

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF WAVELAND, MISSISSIPPI

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2020

CITY OF WAVELAND, MISSISSIPPI

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CITY OF WAVELAND, MISSISSIPPI

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INTRODUCTORY SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waveland, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Waveland, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 548
Gulfport, MS 39502-0548

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waveland, Mississippi, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedules 1, 2 and 3 on pages 59 through 70 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

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

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

Management has omitted 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 an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waveland, Mississippi's basic financial statements. Schedule 4, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Schedule 5 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2022 on our consideration of the City of Waveland, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waveland, Mississippi's internal control over financial reporting and compliance.


Hattiesburg, Mississippi
August 8, 2022

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A
PAGE 1 OF 3

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,336,468	\$ 810,324	\$ 7,146,792
Cash and cash equivalents - restricted	2,418,506	569,155	2,987,661
Investments	2,586,491	-	2,586,491
Accounts receivable (net of allowance for uncollectibles of \$263,888)	-	192,163	192,163
Property tax receivable	2,515,850	-	2,515,850
Fines receivable (net of allowance for uncollectibles of \$167,590)	76,035	-	76,035
Sales tax receivable	424,009	-	424,009
Intergovernmental receivables	363,685	-	363,685
Other receivables	112,747	182,641	295,388
Internal balances	(92,504)	92,504	-
Prepaid expenses	91,861	10,402	102,263
Inventory	-	8,978	8,978
Capital assets:			
Land and construction in progress	5,031,259	6,218,413	11,249,672
Other capital assets, net	46,859,919	63,723,378	110,583,297
Total assets	66,724,326	71,807,958	138,532,284
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,020,025	146,251	1,166,276

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

EXHIBIT A
PAGE 2 OF 3

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 490,857	\$ 343,484	\$ 834,341
Sales tax payable	-	4,822	4,822
Accrued wages payable	102,702	16,728	119,430
Accrued interest payable	10,509	-	10,509
Other liabilities	3,493,321	1,346	3,494,667
Non-current liabilities:			
Due within one year:			
General obligation bonds	553,600	-	553,600
Revenue bonds	-	64,459	64,459
Unamortized bond premium	-	1,423	1,423
Notes from direct borrowings and direct placements	-	218,004	218,004
Capital leases payable	75,868	31,307	107,175
Due in more than one year:			
General obligation bonds	870,000	-	870,000
Revenue bonds	-	419,807	419,807
Unamortized bond premium	-	6,026	6,026
Notes from direct borrowings and direct placements	-	4,677,467	4,677,467
Capital leases payable	106,938	-	106,938
Compensated absences	54,718	4,663	59,381
Net pension liability	7,486,214	1,147,828	8,634,042
Customer deposits	-	474,263	474,263
Total liabilities	13,244,727	7,411,627	20,656,354
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	2,515,850	-	2,515,850

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

EXHIBIT A
PAGE 3 OF 3

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<i>NET POSITION</i>			
Net investment in capital assets	\$ 50,284,772	\$ 64,523,298	\$ 114,808,070
Restricted for:			
Public safety	73,989	94,892	168,881
Culture and recreation	122,227	-	122,227
Capital projects	19,540	-	19,540
Debt service	2,202,750	-	2,202,750
Unrestricted	(719,504)	(75,608)	(795,112)
<i>Total net position</i>	<u>\$ 51,983,774</u>	<u>\$ 64,542,582</u>	<u>\$ 116,526,356</u>

EXHIBIT B

CITY OF WAVELAND, MISSISSIPPI

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,249,978	\$ 150,824	\$ 66,028	\$ 461,449	\$ (571,677)		\$ (571,677)
Public safety	3,760,369	261,047	39,525	1,215,901	(2,243,896)		(2,243,896)
Public works	2,062,660	-	-	69,177	(1,993,483)		(1,993,483)
Health and welfare	87,970	-	51,577	-	(36,393)		(36,393)
Culture and recreation	1,069,168	-	-	-	(1,069,168)		(1,069,168)
Economic development and assistance	17,012	-	-	-	(17,012)		(17,012)
Interest on long-term debt	78,091	-	-	-	(78,091)		(78,091)
Total governmental activities	8,325,248	411,871	157,130	1,746,527	(6,009,720)		(6,009,720)
Business-Type Activities:							
Water, sewer and gas	6,357,812	3,132,607	-	-	-	\$ (3,225,205)	(3,225,205)
Interest on long-term debt	88,666		-	-	-	(88,666)	(88,666)
Total business-type activities	6,446,478	3,132,607	-	-	-	(3,313,871)	(3,313,871)
Total	\$ 14,771,726	\$ 3,544,478	\$ 157,130	\$ 1,746,527	(6,009,720)	(3,313,871)	(9,323,591)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					2,623,903	-	2,623,903
Sales taxes					2,968,056	-	2,968,056
Road and bridge privilege taxes					160,337	-	160,337
Franchise taxes					231,547	-	231,547
Unrestricted investment earnings					140,147	9,520	149,667
Miscellaneous					83,670	93,822	177,492
TRANSFERS:							
Transfers in (out)					1,350,000	(1,350,000)	-
Total general revenues and transfers					7,557,660	(1,246,658)	6,311,002
CHANGE IN NET POSITION					1,547,940	(4,560,529)	(3,012,589)
NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED					52,591,992	68,519,458	121,111,450
Prior period adjustment					(2,156,158)	583,653	(1,572,505)
NET POSITION - BEGINNING, AS ADJUSTED					50,435,834	69,103,111	119,538,945
NET POSITION - ENDING					\$ 51,983,774	\$ 64,542,582	\$ 116,526,356

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

EXHIBIT C

CITY OF WAVELAND, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General Fund	MDOT Sidewalks Fund
ASSETS		
Cash and cash equivalents	\$ 1,942,303	\$ -
Cash and cash equivalents - restricted	-	-
Investments	2,586,491	-
Property tax receivable	1,774,629	-
Fines receivable (net of allowance for uncollectibles of \$167,590)	76,035	-
Sales tax receivable	424,009	-
Intergovernmental receivable	-	-
Other receivables	59,094	-
Due from other funds	35,651	-
Prepaid expenses	91,861	-
Total assets	\$ 6,990,073	\$ -
LIABILITIES		
Accounts payable	\$ 349,647	\$ 30,690
Due to other funds	162,248	-
Accrued liabilities	116,647	-
Other liabilities	-	477,932
Total liabilities	628,542	508,622
DEFERRED INFLOWS OF RESOURCES		
Property tax for future periods	1,774,629	-
Unavailable revenue - fines	76,036	-
Total deferred inflows of resources	1,850,665	-
FUND BALANCES		
Nonspendable:		
Prepays	91,861	-
Restricted for:		
Public safety	-	-
Culture and recreation	-	-
Capital projects	-	-
Debt service	-	-
Unassigned	4,419,005	(508,622)
Total fund balances	4,510,866	(508,622)
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,990,073	\$ -

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

Other Governmental Funds	Total Governmental Funds
\$ 4,394,165	\$ 6,336,468
2,418,506	2,418,506
-	2,586,491
741,221	2,515,850
-	76,035
-	424,009
80,572	80,572
-	59,094
42,373	78,024
-	91,861
<u>\$ 7,676,837</u>	<u>\$ 14,666,910</u>
\$ 110,520	\$ 490,857
-	162,248
-	116,647
2,956,071	3,434,003
<u>3,066,591</u>	<u>4,203,755</u>
741,221	2,515,850
-	76,036
<u>741,221</u>	<u>2,591,886</u>
-	91,861
73,989	73,989
122,227	122,227
19,540	19,540
2,202,750	2,202,750
1,450,519	5,360,902
<u>3,869,025</u>	<u>7,871,269</u>
<u>\$ 7,676,837</u>	<u>\$ 14,666,910</u>

EXHIBIT C.1

CITY OF WAVELAND, MISSISSIPPI

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total *fund balances* for governmental funds (Exhibit C) \$ 7,871,269

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are used in governmental activities but are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,273,510. 51,891,178

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

General obligations bonds	(1,423,600)
Capital leases	(182,806)
Accrued interest payable	(10,509)
Compensated absences	(54,718)
Net pension liability	(7,486,214)

Receivables not received within thirty days of year end are not reported in the funds. 283,113

Some revenues are not available to pay for current period expenditures and therefore are reported as deferred revenue in the funds. 76,036

Deferred amounts for pension-related items are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the funds. 1,020,025

Total net position of governmental activities (Exhibit A) \$ 51,983,774

EXHIBIT D
PAGE 1 OF 2

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	MDOT Sidewalks Fund
REVENUES		
Property taxes	\$ 1,807,900	\$ -
Road and bridge privilege taxes	160,337	-
Licenses and permits	382,371	-
Fines and forfeitures	234,369	-
Intergovernmental revenues	3,078,937	981,105
Investment earnings	139,662	-
Miscellaneous	63,270	-
Total revenues	5,866,846	981,105
EXPENDITURES		
Current:		
General government	1,015,520	-
Public safety	3,285,825	-
Public works	1,144,352	1,206,285
Health and welfare	84,204	-
Culture and recreation	291,283	-
Economic development and assistance	16,668	-
Debt service:		
Principal payments	45,480	-
Interest and other charges	2,124	-
Total expenditures	5,885,456	1,206,285
Excess (deficiency) of revenues over expenditures	(18,610)	(225,180)

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

Other Governmental Funds	Total Governmental Funds
\$ 816,003	\$ 2,623,903
-	160,337
-	382,371
1,713	236,082
538,736	4,598,778
485	140,147
3,868	67,138
<u>1,360,805</u>	<u>8,208,756</u>
91,290	1,106,810
25,666	3,311,491
197,689	2,548,326
-	84,204
336,033	627,316
346	17,014
644,593	690,073
47,652	49,776
<u>1,343,269</u>	<u>8,435,010</u>
<u>17,536</u>	<u>(226,254)</u>

EXHIBIT D
PAGE 2 OF 2

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	MDOT Sidewalks Fund
<i>OTHER FINANCING SOURCES (USES)</i>		
Transfers in	\$ 1,350,000	\$ -
<i>Total other financing sources (uses)</i>	<i>1,350,000</i>	<i>-</i>
 <i>NET CHANGE IN FUND BALANCES</i>	 <i>1,331,390</i>	 <i>(225,180)</i>
 <i>FUND BALANCES - BEGINNING</i>	 7,063,670	 (283,442)
Prior period adjustment	(3,884,194)	-
 <i>FUND BALANCES - BEGINNING, as restated</i>	 <i>3,179,476</i>	 <i>(283,442)</i>
 <i>FUND BALANCES - ENDING</i>	 <i>\$ 4,510,866</i>	 <i>\$ (508,622)</i>

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

Other Governmental Funds	Total Governmental Funds
<u>\$ -</u>	<u>\$ 1,350,000</u>
<u>-</u>	<u>1,350,000</u>
<u>17,536</u>	<u>1,123,746</u>
<u>1,894,581</u>	<u>8,674,809</u>
<u>1,956,908</u>	<u>(1,927,286)</u>
<u>3,851,489</u>	<u>6,747,523</u>
<u><u>\$ 3,869,025</u></u>	<u><u>\$ 7,871,269</u></u>

EXHIBIT D.1
PAGE 1 OF 2

CITY OF WAVELAND, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds (Exhibit D) **\$ 1,123,746**

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

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over 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
by which depreciation of \$2,273,510 in the current period exceeded
capital outlays of \$1,913,186 in the current period. (360,324)

Intergovernmental revenues are recognized on the full-accrual basis in the
statement of activities for revenues received thirty days after year end.
This is the amount of effect of the change in revenue. 283,113

Fine revenue deferred in the funds for the modified accrual basis during the
current year decreased because prior year recognition would have been
required in the statement of activities using the full-accrual basis of accounting. 26,678

Proceeds from the issuance of long-term debt are reported in the governmental
funds. However, in the statement of net position a long-term liability is
recorded. Repayments of long-term debt are reported as expenses
in the governmental funds but are recorded against the liability in the
statement of net position. Thus, the change in net position differs from
the change in fund balances by the net amount of the debt proceeds
and repayments. 690,073

Pension expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as of current
financial resources and, therefore, are not reported as expenditures in
governmental funds. Also, governmental funds report current pension
contribution expenses, whereas these amounts are deferred and
amortized in the Statement of Activities as follows:

Recognition of pension expense for the current period	(650,485)
Recognition of contributions made during the year	460,361

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

EXHIBIT D.1
PAGE 2 OF 2

CITY OF WAVELAND, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not 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. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following:

Compensated absences	\$ 3,093
Amortization of bond premium	3,710
Amortization of bond discount	(36,013)
Accrued interest on bonds	<u>3,988</u>
Change in <i>net position</i> of governmental activities (Exhibit B)	<u><u>\$ 1,547,940</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

EXHIBIT E
PAGE 1 OF 2

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

	<u>Utility Fund</u>
<i>CURRENT ASSETS</i>	
Cash and cash equivalents	\$ 810,324
Accounts receivable (net of allowance for uncollectibles of \$263,888)	192,163
Other receivables	182,641
Due from other funds	116,875
Prepaid expenses	10,402
Inventory	8,978
Total current assets	<u>1,321,383</u>
<i>NON-CURRENT ASSETS</i>	
Cash and cash equivalents - restricted	569,155
Capital Assets	
Land	76,139
Construction in progress	6,142,274
Buildings, net	45,933
Machinery and equipment, net	161,665
Furniture and office equipment, net	67,186
Improvements other than buildings, net	53,906
Infrastructure, net	63,337,374
Equipment under capital lease, net	57,314
Total non-current assets	<u>70,510,946</u>
<i>Total assets</i>	<u>71,832,329</u>
<i>DEFERRED OUTFLOW OF RESOURCES</i>	
Related to pensions	<u>146,251</u>

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

EXHIBIT E
PAGE 2 OF 2

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

	<u>Utility Fund</u>
<i>CURRENT LIABILITIES</i>	
Accounts payable	\$ 343,484
Sales tax payable	4,822
Accrued wages payable	16,728
Due to other funds	25,717
Revenue bonds	64,459
Unamortized bond premium	1,423
Notes from direct borrowings and direct placements	218,004
Capital leases payable	31,307
Total current liabilities	<u>705,944</u>
<i>NON-CURRENT LIABILITIES</i>	
Revenue bonds	419,807
Unamortized bond premium	6,026
Notes from direct borrowings and direct placements	4,677,467
Compensated absences	4,663
Net pension liability	1,147,828
Customer deposits	474,263
Total non-current liabilities	<u>6,730,054</u>
<i>Total liabilities</i>	<u>7,435,998</u>
<i>NET POSITION</i>	
Net investment in capital assets	64,523,298
Restricted for bond covenants	94,892
Unrestricted	<u>(75,608)</u>
<i>Total net position</i>	<u>\$ 64,542,582</u>

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

EXHIBIT F

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Utility Fund</u>
OPERATING REVENUES	
Water charges	\$ 1,295,068
Sewer charges	1,654,665
Gas charges	182,874
Miscellaneous revenues	93,822
Total operating revenues	<u>3,226,429</u>
OPERATING EXPENSES	
Personnel services	573,270
Contractual services	1,262,570
Maintenance	290,924
Materials and supplies	93,459
Utilities	131,653
Depreciation	3,925,101
Bad debt expense	80,835
Total operating expenses	<u>6,357,812</u>
OPERATING LOSS	<u>(3,131,383)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	9,520
Interest expense	(88,666)
Total non-operating revenues (expenses)	<u>(79,146)</u>
LOSS BEFORE TRANSFERS	<u>(3,210,529)</u>
Transfers out	<u>(1,350,000)</u>
CHANGE IN NET POSITION	<u>(4,560,529)</u>
NET POSITION - BEGINNING	68,519,458
Prior period adjustment	583,653
NET POSITION - BEGINNING, AS RESTATED	<u>69,103,111</u>
NET POSITION - ENDING	<u>\$ 64,542,582</u>

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

EXHIBIT G
PAGE 1 OF 2

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Utility Fund</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>	
Receipts from customers	\$ 3,272,099
Payments to suppliers	(1,986,576)
Payments to employees	(560,797)
Net cash provided by operating activities	<u>724,726</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</i>	
Cash paid to other funds:	
Operating transfers out	(1,350,000)
Net cash used by noncapital financing activities	<u>(1,350,000)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>	
Purchases and construction of capital assets	(495,587)
Proceeds from capital debt	1,044,623
Principal paid on capital debt	(347,731)
Interest paid on capital debt	(141,113)
Net cash provided by capital and related financing activities	<u>60,192</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Interest received	<u>9,520</u>
Net cash provided by investing activities	<u>9,520</u>
<i>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	(555,562)
<i>BALANCES - BEGINNING OF THE YEAR</i>	<u>1,935,041</u>
<i>BALANCES - END OF THE YEAR</i>	<u>\$ 1,379,479</u>
<i>RECONCILIATION TO STATEMENT OF NET POSITION</i>	
Cash and cash equivalents - unrestricted	\$ 810,324
Cash and cash equivalents - restricted	<u>569,155</u>
Total cash and cash equivalents	<u>\$ 1,379,479</u>

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

EXHIBIT G
PAGE 2 OF 2

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Utility Fund</u>
<i>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</i>	
Operating (loss)	\$ (3,131,383)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization expense	3,925,101
Bad debt expense	80,835
Decrease (increase) in assets:	
Accounts receivable, net	(57,521)
Other receivables	50,136
Due from other funds	190,567
Prepaid expenses	(10,402)
Inventory	401
Deferred outflows - pension	(84,294)
Increase (decrease) in liabilities:	
Accounts payable	225,557
Accrued wages payable	(4,000)
Sales tax payable	(14,609)
Due to other governments	(405,047)
Compensated absences	(14,817)
Customer deposits	(137,382)
Net pension liability	119,960
Deferred inflows related to pensions	(8,376)
<i>Net cash provided by operating activities</i>	<u><u>\$ 724,726</u></u>

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

EXHIBIT H

CITY OF WAVELAND, MISSISSIPPI

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2020**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 208,713
Due from other funds	<u>4,346</u>
Total assets	<u><u>\$ 213,059</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 201,044
Claims payable	735
Due to other funds	<u>11,280</u>
Total liabilities	<u><u>\$ 213,059</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information

The City of Waveland, Mississippi (the 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.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consists of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management's ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units.

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

C. Government-wide and Fund Financial Statements

Government-wide 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 City. *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.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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; (2) operating grants and contributions which finance annual operating activities, including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and items not meeting the criteria of program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented as a single column. Internal activities, including interfund transfers and due to/due from balances attributable to governmental activities have been eliminated for government-wide financial statement presentation purposes.

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

The government-wide, proprietary funds and fiduciary funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or recognized asset used, regardless of when the timing of the related cash flows takes place. Property taxes are recognized 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 report 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.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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:

General Fund - 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.

MDOT Sidewalks Fund - The MDOT Sidewalks Fund accounts for federal grant revenues and the expenditures for various sidewalk projects.

The City reports the following major proprietary fund:

Utility Fund - The Utility Fund accounts for the activities of the water, sewer and gas systems that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing utility services to the general public on a continuing basis are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt.

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

Agency Funds - These 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.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 program revenues. Likewise, general revenues include all taxes.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are primarily considered to be cash on hand, 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). For purposes of the statement of cash flows, short-term investments held in the proprietary fund with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

State law authorizes the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral, and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by decree of the chancery court. Investments in governmental securities are stated at fair value.

Receivables

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

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE FIVE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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."

Inventories and Prepaid Items

All inventories are valued at cost, which approximates market, using the first-in/first-out method. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

Capital Assets

Capital assets, which include property, plant, equipment, and current 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 government as assets with an initial, individual cost of more than \$5,000 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 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 asset lives are not capitalized.

Estimated useful lives of capital assets are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all depreciable assets. Amortization of leased equipment under capital assets is included with depreciation. The following schedule details those estimated useful lives:

(See Table on Next Page)

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SIX

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	Capitalization Thresholds	Estimated Useful Life
Buildings	\$ 50,000	40 years
Machinery and equipment	5,000	5 - 10 years
Furniture and office equipment	5,000	3 - 20 years
Improvements other than buildings	25,000	3 - 20 years
Infrastructure	0	25 years
Equipment under capital lease	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

Deferred Outflows/Inflows of Resources

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

Deferred outflows related to 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. See Note 9 for additional details.

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

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

Unavailable revenue - fines - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SEVEN

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred inflows related to 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. See Note 9 for additional details.

Long-Term Obligations

In the government-wide financial statements and proprietary 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 statement of net position. Bond premiums and discounts, if any, are capitalized and amortized over the terms of the respective bonds using the effective interest method. Bond issuance costs, if any, other than prepaid insurance costs, are recognized as expenses in the period incurred. Bonds payable are reported net of the applicable bond premium or discounts.

Governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE EIGHT

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Compensated Absences

The City's policy allows vacation and sick leave to accrue from year to year. Full-time employees are granted vacation from 5 to 10 days per year depending on the employee's length of service. All administrative employees may accumulate unused compensatory time (comp time). Retiring and terminated employees are paid for 7 days 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.

Equity Classifications

Government-wide and Proprietary Fund Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of 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 improvement 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 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 unassigned amounts.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE NINE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as restricted, committed, or unassigned. The following are descriptions of fund classifications used by the City:

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

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

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

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed 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 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 and then unassigned amounts.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TEN

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Budgets and Budgetary Accounting

The City's procedures for establishing its budget and for reporting budgetary data reflected in the financial statements are as follows:

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 department 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.

G. Use of 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. This affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Significant estimates which could change in the near term include collectible portions of receivables from property taxes levied but not yet due, the allowance for doubtful utility customer accounts receivable, the net collectible amounts of Municipal Court fines receivable, useful lives of capital assets, and liabilities for pension. In addition, long-term and current portions of compensated absences are based on estimates and assumptions relating to when earned compensated absences will be paid. Actual results may differ from these estimates.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE ELEVEN

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Change in Accounting Principles

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year:

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this standard have been incorporated into the financial statements and notes.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The provisions of this standard have been incorporated into the financial statements and notes.

I. Recent Accounting Pronouncement

In June 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB-84), which when effective will improve the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The guidance is effective for the year ending September 30, 2021, and early adoption is permitted. The City is evaluating the effect the guidance will have on their financial statements.

J. Subsequent Events

In preparing the financial statements, management has evaluated subsequent events through August 8, 2022, which is the date the financial statements were available to be issued.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWELVE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 2 - PRIOR PERIOD ADJUSTMENTS

A summary of prior period adjustments reflected on the City's financial statements is presented below:

Explanation	Amount
Exhibit B (Governmental Activities)	
<i>Correction of Error:</i>	
To adjust capital asset accounts.	\$ (228,872)
Exhibit B (Governmental Activities) and Exhibit D	
<i>Correction of Error:</i>	
To adjust for sale of asset in prior year.	10,917
To adjust other assets.	(1,192,751)
To adjust payables.	138,035
To adjust receivables.	(883,487)
Total Exhibit B (Governmental Activities) and Exhibit D	(1,927,286)
Total prior period adjustments	\$ (2,156,158)
Exhibit B (Business-Type Activities) and Exhibit F	
<i>Correction of Error:</i>	
To adjust payables.	\$ 870,632
To adjust receivables.	(286,936)
To adjust capital assets.	(43)
Total prior period adjustments	\$ 583,653

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THIRTEEN

YEAR ENDED SEPTEMBER 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

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, *Mississippi Code of 1972 Annotated*. 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 (FDIC). At year-end, the City's carrying amount of deposits was \$10,236,027, and the bank balance was \$6,976,443. The City's carrying amount of deposits with an investment company was \$107,139 at year end, which represents the fair market value of obligations of or guaranteed by the U.S. Government.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that, in the event of a financial institutions failure, 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. As of September 30, 2020, the City's bank balance was not exposed to custodial credit risk because deposits are covered by the State Treasurer collateral pool.

Investments:

As provided in Section 21-33-323, *Mississippi Code of 1972 Annotated*, the following investments of the City are managed through an investment company:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value Level</u>	<u>Fair Value</u>
Fixed Income	Less than 1 year to 28 years	Level 2	<u>\$ 2,586,491</u>

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments to those authorized by Sections 21-33-323 and 91-13-8, *Mississippi Code of 1972 Annotated*. The City does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Cont.)

Custodial Credit Risk - Investments - Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. None of the City's investments were insured.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools and other pooled investments.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, is as follows:

	Balance October 1, 2019
Governmental Activities:	
Capital assets not being depreciated:	
Land	\$ 2,982,481
Construction in progress	9,013,894
Total capital assets not being depreciated	<u>11,996,375</u>
 Capital assets being depreciated:	
Buildings	27,381,908
Machinery and equipment	3,679,516
Furniture and office equipment	1,222,206
Improvements other than buildings	10,447,006
Infrastructure	10,527,882
Equipment under capital lease	964,666
Total capital assets being depreciated	<u>54,223,184</u>
 Less accumulated depreciation for:	
Buildings	3,345,269
Machinery and equipment	2,981,883
Furniture and office equipment	1,036,644
Improvements other than buildings	3,390,101
Infrastructure	2,549,097
Equipment under capital lease	436,191
Total accumulated depreciation	<u>13,739,185</u>
 Total capital assets being depreciated, net	<u>40,483,999</u>
 Total governmental activities capital assets, net	<u><u>\$ 52,480,374</u></u>

* Adjustments represent corrections to beginning balances.

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<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u> *	<u>Balance September 30, 2020</u>
\$ -	\$ -	\$ 42	\$ 2,982,523
1,559,068	(8,524,226)	-	2,048,736
<u>1,559,068</u>	<u>(8,524,226)</u>	<u>42</u>	<u>5,031,259</u>
600,211	-	-	27,982,119
273,713	-	89,094	4,042,323
39,818	-	-	1,262,024
-	-	(6,219)	10,440,787
7,964,602	-	(110,167)	18,382,317
-	-	(166,617)	798,049
<u>8,878,344</u>	<u>-</u>	<u>(193,909)</u>	<u>62,907,619</u>
699,553	-	-	4,044,822
165,781	-	63,137	3,210,801
61,519	-	-	1,098,163
522,039	-	(747)	3,911,393
735,293	-	(2,644)	3,281,746
89,325	-	(24,741)	500,775
<u>2,273,510</u>	<u>-</u>	<u>35,005</u>	<u>16,047,700</u>
6,604,834	-	(228,914)	46,859,919
<u>\$ 8,163,902</u>	<u>\$ (8,524,226)</u>	<u>\$ (228,872)</u>	<u>\$ 51,891,178</u>

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SIXTEEN

YEAR ENDED SEPTEMBER 30, 2020

NOTE 4 - CAPITAL ASSETS (Cont.)

	Balance October 1, 2019
Business-Type Activities:	
Capital assets not being depreciated:	
Land	\$ 76,182
Construction in process	5,734,695
Total capital assets not being depreciated	<u>5,810,877</u>
 Capital assets being depreciated:	
Buildings	50,204
Machinery and equipment	127,770
Furniture and office equipment	134,880
Improvements other than buildings	106,306
Infrastructure	95,983,012
Equipment under capital lease	221,919
Total capital assets being depreciated	<u>96,624,091</u>
 Less accumulated depreciation for:	
Buildings	3,015
Machinery and equipment	17,296
Furniture and office equipment	32,376
Improvements other than buildings	77,201
Infrastructure	28,806,318
Equipment under capital lease	127,414
Total accumulated depreciation	<u>29,063,620</u>
 Total capital assets being depreciated, net	<u>67,560,471</u>
 Total business-type activities capital assets, net	<u><u>\$ 73,371,348</u></u>

* Adjustments represent corrections to beginning balances.

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<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u> *	<u>Balance September 30, 2020</u>
\$ -	\$ -	\$ (43)	\$ 76,139
407,579	-	-	6,142,274
<u>407,579</u>	<u>-</u>	<u>(43)</u>	<u>6,218,413</u>
-	-	-	50,204
88,008	-	-	215,778
-	-	-	134,880
-	-	-	106,306
-	-	-	95,983,012
-	-	-	221,919
<u>88,008</u>	<u>-</u>	<u>-</u>	<u>96,712,099</u>
1,256	-	-	4,271
36,817	-	-	54,113
6,744	-	-	39,120
3,773	-	-	80,974
3,839,320	-	-	32,645,638
37,191	-	-	164,605
<u>3,925,101</u>	<u>-</u>	<u>-</u>	<u>32,988,721</u>
<u>(3,837,093)</u>	<u>-</u>	<u>-</u>	<u>63,723,378</u>
<u>\$ (3,429,514)</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ 69,941,791</u>

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 4 - CAPITAL ASSETS (Cont.)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 106,092
Public safety	560,299
Public works	965,345
Culture and recreation	551,561
Economic development	<u>90,213</u>

Total governmental activities depreciation expense	<u><u>\$ 2,273,510</u></u>
----------------------------------------------------	----------------------------

Business-Type Activities

Water, sewer and gas	<u><u>\$ 3,925,101</u></u>
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Commitments with respect to unfinished capital projects at September 30, 2020, consist of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Nicholson Avenue Improvements	\$ 642,879	2022

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Balances due to/due from various City funds at September 30, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Utility fund	\$ 24,371
General fund	Agency funds	11,280
Nonmajor governmental funds	General fund	42,373
Utility fund	General fund	116,875
Agency funds	General fund	3,000
Agency funds	Utility fund	<u>1,346</u>
Total		<u><u>\$ 199,245</u></u>

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE EIGHTEEN

YEAR ENDED SEPTEMBER 30, 2020

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont.)

The outstanding balances between funds result mainly from the time lag between the dates that goods and services are provided or reimbursable expenditures occur and satisfaction of those amounts. These balances are expected to be collected within one year.

The composition of interfund transfers for the year ended September 30, 2020, is as follows:

<u>Transfers out</u>	<u>Transfers In</u>	<u>Amount</u>
Utility Fund	General Fund	<u>\$ 1,350,000</u>

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

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE NINETEEN

YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended September 30, 2020, are as follows:

	Balance October 1, 2019	Additions
Governmental Activities:		
General obligation bonds	\$ 2,021,600	\$ -
Unamortized discount on bonds	(36,013)	-
Unamortized premium on bonds	3,710	-
Capital leases payable	274,880	-
Compensated absences	57,811	-
Net pension liability	6,677,768	808,446
Total governmental activities	\$ 8,999,756	\$ 808,446
Business-Type Activities:		
Revenue bonds	\$ 545,369	\$ -
General obligation bonds payable	126,400	-
Unamortized discount on bonds	(16,945)	-
Unamortized premium on bonds	8,873	-
Notes from direct borrowings and direct placements	3,958,429	1,044,623
Capital lease payable	82,527	-
Compensated absences	19,480	-
Net pension liability	1,027,868	119,960
Total business-type activities	\$ 5,752,001	\$ 1,164,583

Compensated absences will be paid from the fund from which the employees' salaries were paid, which is generally the General Fund and the Utility Fund. General obligation bonds, notes and capital leases payable for both governmental and business-type activities are considered direct borrowing/direct placement debts.

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Principal Payments / Reductions	Balance September 30, 2020	Due Within One Year
\$ 598,000	\$ 1,423,600	\$ 553,600
(36,013)	-	-
3,710	-	-
92,074	182,806	75,868
3,093	54,718	-
-	7,486,214	-
<u>\$ 660,864</u>	<u>\$ 9,147,338</u>	<u>\$ 629,468</u>
\$ 61,103	\$ 484,266	\$ 64,459
126,400	-	-
(16,945)	-	-
1,424	7,449	1,423
107,581	4,895,471	218,004
51,220	31,307	31,307
14,817	4,663	-
-	1,147,828	-
<u>\$ 345,600</u>	<u>\$ 6,570,984</u>	<u>\$ 315,193</u>

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - LONG-TERM LIABILITIES (Cont.)

(A) Notes From Direct Borrowings and Direct Placements - At September 30, 2020, the City's outstanding notes payable were as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2020	
Business-Type Activities:						
SRF - C280788-01-2	03/01/2020	10/01/2039	1.75%	\$5,003,052	\$ 4,895,471	A
Total business-type activities				<u>\$5,003,052</u>	<u>\$ 4,895,471</u>	

A. The note is subject to an acceleration clause per the loan agreement. Upon default, the note becomes immediately due in full.

Principal and interest maturities are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2021	\$ 218,004	\$ 83,928
2022	221,850	80,082
2023	225,763	76,168
2024	229,746	72,186
2025	233,799	68,133
2026-2030	1,232,337	277,321
2031-2035	1,344,939	164,719
2036-2039	<u>1,189,033</u>	<u>43,856</u>
Total payments	<u>\$ 4,895,471</u>	<u>\$ 866,393</u>

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWENTY-ONE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - LONG-TERM LIABILITIES (Cont.)

(B) General Obligation and Revenue Bonds Payable - At September 30, 2020, the City's outstanding bonds payable were as follows:

	<u>Date Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance September 30, 2020</u>
Governmental Activities:					
Refunding, Series 2012	08/28/2012	\$ 2,097,800	11/01/2020	Variable A	\$ 268,600
Series 2013	01/25/2013	1,500,000	12/01/2022	1.63%	495,000
Series 2015	07/08/2015	2,000,000	07/01/2025	2.63%	660,000
Total		<u>\$ 5,597,800</u>			<u>\$ 1,423,600</u>
Business-Type Activities:					
1992 USDA Rural Development Combined, Water, Gas and Sewer System Revenue Bonds	12/17/1992	<u>\$ 1,350,200</u>	12/17/2027	6.00%	<u>\$ 484,266 B</u>

A. Variable rate between 1.00% and 2.13%.

B. These bonds are secured by the revenue of the Utility System.

Principal and interest maturities of General Obligation Bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 553,600	\$ 28,266
2022	295,000	18,147
2023	300,000	12,012
2024	135,000	7,219
2025	<u>140,000</u>	<u>3,675</u>
Total payments	<u>\$ 1,423,600</u>	<u>\$ 69,319</u>

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - LONG-TERM LIABILITIES (Cont.)

The annual bonded debt service requirements to maturity for the revenue bonds are as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 64,459	\$ 25,023
2022	68,190	21,382
2023	72,037	17,535
2024	76,100	13,472
2025	80,393	9,179
2026-2027	123,087	4,645
Total payments	<u><u>\$ 484,266</u></u>	<u><u>\$ 91,236</u></u>

The City's Water and Sewer Revenue Bond dated December 17, 1992, requires the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- Combined Water, Gas and Sewer System Cushion Fund - Into which shall be deposited \$395 per month until the funds and investments shall equal \$47,446.
- Combined Water, Gas and Sewer System Depreciation Fund - Into which shall be deposited \$198 per month until the funds and investments shall equal \$23,723.
- Combined Water, Gas and Sewer System Contingent Fund - Into which shall be deposited \$198 per month until the funds and investments shall equal \$23,723.

These monies are not separate funds but are restricted accounts within the Utility Fund.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWENTY-THREE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - LONG-TERM LIABILITIES (Cont.)

At September 30, 2020, the balances in the restricted accounts required by the bond covenants were as follows:

	Required Balance	Balance September 30, 2020	(Under) Over Funded
Combined Water, Gas and Sewer System Cushion Fund	\$ 47,446	\$ 47,446	\$ -
Combined Water, Gas and Sewer System Depreciation Fund	23,723	23,723	-
Combined Water, Gas and Sewer System Contingent Fund	23,723	23,723	-
Totals	\$ 94,892	\$ 94,892	\$ -

(C) Capital Leases Payable - The City has entered into various lease agreements as lessee for financing the acquisition of various equipment. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The capital lease obligations outstanding as of September 30, 2020, were as follows:

	Date Issued	Effective Interest Rate	Original Amount	Outstanding Present Value
Governmental Activities:				
2018 Ford Explorers	01/23/2019	4.20%	\$ 66,756	\$ 30,707
2016 Dodge Charger	08/05/2016	2.24%	27,340	5,245
E-One HP78 Aerial Ladder Truck	12/13/2013	2.49%	452,853	146,854
Total governmental activities			546,949	182,806
Business-Type Activities:				
2016 Vacuum Truck	08/13/2016	2.29%	149,986	31,307
Total business-type activities			149,986	31,307
Total capital leases payable at year end			\$ 696,935	\$ 214,113

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - LONG-TERM LIABILITIES (Cont.)

The following is an analysis of property leased under capital leases as of September 30, 2020:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Governmental Activities:			
Machinery and equipment	\$ 798,049	\$ (500,775)	\$ 297,274
Total property leased	<u>\$ 798,049</u>	<u>\$ (500,775)</u>	<u>\$ 297,274</u>
Business-Type Activities:			
Machinery and equipment	\$ 149,986	\$ (137,989)	11,997
Total property leased	<u>\$ 149,986</u>	<u>\$ (137,989)</u>	<u>\$ 11,997</u>

Amortization of leased vehicles and equipment under capital assets is included with depreciation expense.

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2020:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	\$ 80,436	\$ 31,668
2022	59,379	-
2023	51,408	-
Total minimum lease payments	191,223	31,668
Less amount representing interest	(8,417)	(361)
Present value of minimum payments	<u>\$ 182,806</u>	<u>\$ 31,307</u>

(D) Legal Debt Margin - The City's margin for additional general obligation bonded indebtedness is calculated at \$9,522,969 (15% test) and \$13,171,826 (20% test) pursuant to Section 21-33-303, *Mississippi Code of 1972 Annotated*, depending upon the purpose of additional bonds.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 7 - RESTRICTED NET POSITIONS

Governmental Activities

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.

Business-type Activities

The City's bond covenants, as more fully explained in Note 6, require certain restricted deposits to be maintained. Such restricted assets exceeding recorded liabilities against such restricted assets represent restrictions of the utility fund's net position.

The restricted portions were as follows:

Restricted Assets

Customer meter deposits	\$	474,263
Combined Water, Gas and Sewer System Cushion Fund		47,446
Combined Water, Gas and Sewer System Depreciation Fund		23,723
Combined Water, Gas and Sewer System Contingent Fund		23,723
Total restricted accounts		<u>569,155</u>

Liabilities Payable from Restricted Assets

Customer deposits	<u>474,263</u>
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<i>Restricted net position</i>	<u>\$ 94,892</u>
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NOTE 8 - 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 \$754,595 for the year.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 8 - JOINT VENTURES (Cont.)

The Authority began leasing the City's sewer treatment plant on January 1, 1987, at a monthly rent of \$1,206. The lease will terminate January 1, 2025. Lease revenue is included in Miscellaneous Revenue in the Statement of Revenues, Expenses and Changes in Fund Net Position.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 14,472
2022	14,472
2023	14,472
2024	14,472
2025	<u>4,824</u>
Total	<u><u>\$ 62,712</u></u>

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, 2020, the City paid \$309,179 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.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 9 - RETIREMENT PLAN

Plan Description - The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by *Mississippi Code of 1972 Annotated* 25-11-1 et seq., (1972, as amended), and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% 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 creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 9 - RETIREMENT PLAN (Cont.)

Contributions - At September 30, 2020, PERS members were required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ended September 30, 2020, 2019, and 2018 were \$526,338, \$463,182, and \$436,422, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources - At September 30, 2020, the City reported a liability of \$8,634,042 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 net pension liability was 0.04462%, which was based on a measurement date of June 30, 2020. This was an increase of 0.00082% from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$743,752. At September 30, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 54,468
Net difference between projected and actual earnings on pension plan investments	283,722
Changes of assumptions	35,103
Changes in the proportion and differences between the City's contributions and proportionate share of contributions	653,087
City contributions subsequent to the measurement date	139,896
Totals	\$ 1,166,276

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 9 - RETIREMENT PLAN (Cont.)

Deferred outflows of resources related to the Plan resulting from City contributions subsequent to June 30, 2020 (the measurement date) were \$139,896 and will be recognized as a reduction of the net pension liability in the year end September 30, 2021.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ 283,043
2022	283,043
2023	271,595
2024	188,699
<i>Total</i>	<u>\$ 1,026,380</u>

Recognition of pension-related deferred outflows is reflected in changes in unrestricted net position.

Actuarial Assumptions - The total pension liability as of June 30, 2020 was determined by an actuarial valuation prepared as of June 30, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	3.00%-18.25% including inflation
Investment rate of return	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112.00% of male rates from ages 18 to 75 scaled down to 105.00% for ages 80 to 119. For females, 85.00% of the female rates from ages 18 to 65 scaled up to 102.00% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 9 - RETIREMENT PLAN (Cont.)

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 real rates of return by the target asset allocation percentage and by adding expected inflation.

The most recent 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 %
Domestic equity	27.00 %	4.90 %
International equity	22.00	4.75
Global	12.00	5.00
Fixed income	20.00	0.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash	1.00	-
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 contribution rate (17.40%). 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 to the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

(See Table on Next Page)

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 9 - RETIREMENT PLAN (Cont.)

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	<u>\$11,175,706</u>	<u>\$ 8,634,042</u>	<u>\$ 6,536,147</u>

Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Litigation - The City is party to various legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and Awards - Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds. The City does not believe any contingent liabilities are material.

NOTE 11 - RISK MANAGEMENT

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

Self-Insurance - Workers Compensation Fund - The City is a member in the Mississippi Municipal Workers' 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 workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THIRTY-TWO

YEAR ENDED SEPTEMBER 30, 2020

NOTE 11 - RISK MANAGEMENT (Cont.)

Self-Insurance - Liability Fund - The City is a member in the Mississippi Municipal Liability Plan. The plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$1,000,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined.

NOTE 12 - EFFECT OF DEFERRED AMOUNT ON NET POSITION

The City of Waveland's unrestricted deficit net position amount of \$802,561 includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$139,896 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. The \$1,026,380 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense and will decrease the unrestricted net position over the next four years.

NOTE 13 - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

At September 30, 2020, the City's Tidelands Fund, NTF Police Seizure Fund, CDBG Fund, MDOT Sidewalks Fund, and Capital Projects Fund reported deficit fund balances of \$219,181, \$102,362, \$74,518, \$508,622, and \$2,707,583, respectively, which are attributable to the cumulative effect of program expenditures in excess of grant reimbursements.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1
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CITY OF WAVELAND, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget
REVENUES		
Taxes	\$ 1,773,817	\$ 1,696,450
Licenses and permits	422,000	392,080
Fines and forfeitures	137,500	219,902
Intergovernmental revenues	2,920,320	3,149,271
Miscellaneous revenues	604,787	514,474
Total revenues	5,858,424	5,972,177
EXPENDITURES		
Current:		
Alderman		
Personnel services	91,130	91,970
Supplies	300	352
Contractual services	5,050	373
Total alderman	<u>96,480</u>	<u>92,695</u>
Judge		
Personnel services	29,005	29,427
Contractual services	1,200	350
Total judge	<u>30,205</u>	<u>29,777</u>
Prosecutor		
Personnel services	22,229	22,259
Total prosecutor	<u>22,229</u>	<u>22,259</u>
Public Defender		
Personnel services	22,216	22,273
Total public defender	<u>22,216</u>	<u>22,273</u>
Court		
Personnel services	83,045	84,258
Supplies	2,650	3,476
Contractual services	14,337	14,443
Capital outlay	-	2,043
Total court	<u>100,032</u>	<u>104,220</u>
Mayor		
Personnel services	103,851	104,651
Supplies	3,100	2,213
Contractual services	29,497	10,327
Total mayor	<u>136,448</u>	<u>117,191</u>
Elections		
Supplies	-	174
Contractual services	-	1,843
Total elections	<u>-</u>	<u>2,017</u>

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

Actual	Variance with Final Budget Favorable (Unfavorable)
\$ 1,696,450	\$ -
392,080	-
219,902	-
3,149,271	-
514,474	-
<u>5,972,177</u>	<u>-</u>
91,970	-
352	-
373	-
<u>92,695</u>	<u>-</u>
29,427	-
350	-
<u>29,777</u>	<u>-</u>
22,259	-
<u>22,259</u>	<u>-</u>
22,273	-
<u>22,273</u>	<u>-</u>
84,258	-
3,476	-
14,443	-
2,043	-
<u>104,220</u>	<u>-</u>
104,651	-
2,213	-
10,327	-
<u>117,191</u>	<u>-</u>
174	-
1,843	-
<u>2,017</u>	<u>-</u>

SCHEDULE 1
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CITY OF WAVELAND, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020**

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
City Administration		
Personnel services	\$ 325,547	\$ 334,443
Supplies	16,900	16,882
Contractual services	190,180	208,959
Capital outlay	-	4,140
Total city administration	<u>532,627</u>	<u>564,424</u>
City Attorney		
Personnel services	54,588	53,983
Contractual services	25,050	17,321
Capital outlay	-	500
Total city attorney	<u>79,638</u>	<u>71,804</u>
Planning & Zoning		
Personnel services	1,626	1,634
Supplies	850	253
Contractual services	4,200	964
Appropriation	2,937	2,937
Total planning & zoning	<u>9,613</u>	<u>5,788</u>
Zoning Officer		
Personnel services	3,787	3,725
Supplies	800	161
Contractual services	4,624	409
Total zoning officer	<u>9,211</u>	<u>4,295</u>
Police Department Administration & Patrol		
Personnel services	1,356,167	1,276,744
Supplies	77,450	72,858
Contractual services	201,750	183,428
Capital outlay	102,000	231,313
Total police department administration & patrol	<u>1,737,367</u>	<u>1,764,343</u>
Custody of Prisoners		
Contractual services	75,000	120,274
Total custody of prisoners	<u>75,000</u>	<u>120,274</u>
Fire Department		
Personnel services	945,448	965,014
Supplies	34,500	30,457
Contractual services	171,509	164,693
Capital outlay	-	4,431
Total fire department	<u>1,151,457</u>	<u>1,164,595</u>

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

Actual		Variance with Final Budget Favorable (Unfavorable)	
\$	334,443	\$	-
	16,882		-
	208,959		-
	4,140		-
	<u>564,424</u>		<u>-</u>
	53,983		-
	17,321		-
	500		-
	<u>71,804</u>		<u>-</u>
	1,634		-
	253		-
	964		-
	<u>2,937</u>		<u>-</u>
	<u>5,788</u>		<u>-</u>
	3,725		-
	161		-
	409		-
	<u>4,295</u>		<u>-</u>
	1,276,744		-
	72,858		-
	183,428		-
	<u>231,313</u>		<u>-</u>
	<u>1,764,343</u>		<u>-</u>
	120,274		-
	<u>120,274</u>		<u>-</u>
	965,014		-
	30,457		-
	164,693		-
	4,431		-
	<u>1,164,595</u>		<u>-</u>

SCHEDULE 1
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CITY OF WAVELAND, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
CRS Coordination		
Personnel services	\$ 5,748	\$ 5,785
Supplies	2,750	-
Contractual services	4,100	298
Total CRS coordination	12,598	6,083
Fire Stations & Buildings		
Supplies	700	-
Total fire station & buildings	700	-
Beautification		
Personnel services	44,818	45,392
Supplies	8,475	9,555
Contractual services	23,905	30,317
Capital outlay	-	1,806
Total beautification	77,198	87,070
Building Inspection		
Personnel services	156,884	158,270
Supplies	4,300	3,498
Contractual services	12,845	16,131
Capital outlay	-	189
Total building inspection	174,029	178,088
National Guard		
Appropriation	300	300
Total national guard	300	300
Street Department		
Personnel services	588,081	599,662
Supplies	135,576	147,920
Contractual services	309,100	355,177
Capital outlay	-	43,529
Total street department	1,032,757	1,146,288
Animal Control		
Personnel services	39,913	29,110
Supplies	2,700	480
Contractual services	2,855	1,317
Total animal control	45,468	30,907
RSVP		
Personnel services	50,269	50,962
Supplies	6,153	718
Contractual services	7,664	1,620
Total RSVP	64,086	53,300

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

Actual	Variance with Final Budget Favorable (Unfavorable)
\$ 5,785	\$ -
-	-
298	-
6,083	-
-	-
-	-
45,392	-
9,555	-
30,317	-
1,806	-
87,070	-
158,270	-
3,498	-
16,131	-
189	-
178,088	-
300	-
300	-
599,662	-
147,920	-
355,177	-
43,529	-
1,146,288	-
29,110	-
480	-
1,317	-
30,907	-
50,962	-
718	-
1,620	-
53,300	-

SCHEDULE 1
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CITY OF WAVELAND, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020**

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
Parks & Leisure		
Personnel services	\$ 98,916	\$ 97,341
Supplies	23,650	23,711
Contractual services	74,195	52,720
Capital outlay	46,800	48,646
Total parks & leisure	<u>243,561</u>	<u>222,418</u>
Civic Center		
Personnel services	19,685	22,020
Supplies	1,500	708
Contractual services	61,905	46,804
Capital outlay	4,644	372
Total civic center	<u>87,734</u>	<u>69,904</u>
ADV City Resource - Christmas		
Supplies	3,080	4,219
Contractual services	725	950
Total ADV city resource - Christmas	<u>3,805</u>	<u>5,169</u>
ADV City Resource - Mardi Gras		
Supplies	3,750	2,923
Total ADV city resource - Mardi Gras	<u>3,750</u>	<u>2,923</u>
ADV City Resource - St. Patrick		
Supplies	3,322	83
Total ADV city resource - St. Patrick	<u>3,322</u>	<u>83</u>
ADV City Resource - Juneteenth		
Supplies	1,000	566
Total ADV city resource - Juneteenth	<u>1,000</u>	<u>566</u>
Destination Waveland		
Supplies	4,500	-
Contractual services	16,000	3,000
Total destination Waveland	<u>20,500</u>	<u>3,000</u>
ADV City Resource - Events		
Supplies	1,500	1,211
Total ADV city resource - events	<u>1,500</u>	<u>1,211</u>
Advertising Municipal		
Supplies	500	99
Total advertising municipal	<u>500</u>	<u>99</u>
Business (Incubator) Center		
Supplies	100	-
Contractual services	39,000	25,430
Total business (incubator) center	<u>39,100</u>	<u>25,430</u>

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

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 97,341	\$ -
23,711	-
52,720	-
48,646	-
<u>222,418</u>	<u>-</u>
22,020	-
708	-
46,804	-
372	-
<u>69,904</u>	<u>-</u>
4,219	-
950	-
<u>5,169</u>	<u>-</u>
2,923	-
<u>2,923</u>	<u>-</u>
83	-
<u>83</u>	<u>-</u>
566	-
<u>566</u>	<u>-</u>
-	-
3,000	-
<u>3,000</u>	<u>-</u>
1,211	-
<u>1,211</u>	<u>-</u>
99	-
<u>99</u>	<u>-</u>
-	-
25,430	-
<u>25,430</u>	<u>-</u>

SCHEDULE 1
PAGE 5 OF 5

CITY OF WAVELAND, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020**

	Original Budget	Final Budget
<i>EXPENDITURES (Cont.)</i>		
Capital Leases		
Principal payments	\$ 45,482	\$ 45,470
Interest payments	2,123	2,134
Total capital leases	<u>47,605</u>	<u>47,604</u>
<i>Total expenditures</i>	<u>5,862,036</u>	<u>5,966,398</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(3,612)	5,779
<i>NET CHANGE IN FUND BALANCES</i>	(3,612)	5,779
Fund balances - beginning (Budgetary Basis)	<u>6,300,000</u>	<u>3,905,468</u>
Fund balances - ending (Budgetary Basis)	<u>\$ 6,296,388</u>	<u>\$ 3,911,247</u>
<i>RECONCILIATION TO GAAP BASIS:</i>		
Cumulative difference between GAAP basis fund balance and budget basis fund balance at beginning of the year		
Fund balances - ending (GAAP Basis)		

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

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 45,470	\$ -
2,134	-
<u>47,604</u>	<u>-</u>
5,966,398	-
5,779	-
5,779	<u>\$ -</u>
<u>3,905,468</u>	
<u>3,911,247</u>	
599,619	
<u>\$ 4,510,866</u>	

SCHEDULE 2

CITY OF WAVELAND, MISSISSIPPI

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
YEAR ENDED SEPTEMBER 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.044619%	0.043802%	0.042793%	0.040348%	0.040122%	0.037396%	0.034999%
City's proportionate share of the net pension liability (asset)	\$ 8,634,042	\$ 7,705,636	\$ 7,117,747	\$ 6,707,205	\$ 7,166,791	\$ 5,780,684	\$ 4,248,238
Covered payroll	\$ 2,971,040	\$ 2,940,838	\$ 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	290.61%	262.02%	260.46%	259.13%	279.22%	242.54%	191.87%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	62.54%	62.54%	61.49%	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the twelve months ended at 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, 2014, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

SCHEDULE 3

CITY OF WAVELAND, MISSISSIPPI

**SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
YEAR ENDED SEPTEMBER 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 524,176	\$ 463,182	\$ 436,422	\$ 407,974	\$ 412,725	\$ 381,578	\$ 351,789
Contributions in relation to the contractually required contribution	<u>(524,176)</u>	<u>(463,182)</u>	<u>(436,422)</u>	<u>(407,974)</u>	<u>(412,725)</u>	<u>(381,578)</u>	<u>(351,789)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,012,506	\$ 2,865,598	\$ 2,770,933	\$ 2,590,311	\$ 2,620,476	\$ 2,422,717	\$ 2,233,581
Contributions as a percentage of covered payroll	17.40%	16.16%	15.75%	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 ended September 30, 2014, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

Note A - The 2019 contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

CITY OF WAVELAND, MISSISSIPPI

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - BUDGETARY COMPARISON SCHEDULE

A. Basis of Presentation:

The Budgetary Comparison Schedule (the Schedule) presents the original legally adopted budget, the final legally adopted budget, the actual amounts on the budgetary cash basis, and variances between the final budget and the actual amounts. The Schedule is a part of required supplementary information. The Schedule is presented in the Mississippi State Department of Audit's prescribed format.

B. 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 budget to GAAP reconciliation is shown at the bottom of Schedule 1.

NOTE 2 - PENSION SCHEDULES

A. 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.

CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2020

NOTE 2 - PENSION SCHEDULES (Cont.)

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 assumptions 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 experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112.00% of male rates from ages 18 to 75 scaled down to 105.00% for ages 80 to 119.
- For females, 85.00% of the female rates from ages 18 to 65 scaled up to 102.00% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 2 - PENSION SCHEDULES (Cont.)

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137.00% of male rates at all ages.
- For females, 115.00% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7.00% to 9.00%.

B. 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.

C. Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end).

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CITY OF WAVELAND, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2020

NOTE 2 - PENSION SCHEDULES (Cont.)

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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SUPPLEMENTARY INFORMATION

SCHEDULE 4

CITY OF WAVELAND, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>U.S. Department of Housing and Urban Development</i>			
Pass-Through Programs From:			
Mississippi Development Authority			
Community Development Block Grant	14.228	R-109-379-10-KCR	\$ 174,042
Total U.S. Department of Housing and Urban Development Pass-Through Programs			<u>174,042</u>
<i>U.S. Department of Transportation</i>			
Pass-Through Programs From:			
Mississippi Department of Transportation			
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction Grants:			
Nicholson Avenue Improvements	20.205	STP-9136-00(004)LPA/107516-701000	150,907
Sidewalk Project	20.205	STP-9137-00(003)LPA/107183-701000	<u>965,029</u>
Total - Highway Planning and Construction Cluster			<u>1,115,936</u>
Total U.S. Department of Transportation Pass-Through Programs			<u>1,115,936</u>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

SCHEDULE 4
PAGE TWO

CITY OF WAVELAND, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>U.S. Environmental Protection Agency</i>			
Pass-Through Programs From:			
Mississippi Department of Environmental Quality			
<i>Clean Water State Revolving Fund Cluster:</i>			
Capitalization Grants for Clean Water State Revolving Funds			
Water Pollution Control Revolving Loan			
Fund Program	66.458	SRF-C280788-01-2	\$ 407,579
Total - Clean Water State Revolving			
Fund Cluster			407,579
Total U.S. Environmental Protection Agency			
Pass-Through Programs			407,579
<i>Total Expenditures of Federal Awards</i>			<i>\$ 1,697,557</i>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF WAVELAND, MISSISSIPPI

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Waveland under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position, or cash flows of the City of Waveland.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 2 - DE MINIMIS COST RATE

The City elected not to recover indirect costs for federal programs using the 10% de minimis cost rate allowed by the Uniform Guidance in Section 414.

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OTHER INFORMATION

SCHEDULE 5

CITY OF WAVELAND, MISSISSIPPI

SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS - UNAUDITED
September 30, 2020

Name	Position	Surety Company	Amount
Charles Smith	Mayor	Travelers	\$ 100,000
Jeremy Burke	Alderman - Ward 1	Travelers	100,000
Bobby Richardson	Alderman - Ward 2	Travelers	100,000
Shane Lafontaine	Alderman - Ward 3	Travelers	100,000
Charles Piazza	Alderman - Ward 4	Travelers	100,000
James Lagasse	City Clerk	Travelers	50,000
Ronald Duckworth	Deputy City Clerk / Comptroller	Travelers	50,000
Tammy Fayard	Deputy City Clerk	Travelers	50,000
Rhonda Cummings	Court Clerk	Travelers	50,000
Rachel Sekinger	Deputy Court Clerk	Travelers	50,000
Pamela Lafontaine	Personnel Director	Travelers	50,000
Jeanne Conrad	Building Department Manager	Travelers	50,000
Daue Draz	Permits Clerk	Travelers	50,000
Veotis Humphrey	Utility Department Manager	Travelers	50,000
Katharine Corr	Purchasing Agent	Travelers	50,000
Julie Bromwell	Public Works Clerk	Travelers	50,000
Lisa Ladner	Public Works Clerk	Travelers	50,000
Erin Johnson - Manix	Public Works Clerk	Travelers	50,000
Josh Hayes	Building Inspector	Travelers	50,000
Michael Pendergast	Police Chief	Travelers	100,000
Phillip Pavolini	Assistance Police Chief	Travelers	50,000
Lisa Parker	Police Department Clerk	Travelers	50,000
David Allen	Police Officer	Travelers	25,000
Devin Bates	Police Officer	Travelers	25,000
Troy Bordelon	Police Officer	Travelers	25,000
Harley Caughlin	Police Officer	Travelers	25,000
William Cotter	Police Officer	Travelers	25,000
Patrick Crowe	Police Officer	Travelers	25,000
John G. DeSalve	Police Officer	Travelers	25,000
Chad Dorn	Police Officer	Travelers	25,000
Natalia Rodriguez Exposito	Police Officer	Travelers	25,000
Shondi Merwin Garcia	Police Officer	Travelers	25,000
Joseph Joffrion	Police Officer	Travelers	25,000
John Nelson	Police Officer	Travelers	25,000
Adam Tyler Penton	Police Officer	Travelers	25,000
Michael Penton	Police Officer	Travelers	25,000
Edward B. Richardson IV	Police Officer	Travelers	25,000
Demitruis Scott	Police Officer	Travelers	25,000
Joshua Stockstill	Police Officer	Travelers	25,000
Paul Taylor	Police Officer	Travelers	25,000
Richard Trudel III	Police Officer	Travelers	25,000

SPECIAL REPORTS



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

To the Honorable Mayor and Members of the
Board of Aldermen
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, 2020, and the related notes to the financial statements, which collectively comprise the City of Waveland, Mississippi's basic financial statements, and have issued our report thereon dated August 8, 2022.

Internal Control over Financial Reporting

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

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

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HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 548
Gulfport, MS 39502-0548

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waveland, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2020-004. Additional instances of noncompliance with State of Mississippi laws and regulations are described in the *Independent Auditors' Report on Compliance with State of Mississippi Laws and Regulations* as Findings 1 and 2.

City of Waveland's Response to Findings

The City of Waveland, Mississippi's response to findings 2020-001 through 2020-004 identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Waveland, Mississippi's response to State of Mississippi compliance Findings 1 and 2 are described in the *Independent Auditor's Report on Compliance with State of Mississippi Laws and Regulations*. The City of Waveland, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Purpose of this Report

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



Hattiesburg, Mississippi
August 8, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

We have audited the City of Waveland, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Waveland, Mississippi's major federal program for the year ended September 30, 2020. The City of Waveland, Mississippi's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Waveland, Mississippi's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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.

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HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 548
Gulfport, MS 39502-0548

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

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

Opinion on the 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 its major federal program for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2020-004. Our opinion on the major federal program is not modified with respect to this matter.

The City of Waveland, Mississippi's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Waveland, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Waveland, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Waveland, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the 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 of Waveland, Mississippi's internal control over compliance.

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

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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as finding 2020-004, that we consider to be a material weakness.

The City of Waveland, Mississippi's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Waveland, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Hattiesburg, Mississippi
August 8, 2022



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

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

We have audited the basic financial statements of the City of Waveland, Mississippi as of and for the year ended September 30, 2020, and have issued our report dated August 8, 2022. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

Finding 1 - Annual Inventory of Assets

The City did not maintain a complete annual inventory of its assets in accordance with the guidelines established by the Office of the State Auditor.

Criteria, Context, and Condition

The City's inventory records were not accurately maintained in accordance with the municipal inventory guidelines established by the Office of the State Auditor.

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HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
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P. O. Box 548
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To the Honorable Mayor and Members of the
Board of Aldermen
Waveland, Mississippi

Recommendation

The City should update existing inventory records by having each department update listings of assets, and any discrepancies should be resolved on a timely basis.

Response

The City Administration agrees with this finding and has implemented procedures to update the City's detailed fixed asset inventory records. Additionally, the prescribed update of inventory records will be completed at the end of each fiscal year on a timely basis.

Finding 2 - Municipal Compliance Questionnaire

The City did not complete the Municipal Compliance Questionnaire for fiscal year 2020 on a timely basis as prescribed by the Municipal Audit and Accounting Guide.

Criteria, Context, and Condition

The Municipal Audit and Accounting Guide published by the State of Mississippi Office of the State Auditor requires that the Municipal Compliance Questionnaire be completed at the end of the municipality's fiscal year and be entered onto the official minutes of the governing authorities at their next regular meeting. The City did not complete the fiscal year 2020 questionnaire in the manner prescribed in the Guide.

Recommendation

The City should complete the Municipal Compliance Questionnaire each year at its first regularly scheduled Board of Aldermen meeting in October and the questionnaire should be recorded into the official minutes.

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

Response

The City Administration will ensure that future Municipal Compliance Questionnaires are completed at the end of each fiscal year for inclusion in the minutes of the first scheduled October Board of Aldermen meeting.

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

This report is intended for the information of the City of Waveland, Mississippi's management, Honorable Mayor, Board of Aldermen, and the Mississippi Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Hattiesburg, Mississippi
August 8, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF WAVELAND, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

SECTION 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | | |
|----|--------------------------------------------------------------|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Unmodified |
| | Business-type Activities | Unmodified |
| | General Fund | Unmodified |
| | MDOT Sidewalks Fund | Unmodified |
| | Utility Fund | Unmodified |
| | Aggregate Remaining Fund Information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | A. Material weakness identified? | Yes |
| | B. Significant deficiency identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | |
|--------------------------------------------------|---------------|
| Internal control over the major federal program: | |
| A. Material weakness identified? | Yes |
| B. Significant deficiency identified? | None reported |

Type of auditor's report issued on compliance for the major federal program:	
Highway Planning and Construction Cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	Yes
-----------------------------------------------------------------------------------------------------	-----

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
--------------------------------------------------------------------------	-----------

Auditee qualified as low-risk auditee?	No
----------------------------------------	----

CITY OF WAVELAND, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2020

SECTION 2: FINANCIAL STATEMENT FINDINGS

2020-001 All cash accounts not included in City's general ledger. Excluded accounts not reconciled.

Finding Type: Material Weakness

Repeat Finding: Yes

Criteria - Generally accepted accounting principles require all cash accounts be reported in the City's general ledger and reconciled timely so that misappropriation of cash will be prevented, or detected and corrected on a timely basis.

Condition - As reported in the prior years' audit report, all the City's cash accounts were not included in the City's general ledger or reconciled in a timely manner.

Cause - The City did not perform timely reconciliations of all cash accounts or maintain appropriate controls over cash accounts.

Effect - The City's records do not include all the cash account held by the City or reflect the transactions of excluded cash accounts.

Recommendation - The City Clerk should institute procedures to ensure the completeness of the City's general ledger and timely reconciliations of accounts.

Views of Responsible Officials - See Auditee Corrective Action Plan.

2020-002 Interfund payable and receivable balances are not repaid and reconciled regularly.

Finding Type: Material Weakness

Repeat Finding: Yes

Criteria - Interfund payable and receivable balances are intended to be short-term transactions and need to be repaid and reconciled regularly under generally accepted accounting principles.

Condition - Interfund payable and receivable balances are allowed to grow from year to year without being repaid or reconciled.

CITY OF WAVELAND, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2020

SECTION 2: FINANCIAL STATEMENT FINDINGS (Cont.)

2020-002 Interfund payable and receivable balances were not repaid and reconciled regularly (Cont.).

Cause - Reconciliation of interfund payable and receivable accounts are not being performed. Additionally, cash is not being transferred between funds to eliminate interfund payable and receivable balances.

Effect - Interfund payable and receivable balances do not represent amounts expected to be repaid between funds and often result in deficit fund balances due to funds not being repaid.

Recommendation - Interfund payable and receivable balances are short-term transactions and should be repaid and reconciled timely.

Views of Responsible Officials - See Auditee Corrective Action Plan.

2020-003 Timeliness of Financial Reporting.

Finding Type: Material Weakness

Repeat Finding: No

Criteria - Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Mississippi law, and terms of various bonds, grants, contracts, and agreements impose financial reporting requirements and deadlines for submission by the City of annual financial statements presented in accordance with U.S. generally accepted accounting principles.

Condition - The City failed to meet the financial reporting deadline for its financial statements for the fiscal year ended September 30, 2020.

Cause - Software conversion, unreconciled accounts, incomplete records and multiple changes in key management and accounting personnel resulted in the City's inability to meet the reporting deadline. Staff turnover also caused a loss of historical knowledge base, including familiarity with informal and undocumented procedures performed in prior years which caused further delays in the City's ability to accumulate information needed for financial reporting.

Effect - Failure to maintain compliance with financial reporting requirements and deadlines exposes the City to risk of delay or curtailment of funding. Costs of funds may also increase because of liquidity drains or noncompliance with reporting requirements.

CITY OF WAVELAND, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2020

SECTION 2: FINANCIAL STATEMENT FINDINGS (Cont.)

2020-003 Timeliness of Financial Reporting (Cont.).

Recommendation - The City should implement procedures that will allow for timely financial reporting in accordance with all applicable reporting deadlines.

Views of Responsible Officials - See Auditee Corrective Action Plan.

SECTION 3: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2020-004 Non-compliance resulting from deficiencies in financial statement internal control over timeliness of financial reporting (L).

Finding Type Material Weakness

Program Tested: CFDA No. 20.205: Highway Planning and Construction Cluster

Repeat Finding: No

Criteria - According to the Uniform Guidance, 2 CFR 200.501(a), non-Federal entities that expend \$750,000 or more in a year in Federal awards shall have a single or program specific audit conducted for that year in accordance with the provisions of these parts. Guidance on determining Federal awards expended is provided in §.205 and 2 CFR 200.502. The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year - whichever comes first - pursuant to Uniform Guidance 2 CFR 200.512(a).

Condition - The City's audit package for the fiscal year ended September 30, 2019 was not timely submitted to the Federal Audit Clearinghouse.

Questioned Costs - Undetermined.

Cause - See Financial Statement Finding 2020-003

Effect - The City did not comply with Federal Single Audit requirements for timely submission of its audit package.

Recommendation - See Financial Statement Finding 2020-003

Views of Responsible Officials - See Auditee Corrective Action Plan.

AUDITEE'S CORRECTIVE ACTION PLAN



Mike Smith, Mayor

AUDITEE'S CORRECTIVE ACTION PLAN

The City of Waveland respectfully submits the following corrective action plan.

Audit Period: September 30, 2020

The findings discussed below are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Corrective Action Plan for Financial Statement Findings

2020-001 All cash accounts not included in City's general ledger. Excluded accounts not reconciled.

The City of Waveland is currently setting up additional internal controls for all cash accounts, including monthly reconciliations.

Name of Person Responsible for Corrective Action: City Clerk

Expected Date of Completion: Summer 2022

2020-002 Interfund payable and receivable balances are not repaid and reconciled regularly.

The City of Waveland recognizes the finding. Interfund balances will be reconciled monthly and held to short-term receivables and payables. Additional internal controls will also be setup to insure interfund balances are repaid timely.

Name of Person Responsible for Corrective Action: City Clerk

Expected Date of Completion: Summer 2022

2020-003 Timeliness of Financial Reporting.

The City of Waveland will be implementing additional internal controls with all employees, to insure financial reporting in a timely manner.

Name of Person Responsible for Corrective Action: City Clerk

Expected Date of Completion: Summer 2023

Corrective Action Plan for Federal Award Findings and Questioned Costs

2020-004 Non-compliance resulting from deficiencies in financial statement internal control over timeliness of financial reporting (L).

The City acknowledges that there are important reporting deadlines for submission of completed audits to the Federal Audit Clearinghouse.

Name of Person Responsible for Corrective Action: City Clerk

Expected Date of Completion: Summer 2023

Jeremy Burke, Alderman Ward #1 • Bobby Richardson, Alderman Ward #2
Shane Lafontaine, Alderman Ward #3 • Charles Piazza, Alderman Ward #4 •
Tammy Fayard, City Clerk • 301 Coleman Avenue • Waveland, Mississippi 39576 •
Office: 228-467-4134 • Fax: 228-467-3177

CITY OF WAVELAND, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2020



Mike Smith, Mayor

Summary Schedule of Prior Audit Findings Year Ended September 30, 2020

The following is an update of the prior audit findings and is prepared in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

2019-001 All cash accounts not included in City's books and records. Excluded accounts not reconciled.

Condition - This finding was a material weakness.

Recommendation - The Board of Aldermen should institute procedures to ensure the completeness of the City's books and records and timely reconciliations of accounts.

Current Status - Not corrected.

2019-002 Interfund payable and receivable balances are not repaid and reconciled regularly.

Condition - This finding was a material weakness.

Recommendation - Interfund payable and receivable balances are short-term transactions and should be repaid and reconciled timely.

Current Status - Not corrected.