TOWN OF DEEPSTEP, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7 - 8
Statement of Position - Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to Basic Financial Statements	12 - 23
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	24 - 25
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Transportation Special Revenue Fund	26
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Projects Constructed with Special Sales Tax Proceeds	27
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	28 - 29
Schedule of Findings and Responses	30 - 31

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082

CLYDE K. WRIGHT, CPA
BRIAN K. WRIGHT, CPA

Telephone (478) 552-6146
Facsimile (478) 552-6158

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Town of Deepstep, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Deepstep, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Deepstep, Georgia, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Deepstep, Georgia has not presented management's discussion and analysis that governmental 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 financials 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 Deepstep, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated April 30, 2019 on our consideration of the Town of Deepstep, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Deepstep, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.
Sandersville, Georgia
April 30, 2019

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF DEEPSTEP, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current assets:			
Cash and cash equivalents	$ 105,231	$ 26,543	$ 131,774
Accounts receivable, net	7,179	2,148	9,327
Inventory	-	2,303	2,303
Receivable from other governments	3,388	-	3,388
Internal balances	-	-	-
Total current assets	115,798	30,994	146,792
Noncurrent assets:			
Land	71,144	250	71,394
Depreciable capital assets, net of accumulated depreciation	296,371	82,182	378,553
Total noncurrent assets	367,515	82,432	449,947
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	483,313	113,426	596,739
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current liabilities:			
Accounts payable	212	113	325
Meter deposits held	-	4,817	4,817
Other accrued liabilities	516	108	624
Total current liabilities	728	5,038	5,766
Noncurrent liabilities	-	-	-
Deferred inflows of resources	-	-	-
Total liabilities and deferred inflows of resources	728	5,038	5,766
NET POSITION:			
Investment in capital assets	367,515	82,432	449,947
Restricted for:			
Transportation improvements	47,363	-	47,363
Capital projects	36,938	-	36,938
Unrestricted	30,769	25,956	56,725
	$ 482,585	$ 108,388	$ 590,973

See accompanying notes to the basic financial statements

TOWN OF DEEPSTEP, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 46,402	$ 2,453	$ -	$ -	$ (43,949)	$ -	$ (43,949)
Street department	15,807	7,075	8,799	8,920	8,987	-	8,987
Recreation department	8,004	2,195	-	-	(5,809)	-	(5,809)
Public safety	4,860	-	-	-	(4,860)	-	(4,860)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	75,073	11,723	8,799	8,920	(45,631)	-	(45,631)
Business-type activities:							
Water fees	36,556	28,530	-	-	-	(8,026)	(8,026)
Total business-type activities	36,556	28,530	-	-	-	(8,026)	(8,026)
Total primary government	$ 111,629	$ 40,253	$ 8,799	$ 8,920	(45,631)	(8,026)	(53,657)
General revenues:							
Taxes:							
Property taxes					9,771	-	9,771
General sales and use tax					19,588	-	19,588
Motor vehicle tax					3,635	-	3,635
Insurance company premium tax					9,389	-	9,389
Other taxes					151	-	151
Grants and contributions					-	-	-
Interest and dividend earnings					9	16	25
Miscellaneous					1,992	-	1,992
Transfers					-	-	-
Total general revenues and transfers					44,535	16	44,551
Change in net position					(1,096)	(8,010)	(9,106)
Net position, beginning					483,681	116,398	600,079
Net position, ending					$ 482,585	$ 108,388	$ 590,973

See accompanying notes to the basic financial statements

TOWN OF DEEPSTEP, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Capital Projects Fund (2009)	Capital Projects Fund (2014)	Transportation Special Revenue Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 22,542	$ -	$ 36,165	$ 46,524	$ 105,231
Accounts receivable, net	7,179	-	-	-	7,179
Receivables from other governments	1,776	-	773	839	3,388
Receivables from other funds	-	-	-	-	-
Total assets	$ 31,497	$ -	$ 36,938	$ 47,363	$ 115,798
LIABILITIES:					
Accounts payable	$ 212	$ -	$ -	$ -	$ 212
Other liabilities	516	-	-	-	516
Due to other funds	-	-	-	-	-
Total liabilities	728	-	-	-	728
DEFERRED INFLOWS OF RESOURCES:					
Property taxes	848	-	-	-	848
FUND BALANCES:					
Non-spendable fund balance	-	-	-	-	-
Restricted fund balance:					
Capital projects	-	-	36,938	-	36,938
Transportation improvements	-	-	-	47,363	47,363
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	-	-	-
Unassigned fund balance	29,921	-	-	-	29,921
Total fund balances	29,921	-	36,938	47,363	114,222
Total liabilities, deferred inflows of resources and fund balances	$ 31,497	$ -	$ 36,938	$ 47,363	

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, net of accumulated depreciation of $242,748	367,515
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accounts receivable, net of allowance for doubtful accounts of $0	848
Net position of governmental activities	$ 482,585

See accompanying notes to the basic financial statements

TOWN OF DEEPSTEP, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Capital Projects Fund (2009)	Capital Projects Fund (2014)	Transportation Special Revenue Fund	Total Governmental Funds
REVENUES:					
Taxes	$ 42,355	$ -	$ -	$ -	$ 42,355
Licenses and permits	813	-	-	-	813
Intergovernmental	-	-	8,920	8,799	17,719
Charges for services	9,270	-	-	-	9,270
Other	3,641	-	-	-	3,641
Total revenues	56,079	-	8,920	8,799	73,798
EXPENDITURES:					
Current operating:					
General government	41,601	-	-	-	41,601
Street department	13,902	428	-	530	14,860
Recreation department	5,732	-	-	-	5,732
Public safety	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlays	-	14,303	7,055	-	21,358
Total expenditures	61,235	14,731	7,055	530	83,551
Excess (deficiency) of revenues over expenditures	(5,156)	(14,731)	1,865	8,269	(9,753)
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balance	(5,156)	(14,731)	1,865	8,269	(9,753)
FUND BALANCE, beginning of year	35,077	14,731	35,073	39,094	123,975
FUND BALANCE, end of year	$ 29,921	$ -	$ 36,938	$ 47,363	$ 114,222

(Continued)

See accompanying notes to the basic financial statements

TOWN OF DEEPSTEP, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds	$ (9,753)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays	23,178
Depreciation	(14,700)
	8,478
The effect of various capital asset disposals, sales and contributions, net of accumulated depreciation	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Receivables, net of deferred revenue	179
	$ (1,096)

See accompanying notes to the basic financial statements

TOWN OF DEEPSTEP, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Water Fund
ASSETS	
CURRENT ASSETS:	
Cash in bank	$ 26,543
Accounts receivable, net of allowance	2,148
Inventory	2,303
Total current assets	30,994
NONCURRENT ASSETS:	
Capital Assets:	
Land and improvements	250
Buildings	15,842
Distribution system	430,959
	447,051
Less accumulated depreciation	(364,619)
Total capital assets	82,432
Total assets	113,426
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	113
Other accrued liabilities	108
Meter deposits held	4,817
Total current liabilities	5,038
NONCURRENT LIABILITIES	-
Total liabilities	5,038
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	82,432
RESTRICTED	-
UNRESTRICTED	25,956
Total net assets	$ 108,388

See accompanying notes to the basic financial statements

TOWN OF DEEPSTEP, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PRORIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Fund
OPERATING REVENUES:	
Water sales	$ 28,183
Miscellaneous income	347
Total operating revenue	28,530
OPERATING EXPENSES:	
Personal services and employee benefits:	
Salaries	8,488
Payroll taxes	664
Purchased/contracted services:	
Repairs and replacement	6,523
Professional fees	838
Testing	790
Insurance	2,166
Supplies:	
Chemicals and supplies	1,061
Office supplies	1,204
Utilities	2,119
Depreciation	12,135
Miscellaneous	568
Total operating expenses	36,556
OPERATING LOSS	(8,026)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	16
Interest expense	-
Total non-operating revenues (expenses)	16
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(8,010)
CAPITAL CONTRIBUTIONS:	
Contribution from Capital Projects Fund	-
NET INCOME (LOSS) BEFORE TRANSFERS	(8,010)
TRANSFERS FROM (TO) GENERAL FUND	-
NET INCOME (LOSS)	(8,010)
NET POSITION, beginning of year	116,398
NET POSITION, end of year	$ 108,388

See accompanying notes to the basic financial statements

TOWN OF DEEPSTEP, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 27,587
Cash paid to suppliers for goods and services	(14,947)
Cash paid to employees	(9,152)
Net cash provided by (used for) operating activities	3,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from (to) other funds	-
Net cash provided by (used for) noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	-
Principal paid on capital debt	-
Interest paid on capital debt	-
Net cash provided by (used for) capital and related financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	16
Net cash provided by (used for) investing activities	16
NET INCREASE (DECREASE) IN CASH	3,504
CASH AND CASH EQUIVALENTS, beginning of year	23,039
CASH AND CASH EQUIVALENTS, end of year	$ 26,543
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Net operating income (loss)	$ (8,026)
Adjustments to reconcile net operating income (loss to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	12,135
Changes in assets and liabilities:	
Accounts receivable	(596)
Inventory	(17)
Accounts payable	(233)
Other accrued liabilities	-
Meter deposits held	225
Net cash provided by (used for) operating activities	$ 3,488

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of Town of Deepstep (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town.

Currently, the Town has no blended component units or discretely presented component units

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Town (the primary government) and its component units. 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. The Town has elected not to allocate indirect costs among the programs, functions and segments. 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 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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 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 government 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, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

> The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Capital Projects Fund (2009) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2009 to September 30, 2014.
>
> The Capital Projects Fund (2014) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2014 to September 30, 2020.
>
> The Transportation Special Revenue Fund accounts for capital outlay and other transportation improvements related to the additional one-percent local option sales tax in effect for the period January 1, 2014 to December 31, 2022.

The Town reports the following major proprietary fund:

> The Water Fund is used to account for the provision of water services to businesses and residents of the Town. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Town complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the Town to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Town has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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 Town's proprietary funds are charges to customers for sales and services; operating expenses 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.

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.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses and Changes in Fund Balances.

E. Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out ("FIFO") method. The cost of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

F. Prepaid Items

Prepaid balances, if any, are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of two years, and an original cost of $1,500 or more. 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.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. No infrastructure assets were completed during the year ended December 31, 2018. At December 31, 2018, there was no construction-in-progress related to infrastructure assets.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

Buildings	30-40 years
Depreciable land improvements	8 - 20 years
Machinery and equipment	5 - 25 years
Infrastructure	40 – 50 years

H. Compensated Absences

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide

financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Enterprise Funds. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The Town does not allow accumulated vacation pay beyond one year; therefore there are no significant unrecorded balances at December 31, 2018.

I. 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, as well as issuance costs, 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.

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 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.

J. Equity Classifications

The Town has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

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

Fund Balance

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution. Only the Town Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Town Council has authorized the Town's finance committee to assign fund balances.

Unassigned – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned balances may be reported in all funds.

The Town uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the Town would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The Town does not have a formal minimum fund balance policy; however, the Town Council address various target reserve positions which are reviewed periodically.

Net Position

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

Budget Requirements, Accounting and Reporting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to year end the Town Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of Town of Deepstep.
3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP.
7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended December 31, 2018:

General government	$ 2,271
Recreation department	702
General government - capital outlays	70

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

3. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2018, none of the Town's $131,774 was exposed to custodial credit risk.

Investments - There were no investments at December 31, 2018.

4. PROPERTY TAXES

The value of all real and business personal property located in the Town is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council. Appraised values are established by the Washington County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the milleage rate was set on or about September 20. Taxes are billed and collected by the Washington County Tax Commissioner. Taxes are billed shortly after October 8 and are due December 10, after which date penalties and interest may be assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the Town. Current tax collections for the years ended December 31, 2018, were 40.5% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP, have been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At December 31, 2018, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 6,535	$ -	$ 6,535
Local option sales tax	1,776	-	1,776
Garbage fees receivable	644	-	644
Capital Projects Fund (2018):			
Special local option sales tax	773	-	773
Transportation Special Revenue Fund:			
Special local option sales tax	839	-	839
Water Fund:			
Water fees	-	2,148	2,148
	10,567	2,148	12,715
Allowance for doubtful accounts	-	-	-
	$ 10,567	$ 2,148	$ 12,715

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 71,144	$ -	$ -	$ 71,144
Subtotal	71,144	-	-	71,144
Depreciable capital assets:				
Buildings	393,151	23,178	-	416,329
Equipment	122,790	-	-	122,790
Subtotal	587,085	23,178	-	610,263
Accumulated depreciation:				
Buildings	140,900	12,102	-	153,002
Equipment	87,148	2,598	-	89,746
Subtotal	228,048	14,700	-	242,748
Net capital assets	$ 359,037	$ 8,478	$ -	$ 367,515

Governmental activities depreciation expense:

General government	$ 6,621
Street department	947
Recreation department	2,272
Public safety	4,860
	$ 14,700

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Not being depreciated:				
Land	$ 250	$ -	$ -	$ 250
Construction-in-progress	-	-	-	-
Subtotal	250	-	-	250
Depreciable capital assets:				
Buildings	15,842	-	-	15,842
Infrastructure	430,959	-	-	430,959
Subtotal	447,051	-	-	447,051
Accumulated depreciation:				
Buildings	11,792	555	-	12,347
Infrastructure	340,692	11,580	-	352,272
Subtotal	352,484	12,135	-	364,619
Net capital assets	$ 94,567	$ (12,135)	$ -	$ 82,432

7. LONG-TERM DEBT

The Town had no long-term debt during the year ended December 31, 2018.

8. FUND DEFICITS

No fund had a deficit fund balance at December 31, 2018.

9. INTERFUND TRANSACTIONS AND BALANCES

There were no interfund balances or transfers at December 31, 2018.

10. COMMITMENTS AND CONTINGENCIES

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

Litigation

Various claims and lawsuits are pending against the Town. In the opinion of Town management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the Town's financial position.

11. RETIREMENT PLAN

The Town does not have a retirement or pension plan.

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation.

There were no significant reductions of insurance coverage in the prior year. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure

to the Town. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pool

The Town has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF) and Georgia Interlocal Risk Management Agency (GIRMA), risk management agencies created under Georgia law. As a participant in the GMAWCSIF and GIRMA, the Town has no legal obligation to pay its own workers' compensation claims or general liability claims. The Town is required to make an annual contribution to the funds in an amount that is determined on the basis of actuarial projections of losses. With payment of the Town's annual contribution, the Town has effectively transferred the risk and responsibility for payment of its workers' compensation claims and general liability claims. However, the enabling statute creating the GMAWCSIF and GIRMA permits the funds to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GMASCSIF and GIRMA to protect the funds from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Self Insurance

The Town is self-insured with regard to unemployment compensation claims. The Town accounts for claims with expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The Town has not experienced any claims related to unemployment compensation in the past three years.

13. JOINT VENTURE

Under Georgia law, the Town in conjunction with other cities and counties in the fourteen Town east central Georgia area, is a member of the Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended December 31, 2018, the Town paid $211 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commissions in Georgia. The Regional Commission Board membership includes the chief elected official of each Town and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

Central Savannah River Area Regional Commission
2123 Wrightsboro Road
Augusta, Georgia 30914-2800

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund and Transportation Special Revenue Fund

TOWN OF DEEPSTEP, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Ad valorem	$ 10,000	$ 10,000	$ 9,592	$ (408)
Vehicle	3,500	3,500	3,635	135
Local option sales tax	19,000	19,000	19,588	588
Insurance company premium	8,700	9,390	9,389	(1)
Other	90	160	151	(9)
	41,290	42,050	42,355	305
Licenses and Permits:				
Business and occupation licenses	800	800	813	13
	800	800	813	13
Intergovernmental	-	-	-	-
	-	-	-	-
Charges for services:				
Garbage fees	7,500	7,500	7,075	(425)
Recreation department fees	2,700	2,700	2,195	(505)
	10,200	10,200	9,270	(930)
Miscellaneous:				
Interest income	10	10	9	(1)
Rent income	1,500	1,500	1,640	140
Other	4,400	3,640	1,992	(1,648)
	5,910	5,150	3,641	(1,509)
Total revenues	58,200	58,200	56,079	(2,121)

TOWN OF DEEPSTEP, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 38,080	$ 37,510	$ 39,781	$ (2,271)
Street department	16,000	16,000	13,902	2,098
Recreation department	5,030	5,030	5,732	(702)
Public safety	500	-	-	-
	59,610	58,540	59,415	(875)
Capital Outlays:				
General government	-	1,750	1,820	(70)
Street department	-	-	-	-
Recreation department	-	-	-	-
Public safety	-	-	-	-
	-	1,750	1,820	(70)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
Total expenditures	59,610	60,290	61,235	(945)
Excess (deficiency) of revenues over expenditures	(1,410)	(2,090)	(5,156)	(3,066)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources	(1,410)	(2,090)	(5,156)	(3,066)
FUND BALANCE, beginning of year	35,077	35,077	35,077	-
FUND BALANCE, end of year	$ 33,667	$ 32,987	$ 29,921	$ (3,066)

TOWN OF DEEPSTEP, GEORGIA
TRANSPORTATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental:				
Special local option sales tax	$ 8,000	$ 8,000	$ 8,799	$ 799
Intergovernmental grant revenue	5,000	5,000	-	(5,000)
	13,000	13,000	8,799	(4,201)
EXPENDITURES:				
Current operating:				
Transportation improvements	13,000	13,000	530	12,470
Capital outlays	-	-	-	-
Total expenditures	13,000	13,000	530	12,470
Excess revenues over (under) expenditures	-	-	8,269	8,269
OTHER FINANCING SOURCES (USES)	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	8,269	8,269
FUND BALANCE, beginning of year	39,094	39,094	39,094	-
FUND BALANCE, end of year	$ 39,094	$ 39,094	$ 47,363	$ 8,269

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis. Such information includes:

- Schedule of Projects Constructed with Special Sales Tax Proceeds
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

TOWN OF DEEPSTEP, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended December 31, 2018

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
2009 Referendum:						
Street repairs	$ 20,000	$ 10,855	$ 10,427	$ 428	$ 10,855	100.0%
Water fund equipment	25,000	46,508	46,508	-	46,508	100.0%
Recreation department improvements and equipment	15,000	9,007	9,007	-	9,007	100.0%
General government equipment	15,000	19,254	4,951	14,303	19,254	100.0%
Street department equipment	25,000	18,504	18,504	-	18,504	100.0%
2014 Referendum:						
Street repairs	10,000	10,000	-	-	-	0.0%
Water fund equipment	25,000	25,000	-	-	-	0.0%
Recreation department improvements and equipment	5,000	5,000	-	-	-	0.0%
General government equipment	10,000	10,000	-	7,055	7,055	70.6%
Street department equipment	5,000	5,000	-	-	-	0.0%

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082

CLYDE K. WRIGHT, CPA
BRIAN K. WRIGHT, CPA

Telephone (478) 552-6146
Facsimile (478) 552-6158

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

To the Mayor and Council
Town of Deepstep, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund of the Town of Deepstep, Georgia as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Deepstep's basic financial statements and have issued our report thereon dated April 30,2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Deepstep, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Deepstep, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Deepstep'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 were considered to be material weaknesses.

We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies noted as items 18-1 through 18-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Deepstep 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as item 18-3.

Town of Deepstep, Georgia's Response to Findings

Town of Deepstep, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Deepstep, 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.

Wright & Wright, P.C.

Sandersville, Georgia
April 30, 2019

TOWN OF DEEPSTEP, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2018

SIGNIFICANT DEFICIENCIES

18-1 Segregation of Duties

Condition

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 disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The Town Council should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non recurring expenditures.

18-2 Controls Over Financial Statement Presentation

Condition

Town personnel do not currently possess the professional skills necessary to prepare the year end 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.

Recommendation

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

Views of Responsible Officials

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

COMPLIANCE AND OTHER MATTERS

18-3 Budgetary

Condition

In the Town's General Fund, actual expenditures exceeded budget appropriations in one departments. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

The Town should monitor the budget and amend it when appropriate.

Views of Responsible Officials

Our Town Council will analyze budgetary financial data periodically and amend the budget when appropriate.

TOWN OF DEEPSTEP
9676 DEEPSTEP ROAD
SANDERSVILLE, GA 31082

Georgia Department of Audits & Accounts
270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended December 31, 2018.

With respect to the finding regarding segregation of duties in the "Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards," we submit the following comments:

1. We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

2. We have a part-time clerk who performs all of our bookkeeping functions. Checks are signed by the clerk after invoices are approved by Council.

3. Our budget will not permit us to hire additional personnel to further separate accounting duties.

4. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended December 31, 2018:

General government	$ 2,271
Recreation department	702
General government – capital outlays	70

   In the future, the Mayor and Council will more closely monitor expenditures to determine if a budget amendment needs to be made or whether expenses should be reduced.

5. Town personnel do not currently possess the professional skills necessary to prepare the year end financial statements and related footnotes. The Town will consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

We feel that our internal control system is as strong as possible with the limited number of personnel we have. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties.

Should you need any further explanation of this matter please contact us.

Sincerely,

Randall Veal
Mayor, Town of Deepstep