TOWN OF
WAVERLY HALL, GEORGIA

FINANCIAL STATEMENTS

Year Ended June 30, 2022

AJK

TOWN OF WAVERLY HALL, GEORGIA
FINANCIAL STATEMENTS
Year Ended June 30, 2022

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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 Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Waverly Hall, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Waverly Hall, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Waverly Hall, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Waverly Hall, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the 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.

Supplementary 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 accompanying Schedule of Special Purpose Sales Tax and Use Tax is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Special Purpose Sales Tax and Use Tax 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 December 20, 2022, 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 Town of Waverly Hall, Georgia's internal control over financial reporting and compliance.

AJK, LLC
Manchester, Georgia
December 20, 2022

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 835,847	$ 90,089	$ 925,936
Receivables (net, where applicable, of allowance for uncollectibles):			
Property taxes	553		553
Sales taxes	23,235		23,235
Accounts	26,456	22,836	49,292
Intergovernmental	11,455		11,455
Prepaid items	7,949	1,372	9,321
Internal balance	882	(882)	-
Capital assets, not being depreciated	713,517	27,205	740,722
Capital assets, net of depreciation	1,284,757	540,307	1,825,064
Total assets	2,904,651	680,927	3,585,578
Liabilities			
Accounts payable	14,957	29,500	44,457
Accrued liabilities	5,218		5,218
Unearned revenue	180,866		180,866
Customer deposits		14,290	14,290
Long-term debt:			
Due within one year	9,510	18,952	28,462
Due in more than one year	20,920	212,120	233,040
Total liabilities	231,471	274,862	506,333
Net Position			
Net investment in capital assets	1,967,844	336,440	2,304,284
Restricted for:			
Capital projects	310,425		310,425
Public works	84,636		84,636
Unrestricted	310,275	69,625	379,900
Total net position	$ 2,673,180	$ 406,065	$ 3,079,245

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

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	$ 239,315	$ 12,429			$ (226,886)		$ (226,886)
Public safety	295,251	115,827	$ 27,289	$ 11,725	(140,410)		(140,410)
Judicial	88,730				(88,730)		(88,730)
Public works	111,809		67,872	142,924	98,987		98,987
Public welfare	50,500		48,000		(2,500)		(2,500)
Culture and recreation	40,381				(40,381)		(40,381)
Interest paid on long-term debt	1,968				(1,968)		(1,968)
Total governmental activities	827,954	128,256	143,161	154,649	(401,888)		(401,888)
Business-type activities:							
Water	223,468	189,119				$ (34,349)	(34,349)
Total business-type activities	223,468	189,119				(34,349)	(34,349)
Total primary government	$ 1,051,422	$ 317,375	$ 143,161	$ 154,649	(401,888)	(34,349)	(436,237)
General revenues:							
Taxes:							
Property					129,720		129,720
Sales					248,414		248,414
Franchise					52,898		52,898
Insurance premium					60,962		60,962
Other					39,772		39,772
Interest income					202		202
Gain on sale of capital assets						3,450	3,450
Miscellaneous					16,859		16,859
Transfers					(39,203)	39,203	-
Total general revenues and transfers					509,624	42,653	552,277
Change in net position					107,736	8,304	116,040
Net position - Beginning					2,565,444	397,761	2,963,205
Net position - Ending					$ 2,673,180	$ 406,065	$ 3,079,245

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

TOWN OF WAVERLY HALL, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	Major Governmental Fund Types				Total Governmental Funds
	General	SPLOST	TIA	ARPA Fund	
Assets					
Cash and cash equivalents	$ 303,635	$ 299,024	$ 82,477	$ 150,711	$ 835,847
Receivables (net, where applicable of allowances for uncollectibles):					
Property taxes	553				553
Sales taxes	21,076		2,159		23,235
Accounts	26,456				26,456
Intergovernmental		11,455			11,455
Prepaid items	7,949				7,949
Due from other funds	936				936
Total assets	$ 360,605	$ 310,479	$ 84,636	$ 150,711	$ 906,431
Liabilities					
Accounts payable	$ 14,957				$ 14,957
Accrued liabilities	5,218				5,218
Due to other funds		$ 54			54
Unearned revenue	30,184			$ 150,682	180,866
Total liabilities	50,359	54	$ -	150,682	201,095
Fund Balances					
Fund balances:					
Nonspendable- prepaid items	7,949				7,949
Restricted for:					
Capital projects		310,425			310,425
Public works			84,636		84,636
Unassigned	302,297			29	302,326
Total fund balances	310,246	310,425	84,636	29	705,336
Total liabilities and fund balances	$ 360,605	$ 310,479	$ 84,636	$ 150,711	$ 906,431

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, 2022

Fund balances - Total governmental funds	$	705,336
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		3,335,983
Deduct - Accumulated depreciation		(1,337,709)
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		(30,430)
Net position of governmental activities	$	2,673,180

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, 2022

	Major Governmental Fund Types				Total Governmental Funds
	General	SPLOST	TIA	ARPA Fund	
Revenues:					
Taxes:					
Property	$ 129,720				$ 129,720
Sales	224,688		$ 23,726		248,414
Franchise	52,898				52,898
Insurance premium	60,962				60,962
Other	39,772				39,772
Licenses and permits	11,059				11,059
Intergovernmental	25,619	$ 142,605			168,224
Grants and subsidies	61,395		67,872		129,267
Fees, fines and forfeitures	115,827				115,827
Investment income	18	319	155	$ 29	521
Other revenue	18,229				18,229
Total revenues	740,187	142,924	91,753	29	974,893
Expenditures:					
Current:					
General government	219,223				219,223
Judicial	88,730				88,730
Public safety	222,756				222,756
Public works	22,748		87,401		110,149
Public welfare	56,929				56,929
Culture and recreation	9,257				9,257
Capital Outlay:					
General government	17,500	28,812			46,312
Public safety		48,515			48,515
Public works			14,900		14,900
Debt Service:					
Principal	8,930				8,930
Interest	1,968				1,968
Total expenditures	648,041	77,327	102,301	-	827,669
Excess (deficiency) of revenues over (under) expenditures	92,146	65,597	(10,548)	29	147,224
Other financing sources (uses):					
Transfers in	797				797
Transfers out		(40,000)			(40,000)
Total other financing sources (uses)	797	(40,000)	-	-	(39,203)
Net changes in fund balances	92,943	25,597	(10,548)	29	108,021
Fund balances at beginning of year	217,303	284,828	95,184	-	597,315
Fund balances at end of year	$ 310,246	$ 310,425	$ 84,636	$ 29	$ 705,336

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, 2022

Net changes in fund balances - Total governmental funds	$	108,021
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 depreciation expense ($118,942) exceeded capital outlay ($109,727) in the current period.		(9,215)
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		8,930
Change in net position of governmental activities	$	107,736

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, 2022

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property	$ 133,000	$ 133,000	$ 129,720	$ (3,280)
Sales	188,000	188,000	224,688	36,688
Franchise	44,000	44,000	52,898	8,898
Insurance premium	58,000	58,000	60,962	2,962
Other	33,950	33,950	39,772	5,822
Licenses and permits	12,100	12,100	11,059	(1,041)
Intergovernmental	13,894	13,894	25,619	11,725
Grants and subsidies	48,000	48,000	61,395	13,395
Fees, fines and forfeitures	186,829	186,829	115,827	(71,002)
Investment income	600	600	18	(582)
Other revenue	1,980	1,980	18,229	16,249
Total revenues	720,353	720,353	740,187	19,834
Expenditures:				
Current:				
General government:				
Mayor and council	9,000	9,000	8,800	200
Administration	136,514	141,014	109,680	31,334
Elections	250	250	223	27
General government	95,544	98,744	100,520	(1,776)
Total general government	241,308	249,008	219,223	29,785
Judicial system:				
Court	91,628	77,893	88,730	(10,837)
Public safety:				
Police	223,760	226,285	173,481	52,804
Fire	36,590	39,665	49,275	(9,610)
Total public safety	260,350	265,950	222,756	43,194
Public works:				
Streets	26,800	26,800	22,748	4,052

(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, 2022
(Continued)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public welfare:				
Senior assistance	3,000	3,000	2,500	500
Community involvement	54,500	54,800	54,429	371
Total public welfare	57,500	57,800	56,929	871
Culture and recreation:				
Parks and recreation	17,000	17,000	9,257	7,743
Debt Service:				
Principal			8,930	(8,930)
Interest			1,968	(1,968)
Total debt service	-	-	10,898	(10,898)
Capital outlay:				
General government	2,000	2,000	17,500	(15,500)
Public safety	20,767	20,902		20,902
Culture and recreation	3,000	3,000		3,000
Total capital outlay	25,767	25,902	17,500	8,402
Total expenditures	720,353	720,353	648,041	72,312
Excess (deficiency) of revenues over (under) expenditures	-	-	92,146	92,146
Other financing sources (uses):				
Transfers in			797	797
Transfers out				-
Total other financing sources (uses	-	-	797	797
Net changes in fund balances	-	-	92,943	92,943
Fund balances at beginning of year	217,303	217,303	217,303	-
Fund balances at end of year	$ 217,303	$ 217,303	$ 310,246	$ 92,943

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, 2022

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Sales tax	$ 20,000	$ 23,726	$ 3,726
Grants	14,000	67,872	53,872
Investment income		155	155
Total revenues	34,000	91,753	57,753
Expenditures:			
Current:			
Public works:			
Streets	34,000	87,401	(53,401)
Capital outlay:			
Public works		14,900	(14,900)
Total expenditures	34,000	102,301	(68,301)
Excess (deficiency) of revenues over (under) expenditures	-	(10,548)	(10,548)
Net changes in fund balances	-	(10,548)	(10,548)
Fund balances, beginning of year	95,184	95,184	-
Fund balances, end of year	$ 95,184	$ 84,636	$ (10,548)

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

TOWN OF WAVERLY HALL, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Business-Type Activities Major Fund Type
	Water
Assets	
Current assets:	
Cash and cash equivalents	$ 90,089
Receivables (net of allowance for uncollectibles)	22,836
Prepaid items	1,372
Total current assets	114,297
Noncurrent assets:	
Capital assets, not being depreciation	27,205
Capital assets, net of depreciation	540,307
Total noncurrent assets	567,512
Total assets	681,809
Liabilities	
Current liabilities:	
Accounts payable	29,500
Customer deposits	14,290
Due to other funds	882
Notes payable, current portion	18,952
Total current liabilities	63,624
Noncurrent liabilities:	
Notes payable	212,120
Total noncurrent liabilities	212,120
Total liabilities	275,744
Net Position	
Net investment in capital assets	336,440
Unrestricted	69,625
Total net position	$ 406,065

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, 2022

	Business-Type Activities Major Fund Type
	Water
Operating revenues:	
Charges for services:	
Sales	$ 189,119
Total operating revenues	189,119
Operating expenses:	
Cost of sales and services	33,363
Administration	83,848
Contractual and other services	58,325
Depreciation	42,595
Total operating expenses	218,131
Operating income (loss)	(29,012)
Nonoperating revenues (expenses):	
Interest expense	(5,337)
Gain on sale of capital assets	3,450
Total nonoperating revenues (expenses)	(1,887)
Income (loss) before transfers	(30,899)
Transfers in	40,000
Transfers out	(797)
Change in net position	8,304
Net position, at the beginning of the year	397,761
Net position, at the end of the year	$ 406,065

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, 2022

	Business-Type Activities Major Fund Type
	Water
Cash flows from operating activities:	
Receipts from customers and users	$ 195,446
Payments to employees for services	(6,279)
Payments to suppliers of goods and services	(142,104)
Net cash provided (used) by operating activities	47,063
Cash flows from noncapital financing activities:	
Transfers in	
Transfers out	(797)
Net cash provided (used) by noncapital financing activities	(797)
Cash flows from capital and related financing activities:	
Transfers in	40,000
Proceeds from sale of assets	3,450
Purchase of capital assets	(44,755)
Principal paid on capital debt	(34,663)
Interest paid on capital debt	(5,337)
Net cash provided (used) by capital and related financing activities	(41,305)
Net increase (decrease) in cash and cash equivalents	4,961
Cash at beginning of year	85,128
Cash at end of year	$ 90,089
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	$ (29,012)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	42,595
(Increase) or decrease in:	
Accounts receivable	3,568
Prepaid items	(1,372)
Due from other funds	797
Increase (decrease) in:	
Accounts payable	28,525
Due to other funds	882
Customer deposits	1,080
Net cash provided (used) by operating activities	$ 47,063

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.

ARPA (American Rescue Plan Act) Fund - This is a special revenue fund established to account for the financial resources provided and subsequently expended from the American Rescue Plan grant received from the federal government.

The Town reports the following major proprietary fund:

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

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 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.

The proprietary fund distinguishes *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 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.

The Town did not adopt a budget for the ARPA fund. As of June 30, 2022 there are no ARPA expenditures.

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 accumulate for the Town's employees. Employees earn vacation each year on their anniversary date, but no more than 40 hours can carryforward to the next year. Terminated employees may be paid for unused vacation at retirement or other termination. Sick leave sick does not vest and is not paid upon retirement or other termination. Due to the immaterial amount and because the accrual does not exceed a normal year's accumulation, management of the Town does not accrue the liability.

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. Currently, the Town has no 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. 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 one year. 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 acquisition value at the date of donation plus any ancillary charges incurred to put the asset into service.

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

J. 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.

K. 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.

L. 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.

M. Reclassifications

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

N. 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.

O. Subsequent Events

Subsequent events have been evaluated by management through December 20, 2022, 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 925,936, which includes $183 petty cash; and the bank balance was $930,684. Of the bank balance, $511,904 was covered by federal depository insurance and $418,780 was collateralized through a multiple financial institution collateral pool.

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

3. ACCOUNTS RECEIVABLE

Property tax and Accounts (fines) receivable at June 30, 2022 in the General Fund is reported net of an allowance for doubtful accounts of $6,218 and $57,455, respectively.

Accounts receivable at June 30, 2022 in the Water Fund is reported net of an allowance for doubtful accounts of $28,965.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 713,517			$ 713,517
Construction in progress	37,818		$ (37,818)	-
Total capital assets, not being depreciated	751,335	$	(37,818)	713,517
Capital assets being depreciated:				
Improvements	586,133	84,130		670,263
Buildings	959,397			959,397
Equipment	674,068	14,900		688,968
Vehicles	282,187	48,515	(26,864)	303,838
Total capital assets being depreciated	2,501,785	147,545	(26,864)	2,622,466
Less, accumulated depreciation for:				
Improvements	(161,523)	(29,215)		(190,738)
Buildings	(377,633)	(19,829)		(397,462)
Equipment	(465,070)	(46,428)		(511,498)
Vehicles	(241,405)	(23,470)	26,864	(238,011)
Total accumulated depreciation	(1,245,631)	(118,942)	26,864	(1,337,709)
Total capital assets being depreciated, net	1,256,154	28,603	-	1,284,757
Total governmental activities capital assets, net	$ 2,007,489	$ 28,603	$ (37,818)	$1,998,274
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress		$ 27,205		$ 27,205
Total capital assets, not being depreciated	$ -	27,205	$ -	27,205
Capital assets being depreciated:				
Buildings	$ 14,894			$ 14,894
Vehicles	26,254	$ 17,550	$ (13,273)	30,531
Equipment	164,623			164,623
Water distribution system	1,004,205			1,004,205
Sewerage treatment plant	113,778			113,778
Total capital assets being depreciated	1,323,754	17,550	(13,273)	1,328,031
Less, accumulated depreciation for:				
Buildings	(11,725)	(745)		(12,470)
Vehicles	(23,656)	(2,176)	13,273	(12,559)
Equipment	(76,850)	(16,002)		(92,852)
Water distribution system	(532,394)	(23,672)		(556,066)
Sewerage treatment plant	(113,777)			(113,777)
Total accumulated depreciation	(758,402)	(42,595)	13,273	(787,724)
Total capital assets being depreciated, net	565,352	(25,045)	-	540,307
Total business-type activities capital assets, net	$ 565,352	$ 2,160	$ -	$ 567,512

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

Governmental activities:	
General government	$ 13,663
Public safety	72,495
Public works	1,660
Culture and recreation	31,124
Total depreciation expense - Governmental activities	$ 118,942
Business-type activities:	
Water	$ 42,595

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%	$ 30,430

General obligation bond debt service requirements maturity are as follows:

	Principal	Interest
Year ending June 30:		
2023	$ 9,510	$ 1,522
2024	10,130	1,046
2025	10,790	539
	$ 30,430	$ 3,107

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.

Purpose	Interest Rates	Amount
Water system improvements	2.13%	$ 231,072

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

	Principal	Interest
Year ending June 30:		
2023	$ 18,952	$ 4,670
2024	19,378	4,242
2025	19,795	3,826
2026	20,221	3,400
2027	20,656	2,965
2028-2032	110,139	7,966
2033-2034	21,931	161
	$ 231,072	$ 27,230

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, 2022 is as follows:

Operating revenues	$ 189,119
Operating expenses*	(175,536)
SPLOST transfers in	40,000
Nonoperating revenues (expenses)**	3,450
Income available for debt service	$ 57,033
Debt service, principal and interest paid (GEFA notes only)	$ 40,000
Debt service coverage ratio	1.426

* Per rate covenants, this does not include the depreciation expense of $42,595.
** Per rate covenants, this does not include GEFA notes interest paid of $5,337.

C. Changes in Long-Term Debt

Long-term debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General obligation bonds	$ 39,360	$ -	$ (8,930)	$ 30,430	$ 9,510
Governmental activity long-term liabilities	$ 39,360	$ -	$ (8,930)	$ 30,430	$ 9,510
Business-type activities:					
Notes payable	$ 265,735	$ -	$ (34,663)	$ 231,072	$ 18,952
Business-type activities long-term liabilities	$ 265,735	$ -	$ (34,663)	$ 231,072	$ 18,952

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

Due to/from other funds:

Payable Fund	Receivable Fund	
	General Fund	Total
Water Fund	$ 882	$ 882
SPLOST Fund	54	54
	$ 936	$ 936

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		
	General Fund	Water Fund	Total
Transfers out:			
Water Fund	$ 797		$ 797
SPLOST Fund		$ 40,000	40,000
	$ 797	$ 40,000	$ 40,797

7. PENSION AND OTHER RETIREMENT PLANS

Effective July 18, 2019, Town employees may elect to participate in a pre-tax 457 defined contribution program, which is administered by Yoya Financial. 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, 2022, was $7,811. Approximately six employees participated in the plan for year ending June 30, 2022.

8. 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.

9. 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, 2022, there were no unpaid claims that the Town management believes to be material.

10. 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, 2022, the Town paid $807 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. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund and TIA Fund reported material budget violations when expenditures of the primary government exceeded budgeted appropriations in some of the functions, as shown on page 10 and 11 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.

12. FUND BALANCES

All funds operated by the Town had positive fund balances at June 30, 2022.

13. 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.

The Town has been granted $301,363 from American Rescue Plan Act (ARPA). The final payment was received on July 25, 2022 in the amount of $150,682.

TOWN OF WAVERLY HALL, GEORGIA
SCHEDULE OF SPECIAL PURPOSE SALES AND USE TAX
Year Ended June 30, 2022

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	106,243		106,243
Street improvements	30,000	50,000	41,445		41,445
	$ 500,000	$ 500,000	$ 508,421	$ -	$ 508,421
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	632,915		632,915
Gym renovation and walking trail	200,000	200,000	170,020		170,020
Football facility	450,000	450,000	239,661		239,661
Police department equipment	126,000	126,000	93,539		93,539
Renovation for community center	150,000	150,000	67,780	$ 28,812	96,592
Water system improvements	100,000	100,000	93,519		93,519
Street improvements	200,000	200,000	466,468		466,468
	$ 2,177,000	$ 2,177,000	$ 1,864,663	$ 28,812	$ 1,893,475
Special Local Option Sales Tax - 2019					
Water loan	$ 261,290	$ 261,290	$ 20,116	$ 40,000	$ 60,116
Public safety fire loan	59,160	59,160			-
Police equipment	44,370	44,370		48,515	48,515
Streets improvements	128,180	128,180			-
	$ 493,000	$ 493,000	$ 20,116	$ 88,515	$ 108,631

AJK

AJK, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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(706) 846-8401 ☐ Fax (706) 846-3370

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 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, 2022, 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 December 20, 2022.

Report on 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 consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 22-1 through 22-3 that we consider to be significant deficiencies.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 22-4.

The Town of Waverly Hall, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Waverly Hall, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Town of Waverly Hall, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 20, 2022

TOWN OF WAVERLY HALL, GEORGIA
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2022

SIGNIFICANT DEFICIENCIES

22-1 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.
Cause:	The Town has a limited accounting staff and cannot justify the cost of increasing staff necessary to provide proper segregation of duties for all areas.
Effect:	Failure to implement offsetting controls in the cash receipts and disbursements functions could result in unauthorized or fraudulent transactions.
Repeat Finding from Prior Year:	Yes, prior year finding 21-1.
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.

22-2 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.
Cause:	The Town has a limited accounting staff and cannot justify the cost of hiring an employee with the expertise to prepare full disclosure financial statements.
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.
Repeat Finding from Prior Year:	Yes, prior year finding 21-2
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.

22-3 Timely Generating Billing Reports

Condition and Criteria:	During our audit we noted the monthly billing reports for utilities were not generated each month in a timely manner.
Cause:	Maintaining all required monthly reports for utilities were not generated in a timely manner or were not performed.
Effect:	Failure to generate billing reports each month results in incorrect billing information, including penalties for unpaid bills for the month.
Repeat Finding from Prior Year:	No.
Recommendation:	Town personnel should ensure billing reports are generated each month when bills are processed.
Response:	We concur.

COMPLIANCE

22-4 Salaries and Departments over Budget

Condition and Criteria:	During our audit, we noted some departments were over budget in total expenditures for the year.
Cause:	The Town did not make the appropriate budget amendments for salaries or departments that were over the original and/or amended budget adopted.
Effect:	This is a violation of state laws and regulations.
Repeat Finding from Prior Year:	Yes, Prior year finding 21-5.
Recommendation:	Town personnel should monitor the adopted budget to actual expenditures during the year and amend the budget as necessary.
Response:	We concur.