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CITY OF WAYNESBORO
AUDITED FINANCIAL STATEMENTS
AND
SPECIAL REPORTS

For the Year Ended September 30, 2013

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Britton CPA, PLLC
Certified Public Accountants
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City of Waynesboro

info@waynesboroms.com

711 Wayne St.

Waynesboro, Mississippi 39367

601-735-4874

October 30, 2015

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Re: Annual Municipal Audit

Accompanying this letter are (2) hard copies and (1) electronic copy of the annual audit of the City of Waynesboro, Mississippi, for the fiscal year ended September 30, 2013. A separate management letter was not written to the city in connection with this audit.

Sincerely,



Richard Johnson
Mayor

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CITY OF WAYNESBORO

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CITY OF WAYNESBORO

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CITY OF WAYNESBORO

FINANCIAL AUDIT REPORT



BRITTON CPA, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Board of Aldermen
City of Waynesboro, Mississippi

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Fire Protection Fund	Unmodified
SMNTF	Unmodified
Capital Projects Fund – CDBG	Unmodified
Water & Sewer Fund	Qualified
Aggregate Other Governmental Funds	Unmodified

Basis for Qualified Opinions on Business-Type Activities in the Government-Wide Financial Statements and Proprietary Funds Financial Statements

Because of the inadequacy of accounting records for the fiscal year ended September 30, 2013, we were unable to form an opinion regarding the assets, liabilities, revenues, expenses and cash basis net asset position, of the Business-Type Activities of the Government-Wide Financial Statements and the Proprietary Funds Financial Statements.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Government-Wide Financial Statements and Proprietary Funds Financial Statements and Capital Assets Note to the Financial Statements” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Waynesboro, Mississippi, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial positions of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of September 30, 2013, and the respective changes in cash basis financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting principles in Note 1.

Other Matters

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Waynesboro as of and for the year ended September 30, 2013, and have issued our report thereon dated October 30, 2015, which contained both Qualified Opinions and Unqualified Opinions on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Required Supplemental Information

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

Omission of Required Supplementary Information

City of Waynesboro, Mississippi, has not presented Management's Discussion and Analysis. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waynesboro, Mississippi's financial statements as a whole. The other supplemental section, which includes the Schedule of Changes in Long-term Debt,

Schedule of Investments – All Funds, Schedule of Surety Bonds for Municipal Officials and Employees, and Schedule of Capital Assets, are presented for purposes of additional analysis as and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the City of Waynesboro, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waynesboro, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, the City of Waynesboro, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



Manager
Michael E. Britton, CPA, CGMA
Britton CPA, PLLC
Waynesboro, Mississippi

October 30, 2015

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CITY OF WAYNESBORO

FINANCIAL STATEMENTS

CITY OF WAYNESBORO
Statement of Net Assets – Cash Basis
September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 334,606	\$ 267,428	\$ 602,034
Total Current Assets	<u>334,606</u>	<u>267,428</u>	<u>602,034</u>
Noncurrent Assets			
Restricted Cash	87,589	168,027	255,616
Total Noncurrent Assets	<u>87,589</u>	<u>168,027</u>	<u>255,616</u>
Total Assets	<u>422,195</u>	<u>435,454</u>	<u>857,650</u>
NET ASSETS - CASH BASIS			
Nonspendable	21,950	168,027	189,977
Restricted for:			-
Fire Protection	14,882	-	14,882
Public Safety	25,642	-	25,642
Outside Joint Venture Interests	102,566		102,566
Restitutions	6,247	-	6,247
Seized Funds	48,231	-	48,231
Parks & Recreation	4,303	-	4,303
Public Works	-	267,428	267,428
Unemployment Security	11,160	-	11,160
Unrestricted	<u>187,214</u>	<u>-</u>	<u>187,214</u>
Total Net Assets	<u>\$ 422,195</u>	<u>\$ 435,454</u>	<u>\$ 857,650</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO
Statement of Activities – Cash Basis
For the Year Ended September 30, 2013

Function / Programs	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 1,101,351	\$ 65,347	\$ -	\$ 911,849	\$ (124,155)	\$ -	\$ (124,155)
Public Safety	2,633,529	-	425,228	-	(2,208,301)	-	(2,208,301)
Public Works	948,871	-	-	-	(948,871)	-	(948,871)
Health and Sanitation	1,327,658	437,752	-	-	(889,906)	-	(889,906)
Culture and Recreation	480,524	771	-	-	(479,753)	-	(479,753)
Debt Service Principal	279,218	-	-	-	(279,218)	-	(279,218)
Interest on Long-Term Debt	15,409	-	-	-	(15,409)	-	(15,409)
Total Governmental Activities	6,786,560	503,871	425,228	911,849	(4,945,613)	-	(4,945,613)
Business-type Activities:							
Water & Sewer Fund	1,306,916	1,289,014	-	-	-	(17,901)	(17,901)
Debt Service Principal	285,982	-	-	-	(285,982)	-	(285,982)
Interest on Long-Term Debt	19,927	-	-	-	(19,927)	-	(19,927)
Total Business-type Activities	1,612,825	1,289,014	-	-	(323,810)	-	(323,810)
Total Primary Government	8,399,385	1,792,884	425,228	911,849	(4,945,613)	(323,810)	(5,269,423)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					\$ 868,695	-	\$ 868,695
Property Taxes, levied for fire protection services					281,396	-	281,396
Sales Taxes					2,063,709	-	2,063,709
Road and Bridge Privilege Taxes					283,121	-	283,121
Franchise Taxes					283,680	-	283,680
Fines and Fees					409,536	-	409,536
Homestead Reimbursement from State of MS					49,205	-	49,205
Licenses and Permits					27,342	-	27,342
Miscellaneous Taxes					14,913	-	14,913
Proceeds Long Term Debt					374,147	-	374,147
Interest Earnings					2,801	4,497	7,297
Gain (Loss) on Sale of Capital Assets					-	-	-
(Incr.) Decr. in Other Assets					(70)	70	-
Increase in SMNIT Seized Funds Payable					17,865	-	17,865
Incr. (Decr.) in Meter Deposit Payable					-	(4,020)	(4,020)
Miscellaneous					67,472	22,931	90,402
Transfers Out					(164,977)	0	(164,977)
Transfers In					44,977	120,000	164,977
Total General Receipts					4,623,811	143,477	4,767,288
Change in Net Assets					(321,802)	(180,333)	(502,135)
Net Assets - Beginning					743,997	615,789	1,359,786
Net Assets - Ending					\$ 422,195	\$ 435,456	\$ 857,651

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO
Balance Sheet – Cash Basis
Governmental Funds

For the Year Ended September 30, 2013

	ASSETS						Total Governmental Funds
	General Fund	Fire Protection Fund	South MS Narcotics Task Force Fund	Capital Projects Fund CDBG	Other Governmental Funds		
Cash and Cash Equivalents	\$ 187,698	\$ 14,882	\$ 128,208	\$ -	\$ 3,818	\$ 334,606	
Restricted Cash	-	-	46,539	-	41,050	87,589	
Total Assets	<u>\$ 187,698</u>	<u>\$ 14,882</u>	<u>\$ 174,747</u>	<u>\$ -</u>	<u>\$ 44,869</u>	<u>\$ 422,195</u>	

LIABILITIES AND FUND BALANCES

Fund Balances - Cash Basis						
Nonspendable:						
Perpetual Care	-	-	-	-	21,950	21,950
Restricted:						
Fire Protection	-	14,882	-	-	-	14,882
Public Safety	-	-	25,642	-	-	25,642
Outside Joint Venture Interests	-	-	102,566	-	-	102,566
Restitutions	-	-	-	-	6,247	6,247
Seized Funds	-	-	46,539	-	1,692	48,231
Capital Projects	-	-	-	-	-	-
Employment Security	-	-	-	-	11,160	11,160
Committed:						
Parks & Recreation	-	-	-	-	4,303	4,303
Assigned:						
Clearing Funds	-	-	-	-	-	-
Unassigned	187,698	-	-	-	(483)	187,214
Total Fund Balances - Cash Basis	<u>\$ 187,698</u>	<u>\$ 14,882</u>	<u>\$ 174,747</u>	<u>\$ -</u>	<u>\$ 44,869</u>	<u>\$ 422,195</u>

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The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO
Statement of Cash Basis Fund Balances and Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	General Fund	Fire Protection Fund	South MS Narcotics Task Force	Capital Projects Fund - CDBG	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 868,695	\$ 281,396	\$ -	\$ -	\$ -	\$ 1,150,091
Sales Taxes	2,063,709	-	-	-	-	2,063,709
Road and Bridge Privilege Taxes	283,121	-	-	-	-	283,121
Franchise Taxes	283,680	-	-	-	-	283,680
Miscellaneous Taxes	14,913	-	-	-	-	14,913
Fines and Forfeitures	259,939	-	149,597	-	-	409,536
Licenses and Permits	27,342	-	-	-	-	27,342
Intergovernmental Receipts	326,551	26,878	259,836	426,641	297,171	1,337,077
Homestead Exemption Reimb. State of MS	49,205	-	-	-	-	49,205
Charges for Services	503,100	-	-	-	771	503,871
Investment Earnings	2,492	257	-	-	52	2,801
Miscellaneous Receipts	54,615	12,757	100	-	-	67,472
Total Receipts	4,737,361	321,288	409,533	426,641	297,994	6,192,816
DISBURSEMENTS						
Current						
General Government	848,527	-	-	-	252,825	1,101,351
Public Safety	1,954,291	338,851	341,655	-	(1,268)	2,633,529
Public Works	948,871	-	-	-	-	948,871
Health and Sanitation	551,370	-	-	776,288	-	1,327,658
Culture and Recreation	480,524	-	-	-	-	480,524
Debt Service						
Principal on Debt	243,909	19,662	15,647	-	-	279,218
Interest and Other Charges	12,055	2,419	935	-	-	15,409
Total Disbursements	5,039,547	360,931	358,237	776,288	251,557	6,786,560
Excess (deficiency) of Receipts Over Disbursements	(302,186)	(39,644)	51,296	(349,647)	46,437	(593,744)
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-term Debt	24,500	-	-	349,647	-	374,147
Proceeds from Short-term Debt	-	-	-	-	-	-
Proceeds from Sales of Capital Assets	-	-	-	-	-	-
Transfers In	44,477	-	-	-	500	44,977
Transfers Out	(500)	(120,000)	-	-	(44,477)	(164,977)
Increase in SMNTF Seized Funds Payable	-	-	17,865	-	-	17,865
Decrease in Due From Other Funds	0	109,696	-	-	-	109,696
Decrease in Due to Other Funds	(109,696)	-	-	-	-	(109,696)
Decrease In Other Assets	1,070	-	-	-	-	1,070
Total Other Financing Sources and Uses	(41,289)	(10,304)	17,865	349,647	(43,977)	271,942
Net Change in Fund Balance	(343,475)	(49,948)	69,161	-	2,460	(321,802)
Fund Balances - Beginning	531,172	64,830	105,586	-	42,409	743,997
Fund Balances - Ending	\$ 187,697	\$ 14,882	\$ 174,747	\$ -	44,869	\$ 422,195

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO
Statement of Net Assets – Cash Basis
Proprietary Funds
For the Year Ended September 30, 2013

	Business-type Activities- Enterprise Funds	
	Water & Sewer Fund	Totals
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 267,428	\$ 267,428
Total Current Assets	267,428	267,428
Noncurrent Assets		
Restricted Cash	168,027	168,027
Total Assets	435,454	435,454
NET ASSETS		
Restricted for:		
Debt Service	168,027	168,027
Public Works	267,428	267,428
Total Net Assets	\$ 435,454	\$ 435,454

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO
Statement of Cash Basis Fund Balances and Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances-Proprietary Funds
For the Year Ended September 30, 2013

	Business-type Activities- Enterprise Funds	
	Water & Sewer Fund	Total
Operating Receipts		
Charges for Services	\$ 1,289,014	\$ 1,289,014
Other Operating Receipts	22,931	22,931
Total Operating Receipts	<u>1,311,944</u>	<u>1,311,944</u>
Operating Disbursements		
Personnel Services	571,219	571,219
Utilities	164,500	164,500
Repairs & Maintenance	409,808	409,808
Supplies	87,381	87,381
Other Expenses	72,914	72,914
Total Operating Expenses	<u>1,305,822</u>	<u>1,305,822</u>
Operating Income (Loss)	<u>6,123</u>	<u>6,123</u>
Non-Operating Receipts (Disbursements)		
Debt Service- Principal	(285,982)	(285,982)
Debt Service- Interest	(19,927)	(19,927)
Other Financing Sources - L/T Capital	-	-
Interest Earnings	4,497	4,497
Total Non-Operating Receipts (Disbursements)	<u>(310,406)</u>	<u>(310,406)</u>
Income (Loss) Before Contributions and Transfers	<u>(304,283)</u>	<u>(304,283)</u>
Capital Contributions	-	-
Incr. (Decr.) in Meter Payable	(4,020)	(4,020)
Decrease in Due From Other Funds	70	70
Transfers In (Out)	120,000	120,000
Subtotal	123,950	123,950
Change in Net Assets	<u>(180,333)</u>	<u>(180,333)</u>
Net Assets - Beginning	<u>615,789</u>	<u>615,789</u>
Net Assets - Ending	<u>\$ 435,456</u>	<u>\$ 435,456</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2013

Note 1 Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Waynesboro is a political subdivision of the State of Mississippi. The City operates under an Alderman–Mayor form of government and possesses all rights and privileges provided by statute for municipalities.

The financial statements of the City have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles general accepted in the United States of America.

B. Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets –cash basis) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The city combines the Statement of Activities and Statement of Net Assets.

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

Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds.. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2013
(continued)

C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting other than accounting principles general accepted in the United States of America. Receipts are recorded when collected and disbursements are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized as soon as they are collected. Disbursements generally are recorded when the cash is spent.

Amounts reported as program receipts included (1) receipts from customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

Fire Protection Fund – Accounts for monies from specific revenue sources that are restricted for fire protection services.

South Mississippi Narcotics Task Force – Accounts for monies from specific revenue sources that are restricted for the purposes of the task force pursuant to Federal grant guidelines and Inter-local agreement. See note disclosure concerning Joint Ventures.

Capital Projects Fund – CDBG – Accounts for monies from federal grants and loans that are restricted for purposes of the related grant and loan agreements.

The City reports the following major proprietary fund:

Water and Sewer Fund – Accounts for the City's activities of providing water and sewer services to its residents.

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CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2013
(continued)

D. Assets and Net Assets or Equity

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposits are reported at carrying amount (cost) which reasonably estimates fair market value. State law authorizes the city to invest in interest bearing time certificates of deposits with deposits with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state.

Fund Equity

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen, the city's highest level of decision-making authority. This formal action is an order of the Board of Aldermen as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the city's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Aldermen pursuant to authorization established by Section 21-17-5, Miss. Code Ann. (1972).

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2013
(continued)

assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Note 2 Defined Benefit Pension Plan

Plan Description – The City of Waynesboro, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy – PERS members are required to contribute 9.00% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012, and 2011 were \$362,665, \$303,533, and \$265,878, respectively, equal to the required contributions for each year.

Membership in PERS is a condition of employment for all eligible employees of the State of Mississippi, public schools, institutions of higher learning, community and junior colleges, and eligible employees of municipalities, counties and other political subdivisions and instrumentalities of municipal and county government that have entered into a Membership agreement approved by the PERS Board of Trustees (board).

Note 3 Contingencies

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City.

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2013
(continued)

resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

Note 4 Deposits and Investments

The carrying amount of the City's total deposits with financial institutions, including authorized petty cash on hand, at September 30, 2013, was \$857,650 and the bank balance was \$882,855. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2013, none of the City's bank balance of \$882,855 was exposed to custodial credit risk.

Credit Risk – State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e) Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Concentration of Credit Risk – Disclosures of investments by amount and issuer for any issuer that represents five percent or more of the total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investments pools, and other pooled investments. As of September 30, 2013, the City had no investments other than Certificates of Deposits.

Note 5 Property Tax Revenues

State statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2013
(continued)

Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levy property taxes for the ensuing fiscal year, which begins on October 1. Real property taxes become a lien on January 1 of the current year and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Note 6 Claims and Judgment

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in this fiscal year.

Note 7 Subsequent Events

The City has evaluated and transactions for potential recognition or disclosure through October 30, 2015 which is the date the financial statements were available to be issued.

Cash Collections Review – As of the date of this report, there is an ongoing review by governmental agencies in regards to water and sewer dept. collections. Also, the auditor issued an agreed upon procedures report dated August 29, 2014 concerning some of these matters.

Note 8 Changes in Accounting Standards

For the fiscal year ended September 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balances amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned or unassigned.

CITY OF WAYNESBORO

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
– General Fund
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Property taxes	\$ 900,000	860,000	868,695	8,695
Licenses and permits	22,000	26,000	27,342	1,342
State Shared revenues	2,000,000	2,060,000	2,063,709	3,709
Fines and forfeitures	260,000	260,000	259,939	(61)
Grant proceeds	329,238	317,795	326,551	8,756
Other sources	1,281,030	1,323,931	1,191,125	(132,806)
Total Receipts	<u>4,792,268</u>	<u>4,847,726</u>	<u>4,737,361</u>	<u>(110,365)</u>
DISBURSEMENTS				
General government	959,483	880,203	848,527	31,676
Public safety	2,217,376	2,160,910	2,185,755	(24,845)
Public works	1,680,939	1,533,821	1,524,741	9,080
Culture and recreation	809,470	802,899	480,524	322,375
Total Disbursements	<u>5,667,268</u>	<u>5,377,833</u>	<u>5,039,546</u>	<u>338,287</u>
Excess of Receipts over (under) Disbursements	<u>(875,000)</u>	<u>(530,107)</u>	<u>(302,186)</u>	<u>(227,921)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	24,500	24,500
Short-term debt issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Decrease in Due to Other Funds	-	-	(109,696)	(109,696)
Decrease in Other Assets	-	-	(71)	(71)
Transfers In	-	-	44,477	44,477
Transfers out	-	-	(500)	(500)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(41,290)</u>	<u>(41,290)</u>
Net Change in Fund Balance	(875,000)	(530,107)	(343,475)	
Fund Balances - Beginning	875,000	530,107	531,172	
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>187,697</u>	

* Public Safety includes \$70,327 of cash basis capital outlay.

Per MS Code Ann. (1972), Section 21-35-15, capital outlay expenditures may exceed budget limitations and estimates.

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
– Fire Protection Fund
For the Year Ended September 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>	<u>Budget</u>	<u>(Budget Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
RECEIPTS				
Property Taxes	\$ 280,000	374,091	281,396	(92,695)
State Shared Receipts	26,200	26,878	26,878	(0)
Interest/Other Sources	109,697	13,227	13,014	(213)
Total Receipts	<u>415,897</u>	<u>414,196</u>	<u>321,288</u>	<u>(92,908)</u>
EXPENDITURES				
Current:				
Personnel, Fixed Assets, and Other	349,210	365,640	360,931	26,789
Total Disbursements	<u>349,210</u>	<u>365,640</u>	<u>360,931</u>	<u>26,789</u>
Excess of Receipts over (under) Disbursements	<u>66,687</u>	<u>48,556</u>	<u>(39,643)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(120,000)	(120,000)
Decrease in Due From General Fund	-	-	109,696	109,696
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(10,304)</u>	<u>(10,304)</u>
Net Change in Cash Basis Fund Balance	66,687	48,556	(49,947)	
Cash Basis Fund Balances - Beginning	10,000	64,829	64,829	
Cash Basis Fund Balances - Ending	<u>\$ 76,687</u>	<u>113,385</u>	<u>14,882</u>	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
– South Mississippi Narcotics Task Force
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal funds:				
Amounts awarded this period	\$ 188,267	188,267	178,255	(10,012)
Fines and Forfeitures	-	-	149,597	149,597
Grantee contributions	62,756	62,756	61,749	(1,007)
Other	-	-	19,932	19,932
Total Revenues	251,023	251,023	409,533	158,510
EXPENSES				
Federal funds:				
Personnel	163,950	154,200	154,200	-
Fringe benefits	23,567	33,317	33,317	-
Total Federal Share Expenditures	187,517	187,517	187,517	-
Grantees' share:				
Personnel - match	54,650	51,400	37,761	13,639
Non-grant - additional	30,500	30,500	-	30,500
Fringe benefits - match	7,856	11,106	-	11,106
Non-grant - additional	-	-	-	-
Operating expenses:				
Grant	750	750	750	-
Non-grant - match	250	250	250	-
Non-grant - additional	75,534	75,534	60,719	14,815
Travel				
Grant	-	-	-	-
Non-grant	30,500	30,500	29,039	1,461
Contractual Services				
Grant	-	-	-	-
Non-grant	16,500	16,500	25,119	(8,619)
Equipment:				
Grant	-	-	-	-
Non-grant	25,100	25,100	17,082	8,018
Total Grantee's Share of Expenditures	241,640	241,640	170,720	70,920
Total Expenditures	429,157	429,157	358,237	
Net Change in Fund Balance	\$ (178,134)	(178,134)	51,296	
Net Change in Fund Balance (cash basis)			\$ 51,296	
Fund Balance - Prior			76,912	
Fund Balance - Ending			\$ 128,208	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF WAYNESBORO

Notes to the Required Supplementary Information

A. Budgetary Information

Generally, in the month of July, prior to the ensuing fiscal year beginning each October 1 the Board of Aldermen of the City, using historical and anticipated fiscal data, prepares an original budget for each of the governmental funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the board that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original and final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is part of required supplemental information.

C. Budget Reconciliation

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

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CITY OF WAYNESBORO

SUPPLEMENTAL INFORMATION

CITY OF WAYNESBORO
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2013

	<u>Balance</u> <u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2013</u>
Governmental Activities:				
Capital leases	\$ 588,180	24,500	279,218	\$ 333,462
Other loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 588,180</u>	<u>24,500</u>	<u>279,218</u>	<u>\$ 333,462</u>
	<u>Balance</u> <u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2013</u>
Business-type Activities:				
Capital leases	\$ 31,733	-	14,834	\$ 16,899
Revenue bonds	608,839	-	239,068	369,771
Other loans	<u>52,328</u>	<u>349,647</u>	<u>32,080</u>	<u>369,895</u>
Total	<u>\$ 692,900</u>	<u>349,647</u>	<u>285,982</u>	<u>\$ 756,565</u>

CITY OF WAYNESBORO
Schedule of Investments – All Funds
For the Year Ended September 30, 2013

There were no investments as of September 30, 2013.

CITY OF WAYNESBORO
Schedule of Capital Assets
For the Year Ended September 30, 2013

	<u>Balance</u> <u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2013</u>
Governmental activities:					
<u>Capital Assets:</u>					
Land	\$ 224,332	-	-	-	224,332
Construction in progress	458,278	-	-	-	458,278
Infrastructure	4,972,036	346,920	-	-	5,318,956
Buildings	3,501,009	157,734	-	-	3,658,743
Improvements other than buildings	620,197	12,621	-	-	632,818
Mobile equipment	1,727,346	-	72,637	-	1,654,709
Furniture and equipment	182,712	38,600	-	-	221,312
Leased property under capital leases	1,361,898	-	-	-	1,361,898
Total Governmental activities capital assets	<u>13,047,808</u>	<u>555,875</u>	<u>72,637</u>	<u>-</u>	<u>13,531,046</u>
Business-type activities:					
<u>Capital Assets:</u>					
Land	\$ -	-	-	-	-
Construction in progress	-	-	-	-	-
Infrastructure	13,902,438	69,392	-	-	13,971,830
Buildings	1,112,264	-	-	-	1,112,264
Improvements other than buildings	4,900	-	-	-	4,900
Mobile equipment	298,318	-	-	-	298,318
Furniture and equipment	305,826	5,774	-	-	311,600
Leased property under capital leases	29,292	-	-	-	29,292
Total Business-type activities capital assets	<u>15,653,038</u>	<u>75,166</u>	<u>-</u>	<u>-</u>	<u>15,728,204</u>

CITY OF WAYNESBORO
Schedule of Surety Bonds for Municipal Officials and Employees
For the Year Ended September 30, 2013

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Richard Johnson	Mayor	Western Surety Co.	\$ 175,000
Richard Johnson	Mayor	Western Surety Co.	50,000
Sytrecia C. Hull	City Clerk	Western Surety Co.	175,000
Sytrecia C. Hull	City Clerk	Western Surety Co.	37,500
Alicia Stevison	Office Clerk	Western Surety Co.	12,500
Terri Seawright	Deputy Clerk	Western Surety Co.	12,500
Matthew T. McCaskey	Police Chief	Western Surety Co.	37,500
Stephanie West	Court Clerk	Western Surety Co.	12,500
Jan Bishop	Purchasing Clerk	Western Surety Co.	12,500
Sherry Burke	Police Clerk	Western Surety Co.	12,500
Tiffany Milsap	Deputy Court Clerk	Western Surety Co.	12,500
The Water Dept. of Waynesboro	2 Water Dept. Clerks	RLI Surety	12,500
Various Police officers	Police officers	Western Surety Co.	1,000 to 25,000
Blanket Coverage anyone handling money	Up to 18 employees	Western Surety Co.	12,500
Board of Aldermen (individually)	Aldermen	Western Surety Co.	40,000

CITY OF WAYNESBORO
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice/ Pass-through program from Mississippi Department of Public Safety/ Byrne Formula Grant Program	16.738	12NM2351	184,443
Total U.S. Department of Justice			\$ <u>184,443</u>
U.S. Department of Transportation Pass-through programs from Mississippi Department of Transportation Highway Planning and Construction	20.205	STP-5577-00001LPA/106003-701000	29,589 *
Total U.S. Department of Transportation			\$ <u>29,589</u>
Department of Housing and Urban Development Office of Community Planning and Development Pass-through programs from Mississippi Development Authority Community Development Block Grants/State's program and Non Entitlement Grants in Hawaii	14.228	1127-10-380-PF-01	437,441 *
Total Department of Housing and Urban Development			\$ <u>437,441</u>
Federal Aviation Administration Airport Improvement Program	20.106	n/a	274,234
			\$ <u>274,234</u>
Total Expenditures of Federal Awards			\$ <u><u>925,707</u></u>

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

* Denotes major federal program

CITY OF WAYNESBORO

SPECIAL REPORTS

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

Honorable Mayor and Members of the Board of Aldermen
City of Waynesboro, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental and business-type activities of the City of Waynesboro, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Waynesboro, Mississippi's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Item 2013-1, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waynesboro, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Waynesboro, Mississippi'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.



Michael E. Britton, CPA, CGMA
Britton CPA, PLLC
Waynesboro, Mississippi
October 30, 2015



BRITTON CPA, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM & ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and Members of the Board of Aldermen
City of Waynesboro, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Waynesboro, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Waynesboro, Mississippi's major federal programs for the year ended September 30, 2013. The City of Waynesboro, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Waynesboro, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Waynesboro, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Waynesboro, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Waynesboro, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Waynesboro, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Waynesboro, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Waynesboro, Mississippi's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance* what might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB A-133. Accordingly, this report is not suitable for any other purpose

Michael E. Britton

Michael E. Britton, CPA, CGMA
Britton CPA, PLLC
Waynesboro, Mississippi
October 30, 2015

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the basic financial statements:	
	Governmental Activities	Unmodified
	Business-type Activities	Qualified
	General Fund	Unmodified
	Fire Protection Fund	Unmodified
	South MS Narcotics Task Force	Unmodified
	Capital Projects Fund – CDBG	Unmodified
	Water & Sewer Fund	Qualified
	Aggregate remaining fund information	Unmodified

2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	Yes
	b. Significant deficiency(ies) identified that is not considered to be a material weakness?	None
3.	Noncompliance material to the financial statements noted?	No

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)?	No
5.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133?	No

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2013
(continued)

7. Federal programs identified as major programs:
- a. Community Development Block Grants / States Program, CFDA #14.228
 - b. Highway Planning and Construction, CFDA # 20.205
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2013
(continued)

Section 2: Financial Statement Findings

Significant Deficiency – Material Weakness

Finding 2013-1

Accurate and complete master and subsidiary meter deposit records need to be maintained in the water department to ensure accurate and complete financial presentation within the City's general ledger and financial statements and to safeguard against misuse of public funds.

During test work, it was determined that an accurate listing of meter deposits payable was not available. Further, receipts given to customers did not agree with amounts deposited into proper bank accounts. These deposits were held for unreasonably long periods of time, left unsecured and not properly accounted for.

Recommendation

We recommend that the City of Waynesboro's water department ensure that there is always an accurate listing of customer meter deposits payable. All receipts of meter deposits should agree to manual receipts given to customers and should be deposited daily into the proper bank account and posted properly to the accounting system daily. These receipts should be incorporated into the daily cash checkup procedures in place and under lock and key. Also, we recommend that the water department independently calculate meter deposits payable and agree that amount to reports produced from the accounting system. Any discrepancies should be reconciled timely. Further, we recommend that these reports be filed with the City Clerk and the Board of Aldermen when completed.

Response

The City of Waynesboro will comply with the recommendations.

Section 3: Federal Award Findings and Questioned Costs

The results of my tests did not disclose any findings and questioned costs related to federal awards.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Members of the Board of Aldermen
Waynesboro, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of and for the year ended September 30, 2013 and have issued our report dated October 30, 2015. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Due to the reduced scope, these compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. The results of our compliance tests and our audit of the financial statements of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information and use of the City's management, 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.

Michael E. Britton

Manager
Michael E. Britton, CPA, CGMA
Britton CPA, PLLC
Waynesboro, Mississippi

October 30, 2015

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