

**TOWN OF WAVERLY HALL, GEORGIA  
FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2007**

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**INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Town of Waverly Hall, Georgia, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Waverly Hall, Georgia management. My responsibility is to express opinions on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 remaining aggregate fund information of the Town of Waverly Hall as of June 30, 2007, and the respective changes in financial position cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

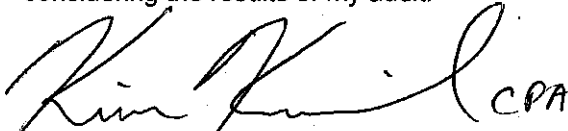
The Town of Waverly Hall, Georgia has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on page 24, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waverly Hall, Georgia basic financial statements. The individual nonmajor fund statements and schedules are not a required part of the basic financial statements. These statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in

my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated October 25, 2007, on my consideration of the Town of Waverly Hall, Georgia's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, appearing to read "Kim K. L. CPA". The signature is fluid and cursive, with the letters "CPA" written in a slightly larger, more distinct font at the end of the signature.

Richland, Georgia  
October 25, 2007

**TOWN OF WAVERLY HALL, GEORGIA**  
**Government-wide Statement of Net Assets**  
**June 30, 2007**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 324,889	\$ 22,264	\$ 347,153
Receivables (net of allowance for doubtful accounts):			
Ad valorem taxes	1,741	-	1,741
Other taxes	17,295	-	17,295
Accounts	-	10,153	10,153
Restricted assets: Cash	14,925	32,288	47,213
Nondepreciable Capital Assets	214,264	-	214,264
Depreciable Capital Assets, Net	800,660	236,669	1,037,329
<b>Total Assets</b>	<b>1,373,774</b>	<b>301,374</b>	<b>1,675,148</b>
<b>LIABILITIES</b>			
Accounts Payable	8,842	1,479	10,321
Payable from restricted assets:			
Current portion of long-term debt	3,700	6,000	9,700
Accrued interest	-	650	650
Deposits	-	6,011	6,011
Deferred revenue	14,925	-	14,925
Long-Term Liabilities			
Due in More Than One Year	116,090	20,000	136,090
<b>Total Liabilities</b>	<b>143,557</b>	<b>34,140</b>	<b>177,697</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	895,134	210,669	1,105,803
Unrestricted	335,083	56,565	391,648
<b>Total Net Assets</b>	<b>\$ 1,230,217</b>	<b>\$ 267,234</b>	<b>\$ 1,497,451</b>

See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**Statement of Activities**  
**Year Ended June 30, 2007**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$ 98,037	\$ 5,873	\$ -	\$ -	\$ (92,164)
Public safety	149,771	45,738	-	-	(104,033)
Judicial	3,858	-	-	-	(3,858)
Public works	70,094	-	-	-	(70,094)
Public welfare	1,575	-	-	-	(1,575)
Culture and recreation	22,593	5,670	-	-	(16,923)
Interest on long-term debt	6,163	-	-	-	(6,163)
<b>Total Governmental Activities</b>	<b>352,091</b>	<b>57,281</b>	<b>-</b>	<b>-</b>	<b>(294,810)</b>
<b>Business-Type Activities</b>					
Water utilities	93,827	87,558	-	-	(6,269)
<b>Total Business-Type Activities:</b>	<b>93,827</b>	<b>87,558</b>	<b>-</b>	<b>-</b>	<b>(6,269)</b>
<b>Total Government</b>	<b>445,918</b>	<b>144,839</b>	<b>-</b>	<b>-</b>	<b>(301,079)</b>
<b>General revenues:</b>					
Taxes:					
Advalorem			98,187	-	98,187
Sales tax			238,358	-	238,358
Franchise tax			33,160	-	33,160
Insurance premium			37,151	-	37,151
Other taxes			1,879	-	1,879
Investment Revenue			1,043	359	1,402
Other			11,249	-	11,249
Transfers			(16,247)	16,247	-
			404,780	16,606	421,386
			109,970	10,337	120,307
Net assets at beginning of year			1,120,247	256,897	1,377,144
Net assets at end of year			\$ 1,230,217	\$ 267,234	\$ 1,497,451

See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	General	SPLOST	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 309,532	\$ -	\$ 15,357	\$ 324,889
Receivables:				
Ad valorem taxes	1,741	-	-	1,741
Other taxes	17,295	-	-	17,295
Restricted assets: Cash	14,925	-	-	14,925
<b>Total Assets</b>	<b>343,493</b>	<b>-</b>	<b>15,357</b>	<b>358,850</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	8,843	-	-	8,843
Deferred Revenue	16,665	-	-	16,665
<b>Total Liabilities</b>	<b>25,508</b>	<b>-</b>	<b>-</b>	<b>25,508</b>
<b>Fund Balances</b>				
Unreserved, Reported in				
Debt service funds	-	-	15,357	15,357
General Fund	317,985	-	-	317,985
<b>Total Fund Balances</b>	<b>317,985</b>	<b>-</b>	<b>15,357</b>	<b>333,342</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 343,493</b>	<b>\$ -</b>	<b>\$ 15,357</b>	<b>\$ 358,850</b>

See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Assets**  
**June 30, 2007**

Total Governmental Funds Balances	\$ 333,342
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets of \$1,342,329, net of accumulated depreciation of (\$327,405), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,014,924
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: Deferred property taxes	1,741
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds: Bonds payable for governmental project	<u>(119,790)</u>
Net Assets of Governmental Activities	<u>\$ 1,230,217</u>

See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2007**

	General	SPLOST	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 97,663	\$ -	\$ -	\$ 97,663
Sales Taxes	158,631	79,727	-	238,358
Other Local Taxes	72,190	-	-	72,190
Charges for Services	19,322	-	-	19,322
Licenses and Permits	5,873	-	-	5,873
Fines and Forfeitures	32,086	-	-	32,086
Interest	956	-	89	1,045
Other	11,248	-	-	11,248
<b>Total Revenues</b>	<b>397,969</b>	<b>79,727</b>	<b>89</b>	<b>477,785</b>
<b>Expenditures</b>				
Current				
General government	92,030	-	-	92,030
Public safety	126,335	-	-	126,335
Judicial	3,858	-	-	3,858
Public works	65,725	-	-	65,725
Public welfare	1,575	-	-	1,575
Culture and recreation	16,831	-	-	16,831
Capital outlay	-	79,727	4,000	83,727
Debt service	-	-	9,633	9,633
<b>Total Expenditures</b>	<b>306,354</b>	<b>79,727</b>	<b>13,633</b>	<b>399,714</b>
Excess (deficiency) of Revenues Over (Under) Expenditures Before transfers	91,615	-	(13,544)	78,071
<b>Other Financing Sources (Uses)</b>				
Transfers—In	2,885	-	11,736	14,621
Transfers—Out	(27,983)	-	(2,885)	(30,868)
<b>Total Other Financing Sources (Uses)</b>	<b>(25,098)</b>	<b>-</b>	<b>8,851</b>	<b>(16,247)</b>
<b>Net Change in Fund Balances</b>	<b>66,517</b>	<b>-</b>	<b>(4,693)</b>	<b>61,824</b>
Fund Balances (Deficit) at Beginning	251,468	-	20,050	271,518
<b>Fund Balances at End of Year</b>	<b>317,985</b>	<b>-</b>	<b>15,357</b>	<b>333,342</b>

See accompanying notes to the basic 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, 2007**

Net Change in Fund Balances—Total Governmental Funds \$ 61,824

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:

Capital Outlay—Depreciable Capital Assets	93,395
Depreciation	(49,243)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	524
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Elimination of transfers between governmental funds

Transfers in	14,621
Transfers out	(14,621)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.

Bonds payable for governmental project	3,470
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Change in Net Assets of Governmental Activities	\$ 109,970
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See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2007**

	<b>Water Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 22,264
Accounts receivable	10,153
Restricted assets: Cash	32,288
Total Current Assets	64,705
Capital Assets:	
Vehicles	13,273
Buildings	14,894
Equipment	39,931
Water distribution system	607,433
Accumulated depreciation	(438,862)
	236,669
 Total Assets	 301,374
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	1,479
Payable from restricted assets:	
Current portion of long-term debt	6,000
Accrued interest	650
Deposits	6,011
Total Current Liabilities	14,140
Long-Term Liabilities	
Revenue bonds payable	20,000
 Total Liabilities	 34,140
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	210,669
Unrestricted	56,565
 Total Net Assets	 \$ 267,234

See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2007**

	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 87,558
Total operating revenues	<u>87,558</u>
Operating expenses:	
Personal services	34,411
Materials and supplies	9,986
Contractual and other services	29,090
Depreciation	18,890
Total operating expenses	<u>92,377</u>
Income (loss) from operations	<u>(4,819)</u>
Nonoperating revenues (expenses):	
Investment income	359
Interest expense	<u>(1,450)</u>
Total nonoperating revenues (expenses)	<u>(1,091)</u>
Income before transfers	(5,910)
Transfers in	<u>16,247</u>
Change in net assets	10,337
Net assets beginning	<u>256,897</u>
Net assets, ending	<u>\$ 267,234</u>

See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2007**

	<b>Water Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 86,266
Cash payments to suppliers for goods and services	(39,010)
Cash payments to employees for services	(33,791)
Net cash provided (used) by operating activities	13,465
<b>Cash flows from capital and related financing activities:</b>	
Purchased fixed assets	(1,943)
Principal paid on revenue bond maturities	(6,000)
Interest paid on bonds	(1,600)
Net cash provided (used) by	
Net cash provided (used) by capital and related financing activities	(9,543)
<b>Cash flows from investing activities:</b>	
Interest on investments	359
Net cash provided (used) by investing activities	359
 Net increase (decrease) in cash and cash investments	 4,281
Cash and cash investments, beginning	50,271
 Cash and cash investments, ending	 \$ 54,552
 Reconciliation of income (loss) from operations	
to net cash provided (used) by operating activities	
Operating income (loss)	\$ (4,819)
Adjustments to reconcile operating income (loss)	
to net cash provided (used) by operations:	
Depreciation	18,890
(Increase) decrease in:	
Accounts receivable	(1,427)
Increase (decrease) in:	
Accounts payable	686
Customer deposits	135
Net cash provided (used) by	
operating activities	\$ 13,465
 Reconciliation of total cash:	
Current Assets-cash and cash equivalents	\$ 22,264
Restricted Assets-cash	32,288
Total cash and cash equivalents	\$ 54,552

See accompanying notes to the basic financial statements.

**TOWN OF WAVERLY HALL, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For Year Ended June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

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 accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to states and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Town has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are described below.

**Reporting Entity**

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 upon this criteria, the Town of Waverly Hall has no component units.

**Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed on whole or in part by fees charged to external parties for goods and services.

*Fund Financial Statements:*

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town's major funds are described below:

### Governmental Funds

#### *General Fund*

The General Fund is the principal fund of the Town and is used to account for all activities of the Town not otherwise accounted for by a specified fund. This fund is primarily used for the activities under direct control of the Mayor and Council. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

#### *SPLOST Fund*

The SPLOST Fund is used to account for expenditure of legally restricted Special Purpose Local Option Sales Tax.

### Proprietary Fund

#### *Water and Sewer Fund*

This fund is used to account for all operations relating to activities conducted in the operation of a municipal water supply and wastewater treatment.

### **Measurement Focus**

#### Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets.

#### Fund Financial Statements

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and

decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the Town finances and meets the cash flow needs of its enterprise activities.

### **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

### **Revenues—Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including insurance premium tax), grants, interest, and rent.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. The principal operating revenues for the proprietary fund are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements. Non-current restricted assets are restricted for liquidation of long-term debt.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies

and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Deferred Revenues**

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements were met have been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

### **Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date the Town accounts for these funds as prescribed by the GASB.

### **Internal Activity**

The Town transfers funds from the General Fund to provide funding for debt service and unexpected cash requirements of other funds. These transfers are eliminated in the government-wide financial statements.

### **Budgets**

The Town budgets its operations on an annual basis for the General Fund, Special Revenue Funds, and the Debt Service Fund. The proposed budget is prepared each May by a Budget Committee composed of the Mayor and Council. Budget requests from the various Town departments are presented to the Committee for consideration. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Waverly Hall. The final proposed budget is presented at a Town Council meeting for final passage prior to June 30. The final budget is adopted at public meeting. Grants and contracts received by the Town during the year are governed by stipulated budgets that are officially adopted at the time the grants are approved. There were two amendments to the current year general fund and special revenue funds. These amendments were to provide for capital outlays.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.



Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Public safety, Public works, Housing and Development, Cultural & Recreation, and Debt service. This constitutes the legal level of control. General Fund expenditures for capital outlay are budgeted with the respective departments rather than being separately reported. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Council. Within these control levels, management may transfer appropriations without Council approval, with the exception of salary amounts.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. There were no outstanding encumbrances at year-end.

**Interfund Receivables**

During the course of its operations, the Town has numerous transfers between funds to finance operations, provide services, and acquire assets and service debt. To the extent that certain transfers between funds had not been received as of June 30, 2007, balances of interfund amounts receivable or payable are recorded.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Infrastructure assets acquired or constructed after July 1, 2003 will be capitalized. Prior infrastructure assets have not been capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 to 60	Years
Vehicles	7	Years
Equipment	10	Years
Water distribution system	50	Years
Sewerage treatment plant	50	Years

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Cash and Cash Equivalents**

Cash and equivalents include amounts in demand deposit accounts as well as short-term investments with a maturity date of three months or less.

### **Inventories**

Materials purchased by the Town are recorded as expenditures when purchased and are not inventoried at year-end because they are not material in amount.

### **Prepaid Expenses**

Payments to vendors for services that will benefit periods after June 30, 2007 are recorded as prepaid items under the consumption method. Because these items do not represent "available spendable resources" in governmental funds, they are equally offset by fund balance reserve accounts.

### **Vacation and Sick Leave**

Employees earn vacation time as follows:

12 mo. of service	5 days
36 mo. of service	10 days
60 mo. of service	15 days

Sick Leave is earned at the rate of one day per month.

Vacation and sick leave does not accumulate. Terminated employees may not receive unused sick or vacation pay.

The amount of annual leave earned but not paid is not significant and no provision has been made in the financial statements for accrued vacation and sick leave.

## **2. DEPOSITS**

State statutes require that all non-insured public deposits in financial institutions be fully insured or collateralized by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The Town's deposits were fully insured or collateralized as required by state statutes at June 30, 2007. At June 30, 2007, the carrying amount of the Town's deposits in financial institutions was \$394,366 and the bank balance was \$397,945.

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the Town or by its agent in the Town's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3 - Uncollateralized

Category 1	\$	200,000
Category 2		197,945
Category 3		-
	\$	<u>397,945</u>

Deposit accounts in the Proprietary Fund restricted for debt service and customer deposits totaled \$32,288. Deposit accounts in the general Fund restricted for recreation construction totaled \$14,925.

#### 4. RECEIVABLES

The major receivables consist of utility bills and taxes.

Receivables and revenues from utility bills are recorded when the services are provided. Amounts shown as a receivable on the balance sheet represent amounts owed but not paid.

Revenues from property tax is recognized as follows:

An ad valorem tax is charged each year on each parcel of taxable property and on each taxable vehicle and mobile home located in the Town. The tax is assessed to support the Town government. It is based generally on a fixed percentage of the market value multiplied by a millage rate. The market value of the property is determined by the County Board of Assessors and the millage rate is set by the Town Council to produce the revenue required to finance the expected expenditures of the Town.

After the taxable value of the property has been established and the millage rate determined, the tax is computed on each property, and a tax bill is prepared for the property owner. The total of these computations, called the tax digest, is submitted to the State of Georgia for approval before the tax bills are mailed to the property owners. These tax bills then become the basis for tax collections. A list of uncollected taxes is prepared from the bills remaining unpaid at the end of the year.

The Town's ad valorem tax is 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. For 2007, taxes were levied on December 20, 2006 and were due on February 20, 2007.

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance Beginning	Additions	Transfers & Disposals	Balance Ending
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 214,264	\$ -	\$ -	\$ 214,264
Capital assets being depreciated				
Improvements	108,879	-	-	108,879
Buildings	672,690	78,658	-	751,348
Equipment	154,791	14,738	-	169,529
Vehicles	98,309	-	-	98,309
	1,034,670	93,396	-	1,128,066
Accumulated depreciation for:				
Improvements	(30,103)	(3,389)	-	(33,492)
Buildings	(119,017)	(15,028)	-	(134,045)
Equipment	(75,396)	(16,470)	-	(91,866)
Vehicles	(53,645)	(14,358)	-	(68,003)
	(278,161)	(49,245)	-	(327,406)
Total capital assets being depreciated, net	756,509	44,151	-	800,660
<i>Governmental activities</i> Capital assets, net	\$ 970,773	\$ 44,151	\$ -	\$ 1,014,924
	Balance Beginning	Additions	Transfers & Disposals	Balance Ending
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings	12,951	1,943	-	14,894
Vehicles	13,273	-	-	13,273
Equipment	39,931	-	-	39,931
Water distribution system	493,655	-	-	493,655
Sewerage treatment	113,778	-	-	113,778
	673,588	1,943	-	675,531
Accumulated depreciation for:				
Buildings	(648)	(648)	-	(1,296)
Vehicles	(7,584)	(1,896)	-	(9,480)
Equipment	(24,644)	(2,996)	-	(27,640)
Water distribution system	(287,543)	(10,506)	-	(298,049)
Sewerage treatment plant	(99,553)	(2,844)	-	(102,397)
	(419,972)	(18,890)	-	(438,862)
Total capital assets being depreciated, net	253,616	(16,947)	-	236,669
<i>Business-type Activities</i> Capital assets, net	\$ 253,616	\$ (16,947)	\$ -	\$ 236,669

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

Governmental activities:	
General Government	\$ 9,432
Public Safety	27,728
Public Works	4,369
Culture and recreation	7,714
	<hr/>
	\$ 49,243
	<hr/>
Business-type activities:	
Water and Sewer	\$ 18,890
	<hr/>

## 7. BONDS PAYABLE

### General Long-Term Debt

1996 Series General Obligation Bonds payable in annual installments through 2024 with interest at 5%. Bonds issued to finance construction of a Fire Station	<u>\$ 119,790</u>
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### Enterprise Fund

1971 Serial Water Revenue Bonds payable in annual installments through 2011 with interest at 5%.	<u>\$ 26,000</u>
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Water and sewer revenue bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinance. The ordinance provide that the revenue of the system is to be used first to pay the operating and maintenance expenses of the system and second to establish and maintain the revenue bond sinking fund. The Town is in compliance with all significant requirements as of June 30, 2007. As of June 30, 2007, the Town had a balance in the revenue bond sinking fund of \$ 32,288.

The annual requirements for debt service are as follows:

Year Ending June 30,	General Long-Term Debt		Enterprise Fund Debt		Total
	Principal	Interest	Principal	Interest	
2008	3,700	5,990	6,000	1,300	16,990
2009	3,940	5,805	6,000	1,000	16,745
2010	4,190	5,608	7,000	700	17,498
2011	4,470	5,398	7,000	350	17,218
2012	4,750	5,175	-	-	9,925
2013-2017	28,800	21,987	-	-	50,787
2018-2022	39,510	13,783	-	-	53,293
2023-2025	30,430	3,107	-	-	33,537
	<u>\$ 119,790</u>	<u>\$ 66,850</u>	<u>\$ 26,000</u>	<u>\$ 3,350</u>	<u>\$ 215,990</u>

Changes in the Long-Term Debt were as follows:

	Balance June 30, 2006	Issued	Retired	Balance June 30, 2007
<u>Governmental Activities</u>				
Construction Bonds	\$ 123,260	\$ -	\$ 3,470	\$ 119,790
<u>Business-Type Activities</u>				
Water Revenue Bonds	32,000	-	6,000	26,000
Total Long-Term Debt	<u>\$ 155,260</u>	<u>\$ -</u>	<u>\$ 9,470</u>	<u>\$ 145,790</u>

## 9. RISK MANAGEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which establishes standard accounting and financial reporting practices for public entity risk pools and governmental entities. The following disclosures are offered in accordance with GASB 10.

The Town is exposed to various forms of risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town accounts for risk financing activities in the General fund. The Town purchases insurance from the commercial insurance market for all risk categories except natural disasters, for which the Town is self-insured. Because of no recent history of 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 commercial 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.

#### **10. 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 attorney advises that there are no legal actions that were in progress by or against the Town at June 30, 2007.

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, 2007 there were no unpaid claims that Town management believes to be material.

#### **11. JOINT VENTURE**

Under Georgia law, the Town, in conjunction with the other municipalities and county governments in a thirteen county area, is a member in the Lower Chattahoochee Regional Development Center (RDC) and is required to pay dues thereto. During the year ended June 30, 2007, the Town paid \$577 in such dues. Membership in the RDC is required under O.C.G.A. Section 50-8-34. The RDC governing Board included the chief elected official of each county and municipality included in the RDC area. Member governments are liable for any debts or obligations incurred by the RDC.

Separate RDC financial statements may be obtained from:

Lower Chattahoochee Regional Development Center  
PO Box 1908  
Columbus, GA 31902

#### **13. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2007, consisted of advances in anticipation of reimbursement from intergovernmental sources or tax revenues, or for temporary financing of cash flow needs. The Town expects to repay all interfund balances within one year.

	<u>Transfers To</u>		<u>Transfers From</u>		<u>Total Due From</u>
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>Major Governmental Fund</u>	<u>Other Governmental Funds</u>	<u>Major Enterprise Fund</u>	<u>Water</u>	
	<u>General</u>				
<i>Governmental Activities</i>					
General Fund	\$ -	\$ 2,885	\$ -	\$ -	\$ 2,885
Capital Projects Fund	-	-	-	-	-
Other Governmental Funds	11,736	-	-	-	11,736
<i>Business-Type Activities</i>					
Water Fund	16,247	-	-	-	16,247
	<u>\$ 27,983</u>	<u>\$ 2,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,868</u>

#### 14. SPECIAL PURPOSE LOCAL OPTION TAX

The Town is included in a Harris County Special Purpose Local Option Tax issue. A summary of receipts and expenditures of this issue is as follows:

	<u>Original Estimated</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Tax revenues	\$ 276,000	\$ 130,087	\$ 79,727	\$ 209,814
Police communications	6,000	4,005	1,995	6,000
Building renovation	21,000	4,060	10,495	14,555
Fire Dept. building and equip.	15,000	15,000	-	15,000
Recreational facilities	114,000	107,022	-	107,022
Sidewalks	25,000	-	-	-
Restore old fire department	95,000	-	67,237	67,237
	<u>\$ 276,000</u>	<u>\$ 130,087</u>	<u>\$ 79,727</u>	<u>\$ 209,814</u>



**TOWN OF WAVERLY HALL, GEORGIA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
Taxes	\$ 302,600	\$ 302,600	\$ 328,484
Intergovernmental	-	-	
Charges for Services	-	-	19,322
Licenses and Permits	5,200	5,200	5,873
Fines and Forfeitures	25,000	25,000	32,086
Interest	500	500	956
Other	12,700	12,700	11,248
<b>Total Revenues</b>	<b>346,000</b>	<b>346,000</b>	<b>397,969</b>
<b>Expenditures</b>			
Current			
General government	101,652	101,652	92,030
Public safety	164,660	164,660	126,335
Judicial	3,530	3,530	3,858
Public works	74,203	74,203	65,725
Public welfare	1,500	1,500	1,575
Culture and recreation	19,600	19,600	16,831
Debt service	-	-	-
<b>Total Expenditures</b>	<b>365,145</b>	<b>365,145</b>	<b>306,354</b>
Excess (deficiency) of Revenues Over (Under) Expenditures	(19,145)	(19,145)	91,615
<b>Other Financing Sources (Uses)</b>			
Transfers—In	2,885	-	2,885
Transfers—Out	(10,000)	-	(27,983)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,115)</b>	<b>-</b>	<b>(25,098)</b>
<b>Net Change in Fund Balances</b>	<b>(26,260)</b>	<b>(19,145)</b>	<b>66,517</b>
<b>Fund Balances (Deficit) at Beginning</b>	<b>217,069</b>	<b>217,069</b>	<b>217,069</b>
<b>Fund Balances at End of Year</b>	<b>190,809</b>	<b>197,924</b>	<b>283,586</b>

**TOWN OF WAVERLY HALL, GEORGIA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2007**

	Special Revenue			
	Drug Canine Fund	Low Income Assistance	Debt Service	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 15,357	\$ 15,357
Restricted assets: Cash	-	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>15,357</b>	<b>15,357</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable				-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Total Fund Balances	-	-	15,357	15,357
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,357</b>	<b>\$ 15,357</b>

**TOWN OF WAVERLY HALL, GEORGIA**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2007**

	<u>Special revenue</u>			<u>Total</u>
	<u>Drug Canine Fund</u>	<u>Low Income Assistance</u>	<u>Debt Service</u>	
<b>Revenues</b>				
Interest	\$ 10	\$ -	\$ 79	\$ 89
Taxes	-	-	-	-
Other	-	-	-	-
<b>Total Revenues</b>	<u>10</u>	<u>-</u>	<u>79</u>	<u>89</u>
<b>Expenditures</b>				
Capital outlay	-	-	4,000	4,000
Debt service:				
Principal retirement	-	-	3,470	3,470
Interest	-	-	6,163	6,163
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>13,633</u>	<u>13,633</u>
Excess (deficiency) of Revenues Over (Under) Expenditures Before transfers	<u>10</u>	<u>-</u>	<u>(13,554)</u>	<u>(13,544)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers—In			11,736	11,736
Transfers—Out	(2,145)	(740)	-	(2,885)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,145)</u>	<u>(740)</u>	<u>11,736</u>	<u>8,851</u>
<b>Net Change in Fund Balances</b>	<u>(2,135)</u>	<u>(740)</u>	<u>(1,818)</u>	<u>(4,693)</u>
<b>Fund Balances (Deficit) at Beginning</b>	<u>2,135</u>	<u>740</u>	<u>17,175</u>	<u>20,050</u>
<b>Fund Balances at End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,357</u>	<u>\$ 15,357</u>

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**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**

Mayor and Council  
Town of Waverly Hall  
Waverly Hall, Georgia

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Town of Waverly Hall, as of and for the year ended June 30, 2007, which collectively comprise the Town of Waverly Hall's basic financial statements and have issued my report thereon dated October 25, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Town of Waverly Hall's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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 over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Town of Waverly Hall, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Waverly Hall, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the Town of Waverly Hall, Georgia's internal control. I consider the deficiencies described in the accompanying schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting. These findings are reported as 07-1 and 07-2.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material

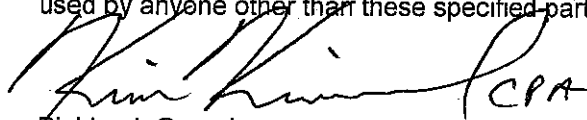
weaknesses. However, of the significant deficiencies described above, I consider 07-1 and 07-2 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Waverly Hall, Georgia's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town of Waverly Hall, Georgia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Town of Waverly Hall, Georgia's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Richland, Georgia  
October 25, 2007

**Town of Waverly Hall, Georgia**  
**Schedule of Findings and Responses**  
**Year Ended Jun 30, 2007**

**Material Weaknesses**

**07-1 Reporting**

*Condition:* The Town does not currently have the expertise to insure the Town's financial statements are prepared in accordance with generally accepted accounting principles.

*Criteria:* The Town is responsible for the proper preparation of its annual financial statements.

*Effect:* The Town lacks the capability to insure its financial statements are properly prepared and must rely upon outside assistance.

*Response:* The Town agrees with the comment, but does not have the resources to justify hiring an employee with the required qualifications.

**07-2 Segregation of Duties**

*Condition:* During my audit I noted that many transactions are processed from start to end by one individual.

*Criteria:* All transactions should require two or more individuals to initiate, summarize, post, and reconcile.

*Effect:* The potential exists for unauthorized transactions to be initiated and not discovered.

*Response:* The Town agrees with the finding and acknowledges the risk involved, but does not have the resources to provide for proper segregation of duties in all areas.