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CITY OF WAYNESBORO, MISSISSIPPI

**Audited Financial Statements
and Special Reports**

For the Year Ended September 30, 2020

CITY OF WAYNESBORO, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

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 cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of September 30, 2020, and the respective changes in the cash basis financial position thereof for the year then ended in accordance with the cash basis accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that the City of Waynesboro, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Budgetary Comparison Schedules, Notes to the Budgetary Comparison Schedules, Schedule of Investments, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, and Schedule of Surety Bonds for Municipal Officials have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021 on our consideration of the City of Waynesboro, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City of Waynesboro, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waynesboro, Mississippi's internal control over financial reporting and compliance.

Handwritten signature of Stephen D. Myrick in black ink, followed by the text "CPA LLC".

Stephen D. Myrick, C.P.A., L.L.C.

Quitman, Mississippi

June 25, 2021

FINANCIAL STATEMENTS

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CITY OF WAYNESBORO, MISSISSIPPI

Statement of Net Position - Cash Basis

September 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,665,965	\$ 1,127,265	\$ 2,793,230
Restricted cash	52,339	83,750	136,089
Total Assets	<u>\$ 1,718,304</u>	<u>\$ 1,211,015</u>	<u>\$ 2,929,319</u>
NET POSITION			
Restricted for:			
Expendable:			
Public safety	\$ 159,472	\$ -	\$ 159,472
Public works	6,243	1,211,015	1,217,258
Health and welfare	24,583	-	24,583
Culture and recreation	296,607	-	296,607
Conservation of natural resources	1,942	-	1,942
Unemployment compensation	6,594	-	6,594
Other purposes	60,399	-	60,399
Unrestricted	1,162,464	-	1,162,464
Total Net Position	<u>\$ 1,718,304</u>	<u>\$ 1,211,015</u>	<u>\$ 2,929,319</u>

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

CITY OF WAYNESBORO, MISSISSIPPI
Statement of Activities - Cash Basis
For the Year Ended September 30, 2020

Functions/Programs	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
General government	\$ 770,286	\$ -	\$ -	\$ (770,286)	\$ -	\$ (770,286)
Public safety	1,989,989	181,189	30,424	(1,778,376)	-	(1,778,376)
Public works	1,937,490	671,682	1,132,188	(133,620)	-	(133,620)
Culture and recreation	465,781	-	-	(465,781)	-	(465,781)
Health and welfare	672,993	-	-	(672,993)	-	(672,993)
Debt service:						
Principal	52,106	-	-	(52,106)	-	(52,106)
Interest	7,604	-	-	(7,604)	-	(7,604)
Total Governmental Activities	<u>5,896,249</u>	<u>852,871</u>	<u>1,162,612</u>	<u>(3,880,766)</u>	<u>-</u>	<u>(3,880,766)</u>
Business-type Activities:						
Water and sewer	<u>1,305,742</u>	<u>1,357,953</u>	<u>239,722</u>	<u>-</u>	<u>291,933</u>	<u>291,933</u>
Total Business-type Activities	<u>1,305,742</u>	<u>1,357,953</u>	<u>239,722</u>	<u>-</u>	<u>291,933</u>	<u>291,933</u>
Total Government	<u>\$ 7,201,991</u>	<u>\$ 2,210,824</u>	<u>\$ 1,402,334</u>	<u>(3,880,766)</u>	<u>291,933</u>	<u>(3,588,833)</u>
General Receipts:						
Property taxes				1,272,587	-	1,272,587
Road and bridge privilege taxes				260,230	-	260,230
Sales tax				2,385,367	-	2,385,367
Licenses and permits				306,045	-	306,045
Grants and contributions not restricted to specific pro				62,066	-	62,066
Unrestricted interest income				17,952	11,793	29,745
Miscellaneous				33,027	-	33,027
Total General Revenues and Transfers				<u>4,337,274</u>	<u>11,793</u>	<u>4,349,067</u>
Changes in Net Position				456,508	303,726	760,234
Net Position - Beginning				<u>1,261,796</u>	<u>907,289</u>	<u>2,169,085</u>
Net Position - Ending				<u>\$ 1,718,304</u>	<u>\$ 1,211,015</u>	<u>\$ 2,929,319</u>

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

CITY OF WAYNESBORO, MISSISSIPPI
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
September 30, 2020

	<u>General Fund</u>	<u>1 % Special Tourism Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,162,464	\$ 217,653	\$ 285,848	\$ 1,665,965
Restricted cash	-	-	52,339	52,339
Total Assets	<u>1,162,464</u>	<u>217,653</u>	<u>338,187</u>	<u>1,718,304</u>
FUND BALANCES				
Restricted for:				
Public safety	-	-	159,472	159,472
Public works	-	-	6,243	6,243
Health and welfare	-	-	24,583	24,583
Culture and recreation	-	217,653	78,954	296,607
Conservation of natural resources	-	-	1,942	1,942
Unemployment compensation	-	-	6,594	6,594
Other purposes	-	-	60,399	60,399
Unassigned	<u>1,162,464</u>	<u>-</u>	<u>-</u>	<u>1,162,464</u>
Total Fund Balances	<u>\$ 1,162,464</u>	<u>\$ 217,653</u>	<u>\$ 338,187</u>	<u>\$ 1,718,304</u>

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

CITY OF WAYNESBORO, MISSISSIPPI
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	1 % Special Tourism Tax Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property taxes	\$ 933,459	\$ -	\$ 339,128	\$ 1,272,587
Road and bridge privilege taxes	260,230	-	-	260,230
Sales tax	2,180,626	204,741	-	2,385,367
Licenses, commissions and other receipts	303,975	-	2,070	306,045
Fines and forfeitures	177,420	-	3,769	181,189
Intergovernmental receipts	1,091,633	-	133,045	1,224,678
Charge for services	671,682	-	-	671,682
Interest income	14,479	1,695	1,778	17,952
Miscellaneous receipts	30,589	-	2,438	33,027
Total Receipts	<u>5,664,093</u>	<u>206,436</u>	<u>482,228</u>	<u>6,352,757</u>
DISBURSEMENTS				
General government	767,872	-	2,414	770,286
Public safety	1,631,496	-	358,493	1,989,989
Public works	1,457,232	-	480,258	1,937,490
Culture and recreation	461,830	3,951	-	465,781
Health and welfare	672,993	-	-	672,993
Debt service:				
Principal	26,349	-	25,757	52,106
Interest	1,265	-	6,339	7,604
Total Disbursements	<u>5,019,037</u>	<u>3,951</u>	<u>873,261</u>	<u>5,896,249</u>
Excess (Deficiency) of Receipts over (under) Disbursement	<u>645,056</u>	<u>202,485</u>	<u>(391,033)</u>	<u>456,508</u>
OTHER CASH SOURCES (USES)				
Transfers in	-	-	971	971
Transfers out	-	-	(971)	(971)
Total Other Cash Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts and Other Cash Sources over (under) Disbursements and Other Cash Uses	<u>645,056</u>	<u>202,485</u>	<u>(391,033)</u>	<u>456,508</u>
Fund Balances - Beginning	<u>517,408</u>	<u>15,168</u>	<u>729,220</u>	<u>1,261,796</u>
Fund Balances - Ending	<u>\$ 1,162,464</u>	<u>\$ 217,653</u>	<u>\$ 338,187</u>	<u>\$ 1,718,304</u>

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

CITY OF WAYNESBORO, MISSISSIPPI
Statement of Net Position - Cash Basis
Proprietary Fund
September 30, 2020

	Business-type Activities - Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current Assets:		
Cash	\$ 1,127,265	\$ 1,127,265
Total Current Assets	1,127,265	1,127,265
Noncurrent Assets:		
Restricted cash	83,750	83,750
Total Noncurrent Assets	83,750	83,750
Total Assets	1,211,015	1,211,015
 NET POSITION		
Restricted for:		
Public works	1,211,015	1,211,015
Total Net Position	\$ 1,211,015	\$ 1,211,015

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

CITY OF WAYNESBORO, MISSISSIPPI
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Fund
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Fund	
	Water and Sewer	
	Fund	Total
Operating Receipts		
Charges for sales and services	\$ 1,302,883	\$ 1,302,883
Other services	55,070	55,070
Total Operating Receipts	<u>1,357,953</u>	<u>1,357,953</u>
Operating Disbursements		
Personal services	427,609	427,609
Contractual services	637,459	637,459
Materials and supplies	116,984	116,984
Other expense	64,276	64,276
Total Operating Disbursements	<u>1,246,328</u>	<u>1,246,328</u>
Operating Income (Loss)	<u>111,625</u>	<u>111,625</u>
Nonoperating Receipts (Disbursements)		
Interest income	11,793	11,793
Grant receipts	239,722	239,722
Principal paid	(37,121)	(37,121)
Interest expense	<u>(22,293)</u>	<u>(22,293)</u>
Net Nonoperating Receipts (Disbursements)	<u>192,101</u>	<u>192,101</u>
Changes in Net Position	303,726	303,726
Net Position - Beginning	<u>907,289</u>	<u>907,289</u>
Net Position - Ending	<u>\$ 1,211,015</u>	<u>\$ 1,211,015</u>

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

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity.

The City of Waynesboro, Mississippi (the City) is a municipal corporation governed by a mayor elected from the citizens of the City at-large and a five-member board of aldermen. Four aldermen are elected by the citizens from a specific district and one alderman is elected by the citizens of the City at-large. The financial statements of the City are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require the City to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the City. There are no outside organizations that should be included as component units of the City's reporting entity.

B. Basis of Presentation.

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the City as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other non-exchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for services.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the City's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program, or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts of the City.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund balances, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual..

The City reports the following major Governmental Funds:

General Fund – This fund is used to account for and report all financial resources not accounted for and reported in another fund.

1% Special Tourism Tax Fund – This fund is used to account for monies from specific revenue sources that are restricted for 1% Special Tourism Tax.

The City reports the following major Enterprise Fund:

Water and Sewer Fund – This fund is used to account for the activities associated with the City’s water distribution and sewage collection systems.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement 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 disbursement for principal and interest.

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

Permanent Funds – These funds are used to account for and report resources that are restricted to the extent that only interest received, and not principal, may be used for purposes that support the City’s programs.

PROPRIETARY FUND TYPES

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of receipts collected, disbursements paid and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

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

Private-purpose Trust Funds – These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, and 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).

F. Restricted Cash.

The City requires new users of its water and sewer system to pay a meter deposit up front in order to use the City's water and sewer systems. The City is required to maintain these deposits in a separate bank account and return this deposit to the customer upon discontinuation of service.

The City is required by the United States Department of Agriculture – Rural Development in its loan covenants to maintain a debt service reserve in a separate bank account in an amount equivalent to one year's maintenance cost for the City's notes payable with the United States Department of Agriculture – Rural Development.

G. Equity Classifications.

Government-wide Financial Statements:

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

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".

Net Position Flow Assumption:

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

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 nonspendable, restricted, committed, assigned 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.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

fund balance amount. In other governmental funds, if disbursements paid 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 a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

H. Property Tax Receipts.

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

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

The total millage rate of the City for January through December 2020 is 27.5 mills; 20.5 mills for general government operations and 7 mills for fire protection.

Note 2: Deposits.

The carrying amount of the City's total deposits with financial institutions at September 30, 2020 was \$2,929,319 (which included \$1,059 in petty cash and \$161,993 in certificates of deposit), and the bank balance was \$2,943,113. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Companies (FDIC).

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

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 3: Restricted Cash.

The restricted cash amount in the City's Other Governmental Funds represents a trust reserved specifically for cemetery improvements in the amount of \$22,949, restitution funds in the amount of \$5,616, and seized funds unreleased for use in the amount of \$23,774. The restricted cash amount in the Water and Sewer Fund represents customer meter deposits in the amount of \$58,152 and a debt service reserve of \$25,598 required by the United States Department of Agriculture - Rural Development in its loan covenants requiring the City to maintain a debt service reserve in a separate bank account.

Note 4: Transfers.

The following is a summary of interfund transfers at September 30, 2020:

Transfers In/Out:

Transfers In	Transfers Out	Amount
Other Governmental Funds	Other Governmental Funds	\$ 971
Total		\$ 971

The purpose of the operating transfers was to provide funds to cover operating expenses.

Note 5: Claims and Judgements.

Risk Financing.

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2020 to January 1, 2021. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Note 6: Contingencies.

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The City may be responsible for any disallowances.

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

Note 7: Related Party.

For the fiscal year ended September 30, 2020, the City of Waynesboro paid the brother of an Alderman approximately \$109,685 for various types of construction and repair services. It is the representation of management with the City of Waynesboro, Mississippi that these services were consummated on terms equivalent to those that prevail in other arm's-length transactions by requiring competitive quotes where applicable in accordance with Mississippi Purchasing Laws.

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 8: Related Organization.

The City's Board of Aldermen are responsible for appointing five members to the board of trustees of the Waynesboro-Wayne County Library System, one from the respective ward of the Alderman who appoints them, but the City's accountability for this organization does not extend beyond making the appointments. The City appropriated \$112,114 for an operating grant to the Waynesboro-Wayne County Library System for the 2020 fiscal year.

Note 9: Joint Ventures.

The City participates in the following joint venture:

Chickasawhay Natural Gas District - The City is a participant with the City of Quitman and the City of Shubuta in a joint venture to operate Chickasawhay Natural Gas District ("The District"), a special governmental unit established by state statute to provide gas service to the residences of the three cities' citizens and as well as to citizens of certain areas of Clarke and Wayne counties. The District is governed by a seven-member board of trustees composed of the mayor of each of the three participating cities, four members elected by the customers, two each from Clarke and Wayne counties. Each of the three cities is not presently obligated by contract to supplement the District's operating revenues. The District's board minutes are silent to a specific formula outlining each participant's claim to joint venture assets, and there is no written joint venture agreement among the participants. Therefore, no explicit and measurable equity interest is deemed to exist. Complete financial statements for the District can be obtained from the District's administrative office at 306 S. Archusa Avenue, Quitman, MS 39355 or call (601) 776-8887.

Note 10: Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2020, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$289,879, \$278,478, and \$272,112, respectively, equal to the required contributions for each year.

Note 11: Tax Abatements.

Tax abatements are available to manufacturers and other new enterprises as authorized in Sections 27-31-101 and 27-31-105 of Mississippi Code Annotated (1972) and are granted by the Board of Aldermen to encourage businesses to locate or expand operations in the City and to create new job opportunities for City residents.

The City negotiates property taxes on an individual basis and approves all abatements for up to ten years. The City has one type of abatement under Section 27-31-102, Miss. Code Annotated (1972) for all allowable property tax levies, which does not provide for the abatement of school or state tax levies. Current agreements do not have any provisions for recapturing abated taxes.

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

The City has a total of twenty-one ad valorem tax abatement agreements with fourteen different industries as of September 30, 2020:

<u>Category</u>	<u>Percentage of Taxes Abated</u>	<u>Amount of Taxes Abated during the Year</u>
Construction and expansion of an existing facility	100%	\$ 82,918

Note 12: Subsequent Events.

Events that occur after the Statement of Net Position-Cash Basis date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position-Cash Basis date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position-Cash Basis date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 25, 2021, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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SUPPLEMENTARY INFORMATION

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CITY OF WAYNESBORO, MISSISSIPPI
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Administered through the Federal Aviation Administration			
Airport Improvement Program	20.106	N/A	\$ 27,200
Airport Improvement Program-Cares Act	20.106	N/A	13,749
Total U.S. Department of Transportation			40,949
<u>U.S. Department of Homeland Security</u>			
Passed-through Mississippi Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4415-DR-MS	971,710
Total passed-through Mississippi Emergency Management Agency			971,710
Total U.S. Department of Homeland Security			971,710
Total for All Federal Awards			\$ 1,012,659

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting as the financial statements; however for Disaster Grants - Public Assistance (Presidentially Declared Disasters), federal expenditures include approximately \$448,766 of eligible expenditures spent in the prior fiscal year prior the approval of the Project Worksheets as required by the OMB Compliance Supplement.
2. The City did not use the 10% de minimis indirect cost rate.
3. Federal expenditures include approximately \$4,300 that were paid to a related party.

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OTHER INFORMATION

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CITY OF WAYNESBORO, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2020
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Licenses and permits	\$ 33,000	\$ 33,706	\$ 29,448	\$ (4,258)
State shared revenues	2,100,000	2,100,000	2,180,626	80,626
Road and bridge taxes	260,000	260,000	260,230	230
Fines and forfeitures	200,000	180,475	177,420	(3,055)
Franchise taxes	278,000	274,058	274,527	469
Charges for services	565,000	613,000	671,682	58,682
Loan/grant proceeds	1,597,400	1,000,000	1,091,633	91,633
Other sources	153,650	114,052	45,068	(68,984)
Tax levy	925,000	975,000	933,459	(41,541)
Total Receipts	<u>6,112,050</u>	<u>5,550,291</u>	<u>5,664,093</u>	<u>113,802</u>
DISBURSEMENTS				
General government	836,320	780,649	767,872	12,777
Public safety	1,894,650	1,874,950	1,631,496	243,454
Public works	2,769,490	2,777,113	1,457,232	1,319,881
Culture and recreation	618,084	539,798	461,830	77,968
Health and welfare	-	-	672,993	(672,993)
Debt service:				
Principal	-	-	26,349	(26,349)
Interest	-	-	1,265	(1,265)
Total Disbursements	<u>6,118,544</u>	<u>5,972,510</u>	<u>5,019,037</u>	<u>953,473</u>
Net Change in Fund Balance	(6,494)	(422,219)	645,056	1,067,275
Fund Balances - Beginning	6,494	516,415	517,408	993
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 94,196</u>	<u>\$ 1,162,464</u>	<u>\$ 1,068,268</u>

The accompanying notes to Budgetary Comparison Schedules are an integral part of this statement.

CITY OF WAYNESBORO, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
1 % Special Tourism Tax Fund
For the Year Ended September 30, 2020
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
State shared revenues	\$ -	\$ 199,077	\$ 204,741	\$ 5,664
Interest/other sources	-	1,572	1,695	123
Total Receipts	-	200,649	206,436	5,787
DISBURSEMENTS				
Personnel, fixed assets and other	-	3,951	3,951	-
Total Disbursements	-	3,951	3,951	-
Net Change in Fund Balance	-	196,698	202,485	5,787
Fund Balances - Beginning	-	15,168	15,168	-
Fund Balances - Ending	\$ -	\$ 211,866	\$ 217,653	\$ 5,787

The accompanying notes to Budgetary Comparison Schedules are an integral part of this statement.

CITY OF WAYNESBORO, MISSISSIPPI
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2020

A. Budgetary Information.

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

The City's budget is prepared principally on the cash basis of accounting except for disbursements where the City follows Section 21-35-23, Miss. Code Ann. (1972) which allows disbursements made within 30 days after September 30 to be charged back to the budget for fiscal year ending on September 30. This provision applies to obligations incurred prior to the end of the fiscal year ended September 30 and intended appropriated to be paid from that fiscal year's budget. To qualify for this charge back, the claim for payment [Section 21-39-9, Miss. Code Ann. 1972] must be approved and the check for payment dated no later than October 30. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

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

CITY OF WAYNESBORO, MISSISSIPPI
Schedule of Investments - All Funds
For the Year Ended September 30, 2020
UNAUDITED

<u>Fund</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Investment Cost/Value</u>
Other Governmental Funds					
Cemetery Fund	Certificate of Deposit	2.00%	4/23/1986	1/23/2022	<u>\$ 22,142</u>
Total Other Governmental Funds					<u>\$ 22,142</u>
Enterprise Fund					
Water and Sewer Fund	Certificate of Deposit	0.35%	8/26/1988	8/26/2021	\$ 10,000
	Certificate of Deposit	0.35%	8/26/1988	8/26/2021	10,000
	Certificate of Deposit	1.51%	8/23/1990	8/23/2021	27,150
	Certificate of Deposit	1.51%	8/23/1990	8/23/2021	27,150
	Certificate of Deposit	1.51%	8/23/1990	8/23/2021	54,300
	Certificate of Deposit	1.24%	1/12/1989	12/3/2020	<u>11,250</u>
Total Water and Sewer Fund					<u>\$ 139,850</u>

CITY OF WAYNESBORO, MISSISSIPPI
Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2020
UNAUDITED

Governmental Activities:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
Land	\$ 224,332	\$ -	\$ -	\$ 224,332
Construction in progress	458,278	-	-	458,278
Infrastructure	5,274,477	-	-	5,274,477
Buildings	4,023,192	-	-	4,023,192
Improvements other than buildings	644,445	-	-	644,445
Mobile equipment	1,920,846	65,410	-	1,986,256
Furniture and equipment	411,352	72,387	-	483,739
Leased property under capital leases	1,640,898	-	-	1,640,898
Total Capital Assets-Governmental Activities	<u>\$ 14,597,820</u>	<u>\$ 137,797</u>	<u>\$ -</u>	<u>\$ 14,735,617</u>

Business-type Activities:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
Infrastructure	\$ 14,638,369	\$ -	\$ -	\$ 14,638,369
Buildings	1,398,914	-	-	1,398,914
Improvements other than buildings	103,348	-	-	103,348
Mobile equipment	346,322	-	-	346,322
Furniture and equipment	379,239	-	-	379,239
Leased property under capital leases	29,292	-	-	29,292
Total Capital Assets-Business-type Activities	<u>\$ 16,895,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,895,484</u>

CITY OF WAYNESBORO, MISSISSIPPI
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2020
UNAUDITED

<u>Description and Purpose</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance October 1, 2019</u>	<u>Issued</u>	<u>Principal Payments</u>	<u>Balance September 30, 2020</u>	<u>Interest Paid</u>
Governmental Activities:									
A. Other Loans									
2018 Western Star Knuckleboom Truck	4/3/2017	\$ 142,500	4/3/2022	2.17%	\$ 73,149	\$ -	\$ 26,349	\$ 46,800	\$ 1,265
2018 Fire Truck	11/16/2017	279,000	11/15/2027	2.85%	<u>233,585</u>	<u>-</u>	<u>25,757</u>	<u>207,828</u>	<u>6,339</u>
Total Governmental Activities Debt					<u>\$ 306,734</u>	<u>\$ -</u>	<u>\$ 52,106</u>	<u>\$ 254,628</u>	<u>\$ 7,604</u>
Business-type Activities									
A. Other Loans									
Jones Branch Project	3/5/2004	\$ 422,300	3/5/2039	4.50%	\$ 317,006	\$ -	\$ 10,849	\$ 306,157	\$ 13,967
Big Well	3/21/2014	556,326	8/21/2033	2.00%	<u>418,104</u>	<u>-</u>	<u>26,272</u>	<u>391,832</u>	<u>8,326</u>
Total Business-type Activities Debt					<u>\$ 735,110</u>	<u>\$ -</u>	<u>\$ 37,121</u>	<u>\$ 697,989</u>	<u>\$ 22,293</u>

CITY OF WAYNESBORO, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2020
UNAUDITED

Name	Position	Company	Bond Amount
Richard E. Johnson	Mayor	RLI Surety	\$ 50,000
Terri Seawright	City Clerk		-
Alisa Shoemake	Deputy City Clerk		-
Mary Joyce Davis	Alderman	RLI Surety	40,000
George Timothy Cochran	Alderman	RLI Surety	40,000
Albert D. Busby	Alderman	RLI Surety	40,000
Tammie Wilson	Alderman	Western Surety Company	40,000
Johnny Gray	Alderman	Western Surety Company	40,000
Donald Holt Ross Jr	Police Chief		-

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SPECIAL REPORT

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Stephen D. Myrick C.P.A., L.L.C.

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

Members of the Board of Aldermen
and Honorable Mayor
City of Waynesboro, 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 cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Mississippi (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waynesboro, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters which we have reported to the management of the City of Waynesboro, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations dated June 25, 2021, included within this document.

City of Waynesboro, Mississippi's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is fluid and cursive, with the letters "Stephen" and "Myrick" being more prominent.

Stephen D. Myrick, C.P.A., L.L.C.

Quitman, Mississippi

June 25, 2021

Stephen D. Myrick C.P.A., L.L.C.

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

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

Report on Compliance for the Major Federal Program

We have audited the City of Waynesboro, 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 Waynesboro, Mississippi's major federal program for the year ended September 30, 2020. The City of Waynesboro, 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 Waynesboro, 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 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 Waynesboro, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA 97.036; Disaster Grants – Public Assistance (Presidentially Declared Disasters)

As described in the accompanying Schedule of Findings and Questioned Costs, the City of Waynesboro, Mississippi did not comply with requirements regarding CFDA 97.036; Disaster Grants – Public Assistance (Presidentially Declared Disasters) as described in finding number 2020-002 for Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Period of Performance; Reporting; Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the City of Waynesboro, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 97.036; Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Waynesboro, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 97.036; Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Waynesboro, 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 Waynesboro, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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 were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002 that we consider to be a material weakness.

The City of Waynesboro, Mississippi's response to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. The City of Waynesboro, Mississippi's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Stephen D. Myrick in black ink, followed by the text "CPA LLC".

Stephen D. Myrick, C.P.A., L.L.C.

Quitman, Mississippi

June 25, 2021

Stephen D. Myrick C.P.A., L.L.C.

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Waynesboro, MS 39355

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American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

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

We have audited the basic financial statements of the City of Waynesboro, Mississippi as of and for the year ended September 30, 2020 and have issued our report dated June 25, 2021. 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 basic financial statements disclosed the following instance of noncompliance with state laws and regulations:

1. Officials and employees are not properly bonded as required by Section 21 of the Mississippi Code Ann. (1972) and the Municipal Audit and Accounting Guide.

Repeat Finding: No

Criteria: Various general state statutes within Section 21 of the Mississippi Code Ann. (1972) and the Municipal Audit and Accounting Guide require certain City officials and employees to be bonded.

Condition: We observed several instances where the City did not either properly bond or sufficiently bond certain elected officials and employees as is prescribed in the Municipal Audit and Accounting Guide and Section 21 of the Mississippi Code Ann. (1972).

Cause: The City did not comply with state statutes.

Effect: Failure to comply with state law would limit the amount available for recovery if a loss occurred.

Recommendation: The City should implement additional internal control procedures to ensure that the City fulfills various state statutes requiring elected City officials and employees to be properly bonded as follows:

- All required elected City officials and employees should be bonded at the beginning of their terms.

- Surety bonds are properly completed and signed by the elected official or employee being bonded.
- New bonds are required from the bonding company at the beginning of each elected official or employee's term. Bond continuances are not allowed.

View of Respective Official(s):

- All bonds are being updated to state code requirements listed in Section 21 of MS Code Ann (1972).
- All updated and future bonds will be sign, and notarized and kept on file as required.
- New bonds, not bond continuations, will be issued at the beginning of each elected officials term and annually for all employees.

2. Management and Purchase Clerk should maintain adequate controls of purchasing.

Repeat Finding: No

Criteria: Section 31-7-13, Mississippi Code Ann. (1972) requires the City to comply with purchasing requirements in relation to quote and bid requirements.

Condition: We observed two instances where the City did not fulfill the requirements of Mississippi purchasing laws by not obtaining two quotes and/or performing the required reverse auction.

Cause: The City did not comply with state statutes.

Effect: Failure to maintain adequate controls over purchasing could result in improper payments to vendors, theft of assets, and misappropriation of funds.

Recommendation: Management and Purchase Clerk should maintain adequate controls over purchasing in order to comply with Mississippi purchasing laws.

View of Respective Official(s):

Management and the Purchase Clerk will ensure that the City complies with Mississippi purchasing laws. Two quotes will be required (unless declared an emergency by the Board of Aldermen) for any jobs \$5,000 to \$49,999. Any estimates over \$49,999 will be required to go through the bidding process before being awarded the job. Before any payments are made, a review will be made by the Purchase Clerk and City Clerk to ensure all required documents are in hand.

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

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



Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
June 25, 2021

City of Waynesboro, Mississippi
Schedule of Findings and Questioned Costs
For the 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
1% Special Tourism Tax Fund	Unmodified
Water and Sewer Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness identified? Yes
 - b. Significant deficiency identified? No
5. Type of auditor's report issued on compliance for major federal program: Modified
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
7. Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? No

City of Waynesboro, Mississippi
Schedule of Findings and Questioned Costs - Continued
For the Year Ended September 30, 2020

Section 2: Financial Statement Findings

2020-001.	<u>The financial accounting system will allow general journal entries to be posted that do not balance.</u>
Significant Deficiency	
Repeat Finding:	No
Criteria:	An effective financial accounting system and system of internal control will not allow for City personnel to create and post general journal entries that do not balance.
Condition:	As part of our audit procedures, we observed two instances where the City's financial accounting system allowed City personnel to post journal entries that did not balance.
Cause:	Weakness in design of accounting program and internal control system.
Effect:	Failure to correct this weakness in the accounting system could result in the loss or misappropriation of public funds.
Recommendation:	City officials should contact its vendor who supplies the financial accounting system and require that this weakness in the financial accounting system be corrected by requiring general journal entries to balance in order to be posted or set controls in the software where an entry that does not balance can only be made with approval of BBI personnel.
Views of Responsible Officials(s):	I have contacted BBI, Ms Janette Grice about this finding. She has removed the ability to post one-sided journal entries. They have submitted a program change to prevent Prior Year Journal entries from updating unless they balance. She also removed the screen option of creating a Single Journal Entry from our BBI menu. I have her email confirmation of this action.

Section 3: Federal Award Findings and Questioned Costs

Compliance Requirements:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Period of Performance; Reporting; Special Tests and Provisions
Material Weakness Material Noncompliance	
2020-002.	<u>The City should establish written policies and procedures as required by 2 CFR 200 Subparts D and E for the management federal awards, as well as, fulfilling the Compliance Requirements included in the 2020 Compliance Supplement.</u>
CFDA Number:	97.036; Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Pass-through Entity Identifying Number:	FEMA-4415-DR-MS
Pass-through Agency:	Mississippi Emergency Management Agency
Projected Questioned Costs:	\$696,877

City of Waynesboro, Mississippi
Schedule of Findings and Questioned Costs - Continued
For the Year Ended September 30, 2020

Repeat Finding:	No
Condition:	The City does not have written policies and procedures as required by 2 CFR 200 Subparts D and E that are necessary to ensure that the City properly administers federal awards, as well as, ensures compliance with the compliance requirements contained in 2 CFR Part 200, Appendix XI Compliance Supplement for 2020.
Cause:	City management and the project manager did not develop the necessary written internal control system to ensure that the City properly administered its federal award in accordance with 2 CFR 200 Subparts D and E and Appendix XI, Compliance Supplement for 2020.
Effect:	The United States Department of Homeland Security could demand repayment of federal funds and the City's ability to receive federal funds in the future could be hindered.
Recommendation:	The Board of Aldermen, Mayor and City Clerk should develop the necessary internal control policies and procedures necessary to properly administer federal awards and fulfill the compliance requirements contained in the 2 CFR Part 200, Subparts D and E as well as Appendix X Compliance Supplement for 2020.

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AUDITEE'S CORRECTIVE ACTION PLAN

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City of Waynesboro

www.waynesboroms.com

714 Wayne St.

Waynesboro, Mississippi 39367

601-735-4874

June 25, 2021

Stephen Myrick, C.P.A., L.L.C.
103 N. Archusa Ave.,
Quitman, MS 39355

Stephen,

The City of Waynesboro submits the following corrective action plan for the single audit conducted for fiscal year ending 30 September, 2020.

The Federal Award Finding is listed below.

2020-002 The City should establish written policies and procedures as required by 2 CFR 200 Subparts D and E for the management of federal awards, as well as, fulfilling the Compliance Requirements included in the 2020 Compliance Supplement.

Corrective Action

Planned: The City of Waynesboro has begun developing the necessary internal control policies and procedures to properly administer federal awards and comply with 2 CFR Part 200, Subparts D and E as well as Appendix X Compliance Supplement for 2020.

Anticipated

Completion Date: 31-Dec-21

Contact Person

Responsible for

Corrective Action: Dwayne Rawson, Interim City Clerk



Dwayne Rawson, Interim City Clerk