

**CITY OF WAVELAND, MISSISSIPPI
ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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INTRODUCTORY SECTION

CITY OF WAVELAND, MISSISSIPPI
Listing of City Officials
September 30, 2014

ELECTED OFFICIALS

Mayor	David Garcia
Alderman- Ward 1	LiLi Stahler
Alderman - Ward 2	Ricky Geoffrey
Alderman - Ward 3	Shane Lafontaine
Alderman - Ward 4	Mark Kidd

APPOINTED OFFICIALS

City Clerk	Lisa Planchard
Police Chief	David Allen
Fire Chief	Mike Smith
City Attorney	Gary Yarborough

INDEPENDENT AUDITOR'S REPORT

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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INDEPENDENT AUDITOR'S REPORT

July 20, 2015

To the Honorable Mayor and Board of Aldermen
City of Waveland, Mississippi

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 City of Waveland, Mississippi, as of and for the year ended September 30, 2014, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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 City of Waveland, Mississippi, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 47-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waveland, Mississippi's basic financial statements. The combining nonmajor fund financial statements and the surety bonds for city officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of surety bonds for city officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2015, on our consideration of the City of Waveland, 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 Waveland, Mississippi's internal control over financial reporting and compliance.

Walter Wood 7/20/15 * Lemp

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Introduction

The following Management's Discussion and Analysis of the City of Waveland ("the City") regarding activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2014. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)

The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities. This MD&A provides some comparisons with the previous year.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at September 30, 2014 by \$125,683,477. Of this amount, unrestricted net position of \$8,930,627 may be used to meet the City's ongoing obligations to citizens and creditors.

The total net position increased by \$297,129. Of this amount, \$562,260 was associated with governmental activities and (\$265,131) with business-type activities, respectively. This is primarily due to the increase in capital assets through construction projects.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,597,618 a decrease of \$1,147,431.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,546,673 or 128% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Overview of the Financial Statements (continued)

The statement of net position presents information for all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between those items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, culture and recreation and interest on long-term debt. The major business-type activities of the City of Waveland include providing water, sewer, natural gas and garbage collection services to the residents of the City of Waveland.

The government-wide statements can be found on pages 13-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other monies. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

In fiscal year 2014, the City maintained fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. These statements consist of the general fund, special revenue

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Overview of the Financial Statements (continued)

funds which are considered major funds, and all other governmental funds which are combined together and presented in these reports as other governmental funds for the purpose of consistency.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

- Proprietary Fund

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net position, the proprietary statement of revenues, expenses and changes in net position and the proprietary statement of cash flows.

The proprietary fund financial statements can be found on pages 19-21 of this report.

- Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City's normal operations. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary funds financial statement can be found on page 22 of this report.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to *Note 1: Summary of Significant Accounting Policies* in the financial statements for more detailed information on the elements of the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The budget comparisons for the general fund, U.S. Army Corp of Engineers grant fund, and hazard mitigation fund are presented immediately after the basic financial statements as required supplementary information.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Government-Wide Financial Analysis

Table 1 below presents the City's condensed statement of net position as of September 30, 2014 derived from the government-wide statement of net position.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 11,869,402	\$ 10,407,671	\$ 2,771,366	\$ 2,236,852	\$ 14,640,768	\$ 12,644,523
Non-current assets	<u>42,755,097</u>	<u>40,552,153</u>	<u>78,876,369</u>	<u>79,693,556</u>	<u>121,631,466</u>	<u>120,245,709</u>
Total assets	<u>54,624,499</u>	<u>50,959,824</u>	<u>81,647,735</u>	<u>81,930,408</u>	<u>136,272,234</u>	<u>132,890,232</u>
Deferred outflows of resources	<u>216,093</u>	<u>252,109</u>	<u>101,690</u>	<u>118,639</u>	<u>317,783</u>	<u>370,748</u>
Other liabilities	2,301,336	1,101,311	885,936	709,865	3,187,272	1,811,176
Long-term liabilities	<u>3,991,983</u>	<u>4,094,768</u>	<u>1,758,126</u>	<u>1,968,688</u>	<u>5,750,109</u>	<u>6,063,456</u>
Total liabilities	<u>6,293,319</u>	<u>5,196,079</u>	<u>2,644,062</u>	<u>2,678,553</u>	<u>8,937,381</u>	<u>7,874,632</u>
Deferred inflows of resources	<u>1,969,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,969,159</u>	<u>-</u>
Net position:						
Net investment in capital assets	37,872,203	36,215,299	77,017,373	77,659,126	114,889,576	113,874,425
Restricted	1,796,619	2,446,352	66,655	64,603	1,863,274	2,510,955
Unrestricted	<u>6,909,292</u>	<u>7,354,203</u>	<u>2,021,335</u>	<u>1,646,765</u>	<u>8,930,627</u>	<u>9,000,968</u>
Total net position	<u>\$ 46,578,114</u>	<u>\$ 46,015,854</u>	<u>\$ 79,105,363</u>	<u>\$ 79,370,494</u>	<u>\$ 125,683,477</u>	<u>\$ 125,386,348</u>

At September 30, 2014, the City's assets and deferred outflows of resources exceeded liabilities by \$125,683,477. By far, the largest portion of the City's net position (91%) reflects its net investment in capital assets. The unrestricted net position of \$8,930,627 can be used to finance government operations.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the net position is restricted for various purposes. Please refer to *Note 1: Summary of Significant Accounting Policies* on page 28 for more detail.

The remaining portion of net position is unrestricted, which can be used to finance government operations.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Government-wide Financial Analysis (continued)

Table 2 presents the City's condensed statement of activities for the fiscal year ended September 30, 2014, as derived from the government-wide statement of activities.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 314,189	\$ 264,646	\$ 3,144,619	\$ 2,668,630	\$ 3,458,808	\$ 2,933,276
Operating grants	252,434	510,738	-	-	252,434	510,738
Capital grants	2,991,465	1,230,128	-	-	2,991,465	1,230,128
Total program revenues	<u>3,558,088</u>	<u>2,005,512</u>	<u>3,144,619</u>	<u>2,668,630</u>	<u>6,702,707</u>	<u>4,674,142</u>
General revenues						
Property taxes	2,173,341	2,202,615	-	-	2,173,341	2,202,615
Sales taxes	2,211,283	2,175,066	-	-	2,211,283	2,175,066
Franchise taxes	266,116	238,634	-	-	266,116	238,634
Interest earnings	8,066	7,716	1,348	1,661	9,414	9,377
Lease revenue	65,280	-	-	-	65,280	-
Other	32,485	617,779	68,624	-	101,109	617,779
Total general revenues	<u>4,756,571</u>	<u>5,241,810</u>	<u>69,972</u>	<u>1,661</u>	<u>4,826,543</u>	<u>5,243,471</u>
Total revenues	<u>8,314,659</u>	<u>7,247,322</u>	<u>3,214,591</u>	<u>2,670,291</u>	<u>11,529,250</u>	<u>9,917,613</u>
Program expenses						
General government	1,302,471	1,514,530	-	-	1,302,471	1,514,530
Public safety	2,651,961	2,725,678	-	-	2,651,961	2,725,678
Public works	1,278,064	1,094,940	-	-	1,278,064	1,094,940
Health and welfare	356,855	57,337	-	-	356,855	57,337
Culture and recreation	804,864	761,919	-	-	804,864	761,919
Interest	134,483	123,149	-	-	134,483	123,149
Water, sewer and gas	-	-	4,703,423	4,607,744	4,703,423	4,607,744
Total program expenses	<u>6,528,698</u>	<u>6,277,553</u>	<u>4,703,423</u>	<u>4,607,744</u>	<u>11,232,121</u>	<u>10,885,297</u>
Change before transfers	<u>1,785,961</u>	<u>969,769</u>	<u>(1,488,832)</u>	<u>(1,937,453)</u>	<u>297,129</u>	<u>(967,684)</u>
Transfers	<u>(1,223,701)</u>	<u>(160,220)</u>	<u>1,223,701</u>	<u>160,220</u>	<u>-</u>	<u>-</u>
Change in net position	562,260	809,549	(265,131)	(1,777,233)	297,129	(967,684)
Beginning net position	<u>46,015,854</u>	<u>45,206,305</u>	<u>79,370,494</u>	<u>81,147,727</u>	<u>125,386,348</u>	<u>126,354,032</u>
Ending net position	<u>\$46,578,114</u>	<u>\$ 46,015,854</u>	<u>\$79,105,363</u>	<u>\$79,370,494</u>	<u>\$ 125,683,477</u>	<u>\$ 125,386,348</u>

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$8,597,618 a net decrease of \$1,147,431 in comparison with the prior year. Of this combined fund balance, 74% percent or \$6,329,272 is unassigned. \$140,415 of this combined fund balance is nonspendable for prepaid items. \$1,869,867 is restricted for public safety, culture and recreation, public works, and debt service. The remaining amount of \$258,064 is committed for culture and recreation and other purposes.

- General Fund

The general fund is the chief operating fund of the City. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund balance expenditures. At the end of 2014, the general fund unassigned fund balance represents 128% percent of total general fund expenditures.

Proprietary Fund

The water, sewer and gas fund had a decrease in total net position of \$265,131 at the end of the fiscal year. This decrease was primarily due to the increase in depreciation expense on the capital assets in the utility system.

Budget Variances in the General Fund

Actual revenues were over the original budgeted amount by \$171,592 due to increases in franchise tax, intergovernmental and lease revenues. Actual expenditures were under the original budgeted amount by \$189,175 at year end, as a result of a conservative fiscal management plan. Refer to the budgetary comparison schedule for the general fund on page 47 in the RSI section of the audit report.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2014, the City reported \$42,755,097 in net capital assets for governmental activities and \$78,876,369 in capital assets for business-type activities. This represents a combined increase of \$1,385,757 in capital assets during the 2014 fiscal year. Additional information regarding the City's capital assets can be found in *Note 5: Capital Assets* on pages 35-36 of this report.

	City of Waveland's Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,982,481	\$ 2,527,663	\$ 76,182	\$ 76,182	\$ 3,058,663	\$ 2,603,845
Buildings and Improvements	23,922,844	24,394,702	-	-	23,922,844	24,394,702
Machinery and Equipment	1,499,042	894,316	35,217	34,879	1,534,259	929,195
Furniture and Office equipment	336,774	454,547	-	-	336,774	454,547
Infrastructure and Systems	8,233,409	8,496,042	70,612,638	72,902,073	78,846,047	81,398,115
Vehicles	150,647	145,343	-	-	150,647	145,343
Construction in progress	5,629,900	3,639,540	8,152,332	6,680,422	13,782,232	10,319,962
Total	\$ 42,755,097	\$ 40,552,153	\$ 78,876,369	\$ 79,693,556	\$ 121,631,466	\$ 120,245,709

Long-Term Debt Activity

At the end of the current fiscal year for governmental activities, the City had \$5,033,609 in outstanding debt, excluding compensated absences. Additional information on the City of Waveland's long-term debt can be found in *Note 6: Long-Term Debt* on pages 37-40 of this report.

	City of Waveland's Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds payable, net	\$ 3,729,600	\$ 3,996,566	\$ 1,110,400	\$ 1,190,517	\$ 4,840,000	\$ 5,187,083
Revenue bonds	-	-	805,280	843,913	805,280	843,913
Notes payable	492,400	1,500	-	-	492,400	1,500
Capital leases payable	811,609	340,288	-	-	811,609	340,288
Compensated absences	71,129	61,042	5,481	9,021	76,610	70,063
Total	\$ 5,104,738	\$ 4,399,396	\$ 1,921,161	\$ 2,043,451	\$ 7,025,899	\$ 6,442,847

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Economic Outlook and Relevant Decisions

The City of Waveland continues to experience an unprecedented capital rebuilding process which has been paid from federal funding sources. The increase in net position during the 2014 fiscal year is due to tighter budgetary controls over operations. The City is currently operating with greater financial efficiency and accountability because management has implemented a proactive approach to budgetary control and has increased millage rates as well as utility rates.

Contact the City's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Lisa Planchard, City Clerk
City of Waveland, Mississippi
P.O. Box 539
Waveland, MS 39576
(228) 467-4134

FINANCIAL SECTION

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 5,429,427	\$ 1,647,225	\$ 7,076,652
Investments	223,613	113,608	337,221
Receivables, net	2,732,174	363,267	3,095,441
Intergovernmental receivable	2,428,659	-	2,428,659
Internal balances	(81,262)	81,262	-
Due from other governments	78,630	10,041	88,671
Inventory	-	18,161	18,161
Prepaid expenses	140,415	31,821	172,236
Restricted assets:			
Cash	917,746	505,981	1,423,727
Total current assets	<u>11,869,402</u>	<u>2,771,366</u>	<u>14,640,768</u>
Noncurrent Assets			
Capital assets:			
Land and construction in progress	8,612,381	8,228,514	16,840,895
Other capital assets, net of accumulated depreciation	<u>34,142,716</u>	<u>70,647,855</u>	<u>104,790,571</u>
Total noncurrent assets	<u>42,755,097</u>	<u>78,876,369</u>	<u>121,631,466</u>
Total assets	<u>54,624,499</u>	<u>81,647,735</u>	<u>136,272,234</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	<u>216,093</u>	<u>101,690</u>	<u>317,783</u>
Total deferred outflows of resources	<u>216,093</u>	<u>101,690</u>	<u>317,783</u>
LIABILITIES			
Current Liabilities			
Accounts payable	787,457	207,487	994,944
Wages payable	19,354	2,638	21,992
Retainage payable	151,668	-	151,668
Intergovernmental payable	8,383	-	8,383
Due to other governments	83,093	28,444	111,537
Bonds payable	478,400	208,041	686,441
Notes payable	492,400	-	492,400
Capital leases payable	207,333	-	207,333
Interest payable	73,248	28,237	101,485
Payable from restricted assets:			
Customer deposits	-	411,089	411,089
Total current liabilities	<u>2,301,336</u>	<u>885,936</u>	<u>3,187,272</u>
Noncurrent Liabilities			
Bonds payable	3,251,200	1,707,639	4,958,839
Capital leases payable	604,276	-	604,276
Bond premiums	65,378	45,006	110,384
Compensated absences	71,129	5,481	76,610
Total noncurrent liabilities	<u>3,991,983</u>	<u>1,758,126</u>	<u>5,750,109</u>
Total liabilities	<u>6,293,319</u>	<u>2,644,062</u>	<u>8,937,381</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	<u>1,969,159</u>	-	<u>1,969,159</u>
Total deferred inflows of resources	<u>1,969,159</u>	-	<u>1,969,159</u>
NET POSITION			
Net investment in capital assets	37,872,203	77,017,373	114,889,576
Restricted for:			
Debt service	1,101,814	66,655	1,168,469
Public safety	78,587	-	78,587
Public works	442,112	-	442,112
Culture and recreation	174,106	-	174,106
Unrestricted	<u>6,909,292</u>	<u>2,021,335</u>	<u>8,930,627</u>
Total net position	<u>\$ 46,578,114</u>	<u>\$ 79,105,363</u>	<u>\$ 125,683,477</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 1,302,471	\$ 110,000	\$ 106,614	\$ 533,116	\$ (552,741)		\$ (552,741)
Public safety	2,651,961	204,189	104,007	103,127	(2,240,638)		(2,240,638)
Public works	1,278,064	-	-	1,544,594	266,530		266,530
Health and welfare	356,855	-	41,813	-	(315,042)		(315,042)
Culture and recreation	804,864	-	-	810,628	5,764		5,764
Interest	134,483	-	-	-	(134,483)		(134,483)
Total governmental activities	<u>6,528,698</u>	<u>314,189</u>	<u>252,434</u>	<u>2,991,465</u>	<u>(2,970,610)</u>		<u>(2,970,610)</u>
Business-type activities:							
Water, sewer and gas	<u>4,703,423</u>	<u>3,144,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,558,804)</u>	<u>(1,558,804)</u>
Total business - type activities	<u>4,703,423</u>	<u>3,144,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,558,804)</u>	<u>(1,558,804)</u>
Total	<u>\$ 11,232,121</u>	<u>\$ 3,458,808</u>	<u>\$ 252,434</u>	<u>\$ 2,991,465</u>	<u>(2,970,610)</u>	<u>(1,558,804)</u>	<u>(4,529,414)</u>
General revenues:							
					1,531,969	-	1,531,969
					641,372	-	641,372
					2,211,283	-	2,211,283
					266,116	-	266,116
					8,066	1,348	9,414
					65,280	-	65,280
					32,485	68,624	101,109
					<u>4,756,571</u>	<u>69,972</u>	<u>4,826,543</u>
					1,785,961	(1,488,832)	297,129
					<u>(1,223,701)</u>	<u>1,223,701</u>	<u>-</u>
					562,260	(265,131)	297,129
					<u>46,015,854</u>	<u>79,370,494</u>	<u>125,386,348</u>
					<u>\$ 46,578,114</u>	<u>\$ 79,105,363</u>	<u>\$ 125,683,477</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAVELAND, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	USACE Grant Fund	Hazard Mitigation Grant Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current Assets							
Cash	\$ 4,895,880	\$ -	\$ -	\$ -	\$ -	\$ 533,547	\$ 5,429,427
Investments	223,613	-	-	-	-	-	223,613
Taxes receivable, net	1,686,848	-	-	528,839	-	186,535	2,402,222
Court fine receivable, net	252,670	-	-	-	-	-	252,670
Franchise fee receivable	77,282	-	-	-	-	-	77,282
Intergovernmental receivable	34,094	864,706	753,339	-	-	776,520	2,428,659
Due from other funds	1,212,577	14,368	-	490,000	-	26,446	1,743,391
Due from other governments	78,137	-	-	-	-	493	78,630
Prepaid expenses	134,149	-	-	-	-	6,266	140,415
Restricted Assets							
Cash	-	-	-	681,154	100,913	135,679	917,746
Total assets	<u>\$ 8,595,250</u>	<u>\$ 879,074</u>	<u>\$ 753,339</u>	<u>\$ 1,699,993</u>	<u>\$ 100,913</u>	<u>\$ 1,665,486</u>	<u>\$ 13,694,055</u>
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 151,340	\$ 148,445	\$ 63,391	\$ 1,873	\$ 140,646	\$ 301,116	\$ 806,811
Retainage payable	-	37,387	-	-	45,131	69,150	151,668
Intergovernmental payable	8,383	-	-	-	-	-	8,383
Due to other funds	157,450	673,645	506,899	-	-	486,659	1,824,653
Due to other governments	83,093	-	-	-	-	-	83,093
Unearned revenue	252,670	-	-	-	-	-	252,670
Total liabilities	<u>652,936</u>	<u>859,477</u>	<u>570,290</u>	<u>1,873</u>	<u>185,777</u>	<u>856,925</u>	<u>3,127,278</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred property tax revenue	1,261,492	-	-	523,058	-	184,609	1,969,159
Total deferred inflows of resources	<u>1,261,492</u>	<u>-</u>	<u>-</u>	<u>523,058</u>	<u>-</u>	<u>184,609</u>	<u>1,969,159</u>
FUND BALANCES							
Non-spendable	134,149	-	-	-	-	6,266	140,415
Restricted for:							
Public safety	-	-	-	-	-	78,587	78,587
Culture and recreation	-	-	-	-	-	174,106	174,106
Public works	-	19,597	183,049	-	-	239,466	442,112
Debt service	-	-	-	1,175,062	-	-	1,175,062
Committed for:							
Culture and recreation	-	-	-	-	-	49,031	49,031
Other purposes	-	-	-	-	-	209,033	209,033
Unassigned	6,546,673	-	-	-	(84,864)	(132,537)	6,329,272
Total fund balances	<u>6,680,822</u>	<u>19,597</u>	<u>183,049</u>	<u>1,175,062</u>	<u>(84,864)</u>	<u>623,952</u>	<u>8,597,618</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 8,595,250</u>	<u>\$ 879,074</u>	<u>\$ 753,339</u>	<u>\$ 1,699,993</u>	<u>\$ 100,913</u>	<u>\$ 1,665,486</u>	<u>\$ 13,694,055</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAVELAND, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances-governmental funds (Exhibit C) \$ 8,597,618

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	50,392,732	
Less: accumulated depreciation	<u>(7,637,635)</u>	42,755,097

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not currently recognized as revenue in the funds.

252,670

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

(5,033,609)

Compensated absences are not due and payable in the current period, therefore, they are not reported in the governmental funds.

(71,129)

Accrued interest not due and payable in the current period and, therefore, not reported in the funds.

(73,248)

Governmental funds report the effect of discounts, premiums, and amounts deferred on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond premium		(65,378)
Deferred gain on bond refunding		<u>216,093</u>

Net position of governmental activities (Exhibit A) **\$ 46,578,114**

The accompanying notes are an integral part of these financial statements.

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	USACE Grant Fund	Hazard Mitigation Grant Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 3,743,254	\$ -	\$ -	\$ 471,708	\$ -	\$ 169,665	\$ 4,384,627
Licenses and permits	108,850	-	-	-	-	-	108,850
Franchise fees	266,116	-	-	-	-	-	266,116
Charges for service	7,068	-	-	-	-	-	7,068
Intergovernmental	194,930	946,573	698,242	-	-	1,398,234	3,237,979
Fines and forfeits	147,743	-	-	-	-	-	147,743
Lease revenue	65,280	-	-	-	-	-	65,280
Interest	7,942	-	-	-	-	123	8,065
Miscellaneous	26,302	-	-	-	-	6,184	32,486
Total revenues	<u>4,567,485</u>	<u>946,573</u>	<u>698,242</u>	<u>471,708</u>	<u>-</u>	<u>1,574,206</u>	<u>8,258,214</u>
EXPENDITURES							
Current:							
General government	1,018,540	161	759	-	-	98,151	1,117,611
Public safety	1,863,024	-	94,489	-	-	330,875	2,288,388
Public works	807,141	1,053	-	-	-	18,505	826,699
Health and welfare	31,589	-	-	-	-	24,000	55,589
Culture and recreation	258,682	-	-	-	-	469,414	728,096
Capital outlay	982,796	-	620,322	-	965,965	1,001,605	3,570,688
Debt Service:							
Principal	131,958	-	-	442,800	-	42,883	617,641
Interest and other charges	13,516	-	-	92,251	-	8,527	114,294
Total Expenditures	<u>5,107,246</u>	<u>1,214</u>	<u>715,570</u>	<u>535,051</u>	<u>965,965</u>	<u>1,993,960</u>	<u>9,319,006</u>
Excess (deficiency) of revenues over expenditures	<u>(539,761)</u>	<u>945,359</u>	<u>(17,328)</u>	<u>(63,343)</u>	<u>(965,965)</u>	<u>(419,754)</u>	<u>(1,060,792)</u>
OTHER FINANCING SOURCES (USES)							
Lease proceeds	644,662	-	-	492,400	-	-	1,137,062
Transfers in	159,696	-	-	-	-	-	159,696
Transfers out	-	(946,572)	-	-	-	(436,825)	(1,383,397)
Total other financing sources and uses	<u>804,358</u>	<u>(946,572)</u>	<u>-</u>	<u>492,400</u>	<u>-</u>	<u>(436,825)</u>	<u>(86,639)</u>
Change in Fund Balance	<u>264,597</u>	<u>(1,213)</u>	<u>(17,328)</u>	<u>429,057</u>	<u>(965,965)</u>	<u>(856,579)</u>	<u>(1,147,431)</u>
Fund balances - beginning	6,416,225	20,810	200,377	746,005	881,101	1,480,531	9,745,049
Fund balances - ending	<u>\$ 6,680,822</u>	<u>\$ 19,597</u>	<u>\$ 183,049</u>	<u>\$ 1,175,062</u>	<u>\$ (84,864)</u>	<u>\$ 623,952</u>	<u>\$ 8,597,618</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAVELAND, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balance - total governmental funds (Exhibit D) \$ (1,147,431)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the useful lives and reported as depreciation expense. This is the amount by which capital outlay in the amount of \$3,570,688 exceeded depreciation \$1,367,744 in the current period.	2,202,944
The issuance of long-term debt provides current financial resources, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds.	(519,421)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full accrual basis of accounting.	56,446
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in governmental funds.	
Compensated absences	(10,087)
Accrued interest	4,928
Bond amortization	<u>(25,119)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 562,260</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT E

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014

	<u>Water/Sewer & Gas Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,647,225
Investments	113,608
Accounts receivable, net	363,267
Due from other funds	150,647
Due from other governments	10,041
Inventory	18,161
Prepaid expenses	31,821
Restricted assets:	
Restricted cash	505,981
Total current assets	<u>2,840,751</u>
Noncurrent assets:	
Capital Assets:	
Land	76,182
Construction in progress	8,152,332
Improvements other than buildings	134,880
Infrastructure	86,388,974
Machinery and equipment	61,647
Less: Accumulated depreciation	<u>(15,937,646)</u>
Total noncurrent assets	<u>78,876,369</u>
Total assets	<u>81,717,120</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	<u>101,690</u>
Total deferred outflows of resources	<u>101,690</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	207,487
Wages payable	2,638
Interest payable	28,237
Due to other funds	69,385
Due to other governments	28,444
Bonds payable	208,041
Payable from restricted assets:	
Customer deposits	<u>411,089</u>
Total current liabilities	<u>955,321</u>
Noncurrent liabilities:	
Long term liabilities:	
Bonds payable	1,707,639
Bond premium	45,006
Compensated absences	<u>5,481</u>
Total noncurrent liabilities	<u>1,758,126</u>
Total liabilities	<u>2,713,447</u>
 NET POSITION	
Net investment in capital assets	77,017,373
Restricted	
Restricted for debt service	66,655
Unrestricted	<u>2,021,335</u>
Total net position	<u>\$ 79,105,363</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Water/Sewer & Gas Fund
REVENUES	
Charges for services	\$ 3,009,739
Intergovernmental revenue	134,880
Miscellaneous operating revenue	68,624
Total operating revenues	3,213,243
OPERATING EXPENSES	
Personnel services	372,702
Contractual services	980,609
Materials and supplies	75,243
Repairs and maintenance	367,966
Other services and charges	306,743
Gas purchases	82,011
Depreciation	2,431,827
Total operating expenses	4,617,101
Operating income (loss)	(1,403,858)
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	1,348
Interest expense	(86,322)
Total non-operating revenue (expenses)	(84,974)
Income (loss) before transfers	(1,488,832)
Transfers in	1,383,397
Transfers out	(159,696)
Total transfers in (out)	1,223,701
Change in net position	(265,131)
Total net position - beginning	79,370,494
Total net position- ending	\$ 79,105,363

The accompanying notes are an integral part of these financial statements.

EXHIBIT G

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Water/Sewer & Gas Fund</u>		
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,216,706		
Payments to employees	(330,578)		
Payments to suppliers	(148,326)		
Payments for contractual services	(919,675)		
Payments for other services and charges	(306,743)		
Payments for repairs and maintenance	<u>(367,966)</u>		
Net cash provided by operating activities	<u>1,143,418</u>		
Cash Flows from Noncapital Financing Activities			
Transfers in	1,383,397		
Transfers out	(159,696)		
Cash Flows From Capital and Related Financing Activities			
Principal payments on debt	(175,434)		
Acquisition of capital assets	(1,614,640)		
Interest expense	<u>(88,373)</u>		
Net cash used by financing activities	<u>(654,746)</u>		
Cash Flows From Investing Activities			
Interest received	<u>1,287</u>		
Net cash provided by investing activities	<u>1,287</u>		
Net increase in cash	489,959		
Cash			
Beginning of year	<u>1,663,247</u>		
End of year	<u>\$ 2,153,206</u>		
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (1,403,858)		
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	2,431,827		
(Increase) decrease in current assets:			
Accounts receivable	(19,113)		
Due from other funds	(107,320)		
Prepaid expenses	3,626		
Inventory	8,928		
Increase (decrease) in current liabilities:			
Accounts payable	113,840		
Accrued wages	2,638		
Compensated absences	(3,540)		
Due to other funds	65,369		
Due to other governments	28,444		
Customer deposits	<u>22,577</u>		
Net cash provided by operating activities	<u>\$ 1,143,418</u>		
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position			
	Current assets	Restricted assets	Total
Cash and cash equivalents - October 1	\$ 1,179,843	\$ 483,404	\$ 1,663,247
Net increase/(decrease)	<u>467,382</u>	<u>22,577</u>	<u>489,959</u>
Cash and cash equivalents - September 30	<u>\$ 1,647,225</u>	<u>\$ 505,981</u>	<u>\$ 2,153,206</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
SEPTEMBER 30, 2014

ASSETS	Agency Funds		
	Unemployment Compensation Fund	Payroll Clearing Fund	Total
Cash and cash equivalents	\$ -	\$ 47,274	\$ 47,274
Investments	20,025	-	20,025
Due from other governments	12,826	98,711	111,537
Total assets	\$ 32,851	\$ 145,985	\$ 178,836
LIABILITIES			
Assets held in trust	\$ 28,274	\$ -	\$ 28,274
Other payables	-	61,891	61,891
Due to other governments	4,577	84,094	88,671
Total liabilities	\$ 32,851	\$ 145,985	\$ 178,836

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies

I. Introduction

The City of Waveland, Mississippi, was incorporated March 18, 1888, under the laws of the State of Mississippi. The City operates under a Mayor-Aldermen form of government, which provides for an elected mayor and a four-member Board of Aldermen. The following services are authorized by the City's charter: public safety (police, fire, and protection/inspection), street maintenance, garbage collection, water, sewer and gas services, social and recreational, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying combined financial statements conform to accounting principles generally accepted in the United States of America, (GAAP) applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

II. Basis of Presentation

A. Financial Reporting Entity

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Component units are reported as either "blended" or "discretely disclosed." Blended component units, although legally separate entities are, in substance, part of a City's operations, and so data from these units are combined with data of the primary government. Based upon application of these criteria, it is determined that the City does not have any component units that are included in the financial statements as of September 30, 2014.

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share costs, risks and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. See Note 12 for additional information describing related organizations that are not included in the City's reporting entity.

B. Basis of Accounting and Measurement Focus

The City's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements:

The *government-wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real and personal property taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business privilege, and income taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenue* in the government-wide financial statements include: (1) charges to customers or applicants for goods received, services rendered 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 specific revenues. Accordingly, general revenues include all taxes.

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 City's water, sewer and gas function and various other programs of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. However, those expenditures may be accrued if they are to be liquidated with available resources. Imposed nonexchange revenues such as real and personal property taxes are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, and income taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are recognized only when cash is received by the City because they are not measurable until that time.

The City reports the following major governmental funds:

General Fund - This is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

U.S. Army Corp of Engineers (USACE) Grant Fund - This fund is used to account for the Jeff Davis, Gulfside and Connector road and infrastructure work that is under construction using USACE funding.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Hazard Mitigation Grant Fund – This fund is used to account for the grant related expenditures and reimbursements related to a homeowner buy-out program.

Debt Service Fund – These funds are used to account for and report financial resources that are restricted, committed, or assigned expenditures for principal and interest on the City’s outstanding debt.

Capital Projects Fund - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of pages 15 and 17, and shown in the combining statements on pages 51-52.

Additionally, the City reports the following governmental fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Proprietary Fund:

The proprietary fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position and cash flow. All assets, deferred outflows of resources and liabilities are included in the statement of net position. The City has presented the following major proprietary fund:

Utility Fund – The water, sewer and gas fund is used to account for the provision of water, sewer and gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water, sewer and gas systems and billing and collection activities.

This fund also accounts for the accumulation of resources for and the payment of principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the proprietary fund include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds:

Fiduciary Funds – Fiduciary Funds are used to report resources held by the City in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations. These funds account for the payroll clearing and unemployment compensation funds.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

C. Cash

The Board of Aldermen must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-1 et seq., Miss. Code Ann. (1972). The collateral pledged for the City's deposits in financial institutions is 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.

D. Investments

Section 21-33-323, Miss. Code Ann. (1972), authorizes the Board of Aldermen to invest surplus funds in the types of investments authorized by this law. This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration.

Investments are recorded at fair value in accordance with GASB Statement No. 31 with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 3 months when acquired.

E. Prepaid Items

Prepaid items are expenditures incurred by the City to provide services occurring in future periods.

F. Inventory

The City's water, sewer and gas fund operation is required to maintain an inventory of stored natural gas with its supplier. The gas inventory is recorded at cost using the first in/first out (FIFO) method.

G. Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details those thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$0	N/A
Infrastructure	\$0	20-25 years
Buildings	\$50,000	40 years
Improvements other than buildings	\$25,000	20-25 years
Mobile equipment	\$5,000	5-10 years
Furniture and equipment	\$5,000	3-7 years

H. Long-term Liabilities

Long-term or noncurrent liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general or special obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net position. See Note 6 for more details.

I. Interfund Transactions and Balances

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

See Note 4 for details for interfund transactions, including receivables and payables at year-end.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are usually externally imposed by creditors, contributors, grantors, or laws. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

Customer deposits on hand are also recorded as restricted assets in that they are held by the City in a fiduciary capacity and are to be refunded to the customer upon termination of services.

K. Unearned Revenue

Imposed nonexchange revenues, such as court fines and penalties, are recorded as deferred revenue in the fund financial statements because they are not available to pay current period expenditures.

L. Compensated Absences

The City's policy does not allow vacation and sick leave to accrue from year to year. Full-time employees are granted vacation from 5 to 10 days per year depending on the employee's length of service. All non-administrative employees may accumulate unused compensatory time (comp time). Retiring and terminating employees are paid for all unused vacation for that year and unused comp time not exceeding limits of 240 hours as established by the employee handbook. Amounts not expected to be liquidated with expendable available financial resources are recorded in the government-wide financial statements.

Sick leave is calculated at the rate of four hours per month up to a maximum of six days. Employees have no claim for accumulated sick leave at termination, retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided for in the financial statements. Unused sick leave may be credited to the Public Employees Retirement System (PERS) as time worked.

M. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

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

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

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements:

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable 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 a City charter, City code, 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 action by City ordinance or resolution which includes the budget reserve account

Assigned—Amounts that are designated by management for a specific purpose but are not spendable until a budget ordinance is passed by Board of Aldermen

Unassigned—All amounts not included in other spendable classifications

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). As discussed in Note 1 (J), restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Aldermen or the assignment has been changed by management.

Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

General Fund

The general fund has a nonspendable balance of \$134,149 for prepaid insurance and other expenditures and an unassigned fund balance of \$6,546,673 at September 30, 2014.

Other Major Funds

The City has the following other major funds: USACE with a restricted balance for public works of \$19,597, hazard mitigation fund with a restricted fund balance for public works of \$183,049, and the debt service fund with a restricted fund balance of \$1,175,062 for debt payments of principal and interest.

Other Funds

The Library Fund has a nonspendable fund balance for prepaid insurance in the amount of \$6,266. The following non-major funds have a restricted fund balance designated for specific purposes:

Restricted Donation Fund	\$	34,337
Tidelands Grant Fund		139,769
NTF Police Seizure Fund		78,587
Katrina Disaster Fund		239,466
		492,159
	\$	492,159

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

The Library Fund has a committed fund balance of \$49,031 and the Reserved Fund has a committed fund balance of \$209,033 as of September 30, 2014.

N. Budgetary Data

The procedures used by the City in establishing the budgetary data recorded in the financial statements are as follows:

- (a) Prior to August 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) No later than September 15, the budget is legally enacted through passage of a resolution.
- (d) Formal budgetary integration is employed as a management control device during the year for all governmental fund types and the enterprise funds.
- (e) Budgets for the governmental fund types and the enterprise funds are adopted on a cash basis except for expenditures which include those paid within 30 days of the fiscal year end as required by state statute.
- (f) The budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the Board of Aldermen. The legal level of budgetary control is the department level.

Note 2: Cash and Investments

(A) Cash

The carrying amounts of the City's deposits with financial institutions were as follows:

	Pooled Cash	Non-pooled Cash	Restricted Cash	Cash on Hand	Total
Governmental Activities					
General Fund	\$ 4,893,707	\$ 1,798	\$ -	\$ 375	\$ 4,895,880
Debt Service Fund	-	-	681,154	-	681,154
Capital Projects Fund	-	-	100,913	-	100,913
Other governmental funds	465,697	67,850	135,679	-	669,226
Total governmental activities	<u>5,359,404</u>	<u>69,648</u>	<u>917,746</u>	<u>375</u>	<u>6,347,173</u>
Fiduciary Funds	-	47,274	-	-	47,274
Business-type Activities					
Utility Fund	59,000	1,587,625	505,981	600	2,153,206
Total cash and cash equivalents	<u>\$ 5,418,404</u>	<u>\$ 1,704,547</u>	<u>\$ 1,423,727</u>	<u>\$ 975</u>	<u>\$ 8,547,653</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 2: Cash and Investments (continued)

The carrying amount of the City's deposits with financial institutions was \$8,546,678 for all cash excluding cash on hand of \$975, and the bank balance was \$9,125,369.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as 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 deposit 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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2014, none of the City's bank balance was exposed to credit risk.

(B) Investments

At September 30, 2014, the City had investments in certificate of deposits of \$223,613 in the general fund, \$113,608 in the water, sewer and gas fund, and \$20,025 in the unemployment compensation fund.

The City does not have a formal deposit or investment policy.

Note 3: Revenues

(A) Property Taxes

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Hancock County tax assessor from information extracted from the County assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as of January 1. Taxes on real and personal property are levied by the Board of Aldermen at the first regular meeting in September.

The City's tax assessment roll is then approved by the Board after a series of public hearings to receive citizens' objections. Such taxes are billed and collected by the County.

In accordance with the Mississippi Code of 1972, as amended, the Board of Aldermen may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding ten years or a minimum of 20 mills. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2014 was 32 mills or \$32.00 per \$1,000 of assessed valuation.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 3: Revenues (continued)

The assessed valuations of the City for the year ended September 30, 2014 are as follows:

Real property	\$	53,273,300
Personal property		4,684,937
Public utilities		772,322
Automobiles		6,520,059
Mobile homes		64,454
Total assessment		65,315,072
Special exemption homestead		(3,778,867)
Net assessment	\$	61,536,205

Property tax revenue reported as taxes in the financial statements is accrued at year-end to the extent that it is measurable and estimated to become available to finance current operations. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties, and damages, accruing until the date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at the year-end is also considered immaterial.

(B) Sales Taxes

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Waveland) back to the City monthly.

Revenues reported in the general fund include \$2,211,283 of sales tax revenue which increased approximately 1.6% in comparison to the prior fiscal year.

(C) Intergovernmental receivable

Amounts due from other governments as reported in the governmental fund financial statements consisted of the following as of September 30, 2014:

	General Fund	USACE Grant Fund	Hazard Mitigation Grant Fund	Other Governmental Funds	Total
Hancock County	\$ 11,418	\$ -	\$ -	\$ -	\$ 11,418
Police grants	22,676	-	-	-	22,676
USACE	-	864,706	-	-	864,706
MDA	-	-	-	384,450	384,450
FEMA	-	-	753,339	-	753,339
DMR/Tidelands	-	-	-	392,070	392,070
	\$ 34,094	\$ 864,706	\$ 753,339	\$ 776,520	\$ 2,428,659

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 3: Revenues (continued)

(D) Utility Revenues

The City reports receivables at net realizable value. The allowance for doubtful accounts determination is based upon historical losses and current economic conditions. Delinquent receivables are analyzed on a continuing basis and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account.

Utility customer receivables consist of the following at September 30, 2014:

Water and sewer utility charges billed but uncollected	\$	552,024
Water and sewer utility charges accrued but unbilled at year-end		211,283
Less: Allowance for uncollectible accounts		(400,040)
Utility accounts receivable		<u><u>\$ 363,267</u></u>

Note 4: Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

(A) Due To/From:

	Due to Other Funds	Due from Other Funds
Governmental activities:		
General Fund	\$ 157,450	\$ 1,212,577
USACE Grant Fund	673,645	14,368
Hazard Mitigation Grant Fund	506,899	-
Debt Service Fund	-	490,000
Other Governmental Funds	<u>486,659</u>	<u>26,446</u>
Total governmental activities	1,824,653	1,743,391
Business-type activities		
Water, Sewer and Gas Fund	<u>69,385</u>	<u>150,647</u>
	<u><u>\$ 1,894,038</u></u>	<u><u>\$ 1,894,038</u></u>

The due to/due from other fund amounts reported in the table above are monies due for payments that were paid out of the those funds which should have been remitted from the funds which incurred the actual expenditures.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 4: Interfund Transactions and Balances (continued)

(B) Transfers In/Out:

	Transfers to Other Funds	Transfers from Other Funds
Governmental activities:		
General Fund	\$ -	\$ 159,696
USACE Grant Fund	946,572	-
Other Governmental Funds	436,825	-
Total governmental activities	1,383,397	159,696
Business-type activities:		
Water, Sewer and Gas Fund	159,696	1,383,397
	\$ 1,543,093	\$ 1,543,093

The transfers from the utility fund into the general fund were for construction and other expenditures that were reimbursed through those funds and accounted for in those funds but were actually paid out of the utility fund. The transfers into the water, sewer and gas fund from the USACE fund and other governmental funds were for utility capital projects that were recorded in those funds.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 5: Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2014:

	Balance October 1,	Additions	Sales/Transfers Adjustments	Balance September 30,
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,527,663	\$ 454,818	\$ -	\$ 2,982,481
Construction in progress	3,639,540	2,214,738	(224,378)	5,629,900
Total capital assets not being depreciated	<u>6,167,203</u>	<u>2,669,556</u>	<u>(224,378)</u>	<u>8,612,381</u>
Capital assets being depreciated:				
Buildings	18,382,683	-	-	18,382,683
Machinery and equipment	2,540,318	894,662	-	3,434,980
Furniture and office equipment	909,417	-	-	909,417
Improvements other than buildings	7,989,544	-	224,378	8,213,922
Infrastructure	9,379,481	-	-	9,379,481
Vehicles/mobile equipment	1,453,398	6,470	-	1,459,868
Total capital assets being depreciated	<u>40,654,841</u>	<u>901,132</u>	<u>224,378</u>	<u>41,780,351</u>
Less accumulated depreciation:				
Buildings	823,689	367,660	-	1,191,349
Machinery and equipment	1,646,002	289,936	-	1,935,938
Furniture and office equipment	454,870	117,773	-	572,643
Improvements other than buildings	1,153,836	328,576	-	1,482,412
Infrastructure	883,439	262,633	-	1,146,072
Vehicles/mobile equipment	1,308,055	1,166	-	1,309,221
Total accumulated depreciation	<u>6,269,891</u>	<u>1,367,744</u>	<u>-</u>	<u>7,637,635</u>
Total capital assets being depreciated, net	<u>34,384,950</u>	<u>(466,612)</u>	<u>224,378</u>	<u>34,142,716</u>
Governmental activities capital assets, net	<u>\$ 40,552,153</u>	<u>\$ 2,202,944</u>	<u>\$ -</u>	<u>\$ 42,755,097</u>

Depreciation expense was charged as direct expense to programs of the governmental activities as follows:

General government	\$ 184,859
Public safety	363,573
Public works	441,278
Culture & recreation	301,266
Economic development	76,768
	<u>\$ 1,367,744</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 5: Capital Assets (continued)

The following is a summary of changes in capital assets for business-type activities:

	Balance October 1,	Additions	Sales/Transfers Adjustments	Balance September 30,
Business - type activities:				
Capital assets not being depreciated:				
Land	\$ 76,182	\$ -	\$ -	\$ 76,182
Construction in progress	6,680,422	1,606,790	(134,880)	8,152,332
Total capital assets not being depreciated	<u>6,756,604</u>	<u>1,606,790</u>	<u>(134,880)</u>	<u>8,228,514</u>
Capital assets being depreciated:				
Machinery and equipment	53,797	7,850	-	61,647
Infrastructure	86,388,974	-	134,880	86,523,854
Total capital assets being depreciated	<u>86,442,771</u>	<u>7,850</u>	<u>134,880</u>	<u>86,585,501</u>
Less accumulated depreciation:				
Machinery and equipment	18,918	7,512	-	26,430
Infrastructure	13,486,901	2,424,315	-	15,911,216
Total accumulated depreciation	<u>13,505,819</u>	<u>2,431,827</u>	<u>-</u>	<u>15,937,646</u>
Total capital assets being depreciated, net	<u>72,936,952</u>	<u>(2,423,977)</u>	<u>134,880</u>	<u>70,647,855</u>
Business - type activities capital assets, net	<u>\$ 79,693,556</u>	<u>\$ (817,187)</u>	<u>\$ -</u>	<u>\$ 78,876,369</u>

Depreciation expense was charged as direct expense to programs of the proprietary activities as follows:

Business – type activities:	
Water, sewer and gas	\$ 2,431,827

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 6: Long Term Debt

The following is a schedule of the long term debt of the City as of September 30, 2014:

Description	Date of Issue	Final Maturity Date	Interest Rates	Original Issue	Amount Outstanding
<u>Governmental Activities:</u>					
A. General obligation bonds					
Refunding Series, 2012	8/28/2012	11/1/2020	1.0-1.13%	\$ 2,097,800	\$ 2,067,200
Plus: bond premium				33,398	22,265
Less: deferred amount on bond refunding				324,141	216,093
				<u>1,807,057</u>	<u>1,873,372</u>
Series, 2013	1/25/2013	12/1/2022	1.63%	1,500,000	1,370,000
Total general obligation bonds				<u>\$ 3,307,057</u>	<u>\$ 3,243,372</u>
B. Special obligation bonds					
MDA Series, 2004	11/30/2004	11/1/2020	1.9-5.0%	\$ 3,604,000	\$ 292,400
Plus: bond premium				99,489	43,113
Total special obligation bonds				<u>\$ 3,703,489</u>	<u>\$ 335,513</u>
C. Note Payable					
Hancock Bank-grant anticipation note	11/14/2013	12/31/2014	1.80%	\$ 492,400	\$ 492,400
D. Capital leases					
Hancock Bank	6/20/2006	6/20/2016	4.16%	\$ 580,922	\$ 119,820
Hancock Bank	11/2/2006	11/2/2016	3.87%	433,763	104,677
Hancock Bank	12/13/2013	9/15/2023	2.49%	452,853	409,970
Hancock Bank	1/24/2014	1/24/2019	2.10%	115,170	100,503
Hancock Bank	8/13/2014	8/13/2017	1.39%	76,639	76,639
Total capital leases				<u>\$ 1,659,347</u>	<u>\$ 811,609</u>
<u>Business-type Activities:</u>					
A. Revenue bonds					
1992 USDA Rural Development Combined, Water, Gas and Sewer System Revenue Bonds	12/17/1992	12/17/2027	5.50%	\$ 1,350,200	\$ 805,280
Plus: bond premium				28,469	14,239
Total revenue bonds				<u>\$ 1,378,669</u>	<u>\$ 819,519</u>
B. General obligation bonds					
Refunding Series, 2012	8/28/2012	11/1/2020	1.0-2.13%	\$ 987,200	\$ 972,800
Plus: bond premium				15,717	10,479
Less: deferred amount on refunding				152,537	101,690
Total general obligation bonds				<u>\$ 850,380</u>	<u>\$ 881,589</u>
C. Special obligation bonds					
MDA Series, 2004	11/30/2004	11/1/2020	1.9-5.0%	\$ 1,696,000	\$ 137,600
Plus: bond premium				46,818	20,288
Total special obligation bonds				<u>\$ 1,742,818</u>	<u>\$ 157,888</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 6: Long Term Debt (continued)

Changes in long term debt during the year ended September 30, 2014 are as follows:

	Payable October 1,	Additions	Reductions	Payable September 30,	Due in one year
Governmental Activities					
General obligation bonds	\$ 3,597,800	\$ -	\$ 160,600	\$ 3,437,200	\$ 186,000
Special obligation bonds	574,600	-	282,200	292,400	292,400
Notes payable	1,500	492,400	1,500	492,400	492,400
Capital leases payable	340,288	644,662	173,341	811,609	207,333
Compensated absences	61,042	10,087	-	71,129	-
	<u>4,575,230</u>	<u>1,147,149</u>	<u>617,641</u>	<u>5,104,738</u>	<u>1,178,133</u>
Plus: Bond premium	76,275	-	10,897	65,378	-
Less: deferred gain on refunding	252,109	-	36,016	216,093	-
Total governmental activities	<u>\$ 4,399,396</u>	<u>\$ 1,147,149</u>	<u>\$ 592,522</u>	<u>\$ 4,954,023</u>	<u>\$ 1,178,133</u>
Business - type Activities					
Revenue bonds	\$ 843,913	\$ -	\$ 38,633	\$ 805,280	\$ 46,441
Special obligation bonds	270,400	-	132,800	137,600	137,600
General obligation bonds	987,200	-	14,400	972,800	24,000
Compensated absences	9,021	-	3,540	5,481	-
	<u>2,110,534</u>	<u>-</u>	<u>189,373</u>	<u>1,921,161</u>	<u>208,041</u>
Plus: Bond premium	51,556	-	6,550	45,006	-
Less: deferred gain on refunding	118,639	-	16,949	101,690	-
Total business - type activities	<u>\$ 2,043,451</u>	<u>\$ -</u>	<u>\$ 178,974</u>	<u>\$ 1,864,477</u>	<u>\$ 208,041</u>

General Obligation Bonds – The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The governmental activity bonds are generally repaid from ad valorem taxes through the debt service funds. The water and sewer general obligation bonds are repaid from resources generated by the water and sewer enterprise fund.

Special Obligation Bonds - The City issued special obligation bonds with the Mississippi Development Bank in 2004 for public improvements. The proceeds of this bond issue were split between the various funds with \$3,604,000 being allocated to governmental activities and \$1,696,000 to the water and sewer enterprise fund. The City partially refunded these bonds in August 2012.

Note Payable - In November 2013, the City obtained a grant anticipation note from Hancock Bank in the amount of \$7,924,011 for the Jeff Davis and Gulfside drainage projects. As of September 30, 2014, the City has drawn \$492,400 as an advance of any of these funds. This note bears interest of 1.8% and matures December 31, 2014.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 6: Long Term Debt (continued)

Debt service requirements on long term debt at September 30, 2014 are as follows:

Year ending September 30,	Governmental Activities						Total
	General obligation bonds		Special obligation bonds		Notes		
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 186,000	\$ 62,081	\$ 292,400	\$ 5,263	\$ 492,400	\$ 7,009	\$1,045,153
2016	493,600	56,059	-	-	-	-	549,659
2017	502,000	46,634	-	-	-	-	548,634
2018	517,200	36,995	-	-	-	-	554,195
2019	496,800	27,417	-	-	-	-	524,217
2020-2023	1,241,600	33,323	-	-	-	-	1,274,923
	<u>\$ 3,437,200</u>	<u>\$ 262,509</u>	<u>\$ 292,400</u>	<u>\$ 5,263</u>	<u>\$ 492,400</u>	<u>\$ 7,009</u>	<u>\$4,496,781</u>

Year ending September 30,	Business-type Activities						Total
	Revenue bonds		General obligation bonds		Special obligation bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 46,441	\$ 43,131	\$ 24,000	\$ 19,254	\$ 137,600	\$ 2,477	\$ 272,903
2016	49,061	40,511	166,400	17,470	-	-	273,442
2017	51,828	37,744	168,000	14,126	-	-	271,698
2018	54,752	34,820	172,800	10,718	-	-	273,090
2019	57,840	31,732	163,200	7,358	-	-	260,130
2020-2024	341,979	105,881	278,400	5,549	-	-	731,809
2025-2028	203,379	14,359	-	-	-	-	217,738
	<u>\$ 805,280</u>	<u>\$ 308,178</u>	<u>\$ 972,800</u>	<u>\$ 74,475</u>	<u>\$ 137,600</u>	<u>\$ 2,477</u>	<u>\$ 2,300,810</u>

Prior Year Defeasance of Debt – In the prior year, the City defeased a portion of special obligation bonds that were issued in 2004. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements.

Legal Debt Margin- The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. The City’s legal debt margin for general obligation bonds is \$9,797,261. At September 30, 2014, the City’s legal debt margin, after reduction for outstanding general obligation bonds of \$3,437,200, was \$6,360,061. Thus, the amount of outstanding debt, at September 30, 2014, was equal to 5.3% of the latest property assessments.

Capital Lease Obligations – The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, land, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 6: Long Term Debt (continued)

The following is a schedule of leased assets:

	Governmental Activities
Vehicles	\$ 2,203,256
Less: accumulated depreciation	(1,126,108)
	\$ 1,077,148

The following is a schedule of the future minimum lease payments under those capital leases:

Year ended September 30,	Total
2015	\$ 227,454
2016	207,502
2017	104,331
2018	75,693
2019	59,504
2020-2023	205,636
Total minimum lease payments	880,120
Less: amount representing interest	(68,511)
Present value of future minimum lease payments	\$ 811,609

Note 7: Restricted Net Position

The following is a schedule of the restricted net position for the City as of September 30, 2014:

	Governmental Activities
Restricted Assets	
Debt service funds	\$ 1,175,062
Public safety-seizure funds	78,587
Public works projects	442,112
Culture and recreation projects	139,769
Restricted donations-culture and recreation	34,337
Total restricted accounts	1,869,867
Liabilities payable from restricted assets	
Accrued interest-debt service	(73,248)
Restricted net position	\$ 1,796,619

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 7: Restricted Net Position (continued)

Business-type Activities		
Restricted assets		
Customer deposits	\$	411,089
Utility debt service funds		94,892
Total restricted accounts		505,981
Liabilities payable from restricted assets		
Accrued interest		28,237
Customer deposits		411,089
Total liabilities payable from restricted assets		439,326
Restricted net position	\$	66,655

None of the amounts restricted are from enabling legislation.

Note 8: Unemployment Compensation Fund

The City maintains a certificate of deposit for unemployment compensation benefits with a balance of approximately 2% of the first \$6,000 of employee wages paid in the preceding calendar year. These contributions are in lieu of making payments to the Mississippi Employment Security Commission. As of September 30, 2014 the City had designated funds in excess of the required amount. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

Note 9: Defined Benefit Pension Plan

Plan Description: The City 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 report may be obtained by writing to Public Employees Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9.0% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer rate is 15.75% of annual covered payroll as of September 30, 2014. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ended September 30, 2014, 2013, and 2012 were \$351,789, \$278,435, and \$170,332 respectively which are equal to the required contributions for the year.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 10: Commitment and Contingencies

(A) Litigation and Contingencies

As of the date of this report, the City has ceased construction work on the police department due to construction deficiencies by the contractor. This particular construction project is funded with multiple federal grant money.

As of September 30, 2014, the City has received three pay applications with a total cost of over \$500,000 from the contractor for work performed that has not been paid by the City due to the construction deficiencies noted on this project. As of the date of this report, the City is diligently attempting to resolve the construction deficiencies noted with the contractor, the performance bonding company, and federal granting agencies to complete this project. These federal expenditures and related grant receivables have not been recorded on the financial statements due to the uncertainty of the outcome of any settlement or corrective action taken. Accordingly, these federal expenditures have also been omitted from the Schedule of Expenditures of Federal Awards.

The City is party to various legal proceedings which normally occur in governmental operations. The City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

(B) Grants and Awards

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 terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds of the City.

FEMA has disallowed \$1.4 million of federal awards on the sewer south project that was completed in prior years with federal money. The City has filed an appeal of that de-obligation. A demand from the federal government to the City is probable, however, because of the uncertainty of the outcome and what amount, if any, will be de-obligated, a liability has not been reflected in the financial statements.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 10: Commitment and Contingencies (continued)

(C) Construction Contracts

As of September 30, 2014, the City had entered into various construction contracts that were not completed. The following schedule reflects the amounts spent as of year-end and the remaining amounts due:

	Amount spent as of 9/30/14	Remaining commitment
Police Station	\$ 2,748,298	\$ 3,255,587
Drainage Improvements	824,111	6,155,989
Water System Extension	6,667,125	2,125
Waveland Beach & Veterans Memorial Improvements	855,467	324,761
Citywide Road Overlay	1,011,420	234,381
Fire Station Bourgeois Elevator	122,640	41,461
Garfield Ladner Pier	67,964	1,727,575
Gulfside Sewer and Road	68,900	745,773
West Jeff Davis Sewer and Road	716,572	370,608
East Jeff Davis Sewer and Road	467,561	433,140
Jeff Davis Connector Sewer and Road	232,174	879,971
	<u>\$ 13,782,232</u>	<u>\$ 14,171,371</u>

Note 11: Risk Management

The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools:

(A) Self Insurance – Worker’s Compensation Fund

The City is one of the members of the Mississippi Municipal Worker’s Compensation Group, Inc. This non-profit corporation is a self-insurance worker’s compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory worker’s compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligation of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

(B) Self Insurance – Liability Fund

The City is a member of the Mississippi Municipal Liability Plan. The plan is a private non-profit corporation organized under the non-profit laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members according to the limits established by the Mississippi Tort Claims Act. The plan is totally self-insured with claims and expenses paid out of the premiums, and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 12: Joint Ventures

(A) Hancock County Utility Authority

The City contracts with the Hancock County Utility Authority (Utility Authority) whereby the Utility Authority treats and disposes of the City's wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control Law and the Federal Water Pollution Control Act.

The Utility Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs and debt service costs of the treatment facilities. The costs associated with this contract totaled \$690,367 for the year. A fee has been added to rates charged by the Utility Authority as an assessment for the City's allocated share of the operations and maintenance costs of the Utility Authority.

The Utility Authority began leasing the City's sewer treatment plant on January 1, 1983, at a monthly rent of \$1,206. The lease will terminate January 1, 2025. Lease revenue is included in Miscellaneous Revenue in the statement of revenues, expenses, and changes in fund net position.

Future minimum lease payments are as follows:

	<u>Amount</u>
2015	\$ 14,472
2016	14,472
2017	14,472
2018	14,472
2019	14,472
thereafter	<u>72,360</u>
	<u><u>\$ 144,720</u></u>

The City's obligation to pay operational costs of the Utility Authority is joint and several with the obligations of all other public agencies similarly contracting with the Utility Authority. Whenever any public agency shall default in the payment to the Utility Authority of its respective payment, the Utility Authority may adjust the contract sums of the remaining public agencies, which are not in default so as to increase their contract sums by a proportional amount. Accordingly, the City is jointly and severally liable for all the liabilities of the Utility Authority.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 12: Joint Ventures (continued)

As of the date of this audit report, the Utility Authority did not have their fiscal year 2014 audit report complete, therefore, the following is a synopsis of the Utility Authority's financial statements as of and for the year ended September 30, 2013:

STATEMENT OF NET POSITION

ASSETS	
Current and other assets	\$ 1,626,617
Non-current assets	154,217,607
	<u>155,844,224</u>
LIABILITIES	
Current and other liabilities	1,326,354
Long-term debt outstanding	13,094,527
	<u>14,420,881</u>
NET POSITION	
Invested in capital assets	
net of related debt	130,507,005
Restricted	2,819,441
Unrestricted	1,422,010
Total net position	<u>\$ 134,748,456</u>

CHANGES IN NET POSITION

Operating Revenues	\$ 2,156,390
Operating Expenses	(3,137,990)
Non-operating revenues (expenses)	6,645,196
Increase in net position	<u>\$ 5,663,596</u>

(B) Hancock County Solid Waste Authority

The City provides for pickup and disposal of garbage and trash through a contract with the Hancock County Solid Waste Authority (Authority), formerly Hancock County Solid Waste Management District. The Authority was formed as an inter-local joint venture with the City of Bay St. Louis, Mississippi, the City of Waveland, Mississippi and Hancock County, Mississippi, late in the fiscal year 1974.

The Authority was officially incorporated in March 1998 pursuant to an incorporation agreement entered into in December 1997. During the year ended September 30, 2014, the City paid \$249,231 for solid waste services which are included in the business-type activities as contractual services. The City is jointly and severally liable for all of the liabilities of the Authority.

Complete financial statements can be obtained from the Authority's Administrator by calling (228) 467-2770.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 12: Joint Ventures (continued)

As of the date of this audit report, the Authority did not have their fiscal year 2014 audit report complete, therefore, the following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2013.

STATEMENT OF NET POSITION

ASSETS	
Current and other assets	\$ 384,211
LIABILITIES	
Current and other liabilities	199,484
NET POSITION	
Unrestricted	\$ 184,727

CHANGES IN NET POSITION

Operating revenues	\$ 1,643,072
Operating expenses	(2,378,276)
Non-operating revenues (expenses)	16,083
Decrease in net position	\$ (719,121)

Note 13: Subsequent Events

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes.

Management of the City of Waveland, Mississippi evaluated the activity of the City through July 20, 2015 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred and require disclosure in the notes to the financial statements:

Subsequent to year end, the City has entered into approximately \$1.1 million in construction and engineering contracts and related change orders related to pier and marina projects, roofing, and drainage and sewer improvements. These projects are funded through federal and state grants and City funds.

Subsequent to year end, the City was awarded approximately \$337,564 in grants to be used on operating and capital related projects.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (with Budget to GAAP Differences)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 1,425,000	\$ 1,452,736	\$ 1,452,736	\$ -
Sales tax	2,150,000	2,171,237	2,171,237	-
Franchise tax	222,250	262,387	262,387	-
Licenses and permits	93,450	97,248	97,248	-
Intergovernmental	217,962	250,810	250,810	-
Fines and forfeits	146,000	145,802	145,802	-
Interest	1,900	7,909	7,909	-
Lease revenue	25,600	65,280	65,280	-
Miscellaneous	24,000	24,345	24,345	-
Total revenues	<u>4,306,162</u>	<u>4,477,754</u>	<u>4,477,754</u>	<u>-</u>
EXPENDITURES				
General government	1,310,947	1,164,805	1,164,805	-
Public safety	2,037,899	2,058,098	2,058,098	-
Public works	702,475	620,449	620,449	-
Health and welfare	94,239	75,980	75,980	-
Culture and recreation	221,809	186,969	186,969	-
Debt Service:				
Principal	113,337	175,019	175,019	-
Interest and other charges	11,652	21,863	21,863	-
Total expenditures	<u>4,492,358</u>	<u>4,303,183</u>	<u>4,303,183</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(186,196)</u>	<u>174,571</u>	<u>174,571</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	1,500	6,676	6,676	-
Claims losses and judgments	-	(12,500)	(12,500)	-
Transfers in	184,696	159,696	159,696	-
Total other financing sources and uses	<u>186,196</u>	<u>153,872</u>	<u>153,872</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 328,443</u>	328,443	<u>\$ -</u>
Fund balance - October 1 - GAAP basis, restated			6,416,225	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balances at beginning of year				
Changes in revenue and receivables			83,055	
Change in expenditures and accrued expenses			(791,563)	
Lease proceeds			<u>644,662</u>	
Fund balance - September 30 - GAAP basis			<u>\$ 6,680,822</u>	

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (with Budget to GAAP Differences)
USACE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 3,644,574	\$ 197,227	\$ 197,227	\$ -
Total revenues	3,644,574	197,227	197,227	-
EXPENDITURES				
General government	-	162	162	-
Public works	3,590,466	183,325	183,325	-
Total expenditures	3,590,466	183,487	183,487	-
Excess (deficiency) of revenues over expenditures	\$ 54,108	\$ 13,740	13,740	\$ -
Fund balance - October 1 - GAAP basis, restated			20,810	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balances at beginning of year				
Changes in revenue and receivables			749,346	
Change in expenditures and accrued expenses			182,273	
Transfers out			(946,572)	
Fund balance - September 30 - GAAP basis			\$ 19,597	

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (with Budget to GAAP Differences)
HAZARD MITIGATION GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 8,106,654	\$ 246,825	\$ 246,825	\$ -
Total revenues	<u>8,106,654</u>	<u>246,825</u>	<u>246,825</u>	<u>-</u>
EXPENDITURES				
General government	591,881	565,705	75,705	490,000
Public safety	933,911	1,484	1,484	-
Public works	6,580,862	216,872	706,872	(490,000)
Debt service:				
Debt issuance costs	<u>-</u>	<u>16,191</u>	<u>16,191</u>	<u>-</u>
Total expenditures	<u>8,106,654</u>	<u>800,252</u>	<u>800,252</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (553,427)</u>	<u>(553,427)</u>	<u>\$ -</u>
Fund balance - October 1 - GAAP basis, restated			200,377	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balances at beginning of year				
Changes in revenue and receivables			451,417	
Change in expenditures and accrued expenses			<u>84,682</u>	
Fund balance - September 30 - GAAP basis			<u>\$ 183,049</u>	

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF WAVELAND
Notes to the Budgetary Schedule
For the Year Ended September 30, 2014

Note 1: Budgetary Presentation:

State statutes authorize the State Auditor to regulate the municipal budget process. Expenditures must be defined to the minimum level prescribed by the State Auditor. The State Auditor has set this level at the purpose level. Municipalities are prohibited from spending in excess of the lowest level adopted in the budget except for capital outlay, election expense and emergency warrants.

The budgetary comparisons present budget figures at the legal level of control. The Board of Aldermen formally adopts the annual budget for the funds with revenues segregated by source (ad valorem tax, licenses and permits, intergovernmental, etc.). The funds expenditure budget is set at the character level (current, capital outlay, debt service) for each department (function) with current expenditures further detailed at the object level (personal services, supplies, and other services).

The budgets for revenues are on a cash basis – revenue is recognized if actually received within the year. Budgeted expenditures are on the cash basis with allowance for encumbrances for goods and services actually received prior to year-end and liquidated (paid) within thirty days after year-end.

Accounting principles applied in preparation of the budget comparison statements differ from the generally accepted accounting principles used in preparation of the fund statements. These differences in the principles used result in timing differences in the recognition of revenue and expenditures.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF WAVELAND, MISSISSIPPI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Restricted Donation Fund	Reserved Fund	Library Fund	Tidelands Grant Fund	NTF Police Seizure Fund	Fire Purposes Fund	CDBG Fund	Katrina Disaster Fund	Hurricane Isaac Grant Fund	Total Other Governmental Funds
ASSETS										
Cash	\$ -	\$ 231,987	\$ 45,662	\$ -	\$ -	\$ -	\$ 19,185	\$ 236,713	\$ -	\$ 533,547
Taxes receivable, net	-	-	186,535	-	-	-	-	-	-	186,535
Intergovernmental receivables	-	-	-	392,070	-	-	384,450	-	-	776,520
Due from other funds	-	-	2,399	150	-	-	7,912	15,958	27	26,446
Due from other governments	-	-	-	-	114	-	-	379	-	493
Prepaid expenses	-	-	6,266	-	-	-	-	-	-	6,266
Restricted assets:										
Cash	34,337	-	-	-	82,279	19,063	-	-	-	135,679
Total assets	<u>\$ 34,337</u>	<u>\$ 231,987</u>	<u>\$ 240,862</u>	<u>\$ 392,220</u>	<u>\$ 82,393</u>	<u>\$ 19,063</u>	<u>\$ 411,547</u>	<u>\$ 253,050</u>	<u>\$ 27</u>	<u>\$ 1,665,486</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	-	\$ 22,954	\$ 956	6,200	\$ 3,692	\$ -	\$ 265,131	\$ 100	\$ 2,083	\$ 301,116
Retainage payable	-	-	-	-	-	-	58,212	10,938	-	69,150
Due to other funds	-	-	-	246,251	114	52,160	107,525	2,546	78,063	486,659
Total liabilities	-	<u>22,954</u>	<u>956</u>	<u>252,451</u>	<u>3,806</u>	<u>52,160</u>	<u>430,868</u>	<u>13,584</u>	<u>80,146</u>	<u>856,925</u>
Deferred Inflows of Resources										
Deferred property tax revenue	-	-	184,609	-	-	-	-	-	-	184,609
Total deferred inflows of resources	-	-	<u>184,609</u>	-	-	-	-	-	-	<u>184,609</u>
Fund balances:										
Non-spendable	-	-	6,266	-	-	-	-	-	-	6,266
Restricted, reported in non-major:										
Public safety	-	-	-	-	78,587	-	-	-	-	78,587
Culture and recreation	34,337	-	-	139,769	-	-	-	-	-	174,106
Public works	-	-	-	-	-	-	-	239,466	-	239,466
Committed for:										
Culture and recreation	-	-	49,031	-	-	-	-	-	-	49,031
Other purposes	-	209,033	-	-	-	-	-	-	-	209,033
Unassigned:										
Total fund balances	<u>34,337</u>	<u>209,033</u>	<u>55,297</u>	<u>139,769</u>	<u>78,587</u>	<u>(33,097)</u>	<u>(19,321)</u>	<u>239,466</u>	<u>(80,119)</u>	<u>623,952</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 34,337</u>	<u>\$ 231,987</u>	<u>\$ 240,862</u>	<u>\$ 392,220</u>	<u>\$ 82,393</u>	<u>\$ 19,063</u>	<u>\$ 411,547</u>	<u>\$ 253,050</u>	<u>\$ 27</u>	<u>\$ 1,665,486</u>

CITY OF WAVELAND, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Restricted Donation Fund</u>	<u>Reserved Fund</u>	<u>Library Fund</u>	<u>Tidelands Grant Fund</u>	<u>NTF Police Seizure Fund</u>	<u>Fire Purposes Fund</u>	<u>CDBG Grant Fund</u>	<u>Katrina Disaster Fund</u>	<u>Hurricane Isaac Grant Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES										
Taxes	\$ -	\$ -	\$ 169,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,665
Intergovernmental	-	-	-	810,628	-	51,584	523,994	12,028	-	1,398,234
Interest	-	-	-	-	123	-	-	-	-	123
Miscellaneous	1,005	-	-	-	5,179	-	-	-	-	6,184
Total revenues	<u>1,005</u>	<u>-</u>	<u>169,665</u>	<u>810,628</u>	<u>5,302</u>	<u>51,584</u>	<u>523,994</u>	<u>12,028</u>	<u>-</u>	<u>1,574,206</u>
EXPENDITURES										
Current:										
General government	-	84,155	-	-	-	-	-	13,927	69	98,151
Public safety	-	-	-	-	31,126	287,278	-	385	12,086	330,875
Public works	-	18,505	-	-	-	-	-	-	-	18,505
Health and welfare	24,000	-	-	-	-	-	-	-	-	24,000
Culture and recreation	2,070	288,307	178,844	-	-	-	-	193	-	469,414
Capital outlay	-	-	-	810,679	-	-	122,962	-	67,964	1,001,605
Debt Service:										
Principal	-	-	-	-	-	42,883	-	-	-	42,883
Interest	-	-	-	-	-	8,527	-	-	-	8,527
Total Expenditures	<u>26,070</u>	<u>390,967</u>	<u>178,844</u>	<u>810,679</u>	<u>31,126</u>	<u>338,688</u>	<u>122,962</u>	<u>14,505</u>	<u>80,119</u>	<u>1,993,960</u>
Excess (deficiency) of revenues over expenditures	<u>(25,065)</u>	<u>(390,967)</u>	<u>(9,179)</u>	<u>(51)</u>	<u>(25,824)</u>	<u>(287,104)</u>	<u>401,032</u>	<u>(2,477)</u>	<u>(80,119)</u>	<u>(419,754)</u>
OTHER FINANCING SOURCES (USES)										
Transfers out	-	-	-	-	-	-	(436,825)	-	-	(436,825)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(436,825)</u>	<u>-</u>	<u>-</u>	<u>(436,825)</u>
Change in Fund Balance	(25,065)	(390,967)	(9,179)	(51)	(25,824)	(287,104)	(35,793)	(2,477)	(80,119)	(856,579)
Fund balances - beginning	59,402	600,000	64,476	139,820	104,411	254,007	16,472	241,943	-	1,480,531
Fund balances - ending	<u>\$ 34,337</u>	<u>\$ 209,033</u>	<u>\$ 55,297</u>	<u>\$ 139,769</u>	<u>\$ 78,587</u>	<u>\$ (33,097)</u>	<u>\$ (19,321)</u>	<u>\$ 239,466</u>	<u>\$ (80,119)</u>	<u>\$ 623,952</u>

CITY OF WAVELAND, MISSISSIPPI

Schedule of Surety Bonds

September 30, 2014

<u>Position</u>	<u>Employee</u>	<u>Amount</u>
Mayor	David Garcia	\$ 100,000
Alderman Ward 1	Lillian Stahler	100,000
Alderman Ward 2	Richard Geoffrey	100,000
Alderman Ward 3	Shane Lafontaine	100,000
Alderman Ward 4	Mark Kidd	100,000
City Clerk	Lisa Planchard	50,000
Comptroller	Linda Elias	50,000
Deputy City Clerk	Tammy Fayard	50,000
Court Clerk	Rhonda Cummings	50,000
Deputy Court Clerk	Anitra Freeman	50,000
Building Dept. Manager	Christine Gallagher	50,000
Permits Clerk	Sherry Blankenship	50,000
Utility Dept. Manager	Larry Holland	50,000
Utility Billing Clerk	Jeanne Conrad	50,000
Personnel Director	Kristina Quintini	50,000
Purchasing Agent	Rachel Cullen	50,000
Police Chief	David Allen	50,000
Police Dept. Clerk	Janelle Piazza	50,000
Police Department - Other		25,000

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014**

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass-through Grantors Number	Federal Expenditures
<u>U.S. Department of Defense, Office of the Chief Engineers</u>			
ARRA - Mississippi Environmental Infrastructure (Section 529)	12.124	W807PM00883542	\$ 946,573
Total U. S. Department of Defense			<u>946,573</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State of Mississippi Development Authority			
Community Development Block Grant - Entitlement Grant	14.218	103-379-01-KCR	86,849
Community Development Block Grant - Entitlement Grant	14.218	118-379-01-HCCR	320
Community Development Block Grant - Entitlement Grant	14.218	118-379-06-HCCR	201,394
Passed through Hancock County, Mississippi			
Community Development Block Grant - Entitlement Grant	14.218	119-379-06-KCR	45,019
Community Development Block Grant - Entitlement Grant	14.218	119-379-07-KCR	67,661
Community Development Block Grant - Entitlement Grant	14.218	119-379-08-KCR	114,456
Community Development Block Grant - Entitlement Grant	14.218	119-379-09-KCR	8,295
Total U.S. Department of Housing and Urban Development			<u>523,994</u>
<u>U. S. Department of Justice - Violence Against Women Office</u>			
Passed through State of Mississippi Department of Public Safety			
Violence Against Women Formula Grant	16.588	12SL3541	25,141
Violence Against Women Formula Grant	16.588	13SL3541	8,342
			<u>33,483</u>
<u>U.S. Department of Justice - Office of Justice Programs</u>			
State and Local Equitable Sharing	16.922	MS0230300	17,268
Total U.S. Department of Justice			<u>50,751</u>
<u>U.S. Department of Transportation - National Highway Traffic Safety Administration</u>			
Passed-through the Mississippi Department of Public Safety			
State and Community Highway Safety Grant	20.600	14-OP-354-1	14,440
Total U. S. Department of Transportation			<u>14,440</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi State Department of Health			
Preventative Health and Health Services Block Grant	93.991	2B01DP009032-12	134,880
Total U. S. Department of Health and Human Services			<u>134,880</u>
<u>Corporation for National and Community Service</u>			
Passed through Hancock County, Mississippi			
Retired and Senior Volunteer Program	94.002	N/A	41,813
Total Corporation for National and Community Service			<u>41,813</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State of Mississippi Emergency Disaster Agency			
Public Assistance Disaster Grants - Hurricane Isaac	97.036	FEMA-4081-DR-MS	67,964
Hazard Mitigation Grant	97.039	1604-DR-MS-0340	434,354
Hazard Mitigation Grant	97.039	1604-DR-MS-0420	165,504
Total U.S. Department of Homeland Security			<u>667,822</u>
Total Expenditures of Federal Awards			<u>\$ 2,380,273</u>

Note A - Significant Accounting Policies

The Schedule of Expenditures of Federal Awards was prepared using the modified accrual basis of accounting,

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

July 20, 2015

To the Honorable Mayor and Board of Aldermen
City of Waveland, 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 *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 City of Waveland, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Waveland, Mississippi's basic financial statements, and have issued our report thereon dated July 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Waveland, 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 Waveland, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Waveland, 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness: 2014-002, 2014-003, and 2014-004.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2014-001.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

City of Waveland, Mississippi's Response to Findings

The City of Waveland, Mississippi's response to the findings identified in our audit is described in the accompanying auditee corrective action plan. City of Waveland, Mississippi's response was not subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Walter Woodworth # 1

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

July 20, 2015

To the Honorable Mayor and Board of Aldermen
City of Waveland, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Waveland, 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 Waveland, State Mississippi's major federal programs for the year ended September 30, 2014. City of Waveland, 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 Waveland, 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 Waveland, 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 Waveland, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Waveland, 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

City of Waveland, Mississippi's response to the noncompliance finding identified in our audit is described in the accompanying auditee corrective action plan. City of Waveland, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Waveland, 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 Waveland, 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 Waveland, 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-005 to be a significant deficiency.

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 that 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.

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 Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Walter Woodworth # 1

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

July 20, 2015

Honorable Mayor and Board of Aldermen
City of Waveland, 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 Waveland, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and we have issued our report thereon dated July 20, 2015. We have 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.

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.

The results of those procedures performed to test compliance with certain state laws and regulations and our audit of the financial statements disclosed the instances described in Finding 2014-001 in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial finding and recommendation and your response is as follows:

Finding

Report of privilege taxes collected were not presented to the Board each month

Mississippi state code section 27-17-501 states that "each officer shall within twenty (20) days after the end of each month make to the governing body of the municipality, a report of the license issued by him during the preceding month..."

Recommendation

We recommend that management ensure that a monthly report of all privilege licenses issued is presented the Board of Aldermen in accordance with MS Code 27-17-501.

Response

Privilege license staff will report to the board on a monthly basis all business license renewals.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The City's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Walter Woodworth # 1000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF WAVELAND, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Material noncompliance related to the financial statements? No

Internal control over financial reporting:

a. Material weaknesses identified? Yes

b. Significant deficiencies identified that are not considered to be material weaknesses? Yes

Federal Awards:

Type of auditor's report issued on compliance for major federal programs: Unmodified

Internal control over major programs:

a. Material weaknesses identified? No

b. Significant deficiencies identified that are not considered to be material weaknesses? Yes

Any audit findings reported as required by Section 510(a) of Circular A-133? Yes

Federal programs identified as major programs:

12.124 U. S. Department of Defense - Office of the Army Corps of Engineers
ARRA Mississippi Environmental Infrastructure (Section 592)

14.218 U. S. Department of Housing and Urban Development - Office of
Community Planning and Development - Community Development Block Grant

97.039 U. S. Department of Homeland Security - Hazard Mitigation Grant

The dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualify as a low-risk auditee? No

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? Yes

Section 2 – Financial Statements Findings

2014-001 Privilege License Revenue and Procedures *Significant deficiency*

Criteria *Prior year finding*

State law and City ordinance require that all businesses located within the City limits must have a current business privilege license and occupancy permit.

Condition

During our testing of business licenses, we found instances in which some businesses were operating within the City without a valid privilege license, and one business selected for testing was charged an incorrect fee. We also noted that the monthly report of all business license renewals was not presented to the board each month as required by State law.

Cause

The City has no policies and procedures in place to ensure that all businesses within the City have current privilege licenses. The City's license department staff was unaware of the State statute which requires that a monthly report be presented to the board.

Effect

There are businesses operating within the City that do not have a valid business license; therefore, they are operating unlawfully, and failure to supply the board with a monthly business license renewal report is in violation with State law.

Recommendation

We recommend that the management implement policies and procedures to ensure that all businesses within City limits are operating with a current privilege license and occupancy permit and that a monthly report of all business license renewals is presented to the board in accordance with state law.

2014-002 Building Permit Revenue and Procedures *Material weakness*

Criteria *Prior year finding*

Fees for building permits should be charged and collected in accordance with the City fee schedule. All building permit applications, code enforcement sign-off sheets and actual permits should have approval signatures.

Condition

During our testing of building permits and related files, we noted that the City is not obtaining signatures authorizing or approving building permit applications, code enforcement sign off sheets, or in some cases, actual permits. We noted that some permit applications were incomplete, and in several instances, required documents, including inspections, were not being obtained or documented in the files.

During our testing, we noted that a building permit fee was incorrectly charged.

Cause

The City has contracted with an independent consultant to review all building permits and related inspections. This individual will sign the building plan but does not sign other documentation. City personnel did not verify that the permit fee charged corresponded with the City's fee schedule for the particular type of permit that was issued.

Effect

Incomplete building permit applications and other missing documentation can result in a loss of revenue to the City if fees are not calculated correctly or collected as required. It may be difficult to enforce building codes if file documents are not maintained or documents are missing.

Recommendation

We recommend that all authorized signatures are obtained for all building department documentation. We also recommend that management communicate with the department employees emphasizing the documentation requirements to be maintained for each building permit issued.

2014-003 Court Fines and Court Fines Receivable *Material weakness*

Criteria *Prior year finding*

The court department is required to account for all case files and record court fines receivable. Documentation should be maintained in each case file to ensure and document compliance with judge's orders. Warrants are to be issued in a timely manner in accordance with certain laws and regulations.

Condition

During our testing of court fine revenues, we noted that payment information and certain other information were not in each case file which made it difficult to determine compliance with the judge's orders. We noted that certain cases with a balance due were not correctly reported on the accounts receivable aging report at year-end. The court department is not issuing warrants in a timely manner for failure to appear or failure to comply with judge's orders.

Cause

Documentation proving jail time served or other requirements per the judge's order were not maintained in each case file. Different disposition dates were entered into the court software system by the court clerk which was not in the fiscal year date range, therefore the accounts receivable aging report did not correctly reflect these fines receivable at year-end. The court clerk has not processed warrants for failure to appear or failure to pay on outstanding court cases.

Effect

Inadequate documentation in each court case file makes it difficult to ascertain if the judge's disposition of the case was carried out and if payment or jail time served actually occurred.

Accounts receivable amounts are not accurate if the incorrect disposition or final disposition date is changed in the court software system. By not timely issuing warrants, perpetrators are allowed to remain free and are not penalized for failure to comply or pay in accordance with the judge's order.

Recommendation

We recommend that management ensure that proper procedures are in place for the documentation of proof of payments, including jail time served, and any other documentation to support compliance with the judge's order in each court case file. We also recommend that documentation or other notation on each court case is noted in the software system and disposition dates are not changed so that accounts receivable will be correctly reflected for a given period of time. Warrants should be issued in a timely manner.

2014-004 Payroll and Related Recordkeeping *Material weakness*

Criteria *Prior year finding*

Employee personnel files should contain all required payroll forms and other documentation. Employees should be compensated based on correct time card calculations. All employees that are required to do so should use the time clock to document time in and out. After hours call-out sheets for work performed outside of normal operating hours should have supervisor approval. Employee leave forms and other documentation should be approved by supervisors in accordance with City policy and maintained to verify all paid leave time taken.

Condition

In several instances, we noted that some personnel files were missing required documentation such as proper employee identification and other forms. We also noted that there were miscalculations on timecards for hours worked which resulted in incorrect pay for that particular time period. Manager approval was missing from time cards or leave sheets as required by the employee handbook. Some payroll periods tested revealed that some employees were not clocking in or out and call out sheets for work performed after normal business hours did not have supervisory approval verifying that the work was actually performed. In other instances, compensatory or vacation time was taken without documented management approval and in some cases, it was improperly deducted or not deducted at all from the employee's leave balance.

Cause

The payroll department did not update the personnel files, and did not ensure that all necessary employee documentation was maintained in the files. Time cards were calculated manually, which in some instances resulted in miscalculations of hours worked and payments to employees. Supervisor approval was not obtained on paid leave sheets or for call outs for work performed after normal operating hours. In some cases, employees did not use the time clock to document time worked.

Effect

The City is noncompliant with certain laws and regulations by not having certain forms in each employee's personnel file. Incorrect time card calculations and use of paid time off without

proper approval has resulted in incorrect payment to City employees. Employees could be improperly paid without adequate documentation that work was actually performed.

Recommendation

We recommend that management ensure that all required payroll documentation is maintained on each City employee in their personnel file. We also recommend that a review of all time cards is performed prior to payroll processing to ensure that correct hours are paid to each employee, that employees are properly using the time clock, and that the paid time off balance is correctly adjusted each pay period. We also recommend that management or the department supervisor sign off and approve each time card each pay period as well as call out sheets for work performed outside normal operating hours. Paid time off should be approved prior to the employee using the time in accordance with the employee handbook.

Section 3 – Federal Award Findings and Questioned Costs

2014-005 Eligibility *Significant deficiency*

CFDA #97.039 U.S. Department of Homeland Security Hazard Mitigation Grant-Flood Mitigation Assistance Acquisition Program 1604-DR-MS-0340

Criteria

Eligibility, including verification of suspension and debarment, should be verified on all grant participants prior to payment or reimbursement under the federal grant program.

Condition

During our audit, we noted that a participant in the flood mitigation assistance acquisition program was ineligible to participate because the applicant had defrauded the federal government in the past, therefore, making the applicant barred from receiving federal funds.

Cause

The consultant that was hired to oversee grant administration and compliance did not ensure that the participant was eligible to participate in the grant program prior to payment for home acquisition.

Questioned Costs

There are no questioned costs associated with this finding.

Effect

Lack of adherence to grant compliance requirements caused the City to be unreimbursed with federal funds for these expenditures.

Recommendation

We recommend that management implement policies and procedures for oversight of federal grant programs to ensure that federal grant compliance requirements are met.

City employees, as well as outside consultants, who are responsible for grant program administration should be familiar with all federal grant compliance requirements as well as OMB A-87 cost principles. They should also be held accountable for failures in compliance with all provisions of the contract exclusive to federal guidelines, City policies, and State disclosure and publication requirements.

AUDITEE CORRECTIVE ACTION PLAN



Mike Smith, Mayor

**CITY OF WAVELAND, MISSISSIPPI
Corrective Action Plan
For the Year Ended September 30, 2014**

Section 2 – Financial Statements Findings

2014-001 Privilege License Revenue and Procedures *Significant deficiency*

Response

Training has been obtained by the Privilege License staff and has been working in the Fire Department in checking with businesses to ensure all businesses have current privilege licenses. In addition privilege license staff will report to the board a monthly basis all business license renewals.

2014-002 Building Permit Revenue and Procedures *Material weakness*

Response

Additional effort has been made to obtain all authorized signatures for all building department documentation and files reviews for required information has begun.

2014-003 Court Fines and Court Fines Receivables *Material weakness*

Response

Additional staff has been hired to assist with documentation in each court case file, and additional procedures will be implemented to properly document payments to include jail time served. In addition, due to additional staff, warrants will be issued on a timelier basis.

2014-004 Payroll and Related Recordkeeping *Material weakness*

Response

Payroll record files are being reviewed for all required documentation. Employee time sheets are scrutinized and all approvals by required managers are received before payroll is begun. In addition, a new time clock has been installed in certain departments which assists in calculating correct time for each employee.

Section 3 – Federal Award Findings and Questioned Costs

2014-005 Eligibility *Significant deficiency*

Response

Employee handbook has been amended (April 7, 2015) to require all employees who handle FEMA/MEMA federal grants to comply with all applicable laws and regulations.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

CITY OF WAVELAND, MISSISSIPPI
Summary of Prior Year Findings
For the Year Ended September 30, 2014

Section 3 – Federal Award Findings and Questioned Costs

2013-9 Cash Management and Davis Bacon *Significant deficiency*

CFDA #14.218 HUD Community Development Block Grant

Response

Policies and procedures for federal grant compliance are included in the Employee handbook and compliance reviewed on a regular basis. In addition, city employees responsible for grant program management will continue to be required to be familiar and responsible for all compliance requirements and regulations for both state and federal grant programs under their prevue.