

TOWN OF WAVERLY HALL, GEORGIA FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waverly Hall, Georgia, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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 aggregate remaining fund information of the Town of Waverly Hall as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

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 to the budgetary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waverly Hall's basic financial statements. The combining nonmajor fund financial statements and the schedule of funding progress are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of funding progress are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 10, 2018, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Waverly Hall's internal; control over financial reporting and compliance.

Kim Kimmel CPA

Richland, Georgia
January 10, 2018

TOWN OF WAVERLY HALL, GEORGIA
Government-wide Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
		Activities	
Assets			
Cash and Cash Equivalents	\$ 1,303,334	\$ 86,655	\$ 1,389,989
Receivables (net of allowance for doubtful accounts):			
Ad valorem taxes	12,644	-	12,644
Other taxes	13,448	-	13,448
Accounts	-	10,787	10,787
Nondepreciable Capital Assets	214,264	-	214,264
Depreciable Capital Assets, Net	790,212	588,811	1,379,023
Total Assets	2,333,902	686,253	3,020,155
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts Payable	8,655	2,085	10,740
Customer deposits	-	12,507	12,507
Accrued interest	-	579	579
Note payable due in one year	6,940	16,671	23,611
Note payable in more than one year	63,000	317,220	380,220
Total Liabilities	78,595	349,062	427,657
Deferred Inflows of Resources	-	-	-
Net Position			
Net investment in capital assets	934,536	254,920	1,189,456
Restricted for public works	20,512	-	20,512
Unassigned	1,300,259	82,271	1,382,530
Total Net Position	\$ 2,255,307	\$ 337,191	\$ 2,592,498

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Statement of Activities
Year Ended June 30, 2017

Program Activities	Program Revenues				Net (Expenses) Revenues
	Expenses	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 134,171	\$ 9,219	\$ -	\$ -	\$ (124,952)
Public safety	226,950	28,243	-	-	(198,707)
Judicial	2,398	-	-	-	(2,398)
Public works	46,155	-	-	17,933	(28,222)
Public welfare	2,292	-	-	-	(2,292)
Culture and recreation	23,163	-	-	1,118,878	1,095,715
Intergovernmental	-	-	-	-	-
Interest on long-term debt	3,823	-	-	-	(3,823)
Total Governmental Activities	438,952	37,462	-	1,136,811	735,321
Business-Type Activities					
Water utilities	165,002	119,881	-	-	(45,121)
Total Business-Type Activities:	165,002	119,881	-	-	(45,121)
Total Government	603,954	157,343	-	1,136,811	690,200

	Governmental Activities	Business-Type Activities	
General revenues:			
Taxes:			
Advalorem	138,736	-	138,736
Sales tax	138,973	-	138,973
Franchise tax	41,878	-	41,878
Insurance premium	45,874	-	45,874
Other taxes	8,487	-	8,487
Investment Revenue	780	-	780
Other	17,269	-	17,269
Transfers	(540)	540	-
	<u>391,457</u>	<u>540</u>	<u>391,997</u>
	1,126,778	(44,581)	1,082,197
Net position at beginning of year	<u>1,128,529</u>	<u>381,772</u>	<u>1,510,301</u>
Net position at end of year	<u>\$ 2,255,307</u>	<u>\$ 337,191</u>	<u>\$ 2,592,498</u>

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Projects 2014 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 154,754	\$ 1,119,542	\$ 29,038	\$ 1,303,334
Receivables:				
Ad valorem taxes	12,644	-	-	12,644
Other taxes	13,448	-	-	13,448
Total Assets	180,846	1,119,542	29,038	1,329,426
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	8,655	-	-	8,655
Total Liabilities	8,655	-	-	8,655
Deferred Inflows of Resources	12,644	-	-	12,644
Fund Balances				
Restricted for public works	-	-	20,512	20,512
Restricted for capital projects	-	1,119,542	1,568	1,121,110
Committed for debt service	-	-	6,958	6,958
Unassigned	159,547	-	-	159,547
Total Fund Balances	159,547	1,119,542	29,038	1,308,127
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 180,846	\$ 1,119,542	\$ 29,038	\$ 1,329,426

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 Position
June 30, 2017

Total Governmental Funds Balances	\$ 1,308,127
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets of \$1,951,455, net of accumulated depreciation of (\$946,979), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,004,476
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: Deferred property taxes	12,644
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds: Bonds payable for governmental project	(69,940)
Net Position of Governmental Activities	<u>\$ 2,255,307</u>

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Statement of Net Position
Proprietary Fund
June 30, 2017

**Water
Fund**

ASSETS

Current Assets:

Cash and Cash Equivalents
Accounts receivable
Total Current Assets

\$ 86,655
10,787
97,442

Noncurrent Assets:

Non depreciable assets
Depreciable assets, net
Total Non-current Assets

-
588,811
588,811

Total Assets

686,253

LIABILITIES

Current Liabilities:

Accounts Payable
Note payable
Accrued interest
Note payable within one year
Customer Deposits
Total Current Liabilities

2,085
-
579
16,671
12,507
31,842

Long-Term Liabilities

Note payable
Total Liabilities

317,220
349,062

NET POSITION

Net investment in capital assets
Unassigned

254,920
82,271
337,191

Total Net Position

\$ 337,191

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2017

	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 119,881
Total operating revenues	<u>119,881</u>
Operating expenses:	
Personal services	78,249
Materials and supplies	22,105
Contractual and other services	26,976
Depreciation	30,393
Total operating expenses	<u>157,723</u>
Income (loss) from operations	(37,842)
Nonoperating revenues (expenses):	
Interest expense	<u>(7,279)</u>
Income before contributions and transfers	(45,121)
Transfers	<u>540</u>
Change in net position	(44,581)
Net position beginning	<u>381,772</u>
Net position, ending	<u><u>\$ 337,191</u></u>

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Water Fund
Cash flows from operating activities:	
Cash received from customers	\$ 120,009
Cash payments to suppliers for goods and services	(48,633)
Cash payments to employees for services	(78,249)
Net cash provided (used) by operating activities	<u>(6,873)</u>
Cash flows from noncapital financing activities:	
Transfers in	540
Net cash provided (used) by noncapital financing activities	<u>540</u>
Cash flows from capital and related financing activities:	
Purchased fixed assets	-
Principal paid note payable	(16,320)
Interest paid	(7,301)
Net cash provided (used) by capital and related financing activities	<u>(23,621)</u>
Net increase (decrease) in cash and cash investments	(29,954)
Cash and cash investments, beginning	<u>116,609</u>
Cash and cash investments, ending	<u><u>\$ 86,655</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities	
Operating income (loss)	\$ (37,842)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:	
Depreciation	30,393
(Increase) decrease in:	
Accounts receivable	(622)
Increase (decrease) in:	
Accounts payable	448
Customer deposits	750
Net cash provided (used) by operating activities	<u><u>\$ (6,873)</u></u>

See accompanying notes to the basic financial statements.

TOWN OF WAVERLY HALL, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

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 position, 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.

2014 SPLOST Fund

This fund is used to account for the receipt and disbursement of the proceeds from the 2014 SPLOST referendum.

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.

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, 2017 General Fund expenditures exceeded appropriations because of unexpected required expenditures. Fund balance was used to provide for the excess expenditures. Overage was as follows:

Judicial	(707)
Culture and recreation	(1,865)
Debt service	(242)

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.

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
Sidewalks	40	years
Water distribution	50	years
Sewer Distribution	50	years

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from property taxes.

Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted**—Amounts that can be spent only for specific purposes because of the Town Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed**—Amounts that can be used only for specific purposes determined by a formal ordinance by the Town Council.
- **Assigned**—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned**—All amounts not included in other spendable classifications.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources 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.

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.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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, 2017. At June 30, 2017, the carrying amount of the Town's deposits in financial institutions was \$1,389,989 and the bank balance was \$1,401,155.

The total bank balance was fully insured and collateralized according to state law.

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 Town 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 2017, taxes were levied on October 20, 2016 and were due on December 20, 2016.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance Beginning	Additions	Transfers & Disposals	Balance Ending
<i>Governmental Activities</i>				
Capital assets not depreciated				
Land	\$ 214,264	\$ -	\$ -	\$ 214,264
Capital assets being depreciated				
Improvements	269,850	-	-	269,850
Buildings	807,077	-	-	807,077
Equipment	407,140	-	-	407,140
Vehicles	253,123	-	-	253,123
	1,737,191	-	-	1,737,191
Accumulated depreciation for:				
Improvements	(87,405)	(9,190)	-	(96,595)
Buildings	(283,129)	(18,283)	-	(301,412)
Vehicles	(188,486)	(15,625)	-	(204,111)
Equipment	(317,509)	(27,352)	-	(344,861)
	(876,529)	(70,450)	-	(946,979)
Total capital assets being depreciated, net	860,662	(70,450)	-	790,212
<i>Governmental activities</i>				
Capital assets, net	\$ 1,074,926	\$ (70,450)	\$ -	\$ 1,004,476
	Balance Beginning	Additions	Transfers & Disposals	Balance Ending
<i>Business-type Activities</i>				
Capital assets not depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings	14,894	-	-	14,894
Vehicles	26,253	-	-	26,253
Equipment	85,773	-	-	85,773
Water distribution system	1,004,205	-	-	1,004,205
Sewerage treatment	113,778	-	-	113,778
	1,244,903	-	-	1,244,903
Accumulated depreciation for:				
Buildings	(8,000)	(745)	-	(8,745)
Vehicles	(14,570)	(3,894)	-	(18,464)
Equipment	(75,143)	(2,257)	-	(77,400)
Water distribution system	(414,209)	(23,497)	-	(437,706)
Sewerage treatment plant	(113,777)	-	-	(113,777)
	(625,699)	(30,393)	-	(656,092)
Total capital assets being depreciated, net	619,204	(30,393)	-	588,811
<i>Business-type Activities</i>				
Capital assets, net	\$ 619,204	\$ (30,393)	\$ -	\$ 588,811

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

Governmental activities:	
General Government	\$ 12,744
Public Safety	42,408
Public Works	2,634
Culture and recreation	12,664
	<u>\$ 70,450</u>

6. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2017 is summarized as follows:

	Balance 6-30-16	Issued	Retired	Balance 6-30-17	Due In One Year
<u>Governmental Activities</u>					
Construction Bonds	\$ 76,460	\$ -	\$ 6,520	\$ 69,940	\$ 6,940
	Balance 6-30-16	Issued	Retired	Balance 6-30-17	Due In One Year
<u>Business-type Activities</u>					
GEFA Loan	\$ 350,211	\$ -	\$ 16,320	\$ 333,891	\$ 16,671

For governmental activities, long-term debt is liquidated by the General Fund. For business-type activities, long term debt is liquidated by the Water Fund.

Notes payable

In 2015 the Town borrowed \$385,000 from the Georgia Environmental Finance Authority (GEFA) to finance water system improvements. This note is payable in monthly installments of \$1,968 including interest at 2.13%. The note is being repaid from Water Fund revenues.

Cash in the amount of \$6,662 is set aside in a sinking fund to repay the debt.

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

Year Ending June 30,	Business Activities	
	Principal	Interest
2018	\$ 16,671	\$ 6,950
2019	17,030	6,591
2020	17,396	6,225
2021	17,770	5,851
2022	18,153	5,468
2023-2027	96,790	21,315
2028-2032	107,658	10,448
2033-2034	42,423	872
	<u>\$ 333,891</u>	<u>\$ 63,720</u>

General Obligation Bonds Payable

In 1996 the Town issued general obligation bonds in the amount of \$150,000 to finance construction of a fire department building. Bonds are payable in annual installments including interest at 5%. The bonds are paid from General Fund revenues including an annual stipend from Harris County. \$6,958 is committed in a debt service fund for repayment of these bonds.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 6,940	\$ 3,497
2019	7,390	3,150
2020	7,870	2,781
2021	8,380	2,387
2022	8,930	1,968
2023-2025	30,430	3,107
	<u>\$ 69,940</u>	<u>\$ 16,890</u>

8. 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.

9. COMMITMENTS AND CONTINGENT LIABILITIES

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

The Town attorney advises that there are no legal actions that were in progress by or against the Town at June 30, 2017.

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, 2017 there were no unpaid claims that Town management believes to be material.

10. JOINT VENTURE

Under Georgia law, the Town, in conjunction with the other municipalities and Town governments in a twelve Town area, was a member in the River Valley Regional Commission (RC) as of June 30, 2017. Under the law, the Town is required to pay dues thereto. During the year ended June 30, 2017, 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 Town 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

11. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2017 were as follows:

Transfers From	Transfers To	
General Fund	Water Fund	\$ 540
General Fund	TIA Fund	1,357
		<u>\$ 1,897</u>

Transfers were made from the General Fund to finance temporary cash shortfalls and to provide cash to complete road projects. These funds were provided from general operating revenues.

12. SPECIAL PURPOSE LOCAL OPTION TAX

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

	Original <u>Estimated</u>	Current <u>Estimated</u>	Prior <u>Years</u>	Current <u>Year</u>	<u>Total</u>
2009 SPLOST					
Government buildings	\$ 50,000	\$ 78,300	\$ 60,190	\$ -	\$ 60,190
Fire Dept. building and equip.	100,000	120,000	131,467	-	131,467
Police Dept. equipment	45,000	71,700	58,698	-	58,698
Recreational facilities	100,000	100,000	100,000	-	100,000
Water system improvements	175,000	80,000	26,643	-	26,643
Street improvements	30,000	50,000	41,445	-	41,445
	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 418,443</u>	<u>\$ -</u>	<u>\$ 418,443</u>

	Original <u>Estimated</u>	Current <u>Estimated</u>	Reported Prior <u>Years</u>	Current <u>Year</u>	<u>Total</u>
2014 SPLOST					
Fire Dept. building and equip.	\$ 101,000	\$ 101,000	\$ -	\$ -	\$ -
Baseball and tennis facilities	850,000	850,000	-	-	-
Gym renovation and walking trail	200,000	200,000	-	-	-
Football facility	450,000	450,000	-	-	-
Police Dept. equipment	126,000	126,000	-	-	-
Renovation for community center	150,000	150,000	-	-	-
Water system improvements	100,000	100,000	-	-	-
Street improvements	200,000	200,000	-	-	-
	<u>\$ 2,177,000</u>	<u>\$ 2,177,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

13. CDBG GRANT

The Town has an outstanding CDBG Grant. The Grant is still in effect, but there was no financial activity during the year ended June 30, 2017. There was activity subsequent to the end of the current year.

TOWN OF WAVERLY HALL, GEORGIA
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Taxes	\$ 383,077	\$ 383,077	\$ 372,780
Intergovernmental	12,736	12,736	-
Charges for Services	50	50	-
Licenses and Permits	9,400	9,400	9,219
Fines and Forfeitures	22,000	22,000	28,243
Interest	1,234	1,234	78
Other	5,610	5,610	17,269
Total Revenues	434,107	434,107	427,589
Expenditures			
Current			
General government	171,250	171,250	121,427
Public safety	178,250	178,250	184,542
Judicial	4,100	4,100	2,398
Public works	57,700	57,700	21,718
Public welfare	2,400	2,400	2,292
Culture and recreation	10,400	10,400	10,499
Debt service	10,007	10,007	10,343
Total Expenditures	434,107	434,107	353,219
Excess (deficiency) of Revenues Over (Under) Expenditures	-	-	74,370
Other Financing Sources (Uses)			
Transfers—In	-	-	-
Transfers—out	-	-	(1,897)
Total Other Financing Sources (Uses)	-	-	(1,897)
Net Change in Fund Balances	-	-	72,473
Fund Balances (Deficit) at Beginning	87,074	87,074	87,074
Fund Balances at End of Year	87,074	87,074	159,547

Town of Waverly Hall, Georgia
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For Year Ended June 30, 2017

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.

TOWN OF WAVERLY HALL, GEORGIA
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2017

	Special Revenue		Capital Projects		Total Non Major
	CDBG	TIA	2009 SPLOST	Debt Service	
Assets					
Cash	\$ -	\$ 20,512	\$ 1,568	\$ 6,958	\$ 29,038
Due from other funds	-	-	-	-	-
Total Assets	-	20,512	1,568	6,958	29,038
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances					
Restricted for public works	-	20,512	-	-	20,512
Restricted for capital projects	-	-	1,568	-	1,568
Committed for debt service	-	-	-	6,958	6,958
Total Fund Balances	-	20,512	1,568	6,958	29,038
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ 20,512	\$ 1,568	\$ 6,958	\$ 29,038

TOWN OF WAVERLY HALL, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Non Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue		Capital Projects		
	CDBG	TIA	2009 SPLOST	Debt Service	Total Non Major
Revenues					
Intergovernmental	\$ -	\$ 16,397	\$ 1,536	\$ -	\$ 17,933
Investment income	-	31	-	7	38
Total Revenues	-	16,428	1,536	7	17,971
Expenditures					
Public works	-	21,803	-	-	21,803
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total Expenditures	-	21,803	-	-	21,803
Excess (deficiency) of Revenues Over (Under) Expenditures	-	(5,375)	1,536	7	(3,832)
Other Financing Sources					
Transfers in	-	1,357	-	-	1,357
Transfers out	-	-	-	-	-
Total Other Financing Sources	-	1,357	-	-	1,357
Net Change in Fund Balances	-	(4,018)	1,536	7	(2,475)
Fund Balances (Deficit) at Beginning	-	24,530	32	6,951	31,513
Fund Balances at End of Year	\$ -	\$ 20,512	\$ 1,568	\$ 6,958	\$ 29,038

TOWN OF WAVERLY HALL, GEORGIA
Schedule of Funding Progress
CDBG Grant12p-x-072-2-5488
For the Year Ended June 30, 2017

	Budget	Prior	Current
Revenues			
Intergovernmental	\$ 500,000	\$ 105,307	\$ -
Expenditures			
Acquisition	20,000	8,000	-
Contingencies	17,368	-	-
Sewer facilities	52,000	41,580	-
Engineering	29,107	28,377	-
Drainage	351,525	-	-
Administration	30,000	27,000	-
Total Expenditures	\$ 500,000	\$ 104,957	\$ -

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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**

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waverly Hall, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Waverly Hall's basic financial statements and have issued my report thereon dated January 10, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Waverly Hall, Georgia's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waverly Hall, Georgia's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Waverly Hall, Georgia's internal control.

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a material weakness. 17-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Waverly Hall, Georgia's Response to Findings

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 the Town of Waverly Hall, Georgia's responses and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kim Kimmel CPA

Richland, Georgia
January 10, 2018

TOWN OF WAVERLY HALL, GEORGIA
Schedule of Findings and Responses
Year Ended Jun 30, 2017

Deficiency

17-1 Segregation of Duties

Condition: During my audit I noted that some 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, at this time.