,145
Intergovernmental	14,000	24,315	10,315
Grants and subsidies		76,571	76,571
Fees, fines and forfeitures	183,500	177,548	(5,952)
Investment income		118	118
Other revenue	2,150	5,112	2,962
Total revenues	631,137	718,308	87,171
Expenditures:			
Current:			
General government:			
Mayor and council	9,000	8,100	900
Administration	65,994	135,804	(69,810)
Financial administration	5,000	850	4,150
Elections	150	1,199	(1,049)
General government	129,620	87,289	42,331
Total general government	209,764	233,242	(23,478)
Judicial system:			
Judge	12,000	6,640	5,360
Court	38,754	39,315	(561)
Total judicial system	50,754	45,955	4,799
Public safety:			
Police	281,509	235,853	45,656
Fire	36,210	34,971	1,239
Total public safety	317,719	270,824	46,895
Public works:			
Streets	31,800	51,448	(19,648)

(Continue...)

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, 2020
(Continued)

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public welfare:			
Senior assistance	2,500	2,708	(208)
Community involvement	6,500	3,800	2,700
Total public welfare	9,000	6,508	2,492
Culture and recreation:			
Parks and recreation	6,700	5,914	786
Debt Service:			
Principal		7,870	(7,870)
Interest		2,781	(2,781)
Total debt service	-	10,651	(10,651)
Capital outlay:			
General government	2,000		2,000
Public safety	1,000	93,041	(92,041)
Culture and recreation	2,400		2,400
Total capital outlay	5,400	93,041	(87,641)
Total expenditures	631,137	717,583	(86,446)
Excess (deficiency) of revenues over (under) expenditures	-	725	725
Other financing sources (uses):			
Transfers out		(26,619)	(26,619)
Total other financing sources (uses)	-	(26,619)	(26,619)
Net changes in fund balances	-	(25,894)	(25,894)
Fund balances at beginning of year	165,349	165,349	-
Fund balances at end of year	$ 165,349	$ 139,455	$ (25,894)

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
SPECIAL REVENUE FUND - TIA
Year Ended June 30, 2020

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Sales tax	$ 18,970	$ 18,970	$ -
Investment income	61	61	-
Total revenues	19,031	19,031	-
Expenditures:			
Current:			
Public works:			
Streets	1,324	1,324	-
Total expenditures	1,324	1,324	-
Excess (deficiency) of revenues over (under) expenditures	17,707	17,707	-
Other financing sources (uses):			
Transfers out		26,619	26,619
Total other financing sources (uses)	-	26,619	26,619
Net changes in fund balances	17,707	44,326	26,619
Fund balances, beginning of year	24,985	24,985	-
Fund balances, end of year	$ 42,692	$ 69,311	$ 26,619

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-Type Activities Major Fund Type
	Water
Assets	
Current assets:	
Cash and cash equivalents	$ 24,308
Receivables (net of allowance for uncollectibles)	18,464
Restricted cash	5,835
Total current assets	48,607
Noncurrent assets:	
Capital assets, net of depreciation	544,200
Total noncurrent assets	544,200
Total assets	592,807
Liabilities	
Current liabilities:	
Accounts payable	308
Due to other funds	13,269
Customer deposits	11,310
Notes payable, current portion	15,693
Total current liabilities	40,580
Noncurrent liabilities:	
Notes payable	267,100
Total noncurrent liabilities	267,100
Total liabilities	307,680
Net Position	
Net investment in capital assets	261,407
Unrestricted	23,720
Total net position	$ 285,127

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, 2020

	Business-Type Activities Major Fund Type
	Water
Operating revenues:	
Charges for services:	
Sales	$ 143,071
Total operating revenues	143,071
Operating expenses:	
Cost of sales and services	55,296
Administration	55,919
Contractual and other services	14,289
Depreciation	32,891
Total operating expenses	158,395
Operating income (loss)	(15,324)
Nonoperating revenues (expenses):	
Interest expense	(6,223)
Total nonoperating revenues (expenses)	(6,223)
Income (loss) before transfers	(21,547)
Transfers in	19,339
Change in net position	(2,208)
Net position, at the beginning of the year	287,335
Net position, at the end of the year	$ 285,127

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, 2020

	Business-Type Activities Major Fund Type
	Water
Cash flows from operating activities:	
Receipts from customers and users	$ 137,045
Payments to employees for services	(43,819)
Payments to suppliers of goods and services	(82,859)
Net cash provided (used) by operating activities	10,367
Cash flows from capital and related financing activities:	
Transfers in	19,339
Purchase of capital assets	(24,982)
Principal paid on capital debt	(17,397)
Interest paid on capital debt	(6,223)
Net cash provided (used) by capital and related financing activities	(29,263)
Net increase (decrease) in cash and cash equivalents	(18,896)
Cash at beginning of year	49,039
Cash at end of year	$ 30,143
Report on balance sheet as:	
Cash	$ 24,308
Restricted cash	5,835
Total cash per balance sheet	$ 30,143
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	$ (15,324)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	32,891
(Increase) or decrease in:	
Accounts receivable	(5,645)
Increase (decrease) in:	
Accounts payable	(1,174)
Due to other funds	(851)
Customer deposits	470
Net cash provided (used) by operating activities	$ 10,367

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 except those required to be accounted for in another fund.

SPLOST Fund - This is the capital project fund established to account for the Town's portion of SPLOST funds received from the County for the purpose of improvements or acquisition of assets or construction of major capital projects.

TIA Fund - This is a special revenue fund established to account for the Town's share of Transportation Investment Act sales tax.

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.

Additionally, the Town reports the following nonmajor governmental funds:

Debt Service Fund – This is a fund established to account for cash reserved that is used to pay for the interest and principal payments on certain types of debt.

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 Fund. The capital project fund representing the Special Purpose Local Option Sales Tax adopt their budget 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 uncollectable.

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	10-30 years
Vehicles	5-7 years
Equipment	3-10 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 June 28, 2021, 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 558,379, which includes $183 petty cash; and the bank balance was $568,770. Of the bank balance, $371,653 was covered by federal depository insurance and $197,117 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.

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 713,517			$ 713,517
Construction in progress	297,170		$ (297,170)	
Total capital assets, not being depreciated	1,010,687	$ -	(297,170)	713,517
Capital assets being depreciated:				
Improvements	269,850	316,283		586,133
Buildings	954,127	5,270		959,397
Equipment	568,660	111,842		680,502
Vehicles	333,687			333,687
Total capital assets being depreciated	2,126,324	433,395	-	2,559,719
Less, accumulated depreciation for:				
Improvements	(115,068)	(17,240)		(132,308)
Buildings	(338,033)	(19,771)		(357,804)
Equipment	(402,046)	(39,878)		(441,924)
Vehicles	(251,432)	(18,804)		(270,236)
Total accumulated depreciation	(1,106,579)	(95,693)	-	(1,202,272)
Total capital assets being depreciated, net	1,019,745	337,702	-	1,357,447
Total governmental activities capital assets, net	$ 2,030,432	$ 337,702	$ (297,170)	$2,070,964
Business-Type Activities				
Capital assets being depreciated:				
Buildings	$ 14,894			$ 14,894
Vehicles	50,618			50,618
Equipment	86,354	$ 24,982		111,336
Water distribution system	1,004,205			1,004,205
Sewerage treatment plant	113,778			113,778
Total capital assets being depreciated	1,269,849	24,982	$ -	1,294,831
Less, accumulated depreciation for:				
Buildings	(10,235)	(745)		(10,980)
Vehicles	(26,542)	(6,171)		(32,713)
Equipment	(82,136)	(2,303)		(84,439)
Water distribution system	(485,050)	(23,672)		(508,722)
Sewerage treatment plant	(113,777)			(113,777)
Total accumulated depreciation	(717,740)	(32,891)	-	(750,631)
Total business-type activities capital assets, net	$ 552,109	$ (7,909)	$ -	$ 544,200

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

Governmental activities:	
General government	$ 12,423
Public safety	62,874
Public works	1,305
Culture and recreation	19,091
Total depreciation expense - Governmental activities	$ 95,693
Business-type activities:	
Water	$ 32,891

4. 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. Bonds are payable in annual installments including interest. The bonds are paid from General Fund revenues including an annual stipend from Harris County, and are backed by the full faith and credit of the Town.

Direct placement general obligation bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Construction of Fire Department Building	5.00%	$ 47,740

General obligation bond debt service requirements maturity are as follows:

	Principal	Interest
Year ending June 30:		
2021	$ 8,380	$ 2,387
2022	8,930	1,968
2023	9,510	1,522
2024	10,130	1,046
2025	10,790	539
	$ 47,740	$ 7,462

B. Notes Payable

During the year ended June 30, 2015, the Town entered into a direct borrowing 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. Notes payable are direct obligations of the Town and pledge the full faith and credit of the Town.

Cash in the amount of $5,835 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
2021	$ 15,693	$ 2,942
2022	18,108	5,513
2023	18,497	5,124
2024	18,895	4,726
2025	19,302	4,319
2026-2030	102,917	15,188
2031-2034	89,381	3,891
	$ 282,793	$ 41,703

The GEFA notes require the debt service coverage ratio to be at least 1.05 times the debt service requirement in the current sinking fund year. The debt service coverage ratio calculation for the year ended June 30, 2020 is as follows:

Operating revenues	$ 143,071
Operating expenses*	(125,504)
SPLOST transfers in	19,339
Nonoperating revenues (expenses)**	-
Income available for debt service	$ 36,906
Debt service, principal and interest paid (GEFA notes only)	$ 23,620
Debt service coverage ratio	1.56

* Per rate covenants, this does not include the depreciation expense of $32,891
** Per rate covenants, this does not include GEFA notes interest paid of $6,223.

C. Changes in Long-Term Debt

Long-term debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General obligation bonds	$ 55,610	$ -	$ (7,870)	$ 47,740	$ 8,380
Governmental activity long-term liabilities	$ 55,610	$ -	$ (7,870)	$ 47,740	$ 8,380
Business-type activities:					
Notes payable	$ 300,190	$ -	$ (17,397)	$ 282,793	$ 15,693
Business-type activities long-term liabilities	$ 300,190	$ -	$ (17,397)	$ 282,793	$ 15,693

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

Due to/from other funds:

Payable Fund	Receivable Fund	
	General Fund	Total
Water Fund	$ 13,269	$ 13,269
	$ 13,269	$ 13,269

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments to supplement operations outstanding at year end and other miscellaneous receivables/payables between funds. All due to/from balances are expected to be repaid within one year.

Transfers represent flows of cash or goods from one fund to another without a requirement for repayment. These transfers were as follows:

	Transfer In		
	TIA Fund	Water Fund	Total
Transfers out:			
General Fund	$ 26,619		$ 26,619
SPLOST Fund		$ 19,339	19,339
	$ 26,619	$ 19,339	$ 45,958

6. PENSION AND OTHER RETIREMENT PLANS

Effective July 18, 2019, town employees are covered by a pre-tax 457 defined contribution program. This plan covers full time employees who work at least thirty hours of service per week. Under the plan, the Town contributes 1% of participating employee's compensation. The Town also matches deferrals up to a maximum of 5%. The Town's contribution for the year ended June 30, 2020, was $2,454.

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, 2020, 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, 2020, the Town paid $754 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

10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund reported material budget violations when expenditures of the primary government exceeded budgeted appropriations in some of the functions, as shown on page 9 and 10 of these financial statements. In future years, the Town will analyze the budget periodically for deficiencies. All deficiencies will be investigated, and budget amendments will be adopted when appropriate.

11. FUND BALANCES

All funds operated by the Town had positive fund balances at June 30, 2020.

12. SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which have the potential to negatively impact values of the retirement plan investments and related earnings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the duration and related financial impact cannot be reasonably estimated at this time.

TOWN OF WAVERLY HALL, GEORGIA
SCHEDULE OF SPECIAL PURPOSE SALES AND USE TAX
Year Ended June 30, 2020

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	$ 69,570		$ 69,570
Fire department building and equipment	100,000	120,000	131,467		131,467
Police department equipment	45,000	71,700	59,696		59,696
Recreational facilities	100,000	100,000	100,000		100,000
Water system improvements	175,000	80,000	26,643	$ 19,339	45,982
Street improvements	30,000	50,000	41,445		41,445
	$ 500,000	$ 500,000	$ 428,821	$ 19,339	$ 448,160
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	616,728	$ 16,187	632,915
Gym renovation and walking trail	200,000	200,000	170,020		170,020
Football facility	450,000	450,000	231,161	8,500	239,661
Police department equipment	126,000	126,000	93,539		93,539
Renovation for community center	150,000	150,000	6,740	20,252	26,992
Water system improvements	100,000	100,000	80,774		80,774
Street improvements	200,000	200,000	109,520	356,948	466,468
	$ 2,177,000	$ 2,177,000	$ 1,409,243	$ 401,887	$ 1,811,130
Special Local Option Sales Tax - 2019					
Water loan	$ 261,290	$ 261,290		$ 116	$ 116
Public safety fire lawn	59,160	59,160			
Police department computers	44,370	44,370			
Streets improvements	128,180	128,180			
	$ 493,000	$ 493,000	$ -	$ 116	$ 116

TOWN OF WAVERLY HALL, GEORGIA
SOURCE AND APPLICATION OF FUNDS STATUS REPORT
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2020

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

Total grant	$	500,000
Less, total funds drawn down by recipient for the year ended:		
June 30, 2020		-
June 30, 2019		(59,552)
June 30, 2018		(330,612)
June 30, 2017		-
June 30, 2016		-
June 30, 2015		(59,030)
June 30, 2014		(25,865)
June 30, 2013		(20,062)
Program funds defunded	$	4,879
Total program funds available for future drawn down at June 30, 2020	$	-
Add, program income applicable to the year ended June 30, 2020		-
Total program funds drawn down by recipient and program income for the year ended June 30, 2020	$	-

Note: This grant has expired and has been closed, therefore no further funds are available for draw down.

TOWN OF WAVERLY HALL, GEORGIA
PROJECT COST SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2020

Activity:	Revised Budgeted Expenditures	Year Ended June 30, 2020	Prior Years	Questioned Cost
CDBG 12p-x-072-2-5488				
P-001-01	$ 38,573		$ 38,573	
P03J-02	46,200		46,200	
T-03K-00	29,457		29,457	
P-03K-02	350,891		350,891	
A-21A-00	30,000		30,000	
	$ 495,121	$ -	$ 495,121	

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 have audited, 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, 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, 2020 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 June 28, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town of Waverly Hall, Georgia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings and responses that we consider to be significant deficiencies as items 20-1 through 20-2.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Waverly Hall, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

TOWN OF WAVERLY HALL, GEORGIA'S RESPONSE TO FINDINGS

The Town of Waverly Hall, Georgia's response to the findings identified in our audit 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 audit of 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 audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AJK, LLC

Manchester, Georgia
June 28, 2021

SIGNIFICANT DEFICIENCIES

20-1 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.

20-2 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.