

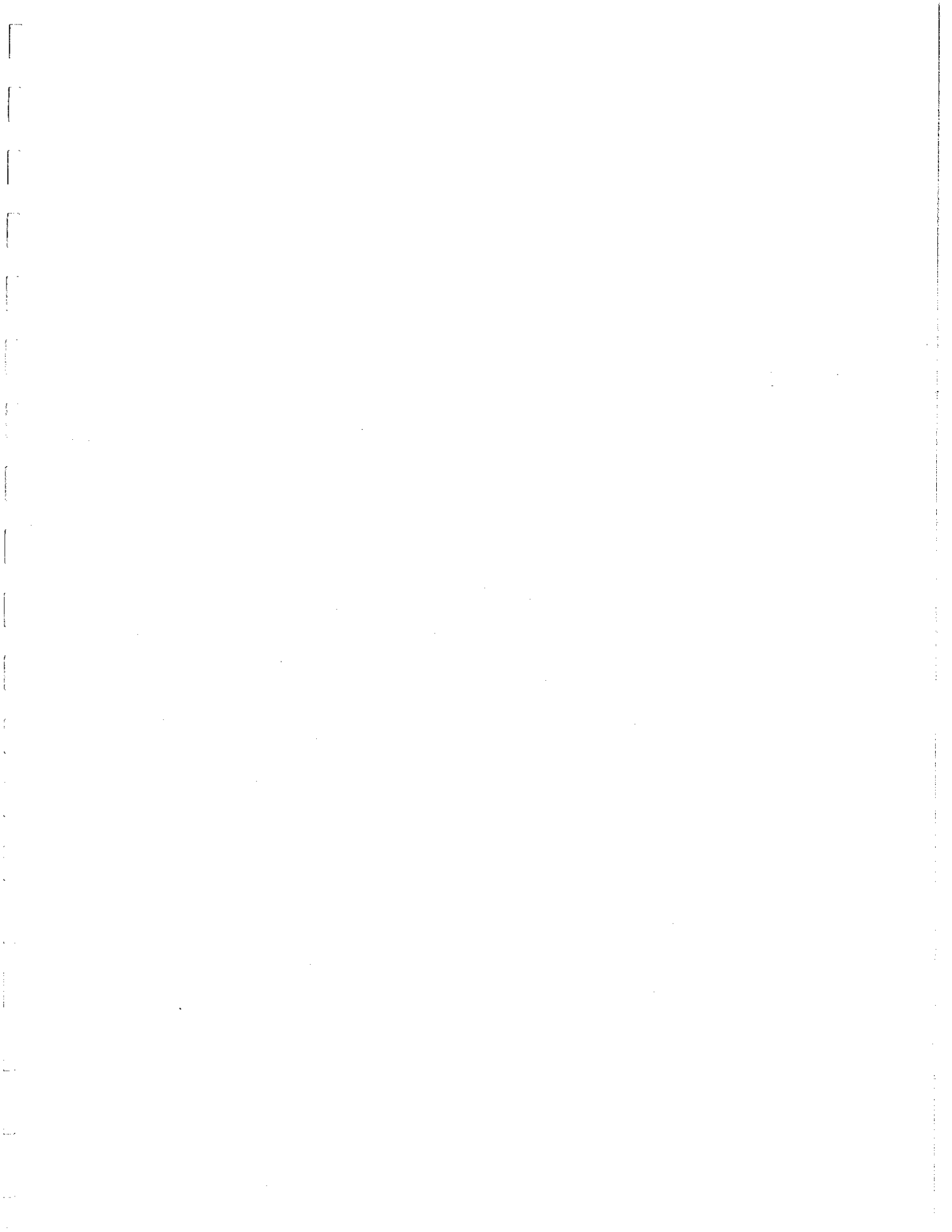
**TOWN OF WAVERLY HALL, GEORGIA
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

| | |
|--|----------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| <u>Government-wide Financial Statements</u> | |
| Statement of Net Assets | 3 |
| Statement of Activities | 4 |
| <u>Fund Financial Statements</u> | |
| Balance Sheet-Governmental Funds | 5 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds | 7 |
| Statement of Net Assets-Proprietary Fund | 9 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Fund | 10 |
| Statement of Cash Flows-Proprietary Fund | 11 |
| Notes to Basic Financial Statements | 12 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule-General Fund | 21 |
| Budgetary Comparison Schedule-Debt Service Fund | 22 |
| GOVERNMENTAL AUDITING SECTION | |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards | 24 |
| Schedule of Findings and Responses | 26 |





Kim Kimmel
Certified Public Accountant
PO 39
Richland, Georgia 31825

Member:
American Institute of CPAs
Georgia Society of CPAs

229-887-2543
229-887-3402 fax

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, and each major fund of the Town of Waverly Hall, Georgia, as of and for the year ended June 30, 2012, 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 financial statements based on my audit.

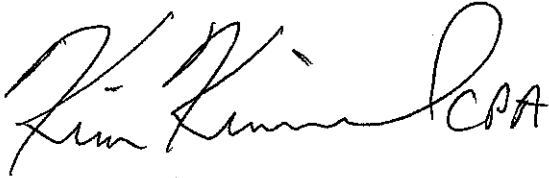
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, and each major fund of the Town of Waverly Hall as of June 30, 2012, 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 pages 21 thru 22, 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.

In accordance with Government Auditing Standards, I have also issued my report dated October 4, 2012, 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 cursive script, appearing to read "Jim Linn CPA". The signature is written in black ink and is positioned above the typed name and title.

Richland, Georgia
October 4, 2012

TOWN OF WAVERLY HALL, GEORGIA
Government-wide Statement of Net Assets
June 30, 2012

| | Primary Government | | |
|--|----------------------------|---------------------------------|---------------------|
| | Governmental Activities | Business- Type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 164,829 | \$ 67,298 | \$ 232,127 |
| Receivables (net of allowance for doubtful accounts): | | | |
| Ad valorem taxes | 5,530 | - | 5,530 |
| Other taxes | 14,167 | - | 14,167 |
| Accounts | | 10,307 | 10,307 |
| Nondepreciable Capital Assets | 214,264 | - | 214,264 |
| Depreciable Capital Assets, Net | 1,002,030 | 201,080 | 1,203,110 |
| Total Assets | 1,400,820 | 278,685 | 1,679,505 |
| LIABILITIES | | | |
| Accounts Payable | 19,458 | 711 | 20,169 |
| Customer deposits | - | 9,081 | |
| Payable from restricted assets: | | | |
| Current portion of long-term debt | 5,070 | - | 5,070 |
| Long-Term Liabilities | | | |
| Due in More Than One Year | 93,670 | - | 93,670 |
| Total Liabilities | 118,198 | 9,792 | 118,909 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 1,117,554 | 201,080 | 1,318,634 |
| Unrestricted | 165,068 | 67,813 | 232,881 |
| Total Net Assets | \$ 1,282,622 | \$ 268,893 | \$ 1,551,515 |

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Statement of Activities
Year Ended June 30, 2012

| Program Activities | Expenses | Program Revenues | | | Net (Expenses) Revenues |
|--|-----------------|--|---|---|--------------------------------|
| | | Fees, Fines, Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| General government | \$ 142,741 | \$ 9,661 | \$ - | \$ 14,740 | \$ (118,340) |
| Public safety | 226,534 | 19,635 | - | 29,701 | (177,198) |
| Judicial | 3,790 | - | - | - | (3,790) |
| Public works | 62,201 | - | - | - | (62,201) |
| Public welfare | 1,908 | - | - | - | (1,908) |
| Culture and recreation | 26,956 | - | - | - | (26,956) |
| Intergovernmental | - | - | - | - | - |
| Interest on long-term debt | 5,175 | - | - | - | (5,175) |
| Total Governmental Activities | 469,305 | 29,296 | - | 44,441 | (395,568) |
| Business-Type Activities | | | | | |
| Water utilities | 84,394 | 111,678 | - | - | 27,284 |
| Total Business-Type Activities: | 84,394 | 111,678 | - | - | 27,284 |
| Total Government | 553,699 | 140,974 | - | 44,441 | (368,284) |

| | Governmental Activities | Business-Type Activities | |
|--|--------------------------------|---------------------------------|---------------------|
| General revenues: | | | |
| Taxes: | | | |
| Advalorem | 126,009 | - | 126,009 |
| Sales tax | 158,954 | - | 158,954 |
| Franchise tax | 41,627 | - | 41,627 |
| Insurance premium | 34,475 | - | 34,475 |
| Other taxes | 800 | - | 800 |
| Investment Revenue | 61 | - | 61 |
| Other | 16,816 | 98 | 16,914 |
| Transfers | 13,000 | (13,000) | - |
| | 391,742 | (12,902) | 378,840 |
| | (3,826) | 14,382 | 10,556 |
| Net assets at beginning of year | 1,286,448 | 254,511 | 1,540,959 |
| Net assets at end of year | \$ 1,282,622 | \$ 268,893 | \$ 1,551,515 |

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2012

| | General | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|-------------------|----------------------------------|--------------------------------------|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 147,292 | \$ 17,538 | \$ - | \$ 164,830 |
| Receivables: | | | | |
| Ad valorem taxes | 5,529 | - | - | 5,529 |
| Other taxes | 14,167 | - | - | 14,167 |
| Total Assets | 166,988 | 17,538 | - | 184,526 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | 19,458 | - | - | 19,458 |
| Deferred Revenue | 5,529 | - | - | 5,529 |
| Total Liabilities | 24,987 | - | - | 24,987 |
| Debt service funds | | | | |
| Fund Balances | | | | |
| Committed to debt service | - | - | - | - |
| Unassigned | 142,001 | 17,538 | - | 159,539 |
| Total Fund Balances | 142,001 | 17,538 | - | 159,539 |
| Total Liabilities and Fund Balances | \$ 166,988 | \$ 17,538 | \$ - | \$ 184,526 |

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, 2012

| | |
|---|---------------------|
| Total Governmental Funds Balances | \$ 159,539 |
| Amounts reported for governmental activities on the statement of net assets are different because of the following: | |
| Capital assets of \$1,836,573, net of accumulated depreciation of (\$620,279), used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 1,216,294 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: Deferred property taxes | 5,529 |
| 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>(98,740)</u> |
| Net Assets of Governmental Activities | <u>\$ 1,282,622</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, 2012

| | General | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|----------------|-------------------------|-----------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$ 121,974 | \$ - | \$ - | \$ 121,974 |
| Sales Taxes | 158,954 | - | - | 158,954 |
| Other Local Taxes | 77,211 | - | - | 77,211 |
| Intergovernmental | - | - | - | - |
| Charges for Services | 3,815 | - | 44,441 | 44,441 |
| Licenses and Permits | 5,846 | - | - | 5,846 |
| Fines and Forfeitures | 19,635 | - | - | 19,635 |
| Interest | 42 | 19 | - | 61 |
| Other | 4,080 | 12,736 | - | 16,816 |
| Total Revenues | 391,557 | 12,755 | 44,441 | 448,753 |
| Expenditures | | | | |
| Current | | | | |
| General government | 136,014 | - | - | 136,014 |
| Public safety | 188,252 | - | - | 188,252 |
| Judicial | 3,790 | - | - | 3,790 |
| Public works | 65,907 | - | - | 65,907 |
| Public welfare | 1,908 | - | - | 1,908 |
| Culture and recreation | 15,725 | - | - | 15,725 |
| Capital outlay | - | - | 44,441 | 44,441 |
| Debt service | - | 9,925 | - | 9,925 |
| Total Expenditures | 411,596 | 9,925 | 44,441 | 465,962 |
| Excess (deficiency) of Revenues Over (Under) Expenditures Before transfers | (20,039) | 2,830 | - | (17,209) |
| Other Financing Sources (Uses) | | | | |
| Transfers—In | 13,000 | - | - | 13,000 |
| Transfers—Out | - | - | - | - |
| Total Other Financing Sources (Uses) | 13,000 | - | - | 13,000 |
| Net Change in Fund Balances | (7,039) | 2,830 | - | (4,209) |
| Fund Balances (Deficit) at Beginning | 149,040 | 14,708 | - | 163,748 |
| Fund Balances at End of Year | 142,001 | 17,538 | - | 159,539 |

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, 2012

| | | |
|---|----|----------|
| Net Change in Fund Balances—Total Governmental Funds | \$ | (4,209) |
| <p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>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:</p> | | |
| Capital Outlay—Depreciable Capital Assets | | 63,212 |
| Depreciation | | (71,306) |
| <p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p> | | |
| Property Taxes | | 3,726 |
| General fixed asset transferred to another government | | - |
| <p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.</p> | | |
| Bonds payable for governmental project | | 4,751 |
| | | 4,751 |
| Change in Net Assets of Governmental Activities | \$ | (3,826) |

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Statement of Net Assets
Proprietary Fund
June 30, 2012

| | Water Fund |
|---|-----------------------|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 67,298 |
| Accounts receivable | 10,307 |
| Total Current Assets | 77,605 |
| Noncurrent Assets: | |
| Depreciable assets, net | 201,080 |
| Total Non-current Assets | 201,080 |
| Total Assets | 278,685 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 711 |
| Customer Deposits | 9,081 |
| Total Current Liabilities | 9,792 |
| Total Liabilities | 9,792 |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | 201,080 |
| Unrestricted | 67,813 |
| Total Net Assets | \$ 268,893 |

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, 2012

| | Water Fund |
|--|-----------------------|
| Operating revenues: | |
| Charges for services | \$ 111,678 |
| Total operating revenues | 111,678 |
| Operating expenses: | |
| Personal services | 38,769 |
| Materials and supplies | 18,386 |
| Contractual and other services | 9,151 |
| Depreciation | 18,088 |
| Total operating expenses | 84,394 |
| Income (loss) from operations | 27,284 |
| Nonoperating revenues (expenses): | |
| Investment income | 98 |
| Total nonoperating revenues (expenses) | 98 |
| Income before transfers | 27,382 |
| Transfers out | (13,000) |
| Change in net assets | 14,382 |
| Net assets beginning | 254,511 |
| Net assets, ending | \$ 268,893 |

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

| | Water Fund |
|--|-----------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 112,999 |
| Cash payments to suppliers for goods and services | (28,087) |
| Cash payments to employees for services | (38,769) |
| Net cash provided (used) by operating activities | 46,143 |
| Cash flows from noncapital financing activities: | |
| Transfers out | (13,000) |
| Cash flows from capital and related financing activities: | |
| Purchased fixed assets | (4,200) |
| Net cash provided (used) by capital and related financing activities | (4,200) |
| Cash flows from investing activities: | |
| Interest on investments | 97 |
| Net cash provided (used) by investing activities | 97 |
| Net increase (decrease) in cash and cash investments | 29,040 |
| Cash and cash investments, beginning | 38,258 |
| Cash and cash investments, ending | \$ 67,298 |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities | |
| Operating income (loss) | \$ 27,284 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operations: | |
| Depreciation | 18,088 |
| (Increase) decrease in: | |
| Accounts receivable | 456 |
| Increase (decrease) in: | |
| Accounts payable | (550) |
| Customer deposits | 865 |
| Net cash provided (used) by operating activities | \$ 46,143 |

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the Town as a whole) and fund financial statements. Both the government wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the government and business-type activities columns (1) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are prepared using a

flow of 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 time 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 a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property, franchise, and sales taxes and investment income are all considered to be susceptible to accrual and so have been recorded as revenues of the current fiscal period.

The Town's reports the following major governmental funds:

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.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of funds and payment of those funds for the purpose of reducing general purpose long term debts.

Capital Projects Fund

This fund presents receipt and expenditure of the proceeds of a Special Purpose Local Option Sales Tax.

The Town reports the following major 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.

Private sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government.

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. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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. The principal operating revenues of the Water & Sewer Fund are charges to customers for sales and services. Operating expenses for the Water & Sewer Fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When fund balances are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Budgets

The Town budgets its operations on an annual basis for the General Fund and the Special Revenue Funds. 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 Pine Mountain. 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. Other than changes made by grantor contracts, there were no amendments to the officially adopted budget for the year.

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 and Special Revenue Funds 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.

Expenditures over Appropriations

For the year ended June 30, 2012 Debt Service Fund expenditures for debt service exceeded appropriations by \$75 because of a change in the contracted payment amount. Available revenues were sufficient to provide for the excess expenditures.

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.

Prepaid Expenses

Payments to vendors for services that will benefit periods after June 30, 2012 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.

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 |
| Improvements | 30 | years |
| Vehicles | 7 | years |
| Equipment | 10 | years |
| Water distribution | 50 | years |
| Sewer Distribution | 50 | years |

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Restricted fund balance- amounts constrained to specific purposes by their providers (such as grantors, through constitutional provisions or enabling legislation.

Committed fund balance- amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance- amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance- amounts that are available for any purpose; positive amounts are reported only in the general fund.

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, 2012. At June 30, 2012, the carrying amount of the Town's deposits in financial institutions was \$232,127 and the bank balance was \$232,329.

The total bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

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 2012, taxes were levied on December 20, 2011 and were due on February 20, 2012.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 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 | 217,054 | - | - | 217,054 |
| Buildings | 772,478 | 14,740 | - | 787,218 |
| Equipment | 370,910 | 21,608 | (38,394) | 354,124 |
| Vehicles | 198,654 | 26,865 | 38,394 | 263,913 |
| | 1,559,097 | 63,213 | - | 1,622,310 |
| Accumulated depreciation for: | | | | |
| Improvements | (50,556) | (6,254) | - | (56,810) |
| Buildings | (198,007) | (16,188) | - | (214,195) |
| Vehicles | (129,362) | (17,915) | - | (147,277) |
| Equipment | (171,050) | (30,948) | - | (201,998) |
| | (548,975) | (71,305) | - | (620,280) |
| Total capital assets being depreciated, net | 1,010,122 | (8,092) | - | 1,002,030 |
| <i>Governmental activities</i> Capital assets, net | \$ 1,224,386 | \$ (8,092) | \$ - | \$ 1,216,294 |
| | | | | |
| | Balance Beginning | Additions | Transfers & Disposals | Balance Ending |
| <i>Business-type Activities</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Capital assets being depreciated | | | | |
| Buildings | 14,894 | - | - | 14,894 |
| Vehicles | 13,273 | - | - | 13,273 |
| Equipment | 78,073 | 4,200 | - | 82,273 |
| Water distribution system | 514,971 | - | - | 514,971 |
| Sewerage treatment | 113,778 | - | - | 113,778 |
| | 734,989 | 4,200 | - | 739,189 |
| Accumulated depreciation for: | | | | |
| Buildings | (4,276) | (744) | - | (5,020) |
| Vehicles | (13,273) | - | - | (13,273) |
| Equipment | (44,092) | (5,904) | - | (49,996) |
| Water distribution system | (344,604) | (11,439) | - | (356,043) |
| Sewerage treatment plant | (113,777) | - | - | (113,777) |
| | (520,022) | (18,087) | - | (538,109) |
| Total capital assets being depreciated, net | 214,967 | (13,887) | - | 201,080 |
| <i>Business-type Activities</i> Capital assets, net | \$ 214,967 | \$ (13,887) | \$ - | \$ 201,080 |

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

| | |
|--------------------------|------------------|
| Governmental activities: | |
| General Government | \$ 11,732 |
| Public Safety | 44,681 |
| Public Works | 3,661 |
| Culture and recreation | 11,231 |
| | <u>71,305</u> |
| | <u>\$ 71,305</u> |

6. 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

\$ 98,740

The annual requirements for debt service are as follows:

| Year Ending June 30, | General Long-Term Debt | |
|----------------------------|------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 5,070 | \$ 4,937 |
| 2014 | 5,390 | 4,684 |
| 2015 | 5,700 | 4,414 |
| 2016 | 6,120 | 4,129 |
| 2017 | 6,520 | 3,823 |
| 2018-2022 | 39,510 | 13,783 |
| 2023-2025 | 30,430 | 3,107 |
| | <u>\$ 98,740</u> | <u>\$ 38,876</u> |

Changes in the Long-Term Debt were as follows:

| <u>Governmental Activities</u> | Balance | Issued | Retired | Balance |
|--------------------------------|-------------------|-------------|-----------------|------------------|
| | June 30, 2011 | | | June 30, 2012 |
| Construction Bonds | <u>\$ 103,490</u> | <u>\$ -</u> | <u>\$ 4,750</u> | <u>\$ 98,740</u> |

7. 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.

8. COMMITMENTS AND CONTINGENT LIABILITIES

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

The Town attorney advises that there are no legal actions that were in progress by or against the Town at June 30, 2012.

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, 2012 there were no unpaid claims that Town management believes to be material.

9. JOINT VENTURE

Under Georgia law, the Town, in conjunction with the other municipalities and county governments in a twelve county area, was a member in the River Valley Regional Commission (RC) as of June 30, 2012. Under the law, the Town is required to pay dues thereto. During the year ended June 30, 2012, the Town paid \$1,887 in such dues. Membership in the Commission is required under O.C.G.A. Section 50-8-34. The Commission governing Board includes the chief elected official of each county and one municipality included in the RC area. Member governments are liable for any debts or obligations incurred by the RC.

Separate RC financial statements may be obtained from:

River Valley Regional Commission
 PO Box 1908
 Columbus, GA 31902

10. INTERFUND BALANCES AND TRANSFERS

Interfund transfers were made from the Water Fund to the General Fund to reimburse the General Fund for payments for insurance and employee benefits for employees in the Water Fund.

| <u>Transfers To</u> | <u>Transfers From</u> | |
|--|--|------------------|
| | <i>Major Business-Type</i> <u>Water & Sewer</u> | <u>Total</u> |
| <i>Government-Type</i> General Fund | \$ 13,000 | \$ 13,000 |
| | <u>\$ 13,000</u> | <u>\$ 13,000</u> |

11. 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</u> <u>Estimated</u> | <u>Current</u> <u>Estimated</u> | <u>Prior</u> <u>Years</u> | <u>Current</u> <u>Year</u> | <u>Total</u> |
|--------------------------------|-------------------------------------|------------------------------------|------------------------------|-------------------------------|-------------------|
| <u>2009 SPLOST</u> | | | | | |
| Tax revenues | \$ 500,000 | \$ 500,000 | \$ - | \$ - | \$ - |
| Government buildings | 50,000 | 50,000 | - | 14,740 | 14,740 |
| Fire Dept. building and equip. | 100,000 | 100,000 | 15,777 | 2,837 | 18,614 |
| Police Dept. equipment | 45,000 | 45,000 | - | 26,864 | 26,864 |
| Recreational facilities | 100,000 | 100,000 | 99,400 | - | 99,400 |
| Water system improvements | 175,000 | 175,000 | - | - | - |
| Street improvements | 30,000 | 30,000 | - | - | - |
| | <u>\$ 500,000</u> | <u>\$ 500,000</u> | <u>\$ 115,177</u> | <u>\$ 44,441</u> | <u>\$ 159,618</u> |

TOWN OF WAVERLY HALL, GEORGIA
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual |
|--|-------------------------|-----------------|----------------|
| | Original | Final | |
| Revenues | | | |
| Taxes | \$ 475,830 | \$ 475,830 | \$ 358,139 |
| Intergovernmental | - | - | - |
| Charges for Services | - | - | 3,815 |
| Licenses and Permits | 4,500 | 4,500 | 5,846 |
| Fines and Forfeitures | 48,000 | 48,000 | 19,635 |
| Interest | - | - | 42 |
| Other | 10,386 | 10,386 | 4,080 |
| Total Revenues | 538,716 | 538,716 | 391,557 |
| Expenditures | | | |
| Current | | | |
| General government | 118,251 | 154,328 | 136,014 |
| Public safety | 246,985 | 246,985 | 188,252 |
| Judicial | 4,830 | 4,830 | 3,790 |
| Public works | 114,600 | 114,600 | 65,907 |
| Public welfare | 1,900 | 1,908 | 1,908 |
| Culture and recreation | 20,150 | 20,150 | 15,725 |
| Total Expenditures | 506,716 | 542,801 | 411,596 |
| Excess (deficiency) of Revenues Over (Under) Expenditures | 32,000 | (4,085) | (20,039) |
| Other Financing Sources (Uses) | | | |
| Transfers—out | (32,000) | (32,000) | 13,000 |
| Total Other Financing Sources (Uses) | (32,000) | (32,000) | 13,000 |
| Net Change in Fund Balances | - | (36,085) | (7,039) |
| Fund Balances (Deficit) at Beginning | 149,040 | 149,040 | 149,040 |
| Fund Balances at End of Year | 149,040 | 112,955 | 142,001 |

TOWN OF WAVERLY HALL, GEORGIA
Budgetary Comparison Schedule
Debt Service Fund
Year Ended June 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> |
|--|-------------------------|---------------|---------------|
| | <u>Original</u> | <u>Final</u> | |
| Revenues | | | |
| Interest | \$ - | \$ - | \$ 19 |
| Other | 12,736 | 12,736 | 12,736 |
| Total Revenues | <u>12,736</u> | <u>12,736</u> | <u>12,755</u> |
| Expenditures | | | |
| Debt service | 9,850 | 9,850 | 9,925 |
| Total Expenditures | <u>9,850</u> | <u>9,850</u> | <u>9,925</u> |
| Excess (deficiency) of Revenues Over (Under) Expenditures | 2,886 | 2,886 | 2,830 |
| Fund Balances (Deficit) at Beginning | <u>14,708</u> | <u>14,708</u> | <u>14,708</u> |
| Fund Balances at End of Year | <u>17,594</u> | <u>14,708</u> | <u>14,708</u> |

Town of Waverly Hall, Georgia
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For Year Ended June 30, 2012

Budgetary Accounting and Control

The Town budgets its operations on an annual basis for the General Fund. The proposed budget is prepared each year by a Budget Committee composed of the Mayor and Council. 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.

The Town prepares its budget on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual present a comparison of budgetary data to actual results of operations for funds for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Public Safety, Judicial, Public works, Public Welfare, and Recreation. 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.

Kim Kimmel
Certified Public Accountant
PO 39
Richland, Georgia 31825

Member:
American Institute of CPAs
Georgia Society of CPAs

229-887-2543
229-887-3402 fax

**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, and each major fund of the Town of Waverly Hall, as of and for the year ended June 30, 2012, which collectively comprise the Town of Waverly Hall's basic financial statements and have issued my report thereon dated October 4, 2012. 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

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Town of Waverly Hall, Georgia'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. Accordingly, I do not express 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit findings, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

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 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. I consider the deficiency described in the accompanying schedule of audit findings to be a material weakness: 12-1

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 Pine Mountain, 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.

A handwritten signature in black ink that reads "Kim Kimmel CPA". The signature is written in a cursive style with a large, stylized "K" at the beginning.

Richland, Georgia
October 4, 2012

**Town of Waverly Hall, Georgia
Schedule of Findings and Responses
Year Ended Jun 30, 2012**

Material Weaknesses

12-1 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. The Town is attempting to limit the risk in this area by involving the Mayor and Council in daily operations.

