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CITY OF WAYNESBORO
AUDITED FINANCIAL STATEMENTS
AND
SPECIAL REPORTS

For the Year Ended September 30, 2014

Britton and Company, PLLC
Certified Public Accountants
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Waynesboro, MS 39367
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CITY OF WAYNESBORO

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CITY OF WAYNESBORO

FINANCIAL AUDIT REPORT



Britton and Company, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of and for the year ended September 30, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Summary of Opinions

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the City of Waynesboro, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

As discussed in the previously mentioned report, Finding 2014-1 should be an emphasized matter and given special attention. Accounting records in the Water and Sewer fund for the 2014 fiscal year are inadequate, inaccurate, and certain monies are unaccounted for in the accounting records of the Water & Sewer Fund. Therefore, we were unable to form an opinion regarding the assets, liabilities, revenues, expenses and cash basis net asset position, of the Business-Type Activities of the Government-Wide Financial Statements and the Proprietary Funds Financial Statements as of September 30, 2014.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Business-Type Activities in the Government-Wide Financial Statements and Proprietary Funds Financial Statements" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Waynesboro, Mississippi, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial positions of the governmental activities, each major fund and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of Septem-

ber 30, 2014, and the respective changes in cash basis financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting principles in Note 1.

Other Matters

Required Supplemental Information

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

Omission of Required Supplementary Information

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

Supplemental Information

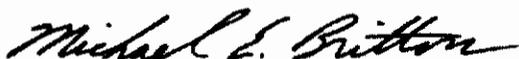
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waynesboro, Mississippi's financial statements as a whole. The other supplemental section, which includes the Schedule of Changes in Long-term Debt, Schedule of Investments – All Funds, Schedule of Surety Bonds for Municipal Officials and Employees, and Schedule of Capital Assets, are presented for purposes of additional analysis as and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the City of Waynesboro, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waynesboro, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter

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



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

December 31, 2015

CITY OF WAYNESBORO
Statement of Net Assets – Cash Basis
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 553,670	\$ 138,108	\$ 691,778
Total Current Assets	<u>553,670</u>	<u>138,108</u>	<u>691,778</u>
Noncurrent Assets			
Restricted Cash	73,226	170,451	243,676
Total Noncurrent Assets	<u>73,226</u>	<u>170,451</u>	<u>243,676</u>
Total Assets	<u>626,895</u>	<u>308,559</u>	<u>935,454</u>
NET ASSETS - CASH BASIS			
Nonspendable	21,952	170,451	192,403
Restricted for:			-
Fire Protection	171,500	-	171,500
Public Safety	16,141	-	16,141
Outside Joint Venture Interests	64,562	-	64,562
Restitutions	4,268	-	4,268
Seized Funds	36,656	-	36,656
Parks & Recreation	4,889	-	4,889
Public Works	-	138,108	138,108
Employment Security	10,351	-	10,351
Unrestricted	<u>296,576</u>	-	<u>296,576</u>
Total Net Assets	<u>\$ 626,895</u>	<u>\$ 308,559</u>	<u>\$ 935,454</u>

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

CITY OF WAYNESBORO
Statement of Activities – Cash Basis
For the Year Ended September 30, 2014

Function / Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 997,569	\$ 93,354	\$ -	\$ 55,785	\$ (848,431)		\$ (848,431)
Public Safety	2,026,757	-	176,602	-	(1,850,154)		(1,850,154)
Public Works	751,246	-	-	-	(751,246)		(751,246)
Health and Sanitation	774,421	430,634	-	-	(343,787)		(343,787)
Culture and Recreation	514,164	619	-	-	(513,546)		(513,546)
Debt Service Principal	162,708	-	-	-	(162,708)		(162,708)
Interest on Long-Term Debt	7,710	-	-	-	(7,710)		(7,710)
Total Governmental Activities	5,234,575	524,606	176,602	55,785	(4,477,582)		(4,477,582)
Business-type Activities:							
Water & Sewer Fund	1,252,276	1,288,273	-	-	-	35,997	35,997
Debt Service Principal	67,614	-	-	-	-	(67,613)	(67,613)
Interest on Long-Term Debt	31,363	-	-	-	-	(31,363)	(31,363)
Total Business-type Activities	1,351,253	1,288,273	-	-	-	(62,979)	(62,979)
Total Primary Government	6,585,827	1,812,879	176,602	55,785	(4,477,582)	(62,979)	(4,540,560)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					\$ 905,277	-	\$ 905,277
Property Taxes, levied for fire protection services					294,698	-	294,698
Sales Taxes					2,146,090	-	2,146,090
Road and Bridge Privilege Taxes					296,594	-	296,594
Franchise Taxes					297,494	-	297,494
Fines and Fees					247,125	-	247,125
Homestead Reimbursement from State of MS					51,765	-	51,765
Licenses and Permits					25,977	-	25,977
Miscellaneous Taxes					14,123	-	14,123
Proceeds Long Term Debt					206,678	-	206,678
Interest Earnings					2,292	2,066	4,357
Gain (Loss) on Sale of Capital Assets					-	-	-
(Incr.) Decr. in Due Froms					53	(53)	-
Decrease in SMNTF Seized Funds Payable					(11,576)	-	(11,576)
Incr. (Decr.) in Meter Deposit Payable					-	(577)	(577)
Increase in Other Liabilities - clearing					2,886		2,886
Miscellaneous					87,808	49,648	137,455
Transfers Out					(18,875)	(120,000)	(138,875)
Transfers In					133,875	5,000	138,875
Total General Receipts					4,682,283	(63,916)	4,618,366
Change in Net Assets					204,701	(126,895)	77,806
Net Assets - Beginning					422,195	435,454	857,649
Net Assets - Ending					\$ 626,896	\$ 308,559	\$ 935,455

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

CITY OF WAYNESBORO
Balance Sheet – Cash Basis
Governmental Funds

For the Year Ended September 30, 2014

	General Fund	Fire Protection Fund	South MS		Capital Projects Fund - CDBG	Other Governmental Funds	Total Governmental Funds
			Narcotics Task Force Fund	Narcotics Task Force Fund			
Cash and Cash Equivalents	\$ 294,175	\$ 171,500	\$ 80,703	\$ -	\$ 7,292	\$ 553,670	
Restricted Cash	-	-	34,964	-	38,263	73,227	
Total Assets	\$ 294,175	\$ 171,500	\$ 115,667	\$ -	\$ 45,554	\$ 626,896	

LIABILITIES AND FUND BALANCES

Fund Balances - Cash Basis							
Nonspendable:							
Perpetual Care	-	-	-	-	21,952	21,952	
Restricted:							
Fire Protection	-	171,500	-	-	-	171,500	
Public Safety	-	-	16,141	-	-	16,141	
Outside Joint Venture Interests	-	-	64,562	-	-	64,562	
Restitutions	-	-	-	-	4,268	4,268	
Seized Funds	-	-	34,964	-	1,692	36,656	
Capital Projects	-	-	-	-	-	-	
Employment Security	-	-	-	-	10,351	10,351	
Committed:							
Parks & Recreation	-	-	-	-	4,889	4,889	
Assigned:							
Clearing Funds	-	-	-	-	-	-	
Unassigned	294,175	-	-	-	2,402	296,576	
Total Fund Balances - Cash Basis	\$ 294,175	\$ 171,500	\$ 115,667	\$ -	\$ 45,554	\$ 626,895	

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

CITY OF WAYNESBORO
Statement of Cash Basis Fund Balances and Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Fire Protection Fund	South MS Narcotics Task Force	Capital Projects Fund - CDBG	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 905,277	\$ 294,698	\$ -	\$ -	\$ -	\$ 1,199,975
Sales Taxes	2,146,090	-	-	-	-	2,146,090
Road and Bridge Privilege Taxes	296,594	-	-	-	-	296,594
Franchise Taxes	297,494	-	-	-	-	297,494
Miscellaneous Taxes	14,123	-	-	-	-	14,123
Fines and Forfeitures	234,820	-	12,306	-	-	247,125
Licenses and Permits	25,977	-	-	-	-	25,977
Intergovernmental Receipts	93,527	27,483	96,212	15,165	-	232,387
Homestead Exemption Reimb. State of MS	51,765	-	-	-	-	51,765
Charges for Services	523,988	-	-	-	619	524,606
Investment Earnings	2,059	188	-	-	45	2,292
Miscellaneous Receipts	63,497	24,310	-	-	-	87,808
Total Receipts	<u>4,655,210</u>	<u>346,678</u>	<u>108,517</u>	<u>15,165</u>	<u>664</u>	<u>5,126,234</u>
DISBURSEMENTS						
Current						
General Government	982,868	-	-	-	14,701	997,569
Public Safety	1,580,126	288,630	156,022	-	1,979	2,026,757
Public Works	751,246	-	-	-	-	751,246
Health and Sanitation	552,578	-	-	221,843	-	774,421
Culture and Recreation	514,104	-	-	-	60	514,164
Debt Service						
Principal on Debt	142,837	19,871	-	-	-	162,708
Interest and Other Charges	6,150	1,560	-	-	-	7,710
Total Disbursements	<u>4,529,910</u>	<u>310,060</u>	<u>156,022</u>	<u>221,843</u>	<u>16,740</u>	<u>5,234,575</u>
Excess (deficiency) of Receipts Over Disbursements	<u>125,300</u>	<u>36,618</u>	<u>(47,504)</u>	<u>(206,678)</u>	<u>(16,076)</u>	<u>(108,340)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-term Debt	-	-	-	206,678	-	206,678
Proceeds from Short-term Debt	-	-	-	-	-	-
Proceeds from Sales of Capital Assets	-	-	-	-	-	-
Transfers In	-	120,000	-	-	13,875	133,875
Transfers Out	(18,875)	-	-	-	-	(18,875)
Incr (Decr) in SMNTF Seized Funds Payable	-	-	(11,576)	-	-	(11,576)
Decrease in Due From Other Funds	53	-	-	-	-	53
Decrease in Due to Other Funds	-	-	-	-	-	-
Increase in Other Liabilities - Clearing	-	-	-	-	2,886	2,886
Total Other Financing Sources and Uses	<u>(18,822)</u>	<u>120,000</u>	<u>(11,576)</u>	<u>206,678</u>	<u>16,761</u>	<u>313,041</u>
Net Change in Fund Balance	106,478	156,618	(59,080)	-	685	204,701
Fund Balances - Beginning	<u>187,697</u>	<u>14,882</u>	<u>174,747</u>	<u>-</u>	<u>44,869</u>	<u>422,195</u>
Fund Balances - Ending	<u>\$ 294,175</u>	<u>\$ 171,500</u>	<u>\$ 115,667</u>	<u>\$ -</u>	<u>\$ 45,554</u>	<u>\$ 626,896</u>

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

CITY OF WAYNESBORO
Statement of Net Assets – Cash Basis
Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities-	
	Enterprise Funds	
	<u>Water & Sewer Fund</u>	<u>Totals</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 138,108	\$ 138,108
Total Current Assets	<u>138,108</u>	<u>138,108</u>
Noncurrent Assets		
Restricted Cash	<u>170,451</u>	<u>170,451</u>
Total Assets	<u>308,559</u>	<u>308,559</u>
NET ASSETS		
Restricted for:		
Debt Service	170,451	170,451
Public Works	138,108	138,108
Total Net Assets	<u>\$ 308,559</u>	<u>\$ 308,559</u>

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

CITY OF WAYNESBORO
Statement of Cash Basis Fund Balances and Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances-Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities-	
	Enterprise Funds	
	Water & Sewer Fund	Total
Operating Receipts		
Charges for Services	1,288,273	1,288,273
Other Operating Receipts	49,648	49,648
Total Operating Receipts	<u>1,337,921</u>	<u>1,337,921</u>
Operating Disbursements		
Personnel Services	596,337	596,337
Utilities	167,856	167,856
Repairs & Maintenance	314,413	314,413
Supplies	99,361	99,361
Other Expenses	74,309	74,309
Total Operating Expenses	<u>1,252,276</u>	<u>1,252,276</u>
Operating Income (Loss)	<u>85,644</u>	<u>85,644</u>
Non-Operating Receipts (Disbursements)		
Debt Service- Principal	(67,614)	(67,614)
Debt Service- Interest	(31,363)	(31,363)
Other Financing Sources - L/T Capital	-	-
Interest Earnings	2,066	2,066
Total Non-Operating Receipts (Disbursements)	<u>(96,911)</u>	<u>(96,911)</u>
Income (Loss) Before Contributions and Transfers	<u>(11,266)</u>	<u>(11,266)</u>
Capital Contributions	-	-
Incr. (Decr.) in Meter Payable	(577)	(577)
Change in Due from Other Funds	(52)	(52)
Transfers In	5,000	5,000
Transfers Out	<u>(120,000)</u>	<u>(120,000)</u>
Subtotal	(115,629)	(115,629)
Change in Net Assets	<u>(126,895)</u>	<u>(126,895)</u>
Net Assets - Beginning	<u>435,454</u>	<u>435,454</u>
Net Assets - Ending	<u><u>308,559</u></u>	<u><u>308,559</u></u>

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

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

Note 1 Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

B. Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

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

D. Assets and Net Assets or Equity

Cash and Investments

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

Fund Equity

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

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

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

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

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

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

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Balance Flow Assumption

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 Defined Benefit Pension Plan

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

Funding Policy – PERS members are required to contribute 9.00% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013, and 2012 were \$330,952, \$362,655, and \$303,533, respectively, equal to the required contributions for each year.

Membership in PERS is a condition of employment for all eligible employees of the State of Mississippi, public schools, institutions of higher learning, community and junior colleges, and eligible employees of municipalities, counties and other political

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

subdivisions and instrumentalities of municipal and county government that have entered into a Membership agreement approved by the PERS Board of Trustees (board).

Note 3 Contingencies

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

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

Note 4 Deposits and Investments

The carrying amount of the City's total deposits with financial institutions, including authorized petty cash on hand, at September 30, 2014, was \$935,455 and the bank balance was \$970,184. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2014, none of the City's bank balance of \$970,184 was exposed to custodial credit risk.

Credit Risk – State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e) Miss. Code Ann. (1972). The City does not have a formal in-

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

vestment policy that would further limit its investment choices or one that addresses credit risk.

Concentration of Credit Risk – Disclosures of investments by amount and issuer for any issuer that represents five percent of more of the total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investments pools, and other pooled investments. As of September 30, 2014, the City had no investments other than Certificates of Deposits.

Note 5 Interfund Transactions and Balances

The following is a summary of interfund balances as of September 30, 2014:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
Water & Sewer Fund	General Fund	<u>6,645</u>
Total		<u>\$ 6,645</u>

All interfund balances are expected to be repaid within one year from the date of the financial statements.

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose/Explanation</u>
Fire Protection Fund	Water & Sewer Fund	120,000	Repayment of PY loan.
Water & Sewer Fund	General Fund	5,000	Transfer to Meter Deposit
Hurricane Relief Fund	General Fund	<u>13,875</u>	Transfer to HRF
Total		<u>\$ 138,875</u>	

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

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

Note 6 Property Tax Revenues

State statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

Note 7 Claims and Judgment

Risk Management

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

Note 8 Subsequent Events

Management of the City has evaluated events through December 31, 2015, the date the financial statements were available to be issued.

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

Follow up procedures – Surprise cash counts and checkups were conducted in the Water Sewer Department with new personnel during December 2015. No exceptions or problems were noted.

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

Note 9 Changes in Accounting Standards

For the fiscal year ended September 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

CITY OF WAYNESBORO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
– General Fund
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Property taxes	\$ 900,000	890,000	905,277	15,277
Licenses and permits	25,000	25,000	25,977	977
State Shared revenues	2,200,000	2,146,000	2,146,090	90
Fines and forfeitures	260,000	235,000	234,820	(180)
Loan / Grant proceeds	270,000	315,586	93,527	(222,059)
Other sources	1,207,900	1,285,669	1,249,519	(36,150)
Total Receipts	<u>4,862,900</u>	<u>4,897,255</u>	<u>4,655,210</u>	<u>(242,045)</u>
DISBURSEMENTS				
General government	1,195,805	1,314,189	982,868	331,321
Public safety	1,889,720	1,873,760	1,618,492	255,268
Public works, Health & Sanitation	1,421,903	1,368,191	1,412,620	(44,429)
Culture and recreation	490,484	527,397	514,407	12,990
Total Disbursements	<u>4,997,912</u>	<u>5,083,537</u>	<u>4,528,389</u>	<u>555,148</u>
Excess of Receipts over (under) Disbursements	<u>(135,012)</u>	<u>(186,282)</u>	<u>126,821</u>	<u>(313,103)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Short-term debt issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Decrease in Due to Other Funds	-	-	(53)	(53)
Decrease in Other Assets	-	-	-	-
Transfers In	-	-	-	-
Transfers out	-	-	(18,875)	(18,875)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(18,928)</u>	<u>(18,928)</u>
Net Change in Fund Balance	(135,012)	(186,282)	107,893	
Fund Balances - Beginning	134,398	186,282	186,282	
Fund Balances - Ending	<u>\$ (614)</u>	<u>-</u>	<u>294,175</u>	

* Public Works, Health & Sanitation includes \$118,015 of cash basis capital outlay.

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

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

CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
– Fire Protection Fund
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Property Taxes	\$ 375,000	283,000	294,698	11,698
State Shared Receipts	26,200	27,483	27,483	(0)
Interest/Other Sources	13,250	24,453	24,498	3,030
Total Receipts	<u>414,450</u>	<u>334,936</u>	<u>346,678</u>	<u>14,727</u>
EXPENDITURES				
Current:				
Personnel, Fixed Assets, and Other	338,170	358,712	310,060	48,652
Total Disbursements	<u>338,170</u>	<u>358,712</u>	<u>310,060</u>	<u>48,652</u>
Excess of Receipts over (under) Disbursements	<u>76,280</u>	<u>(23,776)</u>	<u>36,618</u>	
OTHER FINANCING SOURCES (USES)				
Transfers In	-	120,000	120,000	-
Transfers Out	-	-	-	-
Decrease in Due From General Fund	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	76,280	(23,776)	156,618	
Cash Basis Fund Balances - Beginning	-	14,882	14,882	
Cash Basis Fund Balances - Ending	<u>\$ 76,280</u>	<u>(8,894)</u>	<u>171,500</u>	

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

CITY OF WAYNESBORO
Notes to the Required Supplementary Information

A. Budgetary Information

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

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

B. Basis of Presentation

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

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

C. Budget Reconciliation

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

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CITY OF WAYNESBORO

SUPPLEMENTAL INFORMATION

CITY OF WAYNESBORO
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2014

	<u>Balance</u> <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2014</u>
Governmental Activities:				
Capital leases	\$ 276,659	-	162,708	\$ 113,951
Other loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 276,659</u>	<u>-</u>	<u>162,708</u>	<u>\$ 113,951</u>

	<u>Balance</u> <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2014</u>
Business-type Activities:				
Capital leases	\$ 41,399	-	25,198	\$ 16,201
Revenue bonds	369,771	-	6,397	363,374
Other loans	<u>369,896</u>	<u>206,678</u>	<u>36,019</u>	<u>540,555</u>
Total	<u>\$ 781,066</u>	<u>206,678</u>	<u>67,614</u>	<u>\$ 920,130</u>

CITY OF WAYNESBORO
Schedule of Investments – All Funds
For the Year Ended September 30, 2014

There were no investments as of September 30, 2014 other than funds in Certificates of Deposits.

CITY OF WAYNESBORO
Schedule of Capital Assets
For the Year Ended September 30, 2014

	<u>Balance</u> <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2014</u>
Governmental activities:					
<u>Capital Assets:</u>					
Land	\$ 224,332	-	-	-	224,332
Construction in progress	458,278	-	-	-	458,278
Infrastructure	5,318,956	-	-	(286,650)	5,032,306
Buildings	3,658,743	-	-	-	3,658,743
Improvements other than buildings	632,818	-	-	-	632,818
Mobile equipment	1,654,709	-	-	-	1,654,709
Furniture and equipment	221,312	51,802	2,374	-	270,740
Leased property under capital leases	1,361,898	-	-	-	1,361,898
Total Governmental activities capital assets	<u>13,531,046</u>	<u>51,802</u>	<u>2,374</u>	<u>(286,650)</u>	<u>13,293,824</u>
Business-type activities:					
<u>Capital Assets:</u>					
Land	\$ -	-	-	-	-
Construction in progress	-	-	-	-	-
Infrastructure	13,971,830	221,843	-	-	14,193,673
Buildings	1,112,264	-	-	286,650	1,398,914
Improvements other than buildings	4,900	-	-	-	4,900
Mobile equipment	298,318	-	-	-	298,318
Furniture and equipment	311,600	-	-	-	311,600
Leased property under capital leases	29,292	-	-	-	29,292
Total Business-type activities capital assets	<u>15,728,204</u>	<u>221,843</u>	<u>-</u>	<u>286,650</u>	<u>16,236,697</u>

CITY OF WAYNESBORO
Schedule of Surety Bonds for Municipal Officials and Employees
For the Year Ended September 30, 2014

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

CITY OF WAYNESBORO

SPECIAL REPORTS

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Britton and Company, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental and business-type activities of the City of Waynesboro, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Waynesboro, Mississippi's basic financial statements, and have issued our report thereon dated December 31, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify one deficiency in internal control, described in this report as Item 2014-1, which we consider to be a material weakness.

Significant Deficiency – Material Weakness

Finding 2014-1

Water and Sewer Department Cash collections deposited into their respective bank accounts should agree with the BBI Accounting System produced “Monthly Cash Receipts reports” and should also reconcile to the “Monthly Billings Register Reports”. These should be produced and printed and filed monthly. However, many months were not printed or available to review.

During test work, it has been determined Total Cash Receipts that should have been collected and deposited by the Water and Sewer Department during the period October 1, 2013 through September 30, 2014 totaled \$1,988,878.64. Actual cash receipts deposited to the respective bank accounts totaled \$1,741,581.93. This represents a deficiency of \$247,296.71 which is unaccounted for and unexplained.

Recommendation

Since similar issues have been reported in the prior year and a current MS Office of the State Auditor Investigation is underway concerning these and similar issues, we recommend this finding be reported to the MS Office of the State Auditor Investigation Division.

From an internal control standpoint, we recommend that the “Monthly Cash Receipts reports” be reconciled and agreed with cash collections deposited into their respective bank accounts on a monthly basis. These procedures should be incorporated into the monthly close out procedures already in place. A copy of such reconciliation should be filed with the City Clerk and the Board of Aldermen as well.

Response

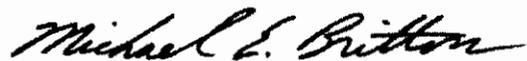
The City of Waynesboro will comply with the recommendations.

Compliance and Other Matters

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

Purpose of this Report

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



Michael E. Britton, CPA, CGMA
Britton and Company, PLLC
Waynesboro, Mississippi
December 31, 2015

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Britton and Company, PLLC
Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of and for the year ended September 30, 2014 and have issued our report dated December 31, 2015. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

Due to the reduced scope, these compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. The results of our compliance tests and our audit of the financial statements of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information disclosed the following material instances of noncompliance with state laws and regulations:

Water and Sewer Department Cash collections deposited into their respective bank accounts should agree with the BBI Accounting System produced "Monthly Cash Receipts reports" and should also reconcile to the "Monthly Billings Register Reports". These should be produced and printed and filed monthly. However, many months were not printed or available to review.

During test work, it has been determined Total Cash Receipts that should have been collected and deposited by the Water and Sewer Department during the period October 1, 2013 through September 30, 2014 totaled \$1,988,878.64. Actual cash receipts deposited to the respective bank accounts totaled \$1,741,581.93. This represents a deficiency of \$247,296.71 which is unaccounted for and unexplained.

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

Michael E. Britton

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

December 31, 2015

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