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Mike Smith, Mayor

September 9, 2016

Mr. Edward Smith, CPA
Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Re: FYE 09/30/15 Audit


Dear Mr. Smith:

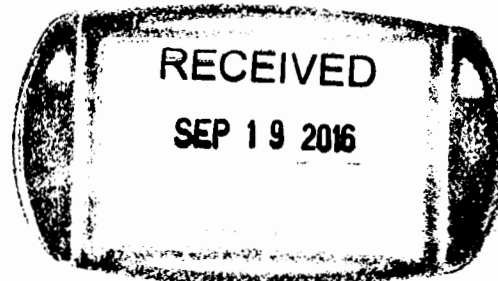
Our Board of Mayor and Aldermen accepted and approved the City's Financial Audit for FY 2015 at their recent meeting of the Board of Mayor and Aldermen. Accompanying this letter are 2 copies of the annual audit of the City of Waveland, Mississippi, for the fiscal year ended September 30, 2014. I forwarded you the electronic version earlier today.

We anticipate that our FY2016 audit will commence by October 24, 2016 and hope to have it complete in early 2017. The City has historically contracted with Wright, Ward, Hatten and Guel but will be advertising for RFQ's this year. Regardless, we expect our FY2016 Audit to be complete well before the deadline.

We sincerely thank you and appreciate your cooperation regarding this matter and appreciate all of the wonderful advice and assistance you continue to provide us.

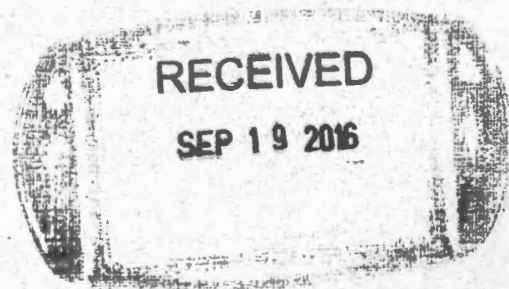
Sincerely,


Lisa B. Planchard,
City Clerk



Cc: Ron Duckworth, Comptroller
Cc: Audit File, 2014

**CITY OF WAVELAND, MISSISSIPPI
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**



**CITY OF WAVELAND, MISSISSIPPI
TABLE OF CONTENTS
SEPTEMBER 30, 2015**

	<u>Page (s)</u>
INTRODUCTORY SECTION	
Listing of City Officials	1
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-12
FINANCIAL SECTION	
Government-Wide Financial Statements:	
<i>EXHIBIT A</i>	
Statement of Net Position	13
<i>EXHIBIT B</i>	
Statement of Activities	14
Fund Level Financial Statements:	
Governmental Funds Financial Statements:	
<i>EXHIBIT C</i>	
Balance Sheet	15
<i>EXHIBIT C-1</i>	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
<i>EXHIBIT D</i>	
Statement of Revenues, Expenditures and Changes in Fund Balances	17
<i>EXHIBIT D-1</i>	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements:	
<i>EXHIBIT E</i>	
Statement of Net Position	19
<i>EXHIBIT F</i>	
Statement of Revenues, Expenses and Change in Fund Net Position	20
<i>EXHIBIT G</i>	
Statement of Cash Flows	21
Fiduciary Fund Financial Statements:	
<i>EXHIBIT H</i>	
Statement of Assets and Liabilities – Fiduciary Funds	22

**CITY OF WAVELAND, MISSISSIPPI
TABLE OF CONTENTS (Continued)
SEPTEMBER 30, 2015**

	<u>Page (s)</u>
NOTES TO THE FINANCIAL STATEMENTS	23-49
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	50
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Hazard Mitigation Fund	51
Schedule of the City's Proportionate Share of the Net Pension Liability	52
Schedule of the City's Contributions	53
Notes to the Required Supplementary Information	54
OTHER SUPPLEMENTARY INFORMATION	
Non-major Fund Combining Statements	
Combining Balance Sheet	55
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	56
Schedule of Surety Bonds	57
Schedule of Expenditures of Federal Awards	58
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	59-60
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	61-62
Independent Auditor's Report on Compliance with Mississippi State Laws and Regulations	63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	64-68
AUDITEE CORRECTIVE ACTION PLAN	69
SUMMARY OF PRIOR YEAR AUDIT FINDINGS	70

INTRODUCTORY SECTION

CITY OF WAVELAND, MISSISSIPPI

Listing of City Officials

September 30, 2015

ELECTED OFFICIALS

Mayor	Mike Smith
Alderman - Ward 1	Jeremy Burke
Alderman - Ward 2	Bobby Richardson
Alderman - Ward 3	Shane Lafontaine
Alderman - Ward 4	Charles Piazza

APPOINTED OFFICIALS

City Clerk	Lisa Planchard
Police Chief	David Allen
Fire Chief	Toni Mallini
City Attorney	Rebecca Yarborough

INDEPENDENT AUDITOR'S REPORT

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®
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INDEPENDENT AUDITOR'S REPORT

August 26, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waveland, Mississippi, as of and for the year ended September 30, 2015, 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, 2015, 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.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended September 30, 2015, and required the restatement of net position as discussed in Note 10 to the financial statements:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

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 on pages 5-12, budgetary comparison information, schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information

directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining, nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2016, on our consideration of the City of Waveland, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waveland, Mississippi's internal control over financial reporting and compliance.

Walter W. Smith & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Introduction

The following Management's Discussion and Analysis of the City of Waveland ("the City") regarding activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2015. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

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

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at September 30, 2015, by \$123,714,364. Of this amount, unrestricted net position of \$3,775,633 may be used to meet the City's ongoing obligations to citizens and creditors.

The total net position decreased by \$1,969,113. Of this amount, \$599,592 was associated with governmental activities and \$1,369,521 with business-type activities. The reason for the large decrease is due to a prior period adjustment of \$4,710,716 triggered by the adoption of Governmental Auditing Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and Statement No. 71–*Pension Transition for Contributions Made Subsequent to the Measurement Date*.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,377,007 an increase of \$2,779,389.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,263,705 or 116% 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.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Overview of the Financial Statements (continued)

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.

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

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

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

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

Fund Financial Statements

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

- **Governmental funds**

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

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Overview of the Financial Statements (continued)

In fiscal year 2015, the City maintained fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. These statements consist of the general fund, the major funds, the debt service fund, capital projects fund and all other governmental funds which are combined together and presented in these reports as other governmental funds for the purpose of consistency.

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

- **Proprietary Fund**

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

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

- **Fiduciary Funds**

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

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

Notes to the Financial Statements

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

Other Information

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

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Government-Wide Financial Analysis

Table 1 below presents the City's condensed statement of net position as of September 30, 2015, derived from the government-wide statement of net position. GASB 68 was implemented in fiscal year 2015. Prior year amounts in the following tables were not restated to reflect the implementation of GASB 68.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 14,901,927	\$ 11,869,402	\$ 3,101,491	\$ 2,771,366	\$ 18,003,418	\$ 14,640,768
Noncurrent assets	46,597,424	42,755,097	77,589,336	78,876,369	124,186,760	121,631,466
Total assets	61,499,351	54,624,499	80,690,827	81,647,735	142,190,178	136,272,234
Deferred outflows of resources	1,027,500	216,093	211,368	101,690	1,238,868	317,783
Current and other liabilities	3,898,880	2,301,336	873,271	885,936	4,772,151	3,187,272
Noncurrent liabilities	10,185,840	3,991,983	2,272,211	1,758,126	12,458,051	5,750,109
Total liabilities	14,084,720	6,293,319	3,145,482	2,644,062	17,230,202	8,937,381
Deferred outflows of resources	2,463,609	1,969,159	20,871	=	2,484,480	1,969,159
Net position:						
Net investment in capital assets	38,905,533	37,872,203	75,966,427	77,017,373	114,871,960	114,889,576
Restricted	5,066,771	1,796,619	-	66,655	5,066,771	1,863,274
Unrestricted	2,006,218	6,909,292	1,769,415	2,021,335	3,775,633	8,930,627
Total net position	\$ 45,978,522	\$ 46,578,114	\$ 77,735,842	\$ 79,105,363	\$ 123,714,364	\$ 125,683,477

At September 30, 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred outflows of resources by \$123,714,364. By far, the largest portion of the City's net position (93%) reflects its net investment in capital assets. The unrestricted net position of \$3,775,633 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 29 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, 2015

Government-wide Financial Analysis (continued)

Table 2 presents the City's condensed statement of activities for the fiscal year ended September 30, 2015, as derived from the government-wide statement of activities.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 396,215	\$ 314,189	\$ 3,191,649	\$ 3,144,619	\$ 3,587,864	\$ 3,458,808
Operating grants	286,602	252,434	-	-	286,602	252,434
Capital grants	6,112,879	2,991,465	-	-	6,112,879	2,991,465
Total program revenues	6,795,696	3,558,088	3,191,649	3,144,619	9,987,345	6,702,707
General revenues						
Property taxes	2,013,860	2,173,341	-	-	2,013,860	2,173,341
Sales taxes	2,305,186	2,211,283	-	-	2,305,186	2,211,283
Franchise taxes	259,820	266,116	-	-	259,820	266,116
Interest income	6,771	8,066	1,611	1,348	8,382	9,414
Lease revenue	57,383	65,280	-	-	57,383	65,280
Other	206,763	32,485	85,153	68,624	291,916	101,109
Total general revenues	4,849,783	4,756,571	86,764	69,972	4,936,547	4,826,543
Total revenues	11,645,479	8,314,659	3,278,413	3,214,591	14,923,892	11,529,250
Program expenses						
General government	1,527,776	1,302,471	-	-	1,527,776	1,302,471
Public safety	3,041,711	2,651,961	-	-	3,041,711	2,651,961
Public works	1,337,901	1,278,064	-	-	1,337,901	1,278,064
Health and welfare	53,463	356,855	-	-	53,463	356,855
Culture and recreation	821,610	804,864	-	-	821,610	804,864
Interest	64,795	134,483	-	-	64,795	134,483
Water, sewer and gas	-	-	4,936,005	4,703,423	4,936,005	4,703,423
Total program expenses	6,847,256	6,528,698	4,936,005	4,703,423	11,783,261	11,232,121
Change before transfers	4,798,223	1,785,961	(1,657,592)	(1,488,832)	3,140,631	297,129
Transfers	(1,064,512)	(1,223,701)	1,064,512	1,223,701	-	-
Change in net position	3,733,711	562,260	(593,080)	(265,131)	3,140,631	297,129
Beginning net position, as previously reported	46,578,114	46,015,854	79,105,363	79,370,494	125,683,477	125,386,348
Prior period adjustment	(4,333,303)	-	(776,441)	-	(5,109,744)	-
Beginning net position, restated	42,244,811	46,015,854	78,328,922	79,370,494	120,573,733	125,386,348
Ending net position	\$ 45,978,522	\$ 46,578,114	\$ 77,735,842	\$ 79,105,363	\$ 123,714,364	\$ 125,683,477

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015

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 \$11,377,007 a net increase of \$2,779,389 in comparison with the prior year. Of this combined fund balance, 53% percent or \$6,021,525 is unassigned. \$56,054 of this combined fund balance is nonspendable for prepaid items. \$5,110,863 is restricted for public safety, culture and recreation, public works, and debt service. The remaining amount of \$188,565 is committed for culture and recreation and other purposes.

- **General Fund**

The general fund is the chief operating fund of the City. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund balance expenditures. At the end of 2015, the general fund unassigned fund balance represents 116% percent of total general fund expenditures.

Proprietary Fund

The water, sewer and gas fund had a decrease in total net position of \$1,369,521 at the end of the fiscal year. This decrease was primarily due to the increase in depreciation expense on the capital assets in the utility system and the adoption of GASB 68 as previously discussed on page 5.

Budget Variances in the General Fund

Actual revenues were over the original budgeted amount by \$441,521 due to increases in sales and franchise tax, license and permit fees, intergovernmental and miscellaneous revenues. Actual expenditures were over the original budgeted amount by \$125,895 at year end, as a result of increases in public safety, public works, culture and recreation expenses, and debt service costs. Refer to the budgetary comparison schedule for the general fund on page 50 in the RSI section of the audit report.

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2015, the City reported \$46,597,424 in net capital assets for governmental activities and \$77,589,336 in capital assets for business-type activities. This represents a combined increase of \$2,555,294 in capital assets during the 2015 fiscal year. Additional information regarding the City's capital assets can be found in *Note 6: Capital Assets* on pages 36-37 of this report.

City of Waveland's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,982,481	\$ 2,982,481	\$ 76,182	\$ 76,182	\$ 3,058,663	\$ 3,058,663
Buildings and Improvements	25,226,584	23,922,844	173,288	-	25,399,872	23,922,844
Machinery and Equipment	1,209,167	1,499,042	65,354	35,217	1,274,521	1,534,259
Furniture and Office equipment	253,871	336,774	-	-	253,871	336,774
Infrastructure and Systems	8,967,480	8,233,409	77,274,512	70,612,638	86,241,992	78,846,047
Vehicles	154,811	150,647	-	-	154,811	150,647
Construction in progress	7,803,030	5,629,900	-	8,152,332	7,803,030	13,782,232
Total	<u>\$ 46,597,424</u>	<u>\$42,755,097</u>	<u>\$ 77,589,336</u>	<u>\$78,876,369</u>	<u>\$124,186,760</u>	<u>\$121,631,466</u>

Long-Term Debt Activity

At the end of the current fiscal year for governmental activities, the City had \$7,871,968 in outstanding debt, excluding compensated absences. For business type activities the City had \$1,707,650 in outstanding debt, excluding compensated absences. Additional information on the City of Waveland's long-term debt can be found in *Note 7: Long-Term Debt* on pages 38-41 of this report.

City of Waveland's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds payable, net	\$ 5,251,200	\$ 3,729,600	\$ 948,800	\$ 1,110,400	\$ 6,200,000	\$ 4,840,000
Revenue bonds	-	-	758,850	805,280	758,850	805,280
Notes payable	2,016,652	492,400	-	-	2,016,652	492,400
Capital leases payable	604,116	811,609	-	-	604,116	811,609
Compensated absences	80,268	71,129	6,984	5,481	87,252	76,610
Total	<u>\$ 7,952,236</u>	<u>\$ 5,104,738</u>	<u>\$ 1,714,634</u>	<u>\$ 1,921,161</u>	<u>\$ 9,666,870</u>	<u>\$ 7,025,899</u>

CITY OF WAVELAND, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Economic Outlook and Relevant Decisions

The City of Waveland continues to experience an unprecedented capital rebuilding process which has been paid from federal funding sources. The decrease in net position during the 2015 fiscal year is due primarily to adoption of GASB 68 regarding the defined benefit pension plan. The City is currently operating with greater financial efficiency and accountability because management has implemented a proactive approach to budgetary control which has allowed millage rates as well as utility rates to remain unchanged during the 2015 fiscal year.

Contact the City's Financial Management

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

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

FINANCIAL SECTION

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CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 3,514,505	\$ 2,285,509	\$ 5,800,014
Investments	232,296	113,650	345,946
Receivables, net	2,961,187	358,608	3,319,795
Intergovernmental receivable	3,682,555	-	3,682,555
Internal balances	92,987	(92,987)	-
Due from other governments	175,115	10,444	185,559
Inventory	-	11,927	11,927
Prepaid expenses	56,054	8,412	64,466
Restricted assets:			
Cash	4,187,228	405,928	4,593,156
Total current assets	14,901,927	3,101,491	18,003,418
Noncurrent Assets:			
Capital assets:			
Land and construction in progress	10,785,511	76,182	10,861,693
Other capital assets, net of accumulated depreciation	35,811,913	77,513,154	113,325,067
Total noncurrent assets	46,597,424	77,589,336	124,186,760
Total assets	61,499,351	80,690,827	142,190,178
Deferred Outflows of Resources			
Deferred amounts on bond refunding	180,077	84,741	264,818
Deferred amounts on pension	847,423	126,627	974,050
Total deferred outflows of resources	1,027,500	211,368	1,238,868
Liabilities			
Current Liabilities:			
Accounts payable	872,779	235,463	1,108,242
Wages payable	36,650	4,430	41,080
Retainage payable	106,005	-	106,005
Intergovernmental payable	15,163	-	15,163
Due to other governments	10,046	4,016	14,062
Bonds payable	603,600	215,461	819,061
Notes payable	2,016,652	-	2,016,652
Capital leases payable	193,893	-	193,893
Interest payable	44,092	7,973	52,065
Payable from restricted assets:			
Customer deposits	-	405,928	405,928
Total current liabilities	3,898,880	873,271	4,772,151
Noncurrent Liabilities:			
Net pension liability	5,029,195	751,489	5,780,684
Bonds payable	4,666,154	1,513,738	6,179,892
Capital leases payable	410,223	-	410,223
Compensated absences	80,268	6,984	87,252
Total noncurrent liabilities	10,185,840	2,272,211	12,458,051
Total liabilities	14,084,720	3,145,482	17,230,202
Deferred Inflows of Resources			
Deferred property tax revenue	2,323,932	-	2,323,932
Deferred amounts on pension	139,677	20,871	160,548
Total deferred inflows of resources	2,463,609	20,871	2,484,480
Net Position			
Net investment in capital assets	38,905,533	75,966,427	114,871,960
Restricted for:			
Debt service	4,542,265	-	4,542,265
Public safety	280,660	-	280,660
Public works	214,419	-	214,419
Culture and recreation	29,427	-	29,427
Unrestricted	2,006,218	1,769,415	3,775,633
Total net position	\$ 45,978,522	\$ 77,735,842	\$ 123,714,364

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

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 1,527,776	\$ 182,647	\$ 109,530	\$ 21,515	\$ (1,214,084)		\$ (1,214,084)
Public safety	3,041,711	213,568	143,990	240,749	(2,443,404)		(2,443,404)
Public works	1,337,901	-	-	4,917,522	3,579,621		3,579,621
Health and welfare	53,463	-	33,082	-	(20,381)		(20,381)
Culture and recreation	821,610	-	-	933,093	111,483		111,483
Interest	64,795	-	-	-	(64,795)		(64,795)
Total governmental activities	6,847,256	396,215	286,602	6,112,879	(51,560)		(51,560)
Business-type activities:							
Water, sewer and gas	4,936,005	3,191,649	-	-	-	(1,744,356)	(1,744,356)
Total business - type activities	4,936,005	3,191,649	-	-	-	(1,744,356)	(1,744,356)
Total	\$ 11,783,261	\$ 3,587,864	\$ 286,602	\$ 6,112,879	(51,560)	(1,744,356)	(1,795,916)
General revenues:							
Property taxes - for general purposes					1,341,098	-	1,341,098
Property taxes - for special purposes					672,762	-	672,762
Sales taxes					2,305,186	-	2,305,186
Franchise taxes					259,820	-	259,820
Interest earnings					6,771	1,611	8,382
Lease revenue					57,383	-	57,383
Miscellaneous income					206,763	85,153	291,916
Total general revenues					4,849,783	86,764	4,936,547
Change in net position before transfers					4,798,223	(1,657,592)	3,140,631
Transfers					(1,064,512)	1,064,512	-
Change in net position					3,733,711	(593,080)	3,140,631
Net position - beginning, as previously reported					46,578,114	79,105,363	125,683,477
Prior period adjustment					(4,333,303)	(776,441)	(5,109,744)
Net position - beginning, as restated					42,244,811	78,328,922	120,573,733
Net position - ending					\$ 45,978,522	\$ 77,735,842	\$ 123,714,364

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

CITY OF WAVELAND, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

EXHIBIT C

	General Fund	Hazard Mitigation Grant Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Current Assets:						
Cash	\$ 2,983,243	\$ -	\$ -	\$ -	\$ 531,262	\$ 3,514,505
Investments	232,296	-	-	-	-	232,296
Taxes receivable	1,780,248	-	742,668	-	185,667	2,708,583
Fines receivable (net of allowance for uncollectible of \$382,094)	160,345	-	-	-	-	160,345
Franchise fee receivable	92,259	-	-	-	-	92,259
Intergovernmental receivables	24,485	2,590,075	-	-	1,067,995	3,682,555
Due from other funds	3,450,506	310,720	499,567	-	524,827	4,785,620
Due from other governments	175,115	-	-	-	-	175,115
Prepaid expenses	49,542	-	-	-	6,512	56,054
Restricted Assets:						
Cash	-	-	4,086,790	-	100,438	4,187,228
Total assets	<u>\$ 8,948,039</u>	<u>\$ 2,900,795</u>	<u>\$ 5,329,025</u>	<u>\$ -</u>	<u>\$ 2,416,701</u>	<u>\$ 19,594,560</u>
Liabilities						
Current Liabilities:						
Accounts payable	\$ 399,772	\$ 446,564	\$ -	\$ -	\$ 26,443	\$ 872,779
Wages payable	36,499	-	-	-	151	36,650
Retainage payable	19,068	86,937	-	-	-	106,005
Intergovernmental payable	15,163	-	-	-	-	15,163
Due to other funds	598,302	2,172,472	-	84,864	1,836,995	4,692,633
Due to other governments	10,046	-	-	-	-	10,046
Unearned revenue	160,345	-	-	-	-	160,345
Total liabilities	<u>1,239,195</u>	<u>2,705,973</u>	<u>-</u>	<u>84,864</u>	<u>1,863,589</u>	<u>5,893,621</u>
Deferred Inflows of Resources						
Deferred property tax revenue	1,395,597	-	742,668	-	185,667	2,323,932
Total deferred inflows of resources	<u>1,395,597</u>	<u>-</u>	<u>742,668</u>	<u>-</u>	<u>185,667</u>	<u>2,323,932</u>
Fund Balances						
Nonspendable:	49,542	-	-	-	6,512	56,054
Restricted for:						
Public safety	-	-	-	-	280,660	280,660
Culture and recreation	-	-	-	-	29,427	29,427
Public works	-	194,822	-	-	19,597	214,419
Debt service	-	-	4,586,357	-	-	4,586,357
Committed for:						
Culture and recreation	-	-	-	-	40,048	40,048
Other purposes	-	-	-	-	148,517	148,517
Unassigned:	6,263,705	-	-	(84,864)	(157,316)	6,021,525
Total fund balances	<u>6,313,247</u>	<u>194,822</u>	<u>4,586,357</u>	<u>(84,864)</u>	<u>367,445</u>	<u>11,377,007</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,948,039</u>	<u>\$ 2,900,795</u>	<u>\$ 5,329,025</u>	<u>\$ -</u>	<u>\$ 2,416,701</u>	<u>\$ 19,594,560</u>

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

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CITY OF WAVELAND, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

EXHIBIT C-1

Total Funds Balance - Governmental Funds (Exhibit C) \$ 11,377,007

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

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds.

Governmental capital assets	55,700,037	
Less: accumulated depreciation	<u>(9,102,613)</u>	46,597,424

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

160,345

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

(7,871,968)

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

(80,268)

Net pension obligations are not due and payable in the current period; therefore, they are not reported in the funds.

(5,029,195)

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

(44,092)

Deferred outflows and inflows of resources related to pensions are applicable to future periods; therefore, they are not reported in the funds.

Deferred outflows of resources related to pensions	847,423	
Deferred inflows of resources related to pensions	<u>(139,677)</u>	707,746

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

Bond premium, net		(18,554)
Deferred gain on bond refunding		<u>180,077</u>

Total Net Position - Governmental Activities (Exhibit A) \$ 45,978,522

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

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D

	General Fund	Hazard Mitigation Grant Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,522,480	\$ -	\$ 504,375	\$ -	\$ 168,384	\$ 4,195,239
Licenses and permits	180,692	-	-	-	-	180,692
Franchise fees	259,820	-	-	-	-	259,820
Charges for service	4,206	-	-	-	-	4,206
Intergovernmental	384,365	3,701,063	-	-	2,437,855	6,523,283
Fines and forfeits	211,317	-	-	-	-	211,317
Lease revenue	57,383	-	-	-	-	57,383
Interest	6,647	-	-	-	124	6,771
Miscellaneous	206,150	-	-	-	614	206,764
Total revenues	4,833,060	3,701,063	504,375	-	2,606,977	11,645,475
Expenditures						
Current:						
General government	1,152,675	-	-	-	29,057	1,181,732
Public safety	2,457,289	-	-	-	36,033	2,493,322
Public works	698,506	122	-	-	30,150	728,778
Health and welfare	45,571	-	-	-	7,892	53,463
Culture and recreation	285,776	-	-	-	195,684	481,460
Capital outlay	579,779	3,689,168	-	-	1,038,358	5,307,305
Debt Service:						
Principal	166,292	-	2,067,493	-	41,201	2,274,986
Interest	9,753	-	84,798	-	10,208	104,759
Other debt service costs	-	-	54,134	-	-	54,134
Total Expenditures	5,395,641	3,689,290	2,206,425	-	1,388,583	12,679,939
Excess (deficiency) of revenues over expenditures	(562,581)	11,773	(1,702,050)	-	1,218,394	(1,034,464)
Other Financing Sources (Uses)						
Debt proceeds	-	-	5,113,345	-	-	5,113,345
Transfers in	296,682	-	-	-	-	296,682
Transfers out	-	-	-	-	(1,361,194)	(1,361,194)
Total other financing sources and uses	296,682	-	5,113,345	-	(1,361,194)	4,048,833
Change in fund balance	(265,899)	11,773	3,411,295	-	(142,800)	3,014,369
Fund balances - beginning, as previously reported	6,680,822	183,049	1,175,062	(84,864)	643,549	8,597,618
Prior period adjustment	(101,676)	-	-	-	(133,304)	(234,980)
Fund balances - beginning, as restated	6,579,146	183,049	1,175,062	(84,864)	510,245	8,362,638
Fund balances - ending	\$ 6,313,247	\$ 194,822	\$ 4,586,357	\$ (84,864)	\$ 367,445	11,377,007

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, 2015

EXHIBIT D-1

Net Change in Fund Balance - Total Governmental Funds (Exhibit D) \$ 3,014,369

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the useful lives and reported as depreciation expense. This is the amount by which capital outlay in the amount of \$5,307,305 exceeded depreciation of \$1,464,978 in the current period.

3,842,327

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. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$5,113,345 exceeded debt repayments of \$2,274,986.

(2,838,359)

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.

(92,325)

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.

Increase in compensated absences

(9,139)

Decrease in accrued interest payable

29,155

Increase in amortization of premium

46,824

Increase in deferred amounts on refunding

(36,016)

Pension expense and other related activity do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.

Pension expense

(311,434)

Contributions after the measurement date

88,309

Change in net position of governmental activities (Exhibit B)

\$ 3,733,711

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015

EXHIBIT E

	<u>Water/Sewer & Gas Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 2,285,509
Investments	113,650
Accounts receivable, net	358,608
Due from other funds	282,479
Due from other governments	10,444
Inventory	11,927
Prepaid expenses	8,412
Restricted assets:	
Restricted cash	405,928
Total current assets	<u>3,476,957</u>
Noncurrent Assets:	
Capital assets:	
Land	76,182
Buildings	50,204
Improvements other than buildings	134,880
Infrastructure	95,983,012
Machinery and equipment	107,561
Less: Accumulated depreciation	<u>(18,762,503)</u>
Total noncurrent assets	<u>77,589,336</u>
Total assets	<u>81,066,293</u>
Deferred Outflows of Resources	
Deferred amounts on refunding	84,741
Deferred amounts on pension	126,627
Total deferred outflows of resources	<u>211,368</u>
Liabilities	
Current Liabilities:	
Accounts payable	235,463
Wages payable	4,430
Interest payable	7,973
Due to other funds	375,466
Due to other governments	4,016
Bonds payable	215,461
Payable from restricted assets:	
Customer deposits	405,928
Total current liabilities	<u>1,248,737</u>
Noncurrent Liabilities:	
Net pension liability	751,489
Bonds payable	1,513,738
Compensated absences	6,984
Total noncurrent liabilities	<u>2,272,211</u>
Total liabilities	<u>3,520,948</u>
Deferred Inflows of Resources	
Deferred amounts on pension	20,871
Total deferred inflows of resources	<u>20,871</u>
Net Position	
Net investment in capital assets	75,923,329
Unrestricted	1,812,513
Total net position	<u>\$ 77,735,842</u>

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

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015

EXHIBIT F

	<u>Water/Sewer & Gas Fund</u>
REVENUES	
Charges for services	\$ 3,183,585
Intergovernmental revenue	8,064
Miscellaneous operating revenue	<u>85,153</u>
Total operating revenues	<u>3,276,802</u>
 OPERATING EXPENSES	
Personnel services	469,513
Contractual services	981,607
Materials and supplies	84,091
Repairs and maintenance	345,365
Other services and charges	40,710
Gas purchases	67,448
Depreciation	<u>2,824,857</u>
Total operating expenses	<u>4,813,591</u>
Operating income (loss)	<u>(1,536,789)</u>
 NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	1,611
Interest expense	<u>(122,414)</u>
Total non-operating revenue (expenses)	<u>(120,803)</u>
Income (loss) before transfers	<u>(1,657,592)</u>
 Transfers in	1,361,194
Transfers out	<u>(296,682)</u>
Total transfers in (out)	<u>1,064,512</u>
 Change in net position	(593,080)
 Total net position - beginning as previously reported	79,105,363
Prior Period Adjustment	<u>(776,441)</u>
Total net position - beginning as restated	<u>78,328,922</u>
Total net position- ending	<u>\$ 77,735,842</u>

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

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT G

	Water/Sewer & Gas Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,268,236
Receipts from other governments	7,661
Payments to employees	(472,547)
Payments to suppliers	(148,925)
Payments for contractual services	(901,160)
Payments for other services and charges	(40,710)
Payments for repairs and maintenance	(345,365)
Net cash provided by operating activities	<u>1,367,190</u>
Cash Flows from Noncapital Financing Activities	
Transfers in	1,361,194
Transfers out	(296,682)
Cash Flows From Capital and Related Financing Activities	
Principal payments on debt	(214,538)
Acquisition of capital assets	(1,537,824)
Interest expense	(142,678)
Net cash used by financing activities	<u>(830,528)</u>
Cash Flows From Investing Activities	
Interest received	<u>1,569</u>
Net cash provided by investing activities	<u>1,569</u>
Net increase in cash	538,231
Cash	
Beginning of year	<u>2,153,206</u>
End of year	<u><u>\$ 2,691,437</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (1,536,789)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,824,857
(Increase) decrease in current assets:	
Accounts receivable	4,659
Due from other funds	(131,832)
Due from other governments	(403)
Prepaid expenses	23,409
Inventory	6,234
Increase (decrease) in liabilities:	
Accounts payable	27,976
Wages payable	1,792
Compensated absences	1,503
Due to other funds	142,033
Due to other governments	(24,428)
Net pension liability	33,340
Customer deposits	(5,161)
Net cash provided by operating activities	<u>\$ 1,367,190</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position	
	Current assets
Cash and cash equivalents - October 1	\$ 1,647,225
Net increase/(decrease)	638,284
Cash and cash equivalents - September 30	<u>\$ 2,285,509</u>

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

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
SEPTEMBER 30, 2015

EXHIBIT H

	Agency Funds		
	Unemployment Compensation Fund	Payroll Clearing Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 371,935	\$ 371,935
Investments	20,025	-	20,025
Due from other governments	12,825	1,236	14,061
Total assets	<u>\$ 32,850</u>	<u>\$ 373,171</u>	<u>\$ 406,021</u>
LIABILITIES			
Assets held in trust	\$ 26,117	\$ -	\$ 26,117
Other payables	-	194,346	194,346
Due to other governments	6,733	178,825	185,558
Total liabilities	<u>\$ 32,850</u>	<u>\$ 373,171</u>	<u>\$ 406,021</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 1: Summary of Significant Accounting Policies

I. Introduction

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

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

II. Basis of Presentation

A. Financial Reporting Entity

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Component units are reported as either "blended" or "discretely disclosed." Blended component units, although legally separate entities are, in substance, part of a City's operations, and so data from these units are combined with data of the primary government. Based upon application of these criteria, it is determined that the City does not have any component units that are included in the financial statements as of September 30, 2015.

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 that are not included in the City's reporting entity.

B. Basis of Accounting and Measurement Focus

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

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements:

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

Amounts reported as *program revenue* in the government-wide financial statements include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program specific revenues. Accordingly, general revenues include all taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and gas function and various other programs of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

Fund Financial Statements:

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

The City reports the following major governmental funds:

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

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

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

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

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

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of pages 15 and 17, and shown in the combining statements on pages 55-56.

Additionally, the City reports the following governmental fund types:

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

Proprietary Fund:

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

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

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

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

Fiduciary Funds:

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

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

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, 2015

Note 1: Summary of Significant Accounting Policies (continued)

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

The following schedule details those thresholds:

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 10 for additional detail.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Long-term Liabilities

Long-term or noncurrent liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general or special obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net position. See Note 7 for more details.

K. Interfund Transactions and Balances

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

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

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

See Note 5 for details for interfund transactions, including receivables and payables at year-end.

L. 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.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

M. 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.

N. Compensated Absences

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

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

O. Equity Classifications

Government-wide Financial Statements:

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

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

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

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets"

Governmental Fund Financial Statements:

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact

Restricted—Amounts that can be spent only for specific purposes because of a City charter, City code, state or federal laws, or externally imposed conditions by grantors or creditors

Committed—Amounts that can be used only for specific purposes determined by a formal action by City ordinance or resolution which includes the budget reserve account

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

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 (L), 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 \$49,542 for prepaid insurance and other expenditures and an unassigned fund balance of \$6,263,705 at September 30, 2015.

Other Major Funds

The City has the following other major funds: hazard mitigation fund with a restricted fund balance for public works of \$194,822, and the debt service fund with a restricted fund balance of \$4,586,357 for debt payments of principal and interest.

Other Funds

The Library Fund has a nonspendable fund balance for prepaid insurance in the amount of \$6,512. The following non-major funds have a restricted fund balance designated for specific purposes:

Restricted Donation Fund	\$ 26,332
Tidelands Grant Fund	3,095
NTF Police Seizure Fund	44,351
USACE Grant Fund	19,597
Katrina Disaster Fund	236,309
	<hr/>
	\$ 329,684

The Library Fund has a committed fund balance of \$40,048 and the Reserved Fund has a committed fund balance of \$148,517 as of September 30, 2015.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

P. 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: Prior Period Adjustments/Restatement

A summary of the significant fund equity adjustment is as follows:

Statement of Activities-Primary Government

<u>Explanation</u>	<u>Governmental</u>	<u>Business-type</u>
Record prior period grant activity	(234,980)	(164,048)
Implementation of GASB Statement No. 68 and 71:		
Net pension liability (measurement date)	\$ (3,949,095)	\$ (590,095)
Deferred outflows from amounts on pensions	347,477	51,922
Deferred inflows from amounts on pensions	(574,662)	(85,869)
Contributions made subsequent to the measurement date (July 1, 2014 - Sept. 30, 2014)	77,957	11,649
Total prior period adjustments	<u>\$ (4,333,303)</u>	<u>\$ (776,441)</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

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	\$ 2,981,267	\$ 1,800	\$ -	\$ 175	\$ 2,983,242
Debt Service Fund	-	-	4,086,790	-	4,086,790
Capital Projects Fund	-	-	-	-	-
Other governmental funds	511,723	19,540	100,438	-	631,701
Total governmental activities	3,492,990	21,340	4,187,228	175	7,701,733
Fiduciary Funds	-	371,935	-	-	371,935
Business-type Activities					
Utility Fund	59,000	2,225,909	405,928	600	2,691,437
Total cash and cash equivalents	\$ 3,551,990	\$ 2,619,184	\$ 4,593,156	\$ 775	\$ 10,765,105

The carrying amount of the City's deposits with financial institutions was \$10,764,330 for all cash excluding cash on hand of \$775, and the bank balance was \$10,817,489.

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, 2015, none of the City's bank balance was exposed to credit risk.

(B) Investments

At September 30, 2015, the City had investments in certificate of deposits of \$232,296 in the general fund, \$113,650 in the water, sewer and gas fund, and \$20,025 in the unemployment compensation fund.

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

Note 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, 2015

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, 2015 was 32 mills or \$32.00 per \$1,000 of assessed valuation.

The assessed valuations of the City for the year ended September 30, 2015 are as follows:

Real property	\$ 53,457,205
Personal property	4,557,922
Public utilities	1,189,456
Automobiles	6,716,849
Mobile homes	53,166
Total assessment	65,974,598
Special exemption homestead	(4,085,262)
Net assessment	<u>\$ 61,889,336</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 \$2,305,186 of sales tax revenue which increased approximately 4.2% in comparison to the prior fiscal year.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 4: Revenues (continued)

(C) Intergovernmental receivable

Amounts due from other governments as reported in the governmental fund financial statements consisted of the following as of September 30, 2015:

	General Fund	Hazard Mitigation Grant Fund	Other Governmental Funds	Total
RSVP	\$ 7,463	\$ -	\$ -	\$ 7,463
Police grants	17,022	-	-	17,022
FEMA-HZMT - Drainage Improvements	-	2,449,891	-	2,449,891
FEMA-HZMT - Police Station	-	140,184	-	140,184
MDA	-	-	153,527	153,527
FEMA-PA - Pier	-	-	763,311	763,311
MEMA-PA -Pier	-	-	127,218	127,218
MEMA-PA - Other Isaac Projects	-	-	23,939	23,939
	<u>\$ 24,485</u>	<u>\$ 2,590,075</u>	<u>\$ 1,067,995</u>	<u>\$ 3,682,555</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, 2015:

Water and sewer utility charges billed but uncollected	\$ 651,100
Water and sewer utility charges accrued but unbilled at year-end	130,981
Less: Allowance for uncollectible accounts	(423,473)
Utility accounts receivable	<u>\$ 358,608</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 5: Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

(A) Due To/From:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
Governmental activities:		
General Fund	\$ 598,302	\$ 3,450,506
Hazard Mitigation Fund	2,172,472	310,720
Debt Service Fund	-	499,567
Capital Projects Fund	84,864	-
Other Governmental Funds	1,836,995	524,827
Total governmental activities	<u>4,692,633</u>	<u>4,785,620</u>
Business type activities:		
Water, Sewer & Gas Fund	375,466	282,479
	<u>\$ 5,068,099</u>	<u>\$ 5,068,099</u>

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

(B) Transfers In/Out:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
Governmental activities:		
General Fund	\$ -	\$ 296,682
USACE Grant Fund	950,198	-
CDBG Grant Fund	410,996	-
Total governmental activities	<u>1,361,194</u>	<u>296,682</u>
Business type activities		
Water, Sewer & Gas Fund	296,682	1,361,194
Total business type activities	<u>\$ 1,657,876</u>	<u>\$ 1,657,876</u>

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

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 6: Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Sales/Transfers Adjustments	Balance Sept. 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,982,481	\$ -	\$ -	\$ 2,982,481
Construction in progress	5,629,900	5,294,671	(3,121,541)	7,803,030
Total capital assets not being depreciated	8,612,381	5,294,671	(3,121,541)	10,785,511
Capital assets being depreciated:				
Buildings	18,382,683	-	-	18,382,683
Machinery and equipment	3,434,980	-	-	3,434,980
Furniture and office equipment	909,417	6,134	-	915,551
Improvements other than Buildings	8,213,922	-	2,083,308	10,297,230
Infrastructure	9,379,481	-	1,038,233	10,417,714
Vehicles/mobile equipment	1,459,868	6,500	-	1,466,368
Total capital assets being depreciated	41,780,351	12,634	3,121,541	44,914,526
Less accumulated depreciation:				
Buildings	1,191,349	367,660	-	1,559,009
Machinery and equipment	1,935,938	289,875	-	2,225,813
Furniture and office equipment	572,643	89,037	-	661,680
Improvements other than Buildings	1,482,412	411,908	-	1,894,320
Infrastructure	1,146,072	304,162	-	1,450,234
Vehicles/mobile equipment	1,309,221	2,336	-	1,311,557
Total accumulated depreciation	7,637,635	1,464,978	-	9,102,613
Total capital assets being depreciated, net	34,142,716	(1,452,344)	3,121,541	35,811,913
Governmental activities capital assets, net	\$ 42,755,097	\$ 3,842,327	\$ -	\$ 46,597,424

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

General government	\$ 187,134
Public safety	371,815
Public works	482,719
Culture & recreation	376,445
Economic development	46,865
	<u>\$ 1,464,978</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 6: Capital Assets (continued)

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

	Balance Oct. 1, 2014	Additions	Sales/Transfers Adjustments	Balance Sept. 30, 2015
Business - type activities:				
Capital assets not being depreciated:				
Land	\$ 76,182	\$ -	\$ -	\$ 76,182
Construction in progress	8,152,332	1,491,910	(9,644,242)	-
Total capital assets not being depreciated	8,228,514	1,491,910	(9,644,242)	76,182
Capital assets being depreciated:				
Buildings	-	-	50,204	50,204
Machinery and equipment	61,647	45,914	-	107,561
Improvements other than buildings	134,880	-	-	134,880
Infrastructure	86,388,974	-	9,594,038	95,983,012
Total capital assets being depreciated	86,585,501	45,914	9,644,242	96,275,657
Less accumulated depreciation:				
Buildings	-	1,004	-	1,004
Machinery and equipment	26,430	15,777	-	42,207
Improvements other than buildings	5,396	5,396	-	10,792
Infrastructure	15,905,820	2,802,680	-	18,708,500
Total accumulated depreciation	15,937,646	2,824,857	-	18,762,503
Total capital assets being depreciated, net	70,647,855	(2,778,943)	9,644,242	77,513,154
Business - type activities capital assets, net	<u>\$ 78,876,369</u>	<u>\$ (1,287,033)</u>	<u>\$ -</u>	<u>\$ 77,589,336</u>

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

Business -- type activities:	
Water, sewer and gas	\$ 2,824,857

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 7: Long Term Debt

The following is a schedule of the long term debt of the City as of September 30, 2015:

Description	Date of Issue	Final Maturity Date	Interest Rates	Original Issue	Amount Outstanding
<u>Governmental Activities:</u>					
A. General obligation bonds					
Refunding Series, 2012	8/28/2012	11/1/2020	1.0-1.13%	\$ 2,097,800	\$ 2,016,200
Plus: bond premium				33,398	18,554
Less: deferred amount on bond refunding				324,141	180,077
				<u>1,807,057</u>	<u>1,854,677</u>
Series, 2013	1/25/2013	12/1/2022	1.63%	1,500,000	1,235,000
Series, 2015	7/8/2015	7/1/2030	2.63%	2,000,000	2,000,000
Total general obligation bonds				<u>\$ 5,307,057</u>	<u>\$ 5,089,677</u>
B. Note Payable					
Hancock Bank-grant anticipation note	11/14/2013	12/31/2015	1.80%	\$ 7,924,011	\$ 2,016,652
C. Capital leases					
Hancock Bank	6/20/2006	6/20/2016	4.16%	\$ 580,922	\$ 52,419
Hancock Bank	11/2/2006	11/2/2016	3.87%	433,763	55,483
Hancock Bank	12/13/2013	9/15/2023	2.49%	452,853	368,769
Hancock Bank	1/24/2014	1/24/2019	2.10%	115,170	78,114
Hancock Bank	8/13/2014	8/13/2017	1.39%	76,639	49,331
Total capital leases				<u>\$ 1,659,347</u>	<u>\$ 604,116</u>
<u>Business-type Activities:</u>					
A. Revenue bonds					
1992 USDA Rural Development Combined, Water, Gas and Sewer System Revenue Bonds	12/17/1992	12/17/2027	5.50%	\$ 1,350,200	\$ 758,850
Plus: bond premium				28,469	12,816
Total revenue bonds				<u>\$ 1,378,669</u>	<u>\$ 771,666</u>
B. General obligation bonds					
Refunding Series, 2012	8/28/2012	11/1/2020	1.0-2.13%	\$ 987,200	\$ 948,800
Plus: bond premium				15,717	8,733
Less: deferred amount on refunding				152,537	84,741
Total general obligation bonds				<u>\$ 850,380</u>	<u>\$ 872,792</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 7: Long Term Debt (continued)

Changes in long term debt during the year ended September 30, 2015 are as follows:

	Payable October 1,	Additions	Reductions	Payable September 30,	Due in one year
Governmental Activities					
General obligation bonds	\$ 3,437,200	\$ 2,000,000	\$ 186,000	\$ 5,251,200	\$ 603,600
Special obligation bonds	292,400	-	292,400	-	-
Notes payable	492,400	3,113,345	1,589,093	2,016,652	2,016,652
Capital leases payable	811,609	-	207,493	604,116	193,893
Compensated absences	71,129	9,139	-	80,268	-
	<u>5,104,738</u>	<u>5,122,484</u>	<u>2,274,986</u>	<u>7,952,236</u>	<u>2,814,145</u>
Plus: Bond premium	65,378	-	46,824	18,554	-
Less: deferred gain on refunding	216,093	-	36,016	180,077	-
Total governmental activities	<u>\$ 4,954,023</u>	<u>\$ 5,122,484</u>	<u>\$ 2,285,794</u>	<u>\$ 7,790,713</u>	<u>\$ 2,814,145</u>
Business - type Activities					
Revenue bonds	\$ 805,280	\$ -	\$ 46,430	\$ 758,850	\$ 49,061
Special obligation bonds	137,600	-	137,600	-	-
General obligation bonds	972,800	-	24,000	948,800	166,400
Compensated absences	5,481	1,503	-	6,984	-
	<u>1,921,161</u>	<u>1,503</u>	<u>208,030</u>	<u>1,714,634</u>	<u>215,461</u>
Plus: Bond premium	45,006	-	23,457	21,549	-
Less: deferred gain on refunding	101,690	-	16,949	84,741	-
Total business - type activities	<u>\$ 1,864,477</u>	<u>\$ 1,503</u>	<u>\$ 214,538</u>	<u>\$ 1,651,442</u>	<u>\$ 215,461</u>

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

Special Obligation Bonds - The City issued special obligation bonds with the Mississippi Development Bank in 2004 for public improvements. The proceeds of this bond issue were split between the various funds with \$3,604,000 being allocated to governmental activities and \$1,696,000 to the water and sewer enterprise fund. The City partially refunded these bonds in August 2012 and fully refunded them in November 2014.

Note Payable - In November 2013, the City obtained a grant anticipation note from Hancock Bank in the amount of \$7,924,011 for the Jeff Davis and Gulfside drainage projects. As of September 30, 2015, the City has drawn \$2,016,652 as an advance of any of these funds. This note bears interest of 1.8% and matures December 31, 2015.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 7: Long Term Debt (continued)

Debt service requirements on long term debt at September 30, 2015 are as follows:

Governmental Activities					
Year ending September 30,	General obligation bonds		Notes		Total
	Principal	Interest	Principal	Interest	
2016	\$ 603,600	\$ 107,538	\$ 2,016,562	\$ 14,963	\$ 2,742,663
2017	617,000	96,247	-	-	713,247
2018	632,200	83,589	-	-	715,789
2019	616,800	70,992	-	-	687,792
2020	598,000	58,666	-	-	656,666
2021-2025	1,423,600	167,726			1,591,326
2026-2030	760,000	60,768	-	-	820,768
	<u>\$ 5,251,200</u>	<u>\$ 645,526</u>	<u>\$ 2,016,562</u>	<u>\$ 14,963</u>	<u>\$ 7,928,251</u>

Business-type Activities					
Year ending September 30,	Revenue bonds		General obligation bonds		Total
	Principal	Interest	Principal	Interest	
2016	\$ 49,061	\$ 40,511	\$ 166,400	\$ 17,470	\$ 273,442
2017	51,828	37,744	168,000	14,126	271,698
2018	54,752	34,820	172,800	10,718	273,090
2019	57,840	31,732	163,200	7,358	260,130
2020	61,103	32,492	152,000	4,206	249,801
2021-2025	361,280	86,591	126,400	1,343	575,614
2026-2028	122,986	5,180	-	-	128,166
	<u>\$ 758,850</u>	<u>\$ 269,070</u>	<u>\$ 948,800</u>	<u>\$ 55,221</u>	<u>\$ 2,031,941</u>

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 \$9,283,400. At September 30, 2015, the City's legal debt margin, after reduction for outstanding general obligation bonds of \$6,200,000, was \$3,083,400. Thus, the amount of outstanding debt, at September 30, 2015, was equal to 10.0% 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, 2015

Note 7: Long Term Debt (continued)

The following is a schedule of leased assets:

	<u>Governmental Activities</u>
Vehicles	\$ 2,203,256
Less: accumulated depreciation	<u>1,324,381</u>
	<u>\$ 878,875</u>

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

<u>Year ended September 30,</u>	<u>Total</u>
2016	\$ 207,343
2017	104,331
2018	75,693
2019	59,504
2020	51,409
2021-2023	<u>154,226</u>
Total minimum lease payments	652,506
Less: amount representing interest	<u>(48,390)</u>
Present value of future minimum lease payments	<u>\$ 604,116</u>

Note 8: Restricted Net Position

The following is a schedule of the restricted net position for the City as of September 30, 2015:

	<u>Governmental Activities</u>
Restricted Assets	
Debt service funds	\$ 4,586,357
Public safety-seizure funds	280,660
Public works projects	214,419
Culture and recreation projects	3,095
Restricted donations-culture and recreation	<u>26,332</u>
Total restricted accounts	5,110,863
Liabilities payable from restricted assets	
Accrued interest-debt service	<u>(44,092)</u>
Restricted net position	<u>\$ 5,066,771</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 8: Restricted Net Position (continued)

Business-type Activities

The restricted net position for the City as of September 30, 2015 was \$0.

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, 2015 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

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plan (continued)

before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions

At September 30, 2015, PERS members are required to contribute 9.00% of their annual covered salary, and the employer is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015, was 15.75% of annual covered payroll. 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 (employer share only) to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$381,578, \$351,789 and \$278,435, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$5,029,195 in the governmental activities and \$751,489 in the business-type activities for a total of \$5,780,684 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was .0373 percent which is a decrease of 0.002% from its proportion measured at June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense for governmental activities of \$311,434 and \$82,723 for business-type activities. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plan (continued)

	Deferred Outflows of Resources		
	Governmental	Business-Type	Total
	Activities	Activities	
Differences between expected and actual experience	\$ 39,445	\$ 5,894	\$ 45,339
Net difference between projected and actual earnings on pension plan investments	77,397	11,565	88,962
Changes of assumptions	433,248	64,738	497,986
Changes in proportion and differences between City contributions and proportionate share on contributions	209,024	31,234	240,258
City's contributions subsequent to the measurement date	88,309	13,196	101,505
Total deferred outflows related to pensions	<u>\$ 847,423</u>	<u>\$ 126,627</u>	<u>\$ 974,050</u>

	Deferred Inflows of Resources		
	Governmental	Business-Type	Total
	Activities	Activities	
Differences between expected and actual experience	\$ 429,338	\$ 64,154	\$ 493,492
Net difference between projected and actual earnings on pension plan investments	(294,262)	(43,970)	(338,232)
Changes of assumptions	-	-	-
Changes in proportion and differences between City contributions and proportionate share on contributions	4,601	687	5,288
City's contributions subsequent to the measurement date	-	-	-
Total deferred inflows related to pensions	<u>\$ 139,677</u>	<u>\$ 20,871</u>	<u>\$ 160,548</u>

Within the deferred outflows and inflows, a net amount of \$101,505 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflow of resource and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016	\$ 247,723
2017	242,120
2018	137,597
2019	84,557
	<u>\$ 711,997</u>

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plan (continued)

Actuarial assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.5 percent

Salary increases 4.25-19.50 percent, including inflation

Investment rate of return 8.00 percent, (net of pension plan investment expense, including inflation)

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on the PERS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of the plans investment expense and the assumed rate of inflation) were developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	<u>1.00</u>	<u>(0.50)</u>
Total	<u>100.00 %</u>	

Discount rate

The discount rate used to measure the total pension liability for PERS was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 10: Defined Benefit Pension Plan (continued)

position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following table presents the City's proportionate share of the PERS net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 7,619,471	\$ 5,780,684	\$ 4,254,835

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which can be obtained at www.pers.ms.gov.

Note 11: Commitment and Contingencies

(A) Litigation and Contingencies

As of September 30, 2015, the City has received three pay applications with a total cost of over \$500,000 from the contractor for work performed on the police department that has not been paid by the City due to construction deficiencies noted on this project. As of the date of this report, the City is diligently attempting to resolve the construction deficiencies noted with the contractor, the performance bonding company, and federal granting agencies to complete this project. These federal expenditures and related grant receivables have not been recorded on the financial statements due to the uncertainty of the outcome of any settlement or corrective action taken. Accordingly, these federal expenditures have also been omitted from the Schedule of Expenditures of Federal Awards.

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

B) Grants and Awards

The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds of the City.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 11: Commitment and Contingencies (continued)

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

(C) Construction Contracts

As of September 30, 2015, 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 9/30/15	Remaining commitment
Police Station	\$ 3,229,688	\$ 4,268,610
Drainage Improvements	4,563,741	2,416,359
Ground Zero Museum Exhibit	9,600	111,976
	<u>\$ 7,803,029</u>	<u>\$ 6,796,945</u>

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.

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 13: Joint Ventures (continued)

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 \$685,544 for the year. A fee has been added to rates charged by the Utility Authority as an assessment for the City's allocated share of the operations and maintenance costs of the Utility Authority.

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

Future minimum lease payments are as follows:

	<u>Amount</u>
2016	\$ 14,472
2017	14,472
2018	14,472
2019	14,472
2020	14,472
thereafter	57,888
	<u>\$ 130,248</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.

Complete financial statements can be obtained from 401 Gulfside Street, Waveland, Mississippi.

(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, 2015, the City paid \$255,892 for solid waste services which are included in the business-type activities as contractual services. The City is jointly and severally liable for all of the liabilities of the Authority.

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

CITY OF WAVELAND, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2015

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 require disclosure in the accompanying notes.

Management of the City of Waveland, Mississippi evaluated the activity of the City through August 26, 2016 (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:

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (with Budget to GAAP Differences)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 1,446,077	\$ 1,348,431	\$ 1,348,431	\$ -
Sales tax	2,150,000	2,305,499	2,305,497	(2)
Franchise tax	222,250	244,845	244,844	(1)
Licenses and permits	93,450	174,524	174,738	214
Intergovernmental	217,962	311,958	311,960	2
Fines and forfeits	221,200	214,369	214,369	-
Interest	3,000	6,647	6,647	-
Lease revenue	40,886	57,383	57,383	-
Miscellaneous	12,500	185,190	184,977	(213)
Total revenues	<u>4,407,325</u>	<u>4,848,846</u>	<u>4,848,846</u>	<u>-</u>
EXPENDITURES				
General government	1,290,343	1,298,760	1,298,759	1
Public safety	2,242,264	2,274,867	2,275,115	(248)
Public works	698,616	742,004	742,003	1
Health and welfare	97,754	82,617	82,617	-
Culture and recreation	222,969	255,275	255,275	-
Debt Service:				
Principal	133,543	166,598	166,598	-
Interest and other charges	18,430	9,447	9,447	-
Total expenditures	<u>4,703,919</u>	<u>4,829,568</u>	<u>4,829,814</u>	<u>(246)</u>
Excess (deficiency) of revenues over expenditures	<u>(296,594)</u>	<u>19,278</u>	<u>19,032</u>	<u>(246)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	25,198	25,198	-
Transfers in	296,594	296,682	296,682	-
Total other financing sources and uses	<u>296,594</u>	<u>321,880</u>	<u>321,880</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 341,158</u>	<u>340,912</u>	<u>\$ (246)</u>
Fund balance - October 1 - GAAP basis, restated			6,680,822	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balances at beginning of year				
Changes in revenue and receivables			(40,984)	
Change in expenditures and accrued expenses			(667,503)	
Fund balance - September 30 - GAAP basis			<u>\$ 6,313,247</u>	

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

CITY OF WAVELAND, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (with Budget to GAAP Differences)
HAZARD MITIGATION GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 7,571,981	\$ 1,638,638	\$ 1,638,638	\$ -
Total revenues	<u>7,571,981</u>	<u>1,638,638</u>	<u>1,638,638</u>	<u>-</u>
EXPENDITURES				
General government	-	15,016	15,016	-
Public safety	591,881	-	-	-
Public works	6,980,100	3,288,764	3,288,764	-
Total expenditures	<u>7,571,981</u>	<u>3,303,780</u>	<u>3,303,780</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (1,665,142)</u>	<u>(1,665,142)</u>	<u>\$ -</u>
 Fund balance - October 1 - GAAP basis, restated			183,049	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balances at beginning of year				
Changes in revenue and receivables			2,062,425	
Change in expenditures and accrued expenses			<u>(385,510)</u>	
Fund balance - September 30 - GAAP basis			<u>\$ 194,822</u>	

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

City of Waveland, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.035%	0.037%
City's proportionate share of the net pension liability	\$ 5,780,684	N/A
City's covered-employee payroll	\$ 2,383,441	2,214,108
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	242.54%	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available. The information presented in this schedule has been determined as of the measurement date in accordance with GASB Statement No. 68.

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

City of Waveland, Mississippi
Schedule of City's Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 381,578
Contributions in relation to the contractually required contribution	<u>381,578</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 2,422,717
Contributions as a percentage of covered-employee payroll	15.75%

*

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF WAVELAND
Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

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.

Note 2: Pension Schedule:

Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WAVELAND, MISSISSIPPI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Restricted Donation Fund	Reserved Fund	Library Fund	Tidelands Grant Fund	NTF Police Seizure Fund	Fire Purposes Fund	USACE Grant Fund	CDBG Grant Fund	Katrina Disaster Fund	Hurricane Isaac Grant Fund	Total Other Governmental Funds
Assets											
Cash	\$ -	\$ 104,711	\$ 37,769	\$ 136,049	\$ -	\$ -	\$ -	\$ 19,540	\$ 233,193	\$ -	\$ 531,262
Taxes receivable, net	-	-	185,667	-	-	-	-	-	-	-	185,667
Intergovernmental receivables	-	-	-	-	-	-	-	153,527	-	914,468	1,067,995
Due from other funds	-	47,141	2,399	3,095	-	-	336,856	119,351	15,958	27	524,827
Prepaid expenses	-	-	6,512	-	-	-	-	-	-	-	6,512
Restricted assets:											
Cash	26,332	-	-	-	56,071	18,035	-	-	-	-	100,438
Total assets	<u>26,332</u>	<u>151,852</u>	<u>232,347</u>	<u>139,144</u>	<u>56,071</u>	<u>18,035</u>	<u>336,856</u>	<u>292,418</u>	<u>249,151</u>	<u>914,495</u>	<u>2,416,701</u>
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	-	-	-	1,100	9,747	-	-	7,944	5,157	2,495	26,443
Wages payable	-	-	-	-	-	-	-	-	151	-	151
Due to other funds	-	3,335	120	134,949	1,973	52,160	317,259	306,731	7,534	1,012,934	1,836,995
Total liabilities	<u>-</u>	<u>3,335</u>	<u>120</u>	<u>136,049</u>	<u>11,720</u>	<u>52,160</u>	<u>317,259</u>	<u>314,675</u>	<u>12,842</u>	<u>1,015,429</u>	<u>1,863,589</u>
Deferred Inflows of Resources											
Deferred property tax revenue	-	-	185,667	-	-	-	-	-	-	-	185,667
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>185,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,667</u>
Fund Balances:											
Nonspendable:	-	-	6,512	-	-	-	-	-	-	-	6,512
Restricted, reported in non-major:											
Public safety	-	-	-	-	44,351	-	-	-	236,309	-	280,660
Culture and recreation	26,332	-	-	3,095	-	-	-	-	-	-	29,427
Public works	-	-	-	-	-	-	19,597	-	-	-	19,597
Committed for:											
Culture and recreation	-	-	40,048	-	-	-	-	-	-	-	40,048
Other purposes	-	148,517	-	-	-	-	-	-	-	-	148,517
Unassigned:	-	-	-	-	-	(34,125)	-	(22,257)	-	(100,934)	(157,316)
Total fund balances	<u>26,332</u>	<u>148,517</u>	<u>46,560</u>	<u>3,095</u>	<u>44,351</u>	<u>(34,125)</u>	<u>19,597</u>	<u>(22,257)</u>	<u>236,309</u>	<u>(100,934)</u>	<u>367,445</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,332</u>	<u>\$ 151,852</u>	<u>\$ 232,347</u>	<u>\$ 139,144</u>	<u>\$ 56,071</u>	<u>\$ 18,035</u>	<u>\$ 336,856</u>	<u>\$ 292,418</u>	<u>\$ 249,151</u>	<u>\$ 914,495</u>	<u>\$ 2,416,701</u>

CITY OF WAVELAND, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Restricted Donation Fund	Reserved Fund	Library Fund	Tidelands Grant Fund	NTF Police Seizure Fund	Fire Purposes Fund	USACE Grant Fund	CDBG Grant Fund	Katrina Disaster Fund	Hurricane Isaac Grant Fund	Total Other Governmental Funds
Revenues											
Taxes	\$ -	\$ -	\$ 168,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,384
Intergovernmental	-	-	-	4,525	-	52,054	950,198	506,233	10,377	914,468	2,437,655
Interest	-	-	-	-	124	-	-	-	-	-	124
Miscellaneous	614	-	-	-	-	-	-	-	-	-	614
Total revenues	614	-	168,384	4,525	124	52,054	950,198	506,233	10,377	914,468	2,606,977
Expenditures											
Current:											
General government	-	14,730	-	-	-	-	-	-	14,327	-	29,057
Public safety	-	-	-	-	34,360	1,673	-	-	-	-	36,033
Public works	-	30,150	-	-	-	-	-	-	-	-	30,150
Health and welfare	7,892	-	-	-	-	-	-	-	-	-	7,892
Culture and recreation	727	15,636	177,121	2,200	-	-	-	-	-	-	195,684
Capital outlay	-	-	-	4,050	-	-	-	88,880	10,145	935,283	1,038,358
Debt Service:											
Principal	-	-	-	-	-	41,201	-	-	-	-	41,201
Interest	-	-	-	-	-	10,208	-	-	-	-	10,208
Total expenditures	8,619	60,516	177,121	6,250	34,360	53,082	-	88,880	24,472	935,283	1,388,583
Excess (deficiency) of revenues over expenditures	(8,005)	(60,516)	(8,737)	(1,725)	(34,236)	(1,028)	950,198	417,353	(14,095)	(20,815)	1,218,394
Other Financing Sources (Uses)											
Transfers out	-	-	-	-	-	-	(950,198)	(410,996)	-	-	(1,361,194)
Total other financing sources (uses)	-	-	-	-	-	-	(950,198)	(410,996)	-	-	(1,361,194)
Change in fund balance	(8,005)	(60,516)	(8,737)	(1,725)	(34,236)	(1,028)	-	6,357	(14,095)	(20,815)	(142,800)
Fund balances - beginning, as previously reported	34,337	209,033	55,297	139,769	78,587	(33,097)	19,597	(19,321)	239,466	(80,119)	643,549
Prior period adjustment	-	-	-	(134,949)	-	-	-	(9,293)	10,938	-	(133,304)
Fund balances - beginning, as restated	34,337	209,033	55,297	4,820	78,587	(33,097)	19,597	(28,614)	250,404	(80,119)	510,245
Fund balances - ending	\$ 26,332	\$ 148,517	\$ 46,560	\$ 3,095	\$ 44,351	\$ (34,125)	\$ 19,597	\$ (22,257)	\$ 236,309	\$ (100,934)	\$ 367,445

CITY OF WAVELAND, MISSISSIPPI**Schedule of Surety Bonds****September 30, 2015**

<u>Position</u>	<u>Employee</u>	<u>Amount</u>
Mayor	Charles Smith	\$ 100,000
Alderman Ward 1	Jeremy Burke	100,000
Alderman Ward 2	Bobby Richardson	100,000
Alderman Ward 3	Shane Lafontaine	100,000
Alderman Ward 4	Charles Piazza	100,000
City Clerk	Lisa Planchard	50,000
Comptroller	Ronald Duckworth	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	Marcia Ivey	50,000
Utility Dept. Manager	Larry Holland	50,000
Public Works Clerk	Jeanne Conrad	50,000
Personnel Director	April Chevis	50,000
Purchasing Agent	Rachel Cullen	50,000
Police Chief	David Allen	50,000
Assistant Police Chief	Michael Prendergast	50,000
Police Dept. Clerk	Janelle Piazza	50,000
Police Officer	Mac Cowand	25,000

CITY OF WAVELAND, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Defense - Office of the Chief of Engineers</u>			
ARRA - Mississippi Environmental Infrastructure (Section 592)	12.124	W807PM00883542	\$ 766,702
Total U.S. Department of Defense		*	766,702
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through Mississippi Development Authority			
Community Development Block Grant	14.228	103-379-01-KCR	82,661
Community Development Block Grant	14.228	118-379-01-HCCR	14,163
Community Development Block Grant	14.228	118-379-06-HCCR	2,125
Pass-through Hancock County, Mississippi			
Community Development Block Grant	14.228	109-379-06-KCR	144,653
Community Development Block Grant	14.228	109-379-07-KCR	80,320
Community Development Block Grant	14.228	109-379-08-KCR	77,237
Community Development Block Grant	14.228	109-379-09-KCR	106,493
Total U.S. Department of Housing and Urban Development			507,652
<u>U.S. Department of Justice - Violence Against Women Office</u>			
Pass-through Mississippi Department of Public Safety			
Violence Against Women Formula Grant	16.588	13SL3541	24,624
Violence Against Women Formula Grant	16.588	14SL3541	6,737
Subtotal			31,361
<u>U.S. Department of Justice - Criminal Division</u>			
Equitable Sharing Program**	16.922	N/A	35,132
Total U.S. Department of Justice			66,493
<u>U.S. Department of Transportation - (NHTSA)</u>			
Pass-through the Mississippi Office of Highway Safety			
State and Community Highway Safety	20.600	15-MD-354-1	21,541
State and Community Highway Safety	20.600	15-OP-354-1	12,873
Total U.S. Department of Transportation			34,414
<u>Corporation for National and Community Service</u>			
Retired and Senior Volunteer Program	94.002	N/A	33,082
Total Corporation for National and Community Service			33,082
<u>U.S. Department of Homeland Security</u>			
Pass-through Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	FEMA-1604-DR-MS	10,145
Disaster Grants - Public Assistance	97.036	FEMA-4081-DR-MS	695,346
Subtotal		*	705,491
Hazard Mitigation Grant	97.039	FEMA-1604-DR-MS-0357	140,184
Hazard Mitigation Grant	97.039	FEMA-1604-DR-MS-0420	3,560,879
Subtotal		*	3,701,063
Total U.S. Department of Homeland Security			4,406,554
Total Expenditures of Federal Awards			\$ 5,814,897

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

**DOJ Equitable Sharing Program is reported on the cash basis of accounting.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

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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*

August 26, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waveland, Mississippi as and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Waveland, Mississippi's basic financial statements and have issued our report thereon dated August 26, 2016.

Internal Control over Financial Reporting

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

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: 2015-001, 2015-002, 2015-003, 2015-004, 2015-005.

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

Compliance and Other Matters

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

City of Waveland, Mississippi's Response to Findings

City of Waveland's response to the findings identified in our audit is described in the accompanying auditee corrective action plan. The 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. However, this report is a matter of public record, and its distribution is not limited.

Wendy Wael White & Paul

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

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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

August 26, 2016

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

Report on Compliance for Each Major Federal Program

We have audited the City of Waveland, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Waveland, State Mississippi's major federal programs for the year ended September 30, 2015. City of Waveland, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Waveland, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

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

A 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.

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.

Wicht. Wood Wetten & Knif

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

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

August 26, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and we have issued our report thereon dated August 26, 2016. 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 did not result in any material instances of noncompliance with state laws and regulations.

The instance of noncompliance of the prior year has been corrected by management.

This report is intended solely for the information and use of the City's management, federal awarding agencies and the Office of the State Auditor 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.

Wright Ward Hatten & Guel

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF WAVELAND, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Material noncompliance related to the financial statements? No

Internal control over financial reporting:

a. Material weaknesses identified? Yes

b. Significant deficiencies identified that are not considered to be material weaknesses? No

Federal Awards:

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

Internal control over major programs:

a. Material weaknesses identified? No

b. Significant deficiencies identified that are not considered to be material weaknesses? No

Any audit findings reported as required by Section 510(a) of Circular A-133? No

Federal programs identified as major programs:

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

97.036 U.S. Department of Homeland Security - Public Assistance Disaster
Grants - Hurricane Isaac

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 qualified 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

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Section 2 – Financial Statements Findings

2015-001 Building Permit Revenue and Procedures

Material weakness

Criteria

Fees for building permits should be charged and collected in accordance with the City fee schedule.

Condition

During our testing of building permits and related files, we noted that the City is inconsistently charging plan review fees and incorrectly calculating fees, which resulted in instances of both overcharging and undercharging applicants.

Cause

City personnel made errors in calculating fees and failed to consistently charge plan review fees. The City's fee schedule and the software calculation do not agree for some permits, and a construction plan with a value over \$500,000 was not calculated correctly; plans of this amount must have the fees manually calculated due to a software limitation.

Effect

Inaccurate calculations or improper collections can result in a loss of revenue to the City.

Recommendation

We recommend that all permit fees should be charged in accordance with the City's fee schedule.

2015-002 Court Fines and Court Fines Receivable

Material weakness

Criteria

Prior year finding

The Court Clerk was able to provide a schedule for the aging of Court's fines receivable. However, upon further investigation it was determined that the aging of the total amount of fines receivable also included assessments and other monies that are not valid receivables of the City, and the allowance for doubtful accounts is a rough estimate unsupported by systematic and periodic analysis of the outstanding accounts which is required to produce a reliable aging schedule.

The court department is required to collect fines and assessments in accordance with State law.

Condition

During our testing of court fine revenues, we noted that fees were assessed incorrectly or not assessed at all.

Cause

The accounts receivable aging report does not correctly segregate fines and assessments receivable at year end.

Interlock fee assessments are relatively new assessments implemented by the state, and were assessed in error by the city. The court clerk was inadvertently charging the minimum for appearance bond fees.

Effect

The Court Clerk cannot provide an accurate statement of receivables for reporting purposes, and the lack of timely information could result in the loss of public funds by failing to collect on valid accounts.

Improper collections can result in a loss of revenue to the City and noncompliance with state code.

Recommendation

After seeking Board approval, the Court Clerk should consult with the Court software provider to implement a system for analyzing the various components of the receivables so that an accurate schedule for aging fines receivable can be produced and reviewed monthly as required for collection and reporting purposes. Any discrepancies noted in the review should be corrected.

We recommend that the court clerk verify all assessments to the Court Assessment Guide provided by the state to ensure that proper procedures are in place for the applicable assessments.

2015-003 Payroll and Related Recordkeeping *Material weakness*

Criteria *Prior year finding*

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

In 2013, the State of Mississippi implemented a new statute, Miss. Code Ann. 25-1-113, which prohibits the hire of any persons who have been convicted or pled guilty of embezzlement or misappropriation of public funds. It also states that the municipality or county shall not continue to employ a person who has been convicted or pled guilty in any court in which public funds were taken, obtained or misappropriated. Upon inquiry of City personnel, it has been determined that background checks were not performed for all City employees or newly hired employees.

Condition

In several instances, we noted that some personnel files were missing required documentation such as proper employee identification and other forms. We also noted that there were miscalculations on timecards for hours worked which resulted in incorrect pay for that particular time period. Manager approval was missing from time cards or leave sheets as required by the employee handbook. Some payroll periods tested revealed that some employees were not clocking in or out and call out sheets for work performed after normal business hours did not have supervisory approval verifying that the work was actually performed. In other instances,

compensatory or vacation time was taken without documented management approval and in some cases, it was improperly deducted or not deducted at all from the employee's leave balance.

Cause

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

Effect

The City is noncompliant with certain laws and regulations by not having certain forms in each employee's personnel file. Incorrect time card calculations and use of paid time off without proper approval has resulted in incorrect payment to City employees. Employees could be improperly paid without adequate documentation that work was actually performed.

Recommendation

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

2015-004 Purchasing *Material weakness*

Criteria

Payments for goods and services should be made from original invoices. 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 expenditures, we noted that certain payments were five months after the due date. Some payments were made from statements or copies of invoices, resulting in duplicate payments. There were several instances of invoices being underpaid or for an incorrect amount.

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

Vendors can be overpaid if payments are made by copies of invoices or vendor statements. 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, and that they maintain sufficient documentation in a central location to ensure that proper procurement procedures are followed. All payments should be made from the original invoice and agree to the purchase order.

2015-005 Grant Mangement *Material weakness*

Criteria

Grant reimbursement requests should be accurately, completely, and timely compiled and remitted to granting agencies to ensure that the City will receive the total amount due.

Condition

Dating back to May 2013, the City incurred in excess of \$890,000 in grant related expenditures; as of testing, these expenditures have not been remitted for reimbursement. An additional \$294,000 was not properly remitted before grant closeout, and therefore, became de-obligated.

Cause

In several instances, the City relied on hired parties to prepare and follow-up on reimbursement requests. The City did not have policies and procedures in place to ensure that the requests for reimbursements were completed and submitted.

Effect

The City may not receive the full amount of reimbursements due; this oversight could hinder proper budgeting and cash flow for the City.

Recommendation

We recommend that management implement policies and procedures for oversight of federal grant programs and that cumulative information be maintained by the finance department and reported to administration and the governing body.

AUDITEE CORRECTIVE ACTION PLAN



Mike Smith, Mayor

CITY OF WAVELAND, MISSISSIPPI
Corrective Action Plan
For the Year Ended September 30, 2015

Section 2 – Financial Statements Findings

2015-001 Building Permit Revenue and Procedures *Material weakness*

Response

Calculations will be checked on plan review fees.

2015-002 Court Fines and Court Fines Receivables *Material weakness*

Response

The court software provider will be contacted to implement a system for accurately determining the aging of the of fines receivable. The court clerk will verify assessments with the Court Assessment Guide provided by the state.

2015-003 Payroll and Related Recordkeeping *Material weakness*

Response

Payroll record files are being reviewed for all required documentation. Employee time sheets are scrutinized and all approvals by required managers are received before payroll is begun. Paid time off with be approved prior to use by the employee.

2015-004 Purchasing *Material Weakness*

Response

Those responsible for procurement will be made aware of State purchasing laws and payments will be made from original invoices.

2015-005 Grant Management *Material Weakness*

Response

Policies and procedures will be implemented for oversight of federal grant programs and will be maintained by the finance department.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

CITY OF WAVELAND, MISSISSIPPI
Summary of Prior Year Findings
For the Year Ended September 30, 2015

Section 3 – Federal Award Findings and Questioned Costs

2014-005 Eligibility *Significant deficiency*

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

Condition

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

Recommendation

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

Current Status

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

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