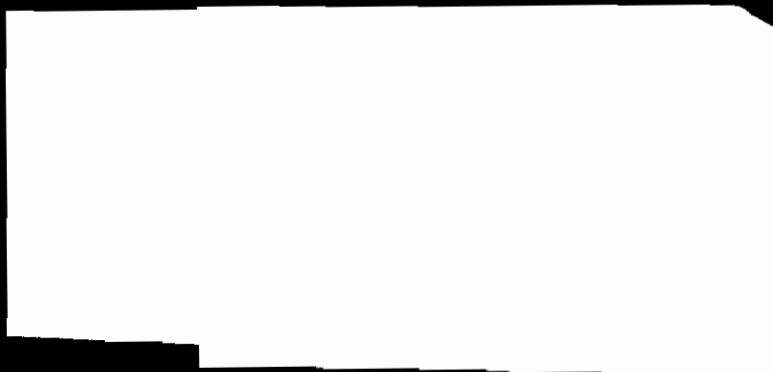




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**CITY OF WAVELAND, MISSISSIPPI
ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

**CITY OF WAVELAND, MISSISSIPPI
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SEPTEMBER 30, 2013**

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INTRODUCTORY SECTION

CITY OF WAVELAND, MISSISSIPPI
Listing of City Officials
September 30, 2013

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 AUDITORS' 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

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®
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JENNIFER A. BELL, CPA, CFE
DEBORAH (DEE DEE) WOOD, CPA
LEAH HOLLAND, CPA
CHRIS TAYLOR, CPA
CHARLENE KERKOW, CPA

MEMBERS

AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
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INDEPENDENT AUDITOR'S REPORT

September 25, 2014

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2013, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

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 47-48 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 it is 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 September 25, 2014, 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.

Wright Walther & Sons

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Introduction

The following Management's Discussion and Analysis of the City of Waveland ("the City") activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2013. 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 at September 30, 2013 by \$125,386,348. Of this amount unrestricted net position of \$9,000,968 may be used to meet the City's ongoing obligations to citizens and creditors.

The total net position decreased by \$967,684. Of this amount, \$809,549 was associated with governmental activities and (\$1,777,233) with business-type activities, respectively. This decrease is primarily in net investment in capital assets from the non-cash depreciation expense on the capital assets of the utility system.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,745,049 an increase of \$2,481,838.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,220,286 or 177% 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, 2013

Overview of the Financial Statements (continued)

The statement of net position presents information on all of the City's assets, deferred outflows of resources and liabilities, with the difference between those items reported as net position. Over time, increases or decreases in net assets 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 money. 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.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Overview of the Financial Statements (continued)

In fiscal year 2013, the City maintains 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 balances for the General Fund which is considered the major fund. All other non-major funds are combined together and presented in these reports as other governmental funds.

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 purpose.

The fiduciary fund 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 comparison for the general fund is 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, 2013

Government-wide Financial Analysis

Table 1 below presents the City's condensed statement of net position as of September 30, 2013 derived from the government-wide Statement of Net Position.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 10,407,671	\$ 10,112,061	\$ 2,236,852	\$ 1,999,703	\$ 12,644,523	\$ 12,111,764
Non-current assets	40,552,153	41,544,870	79,693,556	81,842,394	120,245,709	123,387,264
Total assets	<u>50,959,824</u>	<u>51,656,931</u>	<u>81,930,408</u>	<u>83,842,097</u>	<u>132,890,232</u>	<u>135,499,028</u>
Deferred outflows of resources	<u>252,109</u>	<u>288,125</u>	<u>118,639</u>	<u>135,588</u>	<u>370,748</u>	<u>423,713</u>
Other liabilities	1,101,311	3,073,193	709,865	661,261	1,811,176	3,734,454
Long-term liabilities	<u>4,094,768</u>	<u>3,665,558</u>	<u>1,968,688</u>	<u>2,168,697</u>	<u>6,063,456</u>	<u>5,834,255</u>
Total liabilities	<u>5,196,079</u>	<u>6,738,751</u>	<u>2,678,553</u>	<u>2,829,958</u>	<u>7,874,632</u>	<u>9,568,709</u>
Net position:						
Net investment in capital assets	36,215,299	37,847,511	77,659,126	79,681,736	113,874,425	117,529,247
Restricted	2,446,352	-	64,603	94,892	2,510,955	94,892
Unrestricted	<u>7,354,203</u>	<u>7,358,794</u>	<u>1,646,765</u>	<u>1,371,099</u>	<u>9,000,968</u>	<u>8,729,893</u>
Total 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>

At September 30, 2013, the City's assets and deferred outflows of resources exceeded liabilities by \$125,386,348. By far the largest portion of the City's net position (91%) reflects its net investment in capital assets. The unrestricted net position of \$9,000,968 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, 2013

Government-wide Financial Analysis (continued)

Table 2 presents the City's condensed statement of activities for the fiscal year ended September 30, 2013, as derived from the government-wide Statement of Activities.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 264,646	\$ 337,539	\$ 2,668,630	\$ 2,456,594	\$ 2,933,276	\$ 2,794,133
Operating grants	510,738	1,017,182	-	-	510,738	1,017,182
Capital grants	1,230,128	6,806,680	-	-	1,230,128	6,806,680
Total program revenues	2,005,512	8,161,401	2,668,630	2,456,594	4,674,142	10,617,995
General revenues						
Property taxes	2,202,615	2,139,497	-	-	2,202,615	2,139,497
Sales taxes	2,175,066	2,104,700	-	-	2,175,066	2,104,700
Franchise taxes	238,634	220,706	-	-	238,634	220,706
Interest earnings	7,716	7,500	1,661	2,904	9,377	10,404
Donations	-	17,266	-	-	-	17,266
Other	617,779	71,933	-	-	617,779	71,933
Total general revenues	5,241,810	4,561,602	1,661	2,904	5,243,471	4,564,506
Total revenues	7,247,322	12,723,003	2,670,291	2,459,498	9,917,613	15,182,501
Program expenses						
General government	1,514,530	1,370,112	-	-	1,514,530	1,370,112
Public safety	2,725,678	1,568,533	-	-	2,725,678	1,568,533
Public works	1,094,940	1,148,636	-	-	1,094,940	1,148,636
Health and welfare	57,337	70,118	-	-	57,337	70,118
Culture and recreation	761,919	648,623	-	-	761,919	648,623
Interest	123,149	197,355	-	-	123,149	197,355
Water, sewer and gas	-	-	4,607,744	3,948,536	4,607,744	3,948,536
Total program expenses	6,277,553	5,003,377	4,607,744	3,948,536	10,885,297	8,951,913
Change before transfers	969,769	7,719,626	(1,937,453)	(1,489,038)	(967,684)	6,230,588
Transfers	(160,220)	(842,304)	160,220	842,304	-	-
Change in net position	809,549	6,877,322	(1,777,233)	(646,734)	(967,684)	6,230,588
Beginning net position	45,206,305	38,328,983	81,147,727	81,794,461	126,354,032	120,123,444
Ending net position	\$ 46,015,854	\$ 45,206,305	\$ 79,370,494	\$ 81,147,727	\$ 125,386,348	\$ 126,354,032

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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 \$9,745,049 a net increase of \$2,481,838 in comparison with the prior year. Of this combined fund balance, 64% percent or \$6,220,286 is unassigned. \$204,609 of this combined fund balance is nonspendable for prepaid items. \$2,664,348 is restricted for public safety, culture and recreation, public works, capital outlay and debt service. The remainder amount of \$655,806 is committed to 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 2013, the general fund unassigned fund balance represents 177% percent of total general fund expenditures.

Proprietary Fund

The Water, Sewer and Gas Fund had a decrease in total net position of \$1,777,232 at the end of the fiscal year. This decrease is primarily in the net investment in capital assets from the non-cash depreciation expense on the capital assets of the utility system.

Budget Variances in the General Fund

Amendments to the original budget decreased total expenditures by \$151,279 which primarily consisted of a slight decrease in general government expenditures. Actual revenues were over budget by \$373,352 due to an increase in miscellaneous receipts. Actual expenditures were under budget by \$236,493 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 annual report.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2013, the City reported \$40,552,153 in net capital assets for governmental activities and \$79,693,556 in capital assets for business-type activities. This represents a combined decrease of \$3,141,555 in capital assets during the 2013 fiscal year. Additional information of the City's capital assets can be found in *Note 7: Capital Assets* on pages 35-36 of this report.

City of Waveland's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,527,663	\$ 2,527,663	\$ 76,182	\$ 76,182	\$ 2,603,845	\$ 2,603,845
Buildings & Improvements	24,394,702	24,215,738	-	-	24,394,702	24,215,738
Machinery & Equipment	894,316	1,139,038	34,879	1,555	929,195	1,140,593
Furniture & Office equipment	454,547	187,331	-	-	454,547	187,331
Infrastructure & Systems	8,496,042	8,720,339	72,902,073	75,321,120	81,398,115	84,041,459
Vehicles	145,343	258,617	-	-	145,343	258,617
Construction in progress	3,639,540	4,496,144	6,680,422	6,443,537	10,319,962	10,939,681
Total	\$ 40,552,153	\$ 41,544,870	\$ 79,693,556	\$ 81,842,394	\$ 120,245,709	\$ 123,387,264

Long-Term Debt Activity

At the end of the current fiscal year, the City had \$4,338,354 in outstanding debt, excluding compensated absences. Additional information on the City of Waveland's long-term debt can be found in *Note 8: Long-Term Debt* on pages 37-40 of this report.

City of Waveland's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds payable, net	\$ 3,996,566	\$ 829,285	\$ 1,190,517	\$ 1,255,833	\$ 5,187,083	\$ 2,085,118
Revenue bonds	-	1,839,362	843,913	904,825	843,913	2,744,187
Notes payable	1,500	584,660	-	-	1,500	584,660
Capital leases payable	340,288	444,052	-	-	340,288	444,052
Compensated absences	61,042	43,598	9,021	9,078	70,063	52,676
Total	\$ 4,399,396	\$ 3,740,957	\$ 2,043,451	\$ 2,169,736	\$ 6,442,847	\$ 5,910,693

**CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Economic Outlook and Relevant Decisions

As a result of Hurricane Katrina in August 2005, the City of Waveland continues to experience an unprecedented capital rebuilding process paid from federal funding sources. The significant increase in net assets during the 2013 fiscal year is due to tighter budgetary controls over operations. At September 30, 2013, the City continues to overcome significant financial challenges from two years ago. 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 and 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

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OCT 20 2014

FINANCIAL SECTION

EXHIBIT A

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 6,446,356	\$ 1,179,843	\$ 7,626,199
Investments	-	113,547	113,547
Receivables, net	629,654	344,153	973,807
Internal balances	(20,713)	20,713	-
Due from other governments	1,058,128	32,656	1,090,784
Inventory	-	27,089	27,089
Prepaid expenses	204,609	35,447	240,056
Restricted assets:			
Cash	2,089,637	483,404	2,573,041
Capital assets:			
Land and construction in progress	6,167,203	6,756,604	12,923,807
Other capital assets, net of accumulated depreciation	34,384,950	72,936,952	107,321,902
Total assets	<u>50,959,824</u>	<u>81,930,408</u>	<u>132,890,232</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	<u>252,109</u>	<u>118,639</u>	<u>370,748</u>
LIABILITIES			
Accounts payable	408,363	93,646	502,009
Retainage payable	43,165	-	43,165
Due to other governments	14,870	4,016	18,886
Interest payable	78,176	30,289	108,465
Payable from restricted assets:			
Customer deposits	-	388,512	388,512
Long-term liabilities:			
Due within one year	556,737	193,402	750,139
Due in more than one year	4,094,768	1,968,688	6,063,456
Total liabilities	<u>5,196,079</u>	<u>2,678,553</u>	<u>7,874,632</u>
NET POSITION			
Net investment in capital assets	36,215,299	77,659,126	113,874,425
Restricted:			
Debt service	667,829	64,603	732,432
Public safety	358,418	-	358,418
Public works	479,602	-	479,602
Capital projects	881,101	-	881,101
Other purposes	59,402	-	59,402
Unrestricted	<u>7,354,203</u>	<u>1,646,765</u>	<u>9,000,968</u>
Total net position	<u>\$ 46,015,854</u>	<u>\$ 79,370,494</u>	<u>\$ 125,386,348</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, 2013

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:						
General government	\$ 1,514,530	\$ 104,961	\$ 351,828	\$ 93,153	\$ (964,588)	\$ (964,588)
Public safety	2,725,678	159,685	106,875	358,235	(2,100,883)	(2,100,883)
Public works	1,094,940	-	10,442	685,607	(398,891)	(398,891)
Health and welfare	57,337	-	41,593	-	(15,744)	(15,744)
Culture and recreation	761,919	-	-	93,133	(668,786)	(668,786)
Interest	123,149	-	-	-	(123,149)	(123,149)
Total governmental activities	6,277,553	264,646	510,738	1,230,128	(4,272,041)	(4,272,041)
Business-type activities:						
Water, sewer and gas	4,607,744	2,668,630	-	-	-	(1,939,114)
Total business - type activities	4,607,744	2,668,630	-	-	-	(1,939,114)
Total	\$ 10,885,297	\$ 2,933,276	\$ 510,738	\$ 1,230,128	(4,272,041)	(6,211,155)
General revenues:						
Property taxes - for general purposes					1,473,552	1,473,552
Property taxes - for special purposes					729,063	729,063
Sales taxes					2,175,066	2,175,066
Franchise taxes					238,634	238,634
Interest earnings					7,716	1,661
Lease revenue					33,478	33,478
Miscellaneous income					395,985	395,985
Grants and contributions not restricted to specific programs					188,316	188,316
Total general revenues					5,241,810	5,241,810
Change in net position before transfers					969,769	(1,937,453)
Transfers					(160,220)	160,220
Change in net position					809,549	(1,777,233)
Net position - beginning of year					45,206,305	81,147,727
Net position - end of year					\$ 46,015,854	\$ 79,370,494
					\$ 125,386,348	\$ 125,386,348

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

EXHIBIT C

**CITY OF WAVELAND, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 5,413,336	\$ 1,033,020	\$ 6,446,356
Taxes receivable, net	428,044	5,386	433,430
Court fine receivable	196,224	-	196,224
Due from other funds	200,132	16,761	216,893
Due from fiduciary funds	217,542	2,471	220,013
Receivable from other governments	29,373	808,742	838,115
Prepaid expenses	195,939	8,670	204,609
Restricted assets:			
Cash	-	2,089,637	2,089,637
Total assets	<u>\$ 6,680,590</u>	<u>\$ 3,964,687</u>	<u>\$ 10,645,277</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 35,797	\$ 372,567	\$ 408,364
Retainage payable	-	43,164	43,164
Due to other funds	17,474	220,132	237,606
Due to fiduciary funds	8,809	-	8,809
Payable to other governments	6,061	-	6,061
Unearned revenue	196,224	-	196,224
Total liabilities	<u>264,365</u>	<u>635,863</u>	<u>900,228</u>
Fund balances:			
Nonspendable	195,939	8,670	204,609
Restricted for:			
Public safety	-	358,418	358,418
Culture and recreation	-	199,222	199,222
Public works	-	479,602	479,602
Debt service	-	746,005	746,005
Capital projects	-	881,101	881,101
Committed for:			
Culture and recreation	-	55,806	55,806
Other purposes	-	600,000	600,000
Unassigned	6,220,286	-	6,220,286
Total fund balances	<u>6,416,225</u>	<u>3,328,824</u>	<u>9,745,049</u>
Total liabilities and fund balances	<u>\$ 6,680,590</u>	<u>\$ 3,964,687</u>	<u>\$ 10,645,277</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, 2013

Total governmental funds balance (Exhibit C) **\$ 9,745,049**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Governmental capital assets	46,822,044	
Less: accumulated depreciation	<u>(6,269,891)</u>	40,552,153

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		196,224
--	--	---------

Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.		(4,514,188)
--	--	-------------

Compensated absences are not due and payable in the current period expenditures, therefore, they are not reported in the governmental funds.		(61,042)
--	--	----------

Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		(78,176)
--	--	----------

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		(76,275)
Deferred gain on bond refunding		<u>252,109</u>

Net position of governmental activities (Exhibit A)		<u>\$ 46,015,854</u>
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The accompanying notes are an integral part of these financial statements

EXHIBIT D

**CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 3,648,618	\$ 729,063	\$ 4,377,681
Licenses and permits	103,508	-	103,508
Franchise fees	238,634	-	238,634
Charges for service	10,016	-	10,016
Intergovernmental	168,307	1,563,995	1,732,302
Fines and forfeits	169,442	-	169,442
Lease revenue	33,478	-	33,478
Interest	6,569	1,147	7,716
Miscellaneous	300,312	96,173	396,485
Total revenues	<u>4,678,884</u>	<u>2,390,378</u>	<u>7,069,262</u>
EXPENDITURES			
Current:			
General government	1,051,151	213,577	1,264,728
Public safety	1,568,697	476,432	2,045,129
Public works	525,184	565,859	1,091,043
Health and welfare	35,382	24,000	59,382
Culture and recreation	206,020	290,125	496,145
Debt Service:			
Principal	108,639	775,485	884,124
Interest and other charges	15,430	71,223	86,653
Total Expenditures	<u>3,510,503</u>	<u>2,416,701</u>	<u>5,927,204</u>
Excess (deficiency) of revenues over expenditures	<u>1,168,381</u>	<u>(26,323)</u>	<u>1,142,058</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of bonds	-	1,500,000	1,500,000
Transfers in	2,540,092	874,401	3,414,493
Transfers out	<u>(621,262)</u>	<u>(2,953,451)</u>	<u>(3,574,713)</u>
Total other financing sources and uses	<u>1,918,830</u>	<u>(579,050)</u>	<u>1,339,780</u>
Change in Fund Balance	<u>3,087,211</u>	<u>(605,373)</u>	<u>2,481,838</u>
Fund balances - beginning	<u>3,329,014</u>	<u>3,934,197</u>	<u>7,263,211</u>
Fund balances - ending	<u>\$ 6,416,225</u>	<u>\$ 3,328,824</u>	<u>\$ 9,745,049</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, 2013**

Net change in fund balance - total governmental funds (Exhibit D) **\$ 2,481,838**

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

Governmental funds report outlays for capital assets as expenditures. In contrast, 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 depreciation in the amount of \$1,374,505 exceed capital outlay of \$1,034,128 (340,377)

Governmental funds do not present donated capital assets as contributions. Therefore, such contributions are reported in the statement of activities. 187,817

Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the statement of activities, net of proceeds. (840,156)

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. (615,876)

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. (9,757)

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	(17,444)
Accrued interest	(11,376)
Bond amortization	(25,120)

Change in net position of governmental activities (Exhibit B) **\$ 809,549**

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, 2013**

	<u>Water/Sewer & Gas Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,179,843
Investments	113,547
Accounts receivable, net	344,153
Due from other funds	20,713
Due from fiduciary funds	32,656
Inventory	27,089
Prepaid expenses	35,447
Restricted assets:	
Restricted cash	483,404
Total current assets	<u>2,236,852</u>
Noncurrent assets:	
Capital Assets:	
Land	76,182
Construction in progress	6,680,422
Infrastructure	86,388,974
Machinery and equipment	53,797
Less: Accumulated depreciation	<u>(13,505,819)</u>
Total noncurrent assets	<u>79,693,556</u>
Total assets	<u>81,930,408</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	118,639
Total deferred outflows of resources	<u>118,639</u>
LIABILITIES	
Current liabilities:	
Accounts payable	93,646
Interest payable	30,289
Due to fiduciary funds	4,016
Bonds payable	193,402
Payable from restricted assets:	
Customer deposits	388,512
Total current liabilities	<u>709,865</u>
Noncurrent liabilities:	
Long term liabilities:	
Compensated absences	9,021
Bonds payable	1,959,667
Total noncurrent liabilities	<u>1,968,688</u>
NET POSITION	
Net investment in capital assets	77,659,126
Restricted	
Restricted for debt service	64,603
Unrestricted	1,646,765
Total net position	<u>\$ 79,370,494</u>

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

EXHIBIT F

**CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Water/Sewer & Gas Fund</u>
REVENUES	
Charges for services	\$ 2,606,600
Miscellaneous operating revenue	<u>62,030</u>
Total operating revenues	<u>2,668,630</u>
OPERATING EXPENSES	
Personnel services	353,425
Contractual services	1,005,919
Materials and supplies	164,397
Repairs and maintenance	254,687
Other services and charges	251,651
Gas purchases	66,861
Depreciation	<u>2,423,968</u>
Total operating expenses	<u>4,520,908</u>
Operating income (loss)	<u>(1,852,278)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	1,661
Interest expense	<u>(86,836)</u>
Total nonoperating revenue (expenses)	<u>(85,175)</u>
Income (loss) before transfers	<u>(1,937,453)</u>
Transfers in	319,916
Transfers out	<u>(159,696)</u>
Change in net position	(1,777,233)
Total net position - beginning	<u>81,147,727</u>
Total net position- ending	<u>\$ 79,370,494</u>

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

EXHIBIT C

**CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Water/Sewer & Gas Fund</u>			
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,630,858			
Payments to employees	(363,845)			
Payments to suppliers	(227,636)			
Payments for contractual services	(1,072,131)			
Payments for other services and charges	(251,651)			
Payments for repairs and maintenance	(254,687)			
Net cash provided by operating activities	<u>460,908</u>			
Cash Flows from Noncapital Financing Activities				
Transfers in	319,916			
Transfers out	(159,696)			
Cash Flows From Capital and Related Financing Activities				
Principal payments on debt	(126,228)			
Acquisition of capital assets	(275,130)			
Interest expense	(82,942)			
Net cash used by financing activities	<u>(324,080)</u>			
Cash Flows From Investing Activities				
Interest received	<u>1,554</u>			
Net cash provided by investing activities	<u>1,554</u>			
Net increase in cash	138,382			
Cash				
Beginning of year	<u>1,524,865</u>			
End of year	<u>\$ 1,663,247</u>			
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (1,852,278)			
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	2,423,968			
(Increase) decrease in current assets:				
Accounts receivable	(29,807)			
Due from other funds	(33,012)			
Prepaid expenses	(33,925)			
Inventory	3,622			
Increase (decrease) in current liabilities:				
Accounts payable	6,264			
Accrued wages	(14,379)			
Compensated absences	(57)			
Due to other funds	(5,539)			
Due to other governments	4,016			
Customer deposits	(7,966)			
Net cash provided by operating activities	<u>\$ 460,907</u>			
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position				
	<u>Current assets</u>	<u>Restricted assets</u>	<u>Total</u>	
Cash and cash equivalents - October 1	\$ 1,033,495	\$ 491,370	\$ 1,524,865	
Net increase/(decrease)	<u>146,348</u>	<u>(7,966)</u>	<u>138,382</u>	
Cash and cash equivalents - September 30	<u>\$ 1,179,843</u>	<u>\$ 483,404</u>	<u>\$ 1,663,247</u>	

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

EXHIBIT H

**CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
SEPTEMBER 30, 2013**

	Agency Funds		
	Unemployment Compensation Fund	Payroll Clearing Fund	Total
ASSETS			
Cash and cash equivalents	\$ 10,200	\$ 339,420	\$ 349,620
Investments	19,992	-	19,992
Due from other funds	12,825	-	12,825
Total assets	<u>\$ 43,017</u>	<u>\$ 339,420</u>	<u>\$ 382,437</u>
LIABILITIES			
Assets held in trust	\$ 30,349	\$ -	\$ 30,349
Other payables	-	99,419	99,419
Due to other funds	12,668	240,001	252,669
Total liabilities	<u>\$ 43,017</u>	<u>\$ 339,420</u>	<u>\$ 382,437</u>

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, 2013

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 Service, 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, 2013.

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 13 for additional information describing related organizations not included in the City's reporting entity.

B. Basis of Accounting and Measurement Focus

The City's basic financial statement consist of government-wide statements, including a statement of net position and 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, 2013

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 estate 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 estate 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 fund:

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.

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

Note 1: Summary of Significant Accounting Policies (continued)

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 49-52.

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.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Project Fund - The Capital Project Fund is used to account for and report financial resources that are for capital outlays including the acquisition or construction of capital facilities and other capital assets.

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 on 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 system and billing and collection activities.

The fund also accounts for the accumulation of resources for, and the payment of, long-term debt 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 funds.

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 funds 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 fund.

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

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, 2013

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:

	Capitalization Policy	Estimated Useful Life
Land	0	N/A
Infrastructure	0	25 years
Buildings	50,000	20 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

H. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general 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 7 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 collection 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 5 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, 2013

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 to a maximum of six days. Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided 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 the 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 do 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, 2013

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 the 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. This 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 \$195,939 for prepaid insurance and other expenditures and an unassigned fund balance of \$6,220,286 at September 30, 2013.

Other Funds

The Library Fund has a nonspendable fund balance for prepaid insurance in the amount of \$8,670. The following non-major funds have a restricted fund balance designated for specific purposes:

Restricted Donation Fund	\$ 59,402
Tidelands Grant Fund	139,820
NTF Police Seizure Fund	104,411
Fire Purposes Fund	254,007
ARRA JAG Grant Fund	20,810
CDBG Grant Fund	16,472
Katrina Disaster Fund	241,943
Hazard Mitigation Grant Fund	200,377
Debt service fund	746,005
\$1.5 Million Capital Project Fund	881,101
	<u>\$ 2,664,348</u>

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

Note 1: Summary of Significant Accounting Policies (continued)

The Library Fund has a committed fund balance of \$55,806 and the Reserved Fund has a committed fund balance of \$600,000 as of September 30, 2013.

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: Changes in Accounting Standards

For the fiscal year ended September 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, the statement changes the previous classification of net assets to net position, and consequently the statement of net assets to the statement of net position.

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

Note 3: 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	\$ 5,187,775	\$ 225,186	\$ -	\$ 375	\$ 5,413,336
Other governmental funds	1,018,663	14,357	2,089,637	-	3,122,657
Total governmental activities	6,206,438	239,543	2,089,637	375	8,535,993
Fiduciary Funds	10,200	339,420	-	-	349,620
Business-type Activities					
Utility Fund	59,000	1,120,243	483,404	600	1,663,247
Total cash and cash equivalents	\$ 6,275,638	\$ 1,699,206	\$ 2,573,041	\$ 975	\$ 10,548,860

The carrying amount of the City's deposits with financial institutions was \$10,547,885 and the bank balance was \$11,023,924.

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, 2013, none of the City's bank balance was exposed to credit risk.

(B) Investments

At September 30, 2013, the City had investments in certificate of deposits in the amount of \$113,547 and \$19,992 in the Water, Sewer and Gas Fund and in the Unemployment Compensation Fund, respectively.

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

Note 4: 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.

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

Note 4: Revenues (continued)

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, 2013 was 32 mills or \$32.00 per \$1,000 of assessed valuation.

The assessed valuations of the City for the year ended September 30, 2013 are as follows:

Real property	\$ 55,813,533
Personal property	4,865,771
Public utilities	1,319,495
Automobiles	6,358,450
Mobile homes	67,154
Total assessment	68,424,403
Special exemption homestead	(3,938,069)
Net assessment	<u>\$ 64,486,334</u>

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 \$2,175,066 of sale tax revenue which increased approximately 3% in comparison to the prior fiscal year.

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

Note 4: Revenues (continued)

(C) Due from other governments

Amounts due from other governments as reported in the governmental fund financial statements consisted of the following as of September 30, 2013:

	General Fund	Other Governmental Funds	Total
Hancock County	\$ 20,760	\$ -	\$ 20,760
Police grants	8,613	-	8,613
U.S. Army Corp of Engineers	-	83,624	83,624
CDBG	-	109,620	109,620
FEMA	-	570,709	570,709
Tidelands	-	44,789	44,789
	<u>\$ 29,373</u>	<u>\$ 808,742</u>	<u>\$ 838,115</u>

(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, 2013:

Water and sewer utility charges billed but uncollected	\$ 679,037
Water and sewer utility charges accrued but unbilled at year-end	80,026
Less: Allowance for uncollectible accounts	(414,910)
Utility accounts receivable	<u>\$ 344,153</u>

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

Note 5: 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	\$ 17,474	\$ 200,132
Other Governmental Funds	<u>220,132</u>	<u>16,761</u>
Total governmental activities	237,606	216,893
Water, Sewer and Gas Fund	<u>-</u>	<u>20,713</u>
	<u>\$ 237,606</u>	<u>\$ 237,606</u>

The due to/due from other fund amounts reported in the General Fund, Other Governmental Funds and the Water Sewer and Gas Fund 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.

(B) Transfers In/Out:

	Transfers to Other Funds	Transfers from Other Funds
Governmental activities:		
General Fund	\$ 621,262	\$ 2,540,092
Other Governmental Funds	<u>2,953,451</u>	<u>874,401</u>
Total governmental activities	3,574,713	3,414,493
Water, Sewer and Gas Fund	<u>159,696</u>	<u>319,916</u>
	<u>\$ 3,734,409</u>	<u>\$ 3,734,409</u>

The transfers from the General Fund into the Other Governmental Funds 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 General Fund. The transfers into the General Fund from the Other Governmental Funds were for reimbursements for expenditures that were paid from the General Fund in prior years. The transfers to the Water, Sewer and Gas Fund from the 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, 2013

Note 6: Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2013:

	Balance October 1,	Additions	Sales/Transfers Adjustments	Balance September 30,
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,527,663	\$ -	\$ -	\$ 2,527,663
Construction in progress	4,496,144	767,097	(1,623,701)	3,639,540
Total capital assets not being depreciated	7,023,807	767,097	(1,623,701)	6,167,203
Capital assets being depreciated:				
Buildings	17,521,641	-	861,042	18,382,683
Machinery and equipment	2,492,224	141,344	(93,250)	2,540,318
Furniture and office equipment	493,214	313,503	102,700	909,417
Improvements other than Buildings	7,989,544	-	-	7,989,544
Infrastructure	9,379,481	-	-	9,379,481
Vehicles	1,458,337	-	(4,939)	1,453,398
Total capital assets being depreciated	39,334,441	454,847	865,553	40,654,841
Less accumulated depreciation:				
Buildings	471,277	367,660	(15,248)	823,689
Machinery and equipment	1,353,186	209,413	83,403	1,646,002
Furniture/Computers/Electronics	305,883	127,146	21,841	454,870
Improvements other than Buildings	824,170	319,600	10,066	1,153,836
Infrastructure	659,142	262,633	(38,336)	883,439
Vehicles	1,199,720	88,053	20,282	1,308,055
Total accumulated depreciation	4,813,378	1,374,505	82,008	6,269,891
Total capital assets being depreciated, net	34,521,063	(919,658)	783,545	34,384,950
Governmental activities capital assets, net	\$ 41,544,870	\$ (152,561)	\$ (840,156)	\$ 40,552,153

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

General government	\$ 234,558
Public Safety	376,668
Public Works	425,877
Culture & recreation	337,402
	<u>\$ 1,374,505</u>

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

Note 6: 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	6,443,537	236,885	-	6,680,422
Total capital assets not being depreciated	<u>6,519,719</u>	<u>236,885</u>	<u>-</u>	<u>6,756,604</u>
Capital assets being depreciated:				
Machinery and equipment	15,552	38,245	-	53,797
Infrastructure	86,388,974	-	-	86,388,974
Total capital assets being depreciated	<u>86,404,526</u>	<u>38,245</u>	<u>-</u>	<u>86,442,771</u>
Less accumulated depreciation:				
Machinery and equipment	13,997	4,921	-	18,918
Infrastructure	11,067,854	2,419,047	-	13,486,901
Total accumulated depreciation	<u>11,081,851</u>	<u>2,423,968</u>	<u>-</u>	<u>13,505,819</u>
Total capital assets being depreciated, net	<u>75,322,675</u>	<u>(2,385,723)</u>	<u>-</u>	<u>72,936,952</u>
Business - type activities capital assets, net	<u>\$ 81,842,394</u>	<u>\$ (2,148,838)</u>	<u>\$ -</u>	<u>\$ 79,693,556</u>

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

Business – type activities:	
Water Sewer and Gas	\$ 2,423,968

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

Note 7: Long Term Debt

The following is a schedule of the long term debt of the City as of September 30, 2013:

Description	Date of Issue	Final Maturity Date	Interest Rates	Original Issue	Amount Outstanding
Governmental Activities:					
A. General obligation bonds					
Refunding Series, 2012	8/8/2012	11/1/2020	1.0-1.25%	\$ 2,097,800	\$ 2,097,800
Plus: bond premium				33,398	25,976
Less: deferred amount on bond refunding				324,141	252,109
				<u>1,807,057</u>	<u>1,871,667</u>
Series, 2013	1/25/2013	12/1/2022	1.63%	1,500,000	1,500,000
Total general obligation bonds				<u>\$ 3,307,057</u>	<u>\$ 3,371,667</u>
B. Special obligation bonds					
MDA Series, 2004	11/1/2004	11/1/2020	1.9-5.0%	\$ 3,604,000	\$ 574,600
Plus: bond premium				99,489	50,299
Total special obligation bonds				<u>\$ 3,703,489</u>	<u>\$ 624,899</u>
C. Note payable					
Isreal Neff	10/1/2010	1/15/2014	0.00%	\$ 15,000	\$ 1,500
Total note payable				<u>\$ 15,000</u>	<u>\$ 1,500</u>
D. Capital leases					
Hancock Bank	6/20/2006	6/20/2016	4.16%	\$ 580,922	\$ 184,480
Hancock Bank	11/2/2006	11/2/2016	3.87%	433,763	155,808
Total capital leases				<u>\$ 1,014,685</u>	<u>\$ 340,288</u>
Business-type Activities:					
A. Revenue bonds					
1992 USDA Rural Development Combined, Water, Gas and Sewer System Revenue Bonds	12/17/1992	9/30/2026	5.50%	\$ 1,350,200	\$ 843,913
Plus: bond premium				28,469	15,662
Total revenue bonds				<u>\$ 1,378,669</u>	<u>\$ 859,575</u>
B. General obligation bonds					
Refunding Series, 2012	8/8/2012	11/1/2020	1.0-1.25%	\$ 987,200	\$ 987,200
Plus: bond premium				15,717	12,225
Less: deferred amount on refunding				152,537	118,639
Total general obligation bonds				<u>\$ 850,380</u>	<u>\$ 880,786</u>
C. Special obligation bonds					
MDA Series, 2004	11/1/2004		1.9-5.0%	\$ 1,696,000	\$ 270,400
Plus: bond premium				46,818	23,669
Total special obligation bonds				<u>\$ 1,742,818</u>	<u>\$ 294,069</u>

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

Note 7: Long Term Debt (continued)

Changes in long term debt during the year ended September 30, 2013 are as follows:

	Payable October 1,	Additions	Reductions	Payable September 30,	Due in one year
Governmental Activities					
General obligation bonds	\$ 2,097,800	\$ 1,500,000	\$ -	\$ 3,597,800	\$ 160,600
Special obligation bonds	771,800	-	197,200	574,600	282,800
Notes payable	584,660	-	583,160	1,500	1,500
Capital leases payable	444,052	-	103,764	340,288	111,837
Compensated absences	43,598	17,444	-	61,042	-
	<u>3,941,910</u>	<u>1,517,444</u>	<u>884,124</u>	<u>4,575,230</u>	<u>556,737</u>
Plus: Bond premium	87,172	-	10,897	76,275	-
Less: deferred gain on refunding	288,125	-	36,016	252,109	-
Total governmental activities	<u>\$ 3,740,957</u>	<u>\$ 1,517,444</u>	<u>\$ 859,005</u>	<u>\$ 4,399,396</u>	<u>\$ 556,737</u>
Business - type Activities					
Revenue bonds	\$ 887,740	\$ -	\$ 43,827	\$ 843,913	\$ 46,202
General obligation bonds	987,200	-	-	987,200	14,400
Special obligation bonds	363,200	-	92,800	270,400	132,800
Compensated absences	9,078	-	57	9,021	-
	<u>2,247,218</u>	<u>-</u>	<u>136,684</u>	<u>2,110,534</u>	<u>193,402</u>
Plus: Bond premium	58,106	-	6,550	51,556	-
Less: deferred gain on refunding	135,588	-	16,949	118,639	-
Total business - type activities	<u>\$ 2,169,736</u>	<u>\$ -</u>	<u>\$ 126,285</u>	<u>\$ 2,043,451</u>	<u>\$ 193,402</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.

On January 25, 2013, the City issued General Obligation Bonds, Series 2013. The amount of bonds issued were \$1,500,000 bearing interest at 1.625%. A portion of the proceeds paid off in full the Mississippi Home Corporation note. The remainder of the proceeds can be used for capital projects.

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 March 2013, the City obtained a grant anticipation note in the amount of \$2,820,000 for the Jeff Davis and Gulfside drainage projects. This note bears interest of 1.19% and mature December 31, 2014. As of September 30, 2013, the City has not drawn an advance of any of these funds.

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

Note 7: Long Term Debt (continued)

Debt service requirements on long term debt at September 30, 2013 are as follows:

Year ending September 30,	Governmental Activities						
	General obligation bonds		Special obligation bonds		Notes		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 160,600	\$ 73,173	\$ 282,200	\$ 15,606	\$ 1,500	\$ -	\$ 533,079
2015	186,000	62,081	292,400	5,263	-	-	545,744
2016	493,600	56,059	-	-	-	-	549,659
2017	502,000	46,634	-	-	-	-	548,634
2018	517,200	36,995	-	-	-	-	554,195
2019-2023	1,738,400	60,740	-	-	-	-	1,799,140
	<u>\$ 3,597,800</u>	<u>\$ 335,682</u>	<u>\$ 574,600</u>	<u>\$ 20,869</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 4,530,451</u>

Year ending September 30,	Business-type Activities						
	Revenue bonds		General obligation bonds		Special obligation bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 46,202	\$ 43,352	\$ 14,400	\$ 19,446	\$ 132,800	\$ 7,344	\$ 263,544
2015	48,706	40,848	24,000	19,254	137,600	2,477	272,885
2016	51,346	38,208	166,400	17,470	-	-	273,424
2017	54,128	35,426	168,000	14,126	-	-	271,680
2018	57,062	32,492	172,800	10,718	-	-	273,072
2019-2023	335,191	112,579	441,600	12,907	-	-	902,277
2024-2026	251,278	20,737	-	-	-	-	272,015
	<u>\$ 843,913</u>	<u>\$ 323,642</u>	<u>\$ 987,200</u>	<u>\$ 93,921</u>	<u>\$ 270,400</u>	<u>\$ 9,821</u>	<u>\$ 2,528,897</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 \$9,672,950. At September 30, 2013, the City's legal debt margin, after reduction for outstanding general obligation bonds of \$3,597,800, was \$6,075,150. Thus, the amount of outstanding debt, at September 30, 2013, was equal to 5.6% 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, 2013

Note 7: Long Term Debt (continued)

The following is an analysis of the leased assets:

	Governmental Activities
Vehicles	\$ 1,308,594
Less: accumulated depreciation	(927,809)
	<u>\$ 380,785</u>

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

Year ended September 30	Total
2014	\$ 123,489
2015	123,489
2016	105,712
2017	8,668
Total minimum lease payments	361,358
Less: amount representing interest	(21,070)
Present value of future minimum lease payments	<u>\$ 340,288</u>

Note 8: Restricted Net Position

The following is a schedule of the restricted net position for the City as of September 30, 2013:

	Governmental Activities
Restricted Assets	
Restricted donations	\$ 59,402
Seizure funds	104,411
State fire rebate funds	254,007
Public works projects	479,602
Debt service funds	746,005
Series 2013 bond proceeds	881,101
Total restricted accounts	2,524,528
Liabilities payable from restricted assets	
Accrued interest	78,176
Restricted net position	<u>\$ 2,446,352</u>

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

Note 8: Restricted Net Position (continued)

	<u>Business-type Activities</u>
Restricted Assets	
Customer deposits	\$ 388,512
Utility debt service funds	<u>94,892</u>
Total restricted accounts	483,404
Liabilities payable from restricted assets	
Accrued interest	30,289
Customer deposits	<u>388,512</u>
Restricted net position	<u>\$ 64,603</u>

None of the amounts restricted are from enabling legislation.

Note 9: 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, 2013, 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 10: 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, 2013. 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, 2013, 2012, and 2011 were \$278,435, \$170,332 and \$354,447 respectively equal to the required contributions for the year.

Note 11: 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.

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

Note 11: Commitment and Contingencies (continued)

As of September 30, 2013, the City has received three pay applications with a total cost of over \$500,000 from the contractor on work performed that has not been paid by the City due to the construction deficiencies noted on this project. The City is currently in negotiations with this contractor and with the federal awarding agencies to resolve the construction deficiencies and complete the construction on 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.

The Office of the Inspector General has notified the City that it is recommending to FEMA the disallowance of approximately \$1.7 million of federal funds that the City received from rebuilding efforts from Hurricane Katrina. This recommendation is the result of an investigation conducted by the Office of Inspector General regarding the Sewer South project that was performed in 2006 and 2007 and funded with FEMA money. FEMA is currently in the process of reviewing the proposal and a decision is expected within the next fiscal year. The amount, if any, the City would have to repay is undeterminable at this time.

(C) Construction Contracts

As of September 30, 2013, 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 9/30/13	Remaining commitment
Police Station	\$ 2,736,804	\$ 3,267,081
Drainage Improvements	658,607	6,321,493
Water System Extension	6,465,731	232,151
Central Fire Station Training Facility	199,339	14,483
Waveland Beach & Veterans Memorial Improvements	44,789	625,211
Gulfside Sewer and Road	35,721	746,341
West Jeff Davis Sewer and Road	49,224	956,834
East Jeff Davis Sewer and Road	77,646	748,401
Jeff Davis Connector Sewer and Road	52,100	1,020,802
	<u>\$ 10,319,961</u>	<u>\$ 13,932,797</u>

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

Note 12: 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.

Note 13: 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 \$700,090 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 net position.

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

Note 13: Joint Ventures (continued)

Future minimum lease payments are as follows:

	Amount
2014	\$ 14,472
2015	14,472
2016	14,472
2017	14,472
2018	14,472
thereafter	<u>101,306</u>
	<u>\$ 173,666</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.

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

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

CHANGES IN NET POSITION

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

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

Note 13: Joint Ventures (continued)

(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, 2013, the City paid \$247,899 for solid waste services, 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.

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 14: 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 requires disclosure in the accompanying notes.

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

Note 14: Subsequent Events (continued)

Management of the City of Waveland, Mississippi evaluated the activity of the City through September 25, 2014 (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 \$4.4 million in construction and engineering contracts and related change orders related to beach facility improvements, veteran's memorial improvements, drainage and sewer improvements and utility extensions for the annexed area. These projects are funded with federal grants and City funds.

In November 2013, the board approved the lease purchase of an E-One Aerial ladder truck that will be financed from Hancock Bank over ten years with an interest rate of 2.49%. The purchase price was \$702,853. The City will pay \$250,000 and finance the remainder amount of \$452,853.

In June 2014, the board approved the lease purchase of a tractor and boom with Hancock Bank for a three year period with an interest rate of 1.39%. The purchase and lease amount is \$78,639.

Subsequent to year end, the City was awarded approximately \$350,450 in grants to be used on operating and capital related projects.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE I

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 1,382,117	\$ 1,382,117	\$ 1,415,484	\$ 33,367
Sales tax	2,100,000	2,100,000	2,169,078	69,078
Franchise tax	213,696	213,696	229,531	15,835
Licenses and permits	117,300	117,300	103,508	(13,792)
Intergovernmental	147,999	147,999	202,121	54,122
Charges for services	4,750	4,750	9,342	4,592
Fines and forfeits	170,700	170,700	170,697	(3)
Interest	1,920	1,920	6,570	4,650
Lease revenue	79,599	79,599	33,478	(46,121)
Miscellaneous	15,600	15,600	267,224	251,624
Total revenues	<u>4,233,681</u>	<u>4,233,681</u>	<u>4,607,033</u>	<u>373,352</u>
EXPENDITURES				
General government	1,227,408	1,076,129	1,058,374	17,755
Public safety	2,299,676	2,299,676	1,978,175	321,501
Public works	487,450	487,450	564,566	(77,116)
Health and welfare	84,543	84,543	84,143	400
Culture and recreation	168,740	168,740	198,778	(30,038)
Debt Service:				
Principal	111,980	111,980	108,639	3,341
Interest and other charges	<u>16,080</u>	<u>16,080</u>	<u>15,430</u>	<u>650</u>
Total expenditures	<u>4,395,877</u>	<u>4,244,598</u>	<u>4,008,105</u>	<u>226,493</u>
Excess (deficiency) of revenues over expenditures	<u>(162,196)</u>	<u>(10,917)</u>	<u>598,928</u>	<u>609,845</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,500	2,500	201	(2,299)
Claims losses and judgments	-	(350,000)	(350,000)	-
Transfers in	159,696	359,696	359,696	-
Transfers out	-	-	(600,000)	(600,000)
Total other financing sources and uses	<u>162,196</u>	<u>12,196</u>	<u>(590,103)</u>	<u>(602,299)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 1,279</u>	<u>8,825</u>	<u>\$ 7,546</u>
Fund balance - October 1 - GAAP basis, restated			3,329,014	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balances at beginning of year			71,650	
Changes in revenue and receivables			847,602	
Change in expenditures and accrued expenses			2,180,396	
Transfers in			(21,262)	
Transfers out				
Fund balance - September 30 - GAAP basis			<u>\$ 6,416,225</u>	

CITY OF WAVELAND
Notes to the Budgetary Schedule
For the year ended September 30, 2013

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.

SUPPLEMENTAL INFORMATION

ARRA Recovery JAG Grant Fund	CDBG Grant Fund	Katrina Disaster Fund	Hazard Mitigation Grant Fund	Hurricane Isaac Grant Fund	Debt Service Fund	\$1.5 Million Capital Project Fund	Total Other Governmental Funds
\$ 91,075	\$ -	\$ 15,000	\$ 63,289	\$ 68,078	\$ -	\$ -	\$ 1,033,020
-	-	-	-	-	4,039	-	5,386
83,624	109,620	284,746	285,963	-	-	-	808,742
-	16,761	-	-	-	-	-	16,761
640	-	1,222	-	609	-	-	2,471
-	-	-	-	-	-	-	8,670
-	-	-	-	-	761,810	908,101	2,089,637
<u>\$ 175,339</u>	<u>\$ 126,381</u>	<u>\$ 300,968</u>	<u>\$ 349,252</u>	<u>\$ 68,687</u>	<u>\$ 765,849</u>	<u>\$ 908,101</u>	<u>\$ 3,964,687</u>

\$ 9,846	\$ 77,683	\$ 47,469	\$ 148,875	\$ 15,000	\$ -	\$ 27,000	\$ 372,567
-	32,226	10,938	-	-	-	-	43,164
<u>144,683</u>	<u>-</u>	<u>618</u>	<u>-</u>	<u>53,687</u>	<u>19,844</u>	<u>-</u>	<u>220,132</u>
<u>154,529</u>	<u>109,909</u>	<u>59,025</u>	<u>148,875</u>	<u>68,687</u>	<u>19,844</u>	<u>27,000</u>	<u>635,863</u>
-	-	-	-	-	-	-	8,670
-	-	-	-	-	-	-	358,418
-	-	-	-	-	-	-	199,223
20,810	16,472	241,943	209,377	-	-	-	479,002
-	-	-	-	-	746,005	-	746,005
-	-	-	-	-	-	881,101	881,101
-	-	-	-	-	-	-	55,806
-	-	-	-	-	-	-	600,000
<u>70,810</u>	<u>16,472</u>	<u>241,943</u>	<u>209,377</u>	<u>-</u>	<u>746,005</u>	<u>881,101</u>	<u>3,328,824</u>
<u>\$ 175,339</u>	<u>\$ 126,381</u>	<u>\$ 300,968</u>	<u>\$ 349,252</u>	<u>\$ 68,687</u>	<u>\$ 765,849</u>	<u>\$ 908,101</u>	<u>\$ 3,964,687</u>

ARRA Recovery JAG Grant Fund	CDBG Grant Fund	Katrina Disaster Fund	Hazard Mitigation Grant Fund	Hurricane Isaac Grant Fund	Debt Service Fund	\$1.5 Million Capital Project Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544,959	\$ -	\$ 729,063
157,908	487,974	284,746	445,155	89,947	-	-	1,563,995
-	-	-	-	-	-	755	1,147
-	-	95,673	-	-	-	-	96,173
157,908	487,974	380,419	445,155	89,947	544,959	755	2,390,378
1,195	96,143	41,478	74,424	337	-	-	213,577
16,576	355,221	74,850	1,756	1,433	-	-	476,432
758	52	141,344	380,862	15,715	-	27,128	565,859
-	-	-	-	-	-	-	24,000
-	-	-	-	54,114	-	-	290,125
-	-	-	-	-	197,200	578,285	775,485
-	-	-	-	-	52,231	-	52,231
-	-	-	-	-	4,751	14,241	18,992
18,529	451,416	257,672	457,042	71,599	254,182	619,654	2,416,701
139,379	36,558	122,747	(11,887)	18,348	290,777	(618,899)	(26,323)
-	-	-	-	-	-	1,500,000	1,500,000
62,022	191,117	-	-	21,262	-	-	874,401
(170,609)	(211,203)	(2,541,327)	-	(24,057)	-	-	(2,953,451)
(108,587)	(20,086)	(2,541,327)	-	(2,795)	-	1,500,000	(579,050)
30,792	16,472	(2,418,580)	(11,887)	15,553	290,777	881,101	(605,373)
(9,982)	-	2,660,523	212,264	(15,353)	455,228	-	3,934,197
\$ 20,810	\$ 16,472	\$ 241,943	\$ 200,377	\$ -	\$ 746,005	\$ 881,101	\$ 3,328,824

CITY OF WAVELAND, MISSISSIPPI

Schedule of Surety Bonds

September 30, 2013

Position	Employee	Amount
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	Janet Dudding	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 Blackenship	50,000
Utility Dept. Manager	Karla Rayburn	50,000
Utility Billing Clerk	Kristina Quintini	50,000
Personnel Director	Donna Henry	50,000
Purchasing Agent	Paula Tully	50,000
Police Chief	David Allen	50,000
Police Dept. Clerk	Janelle Piazza	50,000
Police Department - Other		25,000

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

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass-through Grantors Number	Federal Expenditures
<u>U.S. Department of Commerce</u>			
Passed through the University of Southern Mississippi			
National Oceanic and Atmospheric Administration	11.417	USM-GR03091-R/MG/CSP-18	\$ 27,755
Total U.S. Department of Commerce			27,755
<u>U.S. Department of Defense, Office of the Chief Engineers</u>			
ARRA - Mississippi Environmental Infrastructure (Section 529)	12.124	W807PM00883542	129,678
Total U.S. Department of Defense			129,678
<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	136,940
Community Development Block Grant - Entitlement Grant	14.218	103-379-02-KCR	93,154
Community Development Block Grant - Entitlement Grant	14.218	118-379-01-HCCR	86,825
Community Development Block Grant - Entitlement Grant	14.218	118-379-06-HCCR	21,874
Community Development Block Grant - Entitlement Grant	14.218	118-379-02-HCCR	2,926
Community Development Block Grant - Entitlement Grant	14.218	119-379-07-KCR	8,531
Community Development Block Grant - Entitlement Grant	14.218	119-379-08-KCR	7,933
Community Development Block Grant - Entitlement Grant	14.218	119-379-08-KCR	8,307
Community Development Block Grant - Entitlement Grant	14.218	119-379-06-KCR	10,327
Total U.S. Department of Housing and Urban Development			376,817
<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	16.583	12SL3541	8,633
<u>U.S. Department of Justice - Office of Justice Programs</u>			
Passed through the Mississippi Department of Public Safety			
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SU-B9-0035	28,045
State and Local Equitable Sharing	16.922	MS0230300	11,031
Total U.S. Department of Justice			47,709
<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	13-OP-354-1	14,745
<u>Corporation for National and Community Service</u>			
Passed through Hancock County, Mississippi			
Retired and Senior Volunteer Program	94.002	N/A	41,593
Total Corporation for National and Community Service			41,593
<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	89,947
Hazard Mitigation Grant	97.039	1972-DR-MS-0003	33,057
Hazard Mitigation Grant	97.039	1604-DR-MS-0357	1,756
Hazard Mitigation Grant	97.039	1604-DR-MS-0420	383,074
Total U.S. Department of Homeland Security			507,834
Total Expenditures of Federal Awards			\$ 1,146,131

Note A - Significant Accounting Policies

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

DEC 20 2013

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1926)

Certified Public Accountants

HANCOCK BANK BUILDING

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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*

September 25, 2014

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 City of Waveland, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Waveland, Mississippi's basic financial statements and have issued our report thereon dated September 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Waveland, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Waveland, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 material weaknesses: 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007 and 2013-008.

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 do not consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-004, 2013-005, 2013-007 and 2013-008.

City of Waveland, Mississippi's Response to Findings

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 applied 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.

Wendy Wadsworth & Son

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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

September 25, 2014

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

Report on Compliance for Each Major Federal Program

We have audited 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 City of Waveland, Mississippi's major federal programs for the year ended September 30, 2013. 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 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 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 City of Waveland, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2013.

OCT 20 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 items 2013-009. Our opinion on each major federal program is not modified with respect to these matters.

City of Waveland, Mississippi's response to the noncompliance 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 applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of 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 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 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-009 to be significant deficiencies.

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.

W. Earl T. H. & Son

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

September 25, 2014

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, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2014. 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 2013-003, 2013-004, 2013-005, and 2013-007 in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

Finding

Chart of account system

Mississippi state code section 21-35-11 states "...records of municipal funds and financial records should be maintained in accordance with the chart of accounts prescribed by the State Auditor." During our audit testing, we noted certain account coding of expenditures of the City did not correspond to the chart of accounts as prescribed by the Office of the State Auditor.

Recommendation

We recommend that the City follow the prescribed chart of account as prescribed by the Office of the State Auditor for all account codes and classifications.

Response

The City will comply with the prescribed chart of accounts per Miss. State Code section 21-35-11 as feasible.

Finding

Sole source items

Mississippi state code section 31-7-13(m) states "... sole source items shall be noted on the board minutes at the next regular board meeting. During our testing of expenditures of the City, we noted that sole source items were not noted on the board minutes as required by state law.

Recommendation

We recommend that management ensure that all sole source items, as well as any other expenditure required to be documented on the board minutes, are properly reflected in the board minutes.

Response

Sole source items and all other required expenditures will be documented on the board minutes going forward.

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 responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

Wendell Walcott #1/2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Material noncompliance related to the financial statements? Yes

Internal control over financial reporting:

a. Material weaknesses identified? Yes

b. Significant deficiencies identified that are not considered to be material weaknesses? None reported

Federal Awards:

Type of auditors' 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

2013-001 Cash Posting and Bank Reconciliations *Material weakness*

Criteria *Prior year finding*

Bank reconciliations should be performed in a timely manner and reconciling items should agree to deposits or outstanding checks in subsequent months. Daily deposits should be properly posted to the correct accounts upon collection.

Condition

During our audit, we noted that there were reconciling items on the bank reconciliation that could not be explained by management with supporting detail. There were also items that had cleared the bank but were not properly reflected in the general ledger accounting system. We noted that cash deposits in the utility operating account were not posted in the general ledger accounting system on a daily basis as deposits were made. A “reconciling entry” was made at month end based on the bank statement and a monthly transaction report.

Cause

Adequate accounting procedures were not followed for timely bank reconciliations nor were unexplained reconciling items investigated. Daily utility deposits were not adequately posted in the general ledger utility accounts receivable account.

Effect

Failure to properly and timely reconcile the various cash accounts can distort financial reporting to management and those charged with governance. Improper posting of utility deposits into the general ledger can distort the accounts receivable balance in the financial reports in comparison with the accounts receivable subsidiary ledger.

Recommendation

We recommend that all bank reconciliations are performed and completed in a timely manner and that any reconciling items have adequate supporting detail. We also recommend that the daily cash deposits are correctly reflected in the proper general ledger accounts so that the general ledger will reconcile to the subsidiary ledgers, and all cash receipts will be properly reflected in the financial statements.

2013-002 Utility Billings and Receivables *Material weakness*

Criteria *Prior year finding*

An effective control procedure over utility billing and collection requires documentation of the processes employed, the generation of specific reports each month, and consistency in timing of utility billing and adjustments of accounts. Employees performing these functions should be well trained and knowledgeable of the software used.

An effective control procedure over accounts receivable requires periodic review of water, sewer and gas receivables, appropriate collection of such receivables, and valuation for financial reporting purposes by City management. Utility sales tax payable should be reconciled to the general ledger monthly to ensure that the correct amount of sales tax is paid to the taxing authority. Cut-off procedures should be followed in accordance with City policy for all utility system users.

Condition

During our audit, we noted that utility billings, collections and adjustments to accounts, if necessary, were not properly posted to the general ledger accounting system as required for proper financial reporting.

In some cases, City employees had delinquent accounts and their utility service was not disconnected in accordance with City policy.

In one instance, sales tax was not remitted to the taxing authority in a timely manner, resulting in a penalty being charged to the City.

Cause

Procedures were not documented or enforced for billing, collection, cutoffs and remittance of sales tax. A thorough review of utility accounts receivable was not performed, and collection or cutoff policies were not enforced for all City utility customers which included City employees.

Effect

Failure to enforce utility collections and cutoff procedures violates the City's utility ordinance. The issues noted above create errors in sales tax reported and paid, an overstatement of utility accounts receivable, improper revenue recognition, and errors in financial statement reporting.

Recommendation

We recommend that management implement written policies regarding the billing and collection of water, sewer and gas utilities. Those in charge of collecting utility receivables, as well as management, should periodically review outstanding receivables to ensure that cut off procedures and collections are followed in accordance with City ordinances. If an account is deemed uncollectible, the account should be properly adjusted so that utility accounts receivable is correctly stated for financial reporting purposes. Sales tax payable should be reconciled to the sales tax report and remitted to the taxing authority in a timely manner.

2013-003

Procurement Policies and Payment of Invoices

Material weakness

Criteria

Prior year finding

Payments for goods and services should be made from original invoices. All checks issued from vendor invoices should be presented on the claims docket for board approval and should be properly authorized prior to release. Vendors should be paid in a timely manner in accordance with state law and amounts paid should agree to the purchase orders or contract amount.

Condition

During our testing of the expenditures, we noted that certain expenditures were paid from copies of invoices instead of the original invoice. Some payments were made from the vendor statements or copies of invoices resulting in duplicate payments. In two instances, invoices were paid prior to the purchase order date. During the month of July, we noted five checks for payments to vendors that cleared the bank without the authorized signatures. The City also overpaid a contractor by approximately \$20,000 during the year.

Cause

There has been significant employee turnover within the purchasing and accounts payable department of the City. Individuals in this department did not have proper knowledge of procurement laws or oversight by the finance department or management.

Effect

Significant overpayment to a contractor occurred due to lack of oversight and comparison with the vendor contract. Vendors can be overpaid if payments are made by copies of invoices or vendor statements, instead of paying a claim from the original invoice. Purchase orders were not properly used to ensure budgetary control and to ensure that vendors are paid accordingly.

Recommendation

We recommend that management ensure that those responsible for procurement of goods and services for the City are aware of the State purchasing laws, that they have written policies and procedures in place for following those requirements, and that they maintain sufficient documentation in a central location to ensure that proper procurement procedures are followed. We also recommend that all invoices are paid from the original invoice and properly cancelled upon payment. Purchase orders should be issued for all goods prior to purchase of such goods in accordance with City policy, and professional services should be monitored periodically to ensure overpayment to the contractor does not occur.

2013-004

Capital Asset Management and Surplus of Capital Assets

Material weakness

Criteria

Prior year finding

Accountability and internal controls over capital assets of the City require formal written guidelines for the acquisition, disposal, capitalization, use and tagging of all City capital assets. The Office of the State Auditor requires municipalities to have adequate procedures for all capital assets and other inventoriable items and to follow their guidelines for financial accounting of asset acquisitions and disposals.

Condition

During our audit test work, we noted that the Board of Aldermen approved the surplus of certain City assets. A vendor was approved to dispose of the surplus items and was to remit the scrap proceeds to the City upon disposal. However, it was discovered during audit testing, that the vendor obtained additional City assets that the board did not approve for surplus and disposal. Once the City discovered that these items were taken by this vendor, the Board approved these additional

assets as surplus items on the board minutes. The City did not receive the proceeds from this vendor until several months later, after formal notices were sent to the vendor demanding payment. It was also noted that individuals have contacted the City clerk to obtain clear titles on some of the vehicles that were declared surplus by the Board, alluding that these items were in fact sold by the vendor instead of scrapped.

There were some capital assets that we noted during our physical observation that were not properly tagged or identified as City assets as required by State law.

Cause

City personnel did not properly monitor the items that were taken by this vendor to verify that the items removed from the City were the assets that were declared surplus by the Board. City personnel have not tagged City assets with identifying tags or labels.

Effect

The City could be noncompliant with State laws regarding capital asset disposal with this questionable vendor transaction for the surplus and disposal of these City assets. The City is also nonecompliant because City capital assets are not tagged or identified as City property in accordance with State laws.

Recommendation

We recommend that management adhere to the State guidelines for capital asset disposals and capital asset management and ensure that all employees are aware of the adopted policies and procedures and that the policies are enforced.

2013-005 Privilege License Revenue and Procedures *Material weakness*

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. We also noted that penalties were not charged to those businesses who failed to timely renew their business license.

Cause

Business license renewals were mailed out several months late. There is no penalty charged for late payment or follow up for compliance to ensure that businesses renew their privilege license. The City has no policies and procedures in place to ensure that all businesses within the City have current privilege licenses.

Effect

There are businesses operating within the City that do not have a valid business license; therefore, they are operating unlawfully and penalties are not charged in accordance 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 penalty is correctly charged for those businesses who fail to timely obtain or renew their business license.

2013-006 Building Permit Revenue and Procedures *Material weakness*

Criteria

Fees charged for building permits and review 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 a permit application was incomplete, and in several instances, required documents, including inspections, are not being obtained or documented in the files.

The City implemented a new building permit fee schedule in March 2013, but the new fees were not implemented until May 2013 because the clerks were not aware of the new fee schedule.

During our testing, we noted that the computer is incorrectly calculating fees based on the building valuation because of a glitch in the software program. Because of this issue with the software program, one permit tested was undercharged approximately \$1,600.

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 the other documentation. Management did not communicate in a timely manner with the employees of this department to ensure that the correct fee schedule was charged. The software does not properly calculate permit fees for any building with a valuation over \$500,000 and city personnel were unaware of this error.

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. For all buildings constructed with a value greater than \$500,000, the City, over the years, has lost revenue due to this software error.

Recommendation

We recommend that all authorized signatures are obtained for all building department documentation. We also recommend that management communicate with the department employees regarding any changes made to the fee schedule or documentation requirements. We recommend that management work to resolve any software issues so that building permits are calculated correctly in accordance with City ordinance.

2013-007

Court Fines, Related Assessments and Court Fines Receivables

Material weakness

Criteria

Prior year finding

The City is required to submit monthly court assessments to various agencies of the amount of assessments collected by the City. Proper accounting for court fine revenue is required to accurately determine court assessments and court fines receivables for each court case. The court department is required to account for all case files and record court fines receivables. All monies collected should be remitted to the municipal treasury daily. Warrants are to be issued in a timely manner in accordance with certain laws and regulations.

Condition

During our testing of court fine revenues and related assessments, we noted that the City is not assessing certain fees in accordance with State law. The City is not properly reporting fines and costs on traffic tickets in accordance with the Uniform Traffic Ticket Statutory Requirements. Cash and other monies collected in the court department are not settled to the municipal treasury on a daily basis. Warrants are not issued in a timely manner. During our testing, one case file was not able to be located for our examination.

Cause

The City's court clerk was unaware that certain assessments should be charged on citations. There appears to be no oversight by management regarding the timely remittance of court assessments to the various agencies or review of court fines receivables reporting and collection. Court fine revenue reported within the court software was not reconciled to the general ledger postings of court fine revenue.

Effect

Failure to collect and untimely payment of court fine assessments cause the City to be non-compliant with State laws and regulations. Inadequate review and reconciliation of court fine revenue and related receivables can result in inaccuracies within the City's financial statements as well as non-compliance with State laws. The City is noncompliant with State laws by failing to report certain information on the face of the traffic citation.

Recommendation

We recommend that management ensure that proper procedures are in place for collection and timely remittance of all court assessments and that the employees within this department receive adequate training. We also recommend that court fine revenue is reconciled monthly from the court software system to the general ledger accounting system, and any discrepancies are corrected

immediately. We recommend that all required information is properly presented on the face of all traffic citations. All monies collected by the court department should be deposited into the municipal treasury daily. All court case files should be maintained and accounted for. Warrants should be issued in a timely manner.

2013-008 Payroll and Related Recordkeeping *Material weakness*

Criteria

Employee personnel files should contain all required payroll forms and other documentation. Employees should be compensated based on correct time card calculations. Employee leave forms and other documentation should be approved by supervisors in accordance with City policy.

Condition

In several instances, we noted that some personnel files were missing required documentation such as: I-9 forms, proper employee identification, and PERS beneficiary forms. In other instances, the current rates of pay did not agree to the amount documented in the personnel file. State and federal withholding amounts did not agree with amounts withheld from employees' checks.

We also noted that there were numerous 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. 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 leave balance.

Cause

The payroll department did not update the personnel files as employees' information changed, and the department 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.

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.

Recommendation

We recommend that management ensure that all required payroll documentation is maintained on each City employee and that their personnel file contains their current rate of pay and withholding forms. 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 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. 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

2013-009

Cash Management and Davis Bacon Act

Significant deficiency

CFDA #14.218 HUD Community Development Block Grant

Criteria *Prior year finding*

Contractors, who perform work on federally funded projects, are required to provide documentation showing that they complied with Davis Bacon Act grant requirements.

Grant funds should be deposited and paid to vendors in a timely manner to ensure cash management compliance with granting agencies.

Condition

We noted that in some instances, grant monies were not deposited or paid to vendors within three days of receipt.

During our audit, we noted that a contractor for a federally funded project did not submit the payroll documentation required to ensure that Davis Bacon Act compliance requirements were met.

Cause

The finance department did not timely pay vendors after receipt of grant funds.

The consultant that oversees grant administration and that the necessary documentation is maintained did not ensure that the Davis Bacon Act compliance requirement was adhered to prior to recommending payment to the contractor.

Federal grant money was not deposited or paid in a timely manner.

Questioned Costs

Questioned costs associated with this finding are \$7,945.

Effect

Not adhering to grant compliance requirements and other regulations could cause the City to lose future grant funding or cause repayment of previously paid federal funds.

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



David A. Garcia, Mayor, CFM

**CITY OF WAVELAND, MISSISSIPPI
Corrective Action Plan
For the Year Ended September 30, 2013**

Section 2 – Financial Statements Findings

2013-001 Cash Posting and Bank Reconciliations *Material weakness*

Response

Bank statement reconciliations will be performed on a timely basis with proper supporting detail maintained. In addition, daily cash deposits will be posted to the correct ledger and reconciliations from the subsidiary to general ledger performed on a regular basis.

2013-002 Utility Billings and Receivables *Material weakness*

Response

Billings of utility services are currently completed on a timely basis. A review of the outstanding receivables is done by the department head and City Clerk on a continual basis. At appropriate times, periodic review of uncollectible accounts is performed and adjusted. All general ledger accounts relating to the utilities department will be reconciled to the subsidiary accounts in addition to other reports such as sales tax payable returns on a regular and timely basis. Delinquent accounts will be turned over to a collection agency for additional collection efforts. In addition, when the new utility software is implemented in the fall of 2014, a review of current procedures will be performed and updated as necessary.

2013-003 Procurement Policies and Payment of Invoices *Material weakness*

Response

The current purchasing personnel have been instructed in the purchasing requirements of the State and have copies of the State purchasing laws for reference. Greater care has been taken to ensure all claims are properly reported on the claims docket including verifying proper payment amounts for board approval prior to payment. In addition, a review of invoices and payments has been performed to ensure all vendors are timely and accurately paid and invoices are subsequently filed and invoices stamped as paid. Issuance of purchase orders will be done for all

goods prior to purchase and additional review of payments for professional services performed to alleviate overpayment to contractors.

2013-004 Capital Asset Management *Material weakness*

Response

City employees will continue to be trained on capital asset management policies and procedures. In addition, management will ensure that the policies are enforced.

2013-005 Privilege License Procedures *Material weakness*

Response

Privilege license personnel have attended training to enhance her knowledge of the privilege license requirements. Currently, an examination of businesses within Waveland to current privilege/occupancy licenses has continued, resulting in several businesses becoming compliant. Adequate review of privilege licenses is performed to ensure that all businesses have current privilege licenses and occupancy permits and any appropriate penalties are assessed.

2013-006 Building Permit Revenue and Procedures *Material weakness*

Response

A closer review of all documentation will be performed to ensure all authorized signatures are obtained for all building department documents. In addition, any fee changes or document requirement changes will be communicated to appropriate staff. New building permit software is expected to be implemented in the FYE September 30, 2015 which will assist in eliminating errors in calculating building permit fees.

2013-007 Court Fines, Related Assessments and Court Fines Receivables *Material weakness*

Response

Management will more closely monitor and review timely remittance of all court assessments and ensure court fine revenue is reconciled monthly to the accounting records. Substantial improvements have been made since the audit has been performed, all past adjustments have been made, reports are timely filed and regular reviewing and collection efforts are performed on past due court fines. In addition the court clerk has attended training classes and is now aware of required information on the face of all traffic citations.

2013-008 Payroll and Related Recordkeeping *Material weakness*

Response

A thorough review of all personnel files has begun to ensure proper documentation is maintained in all employees' payroll files. Additional measures have been implemented to ensure correct time calculations and calculation of paid time off.

Section 3 – Federal Award Findings and Questioned Costs

2013-009 Cash Management and Davis Bacon Act *Significant deficiency*

CFDA #14.218 HUD Community Development Block Grant

Response

Policies and procedures for federal grant compliance will be written 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.

6/12/2013



David A. Garcia, Mayor, CFM

CITY OF WAVELAND, MISSISSIPPI
Summary of Prior Year Findings
For the Year Ended September 30, 2013

2012-7 Allowable Costs and Cash Management *Significant deficiency*

CFDA #14.228 HUD Community Development Block Grant

Condition

During our audit, we noted that some of the invoices for the federal grant could not be located. In one instance, the lowest bidder was not awarded the contract and the justification for selection was not adequately documented in the board minutes. In another instance, a payment was issued prior to board approval. We also noted that grant monies were not deposited or paid to vendors within three days of receipt.

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

Current Status

City employees responsible for grant program management are familiar with compliance requirements and OMB A-87 cost principles. This has been corrected as of the date of this audit report.

2012-8 Allowable Costs and Reporting *Material weakness*

CFDA #14.228 HUD Community Development Block Grant #97.036 Public Assistance Disaster Grant #97.039 Hazard Mitigation Grant

Condition

During our audit, we noted that three contractor invoices on a capital construction project reimbursed with federal funds were not recorded in the general ledger accounting system. This particular project is multi-funded with three federal funding sources. We were unable to determine the breakdown of federal expenditure and correlating revenue by funding source to ensure proper reporting on the financial statements and the schedule of expenditures of federal awards.

Recommendation

We recommend that management implement policies and procedures for oversight of federal grant programs to ensure that federal grant expenditures and correlating revenues are properly accounted for and reported in the financial statements.

Current Status

The City maintains policies and procedures for oversight of all federal grant programs ensuring grant expenditures and correlating revenues are properly accounted and reported in the financial statements. This particular instance was a "one time" incident which involved numerous parties (including insurance and bonding companies) and varying amounts of cooperation. This has been corrected as of the date of this audit report.



Sharon Thomas

From: W. Edward Smith
Sent: Monday, October 20, 2014 10:59 AM
To: Sharon Thomas
Cc: Tom Chain
Subject: FW: Fiscal Year 2013 Audit Transmittal - City of Waveland, MS.
Attachments: FYE 09_20141020092553.pdf

From: Lisa Planchard [<mailto:lplanchard@waveland-ms.gov>]
Sent: Monday, October 20, 2014 10:56 AM
To: Robert Latham; W. Edward Smith; Diane Gavin; "Nikki White, MEMA"@mx4.state.ms.us
Cc: Gina.H.Channell@usace.army.mil; Aprill McIntosh; Darla Jourdan, MEMA; Jana Henderson
Subject: Fiscal Year 2013 Audit Transmittal - City of Waveland, MS.

Dear Mr. Latham, Mr. Smith, Ms. Gavin & Ms. White:

Attached, please find the City of Waveland's FYE 09/30/2013 Audit which was approved by the Board of Mayor & Alderman at their most recent 10/7/14 Board meeting. A copy is attached for your reference. We are also submitting to the Federal Clearing House. I will be sending you hard copies in addition to this email. The City has engaged it's auditors, Wright, Ward Hatten & Guel and anticipate field work for the 9/30/14 Audit to begin in late November. If you should need anything, please feel free to contact me or my office at 228-467-4134.

Thank you,
Lisa Planchard
City Clerk
City of Waveland
301 Coleman Avenue
P.O. Box 539
Waveland, MS. 39576

228-216-4451 (cell)
228-467-4134 (office)
228-467-3177 (fax)

FILED OCT 20 2014

OCT 20 2014