WINDHAM & LACEY, PLLC

Certified Public Accountants

CITY OF WAVELAND

Audited Financial Statements
And
Special Reports

For the Year Ended September 30, 2018

CITY OF WAVELAND

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waveland, as of and for the year ended September 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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 as of September 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions and corresponding notes 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 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.

Omission of Required Supplementary Information

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

Other Information

The Schedule of Surety Bonds for the City of Waveland 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 Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of the City of Waveland'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 the effectiveness of the City of Waveland's 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's internal control over financial reporting and compliance.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 14, 2020

CITY OF WAVELAND

BASIC FINANCIAL STATEMENTS

The basic financial statements included integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements:

Governmental funds

Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to the user's understanding of the basic financial statements.

CITY OF WAVELAND
Statement of Net Position
September 30, 2018

Exhibit 1

		Governmental Activities	Business-type Activities	Total
ASSETS				
Current Assets:				
Cash	$	5,848,315	2,247,240	8,095,555
Inventories			9,047	9,047
Prepaid expenses			3,243	3,243
Property tax receivable		2,379,167		2,379,167
Fines receivable, net		118,979		118,979
Accounts receivable, net		65,472	229,991	295,463
Internal balances		228,614	(49,359)	179,255
Intergovernmental receivable		943,427		943,427
Sales tax receivable		412,853		412,853
Other receivables		18,685	172,865	191,550
Total Current Assets		10,015,512	2,613,027	12,628,539
Noncurrent Assets:				
Restricted cash			555,170	555,170
Capital assets, net		50,779,278	70,541,881	121,321,159
Total Noncurrent Assets		50,779,278	71,097,051	121,876,329
Total Assets	$	60,794,790	73,710,078	134,504,868
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on bond refunding		72,029	33,894	105,923
Deferred outflows - pension	$	533,622	72,266	605,888
Total Deferred Outflows of Resources		605,651	106,160	711,811
LIABILITIES				
Current Liabilities:				
Claims payable		418,465	514,590	933,055
Customer deposits			555,170	555,170
Accrued interest payable		41,208	3,679	44,887
Other current liabilities		77,280	11,840	89,120
Current portion of long-term debt		582,244	275,154	857,398
Total Current Liabilities		1,119,197	1,360,433	2,479,630
Noncurrent Liabilities:				
Net pension liability		6,176,313	941,439	7,117,752
Compensated absences payable		84,368	14,683	99,051
Long-term liabilities		2,371,262	915,836	3,287,098
Total Noncurrent Liabilities		8,631,943	1,871,958	10,503,901
Total Liabilities		9,751,140	3,232,391	12,983,531
DEFERRED INFLOWS OF RESOURCES				
Property tax for future periods		2,379,167		2,379,167
Deferred amount on pension		226,804	35,038	261,842
Total Deferred Inflows of Resources		2,605,971	35,038	2,641,009
NET POSITION				
Net investment in capital assets		47,825,772	69,350,891	117,176,663
Restricted for:				
Debt service		2,268,840		2,687,840
Culture & recreation		1,065,096		1,065,096
Other purposes		148,517		148,517
Unrestricted		(2,683,895)	1,197,918	(1,485,977)
Total Net Position	$	49,043,330	70,548,809	119,592,139

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

CITY OF WAVELAND
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary Government							
Governmental Activities:							
General government	$ 1,020,219		9,601		(1,010,618)		(1,010,618)
Public safety	2,963,655	134,704	67,457	57,379	(2,704,115)		(2,704,115)
Public works	1,299,138			1,005,707	(293,431)		(293,431)
Health and welfare	92,847		70,679		(22,168)		(22,168)
Culture and recreation	805,579				(805,579)		(805,579)
Conservation of natural resources	4,525			870,000	865,475		865,475
Economic development and assistance	128,303				(128,303)		(128,303)
Pension expense	823,631				(823,631)		(823,631)
Interest on long-term debt	132,984				(132,984)		(132,984)
Total Governmental Activities	7,270,881	134,704	147,737	1,933,086	(5,055,354)	0	(5,055,354)
Business-type Activities:							
Water/sewer	5,238,321	3,162,057				(2,076,264)	(2,076,264)
Interest on long-term debt	64,260					(64,260)	(64,260)
Total Business-type Activities	5,302,581	3,162,057	0	0	0	(2,140,524)	(2,140,524)
Total Primary Government	$ 12,573,462	3,296,761	147,737	1,933,086	(5,055,354)	(2,140,524)	(7,195,878)
General Revenues							
Taxes:							
Property taxes					$ 2,545,278		2,545,278
Road & bridge privilege taxes					75,521		75,521
Sales tax					2,523,309		2,523,309
Franchise taxes					430,864		430,864
Grants and contributions not restricted to specific programs					2,841		2,841
Unrestricted investment income					73,924	22,643	96,567
Miscellaneous					494,483		494,483
Gain on sale of capital assets					14,056		14,056
Loss on disposal of capital assets					(6,505)		(6,505)
Transfers					357,650	(357,650)	
Total General Revenues					6,511,421	(335,007)	6,176,414
Change in Net Position					1,456,067	(2,475,531)	(1,019,464)
Net Position - Beginning, as previously reported					47,820,212	72,766,306	120,586,518
Prior period adjustments					(232,949)	258,034	25,085
Net Position - Beginning, as restated					47,587,263	73,024,340	120,611,603
Net Position - Ending					$ 49,043,330	70,548,809	119,592,139

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

CITY OF WAVELAND
Balance Sheet
Governmental Funds
September 30, 2018

Exhibit 3

	Major Fund				
	General Fund	**Debt Service Fund**	**Capital Projects Fund**	**Other Governmental Funds**	**Total Governmental Funds**
ASSETS					
Cash	$ 2,934,630	337,859		2,575,826	5,848,315
Property tax receivable	1,539,458	696,959		142,750	2,379,167
Fines receivable	118,979				118,979
Sales tax receivable	412,853				412,853
Due from other funds	4,363,847	2,289,981		610,111	7,263,939
Intergovernmental receivable			193,714	749,713	943,427
Other receivables	81,673			2,481	84,154
Total Assets	$ 9,451,440	3,324,799	193,714	4,080,881	17,050,834
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Claims payable	$ 59,950		304,072	54,443	418,465
Due to other funds	423,702		2,156,987	4,454,636	7,035,325
Other current liabilities	64,807			12,473	77,280
Total Liabilities	548,459	0	2,461,059	4,521,552	7,531,070
Deferred Inflows of Resources:					
Property tax for future periods	1,539,458	696,959		142,750	2,379,167
Unavailable revenue - fines	118,979				118,979
Total Deferred Inflows of Resources	1,658,437	696,959	0	142,750	2,498,146
Fund Balances:					
Restricted for:					
Debt service		2,627,840			2,627,840
Culture and recreation				1,065,096	1,065,096
Other purposes				148,517	148,517
Unassigned	7,244,544		(2,267,345)	(1,797,034)	3,180,165
Total Fund Balances	7,244,544	2,627,840	(2,267,345)	(583,421)	7,021,618
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 9,451,440	3,324,799	193,714	4,080,881	

(Continued)

CITY OF WAVELAND
Balance Sheet
Governmental Funds
September 30, 2018

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets net of depreciation as of Oct. 1, 2017	$ 50,482,254	$
Plus: Capital outlay expenditures and donations made during the year	2,001,652	
Less: Depreciation expense recorded during the year	(1,483,122)	
Less: Capital asset deletions net of accumulated depreciation	(11,689)	
Adjustments to and transfers of capital assets	(209,817)	50,779,278
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Fines receivable	118,979	118,979
Pension Obligations:		
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	(6,176,313)	(6,176,313)
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.	533,622	
Deferred outflows of resources related to pension obligations	(226,804)	306,818
Deferred amounts on bond refunding are not a current financial resource and, therefore, are not reported in the funds.		72,029
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(2,953,506)
Accrued interest payable is not a current liability payable from current assets.		(41,204)
Compensated absences used in governmental activities are not reported in funds.		(84,368)
Net Position of Governmental Activities		$ 49,043,331

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

CITY OF WAVELAND

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2018

	Major Fund General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 1,626,139	765,299		153,840	2,545,278
Road and bridge privilege tax	75,521				75,521
Licenses and permits	430,864				430,864
Fines and forfeitures	143,164			543	143,707
Intergovernmental revenues	2,680,262		1,149,934	783,152	4,613,348
Interest income	73,053			871	73,924
Miscellaneous	77,245			402,669	479,914
Total Revenues	5,106,248	765,299	1,149,934	1,341,075	8,362,556
EXPENDITURES					
Current:					
General government	949,150			54	949,204
Public safety	2,743,432			53,777	2,797,209
Public works	839,768		297,245	419,458	1,556,471
Health and welfare	103,035				103,035
Culture and recreation	304,389		1,134,582	307,574	1,746,545
Economic development and assistance	51,535				51,535
Debt service:					
Principal	55,081	1,453,965		44,356	1,553,402
Interest	2,134	90,906		7,053	100,093
Total Expenditures	5,048,524	1,544,871	1,431,827	832,272	8,857,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	57,724	(779,572)	(281,893)	508,803	(494,938)
OTHER FINANCING SOURCES (USES)					
Transfers in	357,650				357,650
Transfers out		760,000		(760,000)	
Sale of capital assets	19,240				19,240
Total Other Financing Sources and Uses	376,890	760,000	0	(760,000)	376,890
Net Change in Fund Balances	434,614	(19,572)	(281,893)	(251,197)	(118,048)
Fund Balances - Beginning, as previously reported	6,766,776	2,647,412	(1,985,452)	(273,587)	7,155,149
Prior period adjustment	43,154			(58,637)	(15,483)
Fund Balances - Beginning, as restated	6,809,930	2,647,412	(1,985,452)	(332,224)	7,139,666
Fund Balances - Ending	$ 7,244,544	2,627,840	(2,267,345)	(583,421)	7,021,618

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

CITY OF WAVELAND **Exhibit 5**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2018

Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4)		$ (118,048)
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation ($1,483,122) exceeded capital outlays ($2,001,652) in the current period.		518,530
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.		(8,460)
The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and the difference between the carrying value of refunded debt and the acquisition costs of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Payments on debt principal	1,553,402	
Amortization of premiums on bonds	3,711	1,557,113
Items reported in the Statement of Activities relating to the implementation of GASB No. 68 are not reported in the governmental funds. These activities include:		
Recognition of pension expense for the current year	(823,631)	
Recognition of contributions made subsequent to the measurement date	101,163	
Recognition of contributions made in the fiscal year prior to the measurement date	271,610	(450,858)
Governmental funds do not report expenditures not recognized for transactions that are normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by the following items:		
Gain or (loss) on disposal of capital assets		(11,689)
Transfer of capital asset from business-type activities		7,650
Accrued interest expense		(581)
Amortization of bond refunding costs		(36,016)
Change in compensated absences		(1,571)
Rounding		(3)
Change in Net Position of Governmental Activities (Exhibit 2)		$ 1,456,067

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

CITY OF WAVELAND
Statement of Net Position
Proprietary Fund
September 30, 2018

Exhibit 6

		Business-type Activity Water/Sewer
ASSETS		
Current Assets:		
Cash	$	2,247,240
Due from other funds		307,442
Inventory		9,047
Prepaid expenses		3,243
Accounts receivable, net		229,991
Other receivables		172,865
Total Current Assets		2,969,828
Noncurrent Assets:		
Restricted cash		555,170
Capital assets, net		70,541,881
Total Noncurrent Assets		71,097,051
Total Assets	$	74,066,879
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on bond refunding	$	33,894
Deferred outflows - pension		72,266
Total Deferred Outflows of Resources		106,160
LIABILITIES		
Current Liabilities:		
Claims payable		514,590
Customer deposits		555,170
Interest payable		3,679
Due to other funds		356,801
Other payables		11,840
Current portion of long-term debt		275,154
Total Current Liabilities		1,717,234
Noncurrent Liabilities:		
Net pension liability		941,439
Compensated absences payable		14,683
Long-term liabilities		915,836
Total Noncurrent Liabilities		1,871,958
Total Liabilities		3,589,192
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		35,038
NET POSITION		
Net investment in capital assets		69,350,891
Unrestricted		1,197,918
Total Net Position	$	70,548,809

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

CITY OF WAVELAND
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 7

	Business-type Activity Water/Sewer
OPERATING REVENUES	
Charges for services	$ 2,893,062
Miscellaneous revenues	268,997
Total Operating Revenues	3,162,059
OPERATING EXPENSES	
Personal services	699,360
Contractual services	1,186,402
Maintenance	412,013
Materials and supplies	76,170
Utilities for resale	122,868
Depreciation expense	2,741,375
Other operating expenses	135
Total Operating Expenses	5,238,323
Operating Income (Loss)	(2,076,264)
NONOPERATING REVENUES (EXPENSES)	
Interest income	22,643
Interest expense	(64,260)
Total Nonoperating Revenue (Expenses)	(41,617)
Transfers out	(357,650)
Change in Net Position	(2,475,531)
Total Net Position - Beginning, as previously reported	72,766,306
Prior period adjustment	258,034
Total Net Position - Beginning, as restated	73,024,340
Total Net Position - Ending	$ 70,548,809

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

CITY OF WAVELAND
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 8

		Business-type Activity Water/Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and others	$	3,325,344
Payments to suppliers		(1,426,207)
Payments to employees		(609,909)
Net Cash Provided (Used) by Operating Activities		1,289,228
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers out to other funds		(350,000)
Receipts for customer deposits		34,094
Net Cash Used by Non-Capital Financing Activities		(313,821)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets		(668,354)
Principal paid on long-term debt		(280,432)
Interest expense paid		(49,912)
Net Cash Provided (Used) by Capital and Related Financing Activities		(998,698)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned		22,643
Net Increase (Decrease) in Cash and Cash Equivalents		(648)
Cash and Cash Equivalents - Beginning of Year		2,805,143
Cash and Cash Equivalents - End of Year	$	2,802,410
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$	(2,076,264)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation		2,741,375
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		286,195
(Increase) decrease in prepaid expenses		1,018
(Increase) decrease in inventory		332
(Increase) decrease in other receivables		(172,865)
(Increase) decrease in deferred outflows of resources		62,986
Increase (decrease) in claims payable		362,425
Increase (decrease) in other payables		5,521
Increase (decrease) in compensated absences payable		10,840
Increase (decrease) in due to other funds		2,085
Increase (decrease) in net pension liability		60,956
Increase (decrease) in deferred inflows of resources		(45,331)
Increase (decrease) in customer deposits		49,955
Total adjustments		3,365,492
Net Cash Provided (Used) by Operating Activities	$	1,289,228

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

CITY OF WAVELAND
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 9

		Agency Funds
ASSETS		
Cash	$	340,025
Due from other funds		14,099
Total Assets	$	354,124
LIABILITIES		
Assets held in trust	$	16,258
Claims payable		144,512
Due to other funds		193,354
Total Liabilities	$	354,124

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

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Waveland (City) 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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. 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.

Joint Venture.

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 regards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. See Note 3.D. for additional information describing related organizations that are not included in the City's reporting entity.

B. Government-wide and Fund Financial Statements.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major Governmental Funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for financial resources used to pay principal and interest on the City's debt.

The *Capital Projects Fund* accounts for and reports 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.

The City reports the following major Proprietary Fund:

The *Utility Fund* accounts for the activities of the water, sewer and gas system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The City reports the following Fiduciary Fund:

Agency Funds account for various taxes, deposits and other monies collected or held by the City acting in capacity of an agent, for distribution to other governmental units.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

D. Assets, Liabilities and Net Position or Equity.

1. Deposits.

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

2. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

3. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

4. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

5. Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets 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 and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
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

6. *Compensated Absences.*

The City's policy does allow vacation and sick leave to accrue from year to year. Full-time employees are granted vacation from five to 10 days per year depending on the employee's length of service. All administrative employees may accumulate unused compensatory time (comp time). Retiring and terminating employees are paid for 56 hours of vacation and unused comp time not exceeding limits of 240 hours for non-emergency personnel and 480 hours for emergency personnel 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 40 hours per year after the first year. 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.

7. *Long-term Obligations.*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, if any, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

8. *Pensions.*

For purposes of measuring the net pension liability, deferred outflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (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, the benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *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, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

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

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets".

Net Position Flow Assumption:

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

Fund Financial Statements:

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the City classifies governmental fund balances as follows:

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories and negative fund balances in other governmental funds.

Fund Balance Flow Assumption:

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

10. 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 (expenses/expenditures) until then.

In addition to liabilities, the City 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.

Deferred Outflows of Resources

The City reports the following items in this category:

Government-wide Statement of Net Position/Proprietary Fund Statement of Net Position

- Deferred outflows - pensions. This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates.

- Deferred amount on bond refunding. This amount represents the unamortized balance of losses incurred in the refunding of bonds.

Deferred Inflows of Resources

The City reports the following items in this category:

Government-wide Statement of Net Position

- Property tax for future periods. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

- Deferred inflows - pensions. This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates.

Governmental Funds Balance Sheet

- Property tax for future reporting period. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

- Unavailable revenue - fines. This amount represents the portion of fines receivable that does not meet the *current financial resources* criteria, and accordingly, will not be available until a future reporting period.

11. Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Stewardship, Compliance and Accountability.

Budgets

Budgets are adopted on a basis prescribed by state law (cash basis).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.

2. Prior to October 1, the budget is legally enacted through passage of an order.

3. The Board of Aldermen may transfer budgeted amounts between departments within any fund. The City's department heads may make transfers of appropriations within a department.

4. Formal budgetary integration is employed as a management control device during the year for the various funds.

Budgets for the various funds are adopted on a cash basis as required by state law.

It is the City's policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Hancock County collects the City's property taxes.

2. Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments is as follows:

Exhibit 2 - Statement of Activities - Governmental Activities

Explanation		Amount
To adjust a prior year receivable for a federal grant	$	(60,092)
To adjust a prior year accrual made in error		1,456
To adjust claims payable		43,154
To adjust capital assets and accumulated depreciation		(222,463)
To adjust machinery and equipment for prior year		4,996
Total	$	(232,949)

Exhibit 2 - Statement of Activities - Business-type Activities

Explanation		Amount
To correct a receivable from a prior year	$	(878)
To correct cash		34,972
To adjust accumulated depreciation		223,940
Total	$	258,034

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund

Explanation		Amount
To adjust claims payable	$	43,154
Total	$	43,154

(Continued)

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds

Explanation		Amount
To adjust a prior year accrual made in error	$	1,456
To adjust a prior year receivable for a federal grant		(60,093)
Total	$	(58,637)

Exhibit 7 - Statement of Revenues, Expenditures and Changes in Fund Net Position - Proprietary Fund

Explanation		Amount
To correct a receivable from a prior year	$	(878)
To correct cash		34,972
To adjust accumulated depreciation		223,940
Total	$	258,034

3. Detailed Notes on all Funds.

A. Deposits.

At year-end, the City's carrying amount of deposits was $8,990,750 and the bank balance was $8,892,034. The collateral for public entities' 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.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

B. Receivables.

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds	Business-type Funds	Total
Receivables:			
Sales tax	$ 412,853		412,853
Property taxes	2,379,167		2,379,167
Accounts		384,602	384,602
Franchise taxes	65,472		65,472
Fines	321,430		321,430
Federal grants	943,427		943,427
Prepaid insurance	18,685	3,243	21,928
Revenues earned but not billed		172,865	172,865
Gross receivables	4,141,034	560,710	4,701,744
Less: Allowance for uncollectibles	(202,451)	(154,611)	(357,062)
Net total receivables	$ 3,938,583	406,099	4,344,682

C. Capital Assets.

Capital asset activity for the year ended September 30, 2018, is as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 2,982,481				2,982,481
Construction in progress	6,988,704	2,001,652		(110,168)	8,880,188
Total capital assets, not being depreciated	9,971,185	2,001,652	0	(110,168)	11,862,669
Capital assets, being depreciated:					
Buildings	25,409,028			(244,748)	25,164,280
Machinery and equipment	3,965,828		116,889	232,089	4,081,028
Furniture and office equipment	1,139,718			46,440	1,186,158
Improvements other than buildings	10,447,006				10,447,006
Infrastructure	10,417,714			110,168	10,527,882
Equipment under capital lease	924,150				924,150
Total capital assets being depreciated	52,303,444	0	116,889	143,949	52,330,504

(Continued)

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Less: Accumulated depreciation for:					
Buildings	2,425,098	503,293		140,497	3,068,888
Machinery and equipment	3,428,802	95,366	105,200	73,591	3,492,559
Furniture and office equipment	874,655	88,040		16,617	979,312
Improvements other than buildings	2,730,493	418,044		(580)	3,147,957
Infrastructure	2,046,101	291,705		(24,914)	2,312,892
Equipment under capital lease	287,226	86,674		38,387	412,287
Total accumulated depreciation	11,792,375	1,483,122	105,200	243,598	13,413,895
Total capital assets, being depreciated, net	40,511,069	(1,483,122)	11,689	(99,649)	38,916,609
Governmental activities capital assets, net	$ 50,482,254	518,530	11,689	(209,817)	50,779,278
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 76,182				76,182
Construction in progress	184,809	660,704			845,513
Total capital assets, not being depreciated	260,991	660,704	0	0	921,695
Capital assets, being depreciated:					
Buildings	50,204				50,204
Machinery and equipment	101,306	7,650		(7,650)	101,306
Improvements other than buildings	134,880				134,880
Infrastructure	95,983,012				95,983,012
Equipment under capital lease	221,919				221,919
Total capital assets, being depreciated	96,491,321	7,650	0	(7,650)	96,491,321
Less: Accumulated depreciation for:					
Buildings	3,013	1,005			4,018
Machinery and equipment	69,899	13,949		(159)	83,689
Improvements other than buildings	21,584	5,396			26,980
Infrastructure	24,198,734	2,687,553		(230,255)	26,656,032
Equipment under capital lease	60,470	33,472		6,474	100,416
Total depreciation	24,353,700	2,741,375	0	(223,940)	26,871,135
Total capital assets, being depreciated, net	72,137,621	(2,733,725)	0	216,290	69,620,186
Business-type activities capital assets, net	$ 72,398,612	(2,073,021)	0	216,290	70,541,881

Adjustments to governmental activities represent transfers of completed construction projects to infrastructure and the purchase of a mower from business-type activities to governmental activities. Also, adjustments corrected capital assets purchased in the prior year posted to the wrong line item in the schedule of capital assets and corrections to accumulated depreciation. Business-type activities' adjustments corrected accumulated depreciation.

Depreciation expense was charged to the following functions:

Governmental Activities:		
General government	$	142,208
Public safety		414,330
Public works		495,510
Culture and recreation		354,306
Economic development		76,768
Total depreciation expense - governmental activities	$	1,483,122
Business-type Activities:		
Water and sewer	$	2,741,375
Total depreciation expense - business-type activities	$	2,741,375

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

Description of Commitment		Remaining Financial Commitment	Expected Date of Completion
Lighthouse and Pavilion Project	$	838,365	02/28/2019
Highway 90 Lighting Project	$	281,037	08/31/2019
Sanitary Sewer Project	$	2,220,397	01/31/2020

D. Interfund Transactions.

Due from/to other funds is composed of the following balances at September 30, 2018:

		Due to Other Funds	Due From Other Funds
Governmental Funds:			
General Fund	$	423,702	4,363,847
Debt service fund			2,289,981
Capital projects fund		2,156,987	
Other governmental funds		4,454,636	610,111
Total Governmental Funds		7,035,325	7,263,939
Proprietary Fund:			
Water, sewer and gas fund		356,801	307,442
Total Proprietary Fund		356,801	307,442
Fiduciary Assets and Liabilities:			
Payroll clearing fund		182,724	1,273
Unemployment compensation fund		10,630	12,826
Total Fiduciary Assets and Liabilities		193,354	14,099
Total	$	7,585,480	7,585,480

The composition of interfund transfers as of September 30, 2018, is as follows:

Transfer In	Transfer Out		Amount
General Fund	Water, sewer & gas fund	$	357,650
Debt service fund	Other governmental funds		760,000
Total		$	1,117,650

The purpose of these transfers were routine allocations between funds for reimbursement of administrative expenses.

E. Leases.

Capital Leases.

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in the governmental activities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The City is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

Governmental Activities:

Classes of Property		Governmental Activities
Machinery and equipment	$	924,150
Less: Accumulated depreciation		412,287
Leased Property Under Capital Leases	$	511,863

Business-type Activities:

Classes of Property		Business-type Activities
Machinery and equipment	$	221,919
Less: Accumulated depreciation		100,416
Leased Property Under Capital Leases	$	121,503

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, are as follows:

Governmental Activities:

Year Ending September 30:		Governmental Activities
2019	$	92,435
2020		75,292
2021		56,711
2022		51,409
2023		51,409
Total minimum lease payments		327,256
Less: Amount representing interest		19,571
Present value of minimum lease payments	$	307,685

Business-type Activities:

Year Ending September 30:		Business-type Activities
2019		56,633
2020	$	52,491
2021		29,128
Total minimum lease payments		138,252
Less: Amount representing interest		4,113
Present value of minimum lease payments	$	134,139

F. Long-term Debt.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

Notes to Financial Statements
For the Year Ended September 30, 2018

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following is a schedule of the long-term debt of the City as of September 30, 2018:

Description and Purpose	Original Issue	Date of Issue	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities:					
A. General Obligation Bonds					
Refunding, Series 2012	$ 2,097,800	08/28/2012	$ 938,400	1.0 - 1.13%	11/01/2020
Series 2013	1,500,000	01/25/2013	800,000	1.63%	12/01/2022
Series 2015	2,000,000	07/08/2015	900,000	2.63%	07/01/2025
Total General Obligation Bonds	$ 5,597,800		$ 2,638,400		
B. Capital Leases					
Hancock Bank	$ 452,853	12/13/2013	$ 238,907	2.49%	09/15/2023
Hancock Bank	115,170	01/24/2014	8,060	2.10%	01/24/2019
Hancock Bank	27,340	08/05/2016	16,318	2.24%	08/05/2021
Hancock Bank	78,787	05/25/2017	44,400	2.16%	05/25/2020
Total Capital Leases	$ 674,150		$ 307,685		
Business-type Activities:					
A. Revenue Bonds					
1992 USDA Rural Development Combined, Water, Gas and Sewer System Revenue Bonds	$ 1,350,200	12/17/1992	$ 603,209	5.50%	12/17/2027
B. General Obligation Bonds					
Refunding, Series 2012	$ 987,200	08/28/2012	$ 441,600	1.0 - 2.13%	11/01/2020
C. Capital Leases					
Hancock Bank	$ 149,986	08/13/2016	$ 89,570	2.29%	08/31/2021
The First Bank	71,933	07/06/2017	44,569	2.30%	07/10/2020
Total Capital Leases	$ 221,919		$ 134,139		

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30:	Governmental-type Activities Principal	Interest
2019	$ 616,800	51,042
2020	598,000	38,716
2021	553,600	26,923
2022	295,000	18,147
2023	300,000	13,393
2024-2025	275,000	10,894
Total	$ 2,638,400	159,115

Notes to Financial Statements
For the Year Ended September 30, 2018

Year Ending September 30:		Business-type Activities Revenue Bonds Principal	Business-type Activities Revenue Bonds Interest	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$	57,840	31,732	163,200	7,358
2020		61,103	28,470	152,000	4,206
2021		64,549	25,023	126,400	1,343
2022		68,190	21,382		
2023		72,037	17,535		
2024 - 2028		279,490	27,845		
Total	$	603,209	151,987	441,600	12,907

Long-term liability activity for the year ended September 30, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 4,030,600		1,392,200	2,638,400	496,800
Less: Discount	(108,045)		(36,016)	(72,029)	
Notes payable	61,764		61,764	0	
Capital leases payable	407,122		99,437	307,685	85,444
Compensated absences	82,797	1,571		84,368	
	4,474,238	1,571	1,517,385	2,958,424	582,244
Plus: Bond premium	11,132		3,711	7,421	
Governmental activity long-term liabilities	$ 4,485,370	1,571	1,521,096	2,965,845	582,244
Business-type Activities:					
Revenue bonds	$ 657,961		54,752	603,209	57,840
General obligation bonds	614,400		172,800	441,600	163,200
Less: Discount	(50,843)		(16,949)	(33,894)	
Capital leases payable	187,019		52,880	134,139	54,114
Compensated absences	3,843	10,840		14,683	
	1,412,380	10,840	263,483	1,159,737	275,154
Plus: Bond premium	15,211		3,169	12,042	
Business-type activity long-term liabilities	$ 1,427,591	10,840	266,652	1,171,779	275,154

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 that 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. As of September 30, 2018, the amount of outstanding debt was equal to 4.38% of the latest property assessments.

4. Other Information.

A. Commitment and Contingencies.

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

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

As of September 30, 2018, the City had no construction contracts that were not completed.

B. Defined Benefit Pension Plan.

General Information about the Pension Plan.

Plan Description – The City of Waveland is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the City. Code Section 25-11-15, Miss. Code Ann. (1972), grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided – 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 become 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 2.00% 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 2.50% for each additional year of credited 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972), and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 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 percent compounded for each fiscal year thereafter.

Contributions. Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2018, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll.

The City of Waveland's employer contributions to PERS for the years ended September 30, 2018, 2017 and 2016 were $436,422, $407,974 and $412,725, respectively, equal to 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, 2018, the City of Waveland reported a liability of $7,117,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 the projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2018 net pension liability was 0.04279 percent, which is based on a measurement date of June 30, 2018. This was an increase/decrease of .0024450 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the City of Waveland recognized pension expense of $823,631 for governmental activities and $143,598 for business-type activities.

At September 30, 2018, the City of Waveland reported as a component of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 29,680	28,291
Net difference between projected and actual earnings on pension plan investments		233,550
Changes of assumptions	84,832	
Changes in proportion and differences between entity contributions and proportionate share of contributions	372,576	
Entity contributions subsequent to the measurement date	118,801	
Total	$ 605,889	261,841

These amounts will be amortized as follows:

Year Ended September 30:		Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$	281,180	40,636
2020		110,917	27,629
2021		94,991	161,567
2022			32,009
Total	$	487,088	261,841

$118,801 reported as deferred outflows of resources related to pensions resulting from entity contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 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 2022, set forward one year for males.

The actuarial assumption used in the June 30, 2018 valuation was based on the results of an actuarial experience study for the pension July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan 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 pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Fixed Income	18.00	0.75
Global	12.00	4.75
Emerging Debt	2.00	2.25
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Cash	1.00	0.00
Total	100.00 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. 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 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Entity'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 net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	$ 9,372,031	$ 7,117,747	$ 5,244,140

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

C. 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:

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.

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 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.

D. Joint Ventures.

Hancock County Utility Authority

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

The 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 for the treatment facilities. The costs associated with this contract totaled $655,990 for the year.

The 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:

Year Ending September 30:		
2019	$	14,472
2020		14,472
2021		14,472
2022		14,472
2023		14,472
Total	$	72,360

The City's obligation to pay operational costs of the Authority is joint and several with the obligations of all other public agencies similarly contracting with the Authority. Whenever any public agency shall default in the payment to the Authority of its respective payment, the 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 Authority.

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

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 (Waste Authority). The Waste 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, in fiscal year 1974. The Waste Authority was officially incorporated in March 1998, pursuant to an incorporation agreement entered into in December, 1997.

During the year ended September 30, 2018, the City paid $247,293 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 Waste Authority.

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

E. Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement No. 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City of Waveland Board of Aldermen and the Hancock County Board of Supervisors negotiates property tax abatements on an individual basis. The City has no tax abatement agreements with any entities as of September 30, 2018.

F. Subsequent Events.

GAAP requires the City to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of the City of Waveland evaluated the City's activity and events that occurred through February 14, 2020, and determined that the following subsequent event met the disclosure requirements:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
04/01/2020	1.750%	$ 5,003,052	State of MS Revolving Loan Fund Loan	Sales tax

G. Effect of Deferred Amounts on Net Position.

The City of Waveland's unrestricted net position amount of ($1,384,772), includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The $605,888 balance of deferred outflow of resources at September 30, 2018, will be recognized as an expense and will decrease the unrestricted net position over the next two years. The $261,842 balance of deferred inflows of resources at September 30, 2018, will reduce expense and will increase the unrestricted net position over the next three years.

The City of Waveland's unrestricted net position amount of ($1,384,772) includes the effect of deferring the recognition of expenses resulting from an advanced refunding of City debt. The $105,923 balance of deferred outflow of resources at September 30, 2018, will be recognized as an expense and will decrease the unrestricted net position over the next four years.

H. Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2018:

Fund		Deficit Amount
NTF Police Seizure Fund	$	66,957
Fire Purposes Fund	$	24,374
Katrina Disaster Fund	$	300,301
Hazard Mitigation Grant Fund	$	1,436,709
Isaac Fund	$	161,027
MDOT Sidewalks Fund	$	84,021
Capital Projects Fund	$	2,267,346

CITY OF WAVELAND

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule

City's Proportionate Share of the Net Pension Liability - PERS

City's Contributions - PERS

Notes to the Required Supplementary Information

CITY OF WAVELAND
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2018

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$	1,490,471	1,470,022	1,626,139	156,117
Licenses and permits		374,350	370,877	424,945	54,068
Fines and forfeitures		119,500	129,363	143,164	13,801
Intergovernmental revenues		2,874,420	2,862,071	2,654,556	(207,515)
Miscellaneous revenues		62,615	647,215	233,469	(413,746)
Total Revenues		4,921,356	5,479,548	5,082,273	(397,275)
EXPENDITURES					
General government		995,725	1,187,651	922,449	265,202
Public safety		2,799,027	2,516,552	2,699,989	(183,437)
Public works		908,552	1,205,643	833,652	371,991
Health and welfare		108,242	3,000	102,525	(99,525)
Culture and recreation		261,533	317,374	300,130	17,244
Economic development		86,650	64,138	46,675	17,463
Debt services		108,625	67,406	57,216	10,190
Total Expenditures		5,268,354	5,361,764	4,962,636	399,128
Excess of Revenues Over (Under) Expenditures		(346,998)	117,784	119,637	1,853
OTHER FINANCING SOURCES (USES)					
Transfers in		350,000	350,000	350,000	
Sale of capital assets			7,207	19,240	12,033
Total Other Financing Sources and Uses		350,000	357,207	369,240	12,033
Net Change in Fund Balance		3,002	474,991	488,877	13,886
Fund Balances - Beginning		3,168,564	4,410,299	6,074,901	(1,664,602)
Fund Balances - Ending	$	3,171,566	4,885,290	6,563,778	(1,650,716)

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

CITY OF WAVELAND
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years * - UNAUDITED
PERS
For the Year Ended September 30, 2018

	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.042793 %	0.040348 %	0.040122 %	0.037396 %	0.034999 %
City's proportionate share of the net pension liability (asset)	$ 7,117,747	6,707,205	7,166,791	5,780,684	4,248,238
City's covered payroll	$ 2,732,723	2,588,324	2,566,717	2,383,441	2,214,108
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.46354 %	259.1331492 %	279.220148 %	242.535225 %	191.871309 %
Plan fiduciary net position as a percentage of the total pension liability	62.540000 %	61.490050 %	57.467727 %	61.703983 %	67.207687 %

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. 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 was available.

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

CITY OF WAVELAND
Schedule of the City's Contributions
Last 10 Fiscal Years* - UNAUDITED
PERS
For the Year Ended September 30, 2018

	2018	2017	2016	2015
Contractually required contribution	$ 436,422	407,974	412,725	381,578
Contributions in relation to the contractually required contribution	436,422	407,974	412,725	381,578
Contribution deficiency (excess)	$ 0	0	0	0
City's covered payroll	$ 2,770,933	2,590,311	2,620,476	2,422,717
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	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 ending September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

CITY OF WAVELAND

Notes to the Required Supplementary Information
For the Year Ended September 30, 2018
UNAUDITED

1. Budget.

A. Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	General Fund
Net Change in Fund Balance - Budget (Cash Basis)	$ 488,877
Increase (decrease):	
Net adjustments for revenue accruals	23,975
Net adjustments for expenditure accruals	(85,888)
Net adjustments for other financing sources (uses)	7,650
Net Change in Fund Balance - GAAP Basis	$ 434,614

2. Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.

A. Changes in Benefit Provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

B. Changes of Assumptions.

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual and anticipated experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF WAVELAND

OTHER INFORMATION

CITY OF WAVELAND
Schedule of Surety Bonds for Municipal Officials - UNAUDITED
For the Year Ended September 30, 2018

Name	Position		Bond Amount
Charles Smith	Mayor	$	100,000
Jeremy Burke	Alderman - Ward 1	$	100,000
Bobby Richardson	Alderman - Ward 2	$	100,000
Shane Lafontaine	Alderman - Ward 3	$	100,000
Charles Piazza	Alderman - Ward 4	$	100,000
Lisa Planchard	City Clerk	$	50,000
Ronald Duckworth	Comptroller	$	50,000
Tammy Fayard	Deputy City Clerk	$	50,000
Ronald Duckworth	Deputy City Clerk	$	50,000
April Chevis	Deputy City Clerk	$	50,000
Rachel Cullen	Deputy City Clerk	$	50,000
Rhonda Commings	Court Clerk	$	50,000
Anitra Freeman	Deputy Court Clerk	$	50,000
Rachel Sekinger	Deputy Court Clerk	$	50,000
David Draz	Building Department Manager	$	50,000
Marcia Ory	Permits Clerk	$	50,000
Larry Holland	Utility Department Manager	$	50,000
Julie Bromwell	Public Works Clerk	$	50,000
Josh Hayes	Building Officer	$	50,000
Jeanne Conrad	Zoning Clerk	$	50,000
April Chevis	Personnel Director	$	50,000
Rachel Cullen	Purchasing Agent	$	50,000
David Allen	Police Chief	$	50,000
Michael Prendergast	Assistant Police Chief	$	50,000
Janelle Piazza	Police Department Clerk	$	50,000
Mac Cowand	Police Officer	$	25,000

CITY OF WAVELAND

SUPPLEMENTAL INFORMATION

CITY OF WAVELAND, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number		Federal Expenditure
U.S. Department of The Interior - Office of Natural Resources Revenue/ Passed-through Hancock County, MS/				
Gulf of Mexico Energy Security Act	15.435		$	177,504
Total U.S. Department of The Interior				177,504
U.S. Department of Transportation - (NHTSA)/ Passed-through the Mississippi Office of Highway Safety/				
Highway Planning and Construction	20.205			324,184
Total U.S. Department of Transportation				324,184
U.S. Department of Homeland Security/				
Hazard Mitigation Grant	97.039	FEMA-1604-DR-MS-0420	*	382,251
Total U.S. Department of Homeland Security				382,251
Total Expenditures of Federal Awards			$	883,939

* Denotes major federal award program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A: Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Waveland and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and, as applicable, the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Because the schedule presents only a selected portion of the operations of the City of Waveland, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Waveland.

CITY OF WAVELAND

SPECIAL REPORTS

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Mississippi Society of CPAs

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

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

We have audited, 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Waveland, Mississippi's internal control over financial reporting (internal control) to determine the auditing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 14, 2020

Windham and Lacey, PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OMB UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Waveland, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Uniform Guidance that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018. The 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 major 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 Uniform Guidance. Those standards and OMB Uniform Guidance 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. Our audit does not provide a legal determination on the City of Waveland, Mississippi's compliance with those requirements.

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, 2018.

Report on Internal Control Over Compliance

The management of the City of Waveland, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, 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 Uniform Guidance, 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's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Unified Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 14, 2020

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

Honorable Mayor and
Members of the 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, 2018, and have issued our report thereon dated February 14, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the City, 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.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
February 14, 2020

CITY OF WAVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF WAVELAND

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	Unmodified
2.	Internal control over financial reporting:	
a.	Material weaknesses identified?	No
b.	Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
3.	Noncompliance material to the financial statements?	No

Federal Awards:

4.	Internal control over major programs:	
a.	Material weaknesses identified?	No
b.	Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
5.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
7.	Federal program identified as a major program:	
	U. S. Department of Homeland Security Hazard Mitigation Grant, CFDA # 97.039	
8.	The dollar threshold used to distinguish between type A and type B programs:	$750,000
9.	Auditee qualified as a low-risk auditee?	No

Section 2: Financial Statement Findings

Board of Aldermen.

1. Finding

Capital assets acquired and capital assets sold during the fiscal year were not always posted to the City's capital assets accounting records. In the prescribed method of accounting for municipalities, purchases of capital assets are accounted for as expenditures and sales of capital assets are accounted for as revenues, which the City properly posted and reported. They are then added to or subtracted from the capital assets accounting system which is not automatically integrated into the City's general ledger. Capital assets sold were properly approved by the Board but not recorded in the capital assets accounting system. Improper accounting for capital assets could result in loss or misappropriation of public funds.

Recommendation

We recommend the City's procedures for safeguarding capital assets include ensuring all asset additions and deletions be posted timely for a proper accounting.

Board of Aldermen's Response

The City has addressed this issue and is now recording all assets acquired and assets sold in the Capital Assets accounting system on a timely basis. Additionally, the City has performed an in-depth inventory of all assets by department to assure that these capital assets have been identified and recorded in the Capital Asset Accounting System. This inventory was performed in 2019 and is monitored and revised on a regular and timely basis.

2. Finding

During the course of our audit of financial records of the City we conducted a test of expenditures for proper adherence to the purchasing laws and to ascertain if the procedures established by the City are being properly implemented based on the City's own policies and procedures. During our test, we noted instances of purchase requisitions and purchase orders that did not include the purchase price of items purchased. Additionally, not all purchases indicated proper receiving documentation to ensure all purchases were received and accounted for by the appropriate receiving clerk or department manager. Not including the purchase price of items on purchasing documents and/or receipt of items purchased not only violates the City's procedures for purchasing, but could lead to improper payment of those purchases that otherwise might not have been approved. Omitting the purchase price and/or receipt of purchases on purchasing documents could result in loss or misappropriation of public funds.

Recommendation

We recommend including pricing on purchasing documents and documentation of receipt of purchases to ensure proper accounting and approval for expenditures.

Board of Aldermen's Response

The City addressed this issue as a result of the findings in the 09/30/2017 audit and specifically notified Department Heads that purchasing documents needed to include, at a minimum, an estimated cost of the item to be purchased on the departmental requisition. The prior Purchasing Clerk did not enforce the new policy and therefore, the issues noted above continued to occur. As of October 2018, this policy was re-addressed with the new Purchasing Clerk and again with Department Directors and, at this time, no requisitions are submitted without proper cost information and no Purchase Orders are issued without adequate cost information.

3. Finding

The City's employment benefits include health insurance and payroll deductions for insurance and other items, such as deferred compensation, for which it remits payments to insurance companies and other institutions. During the year, the City failed to reconcile these amounts and paid insurance benefits for employees that had terminated employment with the City and failed to include all employees in payments to insurance companies when they should have been included. Failure to reconcile employment benefits could result in loss or misappropriation of public funds.

Recommendation

We recommend the City implement procedures to reconcile employment benefits paid by the City as well as its employees to insure all employees receiving those benefits are covered and the City is not paying for benefits for employees no longer employed by the City.

Board of Aldermen's Response

This issue was discovered by the Comptroller when the prior Payroll Clerk terminated employment with the City. Since October of 2018, all insurance billings for Employer proved insurance and all voluntary insurance billings have been reconciled on a monthly basis to assure that those billings are paid appropriately. Additionally, in February of 2019 the City along with BXS, AFLAC and Colonial Life representatives performed an audit on each individual employee benefit information to assure that all employees' information and deductions were accurate.

Additionally, the City set up procedures and improved communication with our insurance broker and agents to assure that additions and deletions of employees are performed on a timely basis to insure that coverages are put in place on time and that terminated employees are removed from the billings to prevent overpayment on insurance billings.

Section 3: Federal Award Findings and Questioned Costs

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