WINDHAM & LACEY, PLLC

Certified Public Accountants

CITY OF WAVELAND

Audited Financial Statements
And
Special Reports

For the Year Ended September 30, 2019

CITY OF WAVELAND

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Windham and Lacey, PLLC

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waveland, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waveland as of September 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

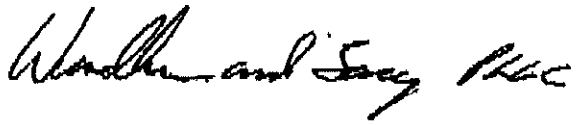
The City of Waveland, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial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

Other Information

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

Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of the City of Waveland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Waveland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waveland's internal control over financial reporting and compliance.



Windham and Lacey, PLLC
January 15, 2021

CITY OF WAVELAND

BASIC FINANCIAL STATEMENTS

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

Government-wide financial statements

Fund financial statements:

- Governmental funds
- Proprietary (enterprise) fund

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

CITY OF WAVELAND
Statement of Net Position
September 30, 2019

Exhibit 1

		Governmental Activities	Business-type Activities	Total
ASSETS				
Current Assets:				
Cash	$	6,545,644	1,323,397	7,869,041
Inventories			9,379	9,379
Property tax receivable		2,490,691		2,490,691
Fines receivable, net		49,358		49,358
Accounts receivable, net		104,188	308,494	412,682
Internal balances		1,216,607	(1,060,183)	156,424
Intergovernmental receivable		1,320,403		1,320,403
Sales tax receivable		208,090		208,090
Other receivables			426,696	426,696
Total Current Assets		11,934,981	1,007,783	12,942,764
Noncurrent Assets:				
Restricted cash			611,645	611,645
Capital assets, net		52,480,374	73,371,348	125,851,722
Total Noncurrent Assets		52,480,374	73,982,993	126,463,367
Total Assets	$	64,415,355	74,990,776	139,406,131
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on bond refunding		36,013	16,945	52,958
Deferred outflows - pension	$	472,343	61,703	534,046
Total Deferred Outflows of Resources		508,356	78,648	587,004
LIABILITIES				
Current Liabilities:				
Claims payable		533,487	117,801	651,288
Retainage payable		105,380		105,380
Customer deposits			611,645	611,645
Accrued interest payable		14,497	3,293	17,790
Other current liabilities		81,255	40,159	121,414
Current portion of long-term debt		697,014	242,524	939,538
Total Current Liabilities		1,431,633	1,015,422	2,447,055
Noncurrent Liabilities:				
Net pension liability		6,677,768	1,027,868	7,705,636
Compensated absences payable		57,811	19,480	77,291
Long-term liabilities		1,603,176	4,479,074	6,082,250
Total Noncurrent Liabilities		8,338,755	5,526,422	13,865,177
Total Liabilities		9,770,388	6,541,844	16,312,232
DEFERRED INFLOWS OF RESOURCES				
Property tax for future periods		2,490,691		2,490,691
Deferred amount on pension		70,640	8,122	78,762
Total Deferred Inflows of Resources		2,561,331	8,122	2,569,453
NET POSITION				
Net investment in capital assets		50,183,894	68,658,623	118,842,517
Restricted for:				
Debt service		2,661,286		2,661,286
Culture & recreation		1,169,918		1,169,918
Other purposes		148,517		148,517
Unrestricted		(1,571,623)	(139,165)	(1,710,788)
Total Net Position	$	52,591,992	68,519,458	121,111,450

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

CITY OF WAVELAND
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government							
Governmental Activities:							
General government	$ 1,014,272		9,601	1,528,163	523,492		523,492
Public safety	3,124,141	113,000	197,097	83,152	(2,730,892)		(2,730,892)
Public works	1,406,039			2,256,044	850,005		850,005
Health and welfare	92,213		40,529		(51,684)		(51,684)
Culture and recreation	1,566,479			535,165	(1,031,314)		(1,031,314)
Economic development and assistance	275,547				(275,547)		(275,547)
Pension expense	805,813				(805,813)		(805,813)
Interest on long-term debt	63,499				(63,499)		(63,499)
Total Governmental Activities	8,348,003	113,000	247,227	4,402,524	(3,585,252)	0	(3,585,252)
Business-type Activities:							
Water/sewer	5,574,275	3,308,911				(2,265,364)	(2,265,364)
Interest on long-term debt	58,346	12,611				(45,735)	(45,735)
Total Business-type Activities	5,632,621	3,321,522	0	0	0	(2,311,099)	(2,311,099)
Total Primary Government	$ 13,980,624	3,434,522	247,227	4,402,524	(3,585,252)	(2,311,099)	(5,896,351)
General Revenues							
Taxes:							
Property taxes					$ 2,592,437		2,592,437
Road & bridge privilege taxes					76,969		76,969
Sales tax					2,374,706		2,374,706
Licenses, commissions and other revenue					399,872		399,872
Grants and contributions not restricted to specific programs					19,611		19,611
Unrestricted investment income					98,899		98,899
Miscellaneous					107,142	125,239	232,381
Other tax					23,423		23,423
Transfers					409,000	(409,000)	
Total General Revenues					6,102,059	(283,761)	5,818,298
Change in Net Position					2,516,807	(2,594,860)	(78,053)
Net Position - Beginning, as previously reported					49,043,330	70,548,809	119,592,139
Prior period adjustments					1,031,855	565,509	1,597,364
Net Position - Beginning, as restated					50,075,185	71,114,318	121,189,503
Net Position - Ending					$ 52,591,992	68,519,458	121,111,450

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

CITY OF WAVELAND
Balance Sheet
Governmental Funds
September 30, 2019

Exhibit 3

	Major Fund			
	General Fund	Katrina Disaster Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 1,425,953	1,296,855	3,822,836	6,545,644
Property tax receivable	1,671,317		819,374	2,490,691
Fines receivable	49,358			49,358
Sales tax receivable	208,090			208,090
Due from other funds	6,058,610	16,499	2,883,593	8,958,702
Intergovernmental receivable			1,320,403	1,320,403
Other receivables	104,188			104,188
Total Assets	$ 9,517,516	1,313,354	8,846,206	19,677,076
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	$ 217,856		315,631	533,487
Due to other funds	446,532	321,795	6,973,768	7,742,095
Other current liabilities	68,783		117,853	186,636
Total Liabilities	733,171	321,795	7,407,252	8,462,218
Deferred Inflows of Resources:				
Property tax for future periods	1,671,317		819,374	2,490,691
Unavailable revenue - fines	49,358			49,358
Total Deferred Inflows of Resources	1,720,675	0	819,374	2,540,049
Fund Balances:				
Restricted for:				
Debt service			2,675,783	2,675,783
Culture and recreation			1,169,918	1,169,918
Capital improvement		991,559		991,559
Other purposes			148,517	148,517
Unassigned	7,063,670		(3,374,638)	3,689,032
Total Fund Balances	7,063,670	991,559	619,580	8,674,809
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 9,517,516	1,313,354	8,846,206	

(Continued)

CITY OF WAVELAND
Balance Sheet
Governmental Funds
September 30, 2019

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets net of depreciation as of Oct. 1, 2018	$ 50,779,278	$
Plus: Capital outlay expenditures and donations made during the year	2,275,934	
Less: Depreciation expense recorded during the year	(1,510,157)	
Less: Capital asset deletions net of accumulated depreciation	(101,665)	
Adjustments to and transfers of capital assets	1,036,984	52,480,374
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Fines receivable	49,358	49,358
Pension Obligations:		
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	(6,677,768)	(6,677,768)
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.	472,343	
Deferred inflows of resources related to pension obligations.	(70,640)	401,703
Deferred amounts on bond refunding are not a current financial resource and, therefore, are not reported in the funds.		36,013
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(2,300,189)
Accrued interest payable is not a current liability payable from current assets.		(14,497)
Compensated absences used in governmental activities are not reported in funds.		(57,811)
Net Position of Governmental Activities	$	$ 52,591,992

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

CITY OF WAVELAND **Exhibit 4**

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

For the Year Ended September 30, 2019

	Major Fund			
	General Fund	Katrina Disaster Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 1,723,074		869,363	2,592,437
Road and bridge privilege tax	76,969			76,969
Licenses and permits	399,872			399,872
Fines and forfeitures	162,253		499	162,752
Intergovernmental revenues	2,495,776	1,528,163	3,011,284	7,035,223
Charges for services	20,370			20,370
Interest income	98,091		808	98,899
Miscellaneous	115,292		23,615	138,907
Total Revenues	5,091,697	1,528,163	3,905,569	10,525,429
EXPENDITURES				
Current:				
General government	1,010,416			1,010,416
Public safety	3,101,213		20,212	3,121,425
Public works	1,166,579		1,001,492	2,168,071
Health and welfare	100,646			100,646
Culture and recreation	359,680	3,075	1,619,106	1,981,861
Economic development and assistance	42,319	233,228		275,547
Debt service:				
Principal	54,101		662,261	716,362
Interest	2,741		55,163	57,904
Total Expenditures	5,837,695	236,303	3,358,234	9,432,232
Excess (Deficiency) of Revenues Over (Under) Expenditures	(745,998)	1,291,860	547,335	1,093,197
OTHER FINANCING SOURCES (USES)				
Transfers in	409,000			409,000
Sale of capital assets	89,368			89,368
Proceeds of capital debt issued	66,756			66,756
Total Other Financing Sources and Uses	565,124	0	0	565,124
Net Change in Fund Balances	(180,874)	1,291,860	547,335	1,658,321
Fund Balances - Beginning	7,244,544	(300,301)	77,374	7,021,617
Prior period adjustment			(5,129)	(5,129)
Fund Balances - Beginning, as restated	7,244,544	(300,301)	72,245	7,016,488
Fund Balances - Ending	$ 7,063,670	991,559	619,580	8,674,809

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

CITY OF WAVELAND
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Exhibit 5

Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4)	$	$ 1,658,321
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays ($2,275,934) exceeded depreciation ($1,510,157) in the current period.		765,777
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.		(69,621)
The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and the difference between the carrying value of refunded debt and the acquisition costs of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Long-term debt issued	(66,756)	
Payments on debt principal	716,361	
Amortization of premiums on bonds	3,711	653,316
Items reported in the Statement of Activities relating to the implementation of GASB Statement No. 68 are not reported in the governmental funds. These activities include:		
Recognition of pension expense for the current year	(805,813)	
Recognition of contributions made subsequent to the measurement date	113,175	
Recognition of contributions made in the fiscal year prior to the measurement date	286,063	(406,575)
Governmental funds do not report expenditures not recognized for transactions that are normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by the following items:		
Gain or (loss) on disposal of capital assets		(101,665)
Accrued interest expense		26,711
Amortization of bond discount		(36,016)
Change in compensated absences		26,557
Rounding		2
Change in Net Position of Governmental Activities (Exhibit 2)	$	$ 2,516,807

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

CITY OF WAVELAND
Statement of Net Position
Proprietary Fund
September 30, 2019

Exhibit 6

	Business-type Activity Water/Sewer
ASSETS	
Current Assets:	
Cash	$ 1,323,397
Due from other funds	307,442
Inventory	9,379
Prepaid expenses	
Accounts receivable, net	308,494
Other receivables	426,696
Total Current Assets	2,375,408
Noncurrent Assets:	
Restricted cash	611,645
Capital assets, net	73,371,348
Total Noncurrent Assets	73,982,993
Total Assets	$ 76,358,401
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on bond refunding	$ 16,945
Deferred outflows - pension	61,703
Total Deferred Outflows of Resources	78,648
LIABILITIES	
Current Liabilities:	
Claims payable	117,801
Customer deposits	611,645
Interest payable	3,293
Due to other funds	1,367,625
Other payables	40,159
Current portion of long-term debt	242,524
Total Current Liabilities	2,383,047
Noncurrent Liabilities:	
Net pension liability	1,027,868
Compensated absences payable	19,480
Long-term liabilities	4,470,201
Plus: Unamortized premium on bonds payable	8,873
Total Noncurrent Liabilities	5,526,422
Total Liabilities	7,909,469
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	8,122
NET POSITION	
Net investment in capital assets	68,658,623
Unrestricted	(139,165)
Total Net Position	$ 68,519,458

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

CITY OF WAVELAND **Exhibit 7**

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2019

	Business-type Activity Water/Sewer
OPERATING REVENUES	
Charges for services	$ 3,308,911
Miscellaneous revenues	125,242
Total Operating Revenues	3,434,153
OPERATING EXPENSES	
Personal services	695,622
Contractual services	1,458,454
Maintenance	405,482
Materials and supplies	94,293
Utilities for resale	161,762
Depreciation expense	2,758,662
Total Operating Expenses	5,574,275
Operating Income (Loss)	(2,140,122)
NONOPERATING REVENUES (EXPENSES)	
Interest income	12,611
Interest expense	(58,349)
Total Nonoperating Revenue (Expenses)	(45,738)
Transfers out	(409,000)
Change in Net Position	(2,594,860)
Total Net Position - Beginning, as previously reported	70,548,809
Prior period adjustment	565,509
Total Net Position - Beginning, as restated	71,114,318
Total Net Position - Ending	$ 68,519,458

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

CITY OF WAVELAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

Exhibit 8

	Business-type Activity Water/Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and others	$ 3,158,294
Payments to suppliers	(1,474,726)
Payments to employees	(620,749)
Net Cash Provided (Used) by Operating Activities	1,062,819
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out to other funds	(409,000)
Net Cash Used by Non-capital Financing Activities	(409,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(5,016,952)
Proceeds from debt	3,958,429
Principal paid on long-term debt	(424,652)
Bond principal amortization and bond discount	(3,169)
Interest expense paid	(47,454)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,533,798)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	12,611
Net Increase (Decrease) in Cash and Cash Equivalents	(867,368)
Cash and Cash Equivalents - Beginning of Year	2,802,410
Cash and Cash Equivalents - End of Year	$ 1,935,042
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ (2,140,122)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	2,758,662
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(78,503)
(Increase) decrease in prepaid expenses	3,243
(Increase) decrease in inventory	(332)
(Increase) decrease in other receivables	(253,831)
(Increase) decrease in deferred outflows of resources	10,563
Increase (decrease) in claims payable	(396,789)
Increase (decrease) in other payables	28,319
Increase (decrease) in compensated absences payable	4,797
Increase (decrease) in due to other funds	1,010,824
Increase (decrease) in net pension liability	86,429
Increase (decrease) in deferred inflows of resources	(26,916)
Increase (decrease) in customer deposits	56,475
Total Adjustments	3,202,941
Net Cash Provided (Used) by Operating Activities	$ 1,062,819

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

CITY OF WAVELAND
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 9

		Agency Funds
ASSETS		
Cash	$	273,519
Due from other funds		36,929
Total Assets	$	310,448
LIABILITIES		
Assets held in trust	$	50,002
Claims payable		67,093
Due to other funds		193,353
Total Liabilities	$	310,448

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

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Waveland (City) was incorporated March 18, 1888, under the laws of the State of Mississippi. The City operates under a Mayor-Aldermen form of government, which provides for an elected mayor and a four-member Board of Aldermen.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon application of these criteria, it is determined that the City does not have any component units that are included in the financial statements.

Joint Venture.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share costs, risks and regards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. See Note 3.D. for additional information describing related organizations that are not included in the City's reporting entity.

B. Government-wide and Fund Financial Statements.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major Governmental Funds:

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

The *Katrina Disaster Fund* accounts for federal and state grant revenues and the expenditures for various projects including FEMA and MEMA projects.

The City reports the following major Proprietary Fund:

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

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

The City reports the following Fiduciary Fund:

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

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

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

D. Assets, Liabilities and Net Position or Equity.

1. *Deposits.*

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

2. *Receivables.*

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

3. *Interfund Transactions and Balances.*

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

4. *Restricted Assets.*

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

5. *Capital Assets.*

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

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds and estimated useful lives:

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

6. *Compensated Absences.*

The City's policy does allow vacation and sick leave to accrue from year to year. Full-time employees are granted vacation from five to 10 days per year depending on the employee's length of service. All administrative employees may accumulate unused compensatory time (comp time). Retiring and terminating employees are paid for 56 hours of vacation and unused comp time not exceeding limits of 240 hours for non-emergency personnel and 480 hours for emergency personnel as established by the employee handbook. Amounts not expected to be liquidated with expendable available financial resources are recorded in the government-wide financial statements.

Sick leave is calculated at 40 hours per year after the first year. Employees have no claim for accumulated sick leave at termination, retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided for in the financial statements. Unused sick leave may be credited to the Public Employees Retirement System (PERS) as time worked.

7. *Long-term Obligations.*

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

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

8. *Pensions.*

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

9. *Equity Classifications.*

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

Fund Balance Flow Assumption:

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

10. Deferred Outflows/Inflows of Resources.

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

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

Deferred Outflows of Resources

The City reports the following items in this category:

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

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

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

Deferred Inflows of Resources

The City reports the following items in this category:

Government-wide Statement of Net Position

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

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

Governmental Funds Balance Sheet

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

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

11. Estimates.

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

E. Stewardship, Compliance and Accountability.

Budgets

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

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

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

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

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

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

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

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

Property Tax Revenues

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

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

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

Hancock County collects the City's property taxes.

2. Prior Period Adjustments.

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

Exhibit 2 - Statement of Activities - Governmental Activities

Explanation	Amount
To adjust a prior year accrual	$ (5,129)
To adjust accumulated depreciation	665,377
To adjust CIP for prior year expenditures	371,607
Total prior period adjustments	$ 1,031,855

Exhibit 2 - Statement of Activities - Business-type Activities

Explanation	Amount
To adjust a prior year accrual	$ (3,243)
To correct cash	(2,425)
To adjust accumulated depreciation and capital assets	571,177
Total prior period adjustments	$ 565,509

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

Explanation	Amount
To adjust a prior year accrual made in error	$ (5,129)
Total prior period adjustments	$ (5,129)

(Continued)

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

Explanation	Amount
To adjust a prior year accrual	$ (3,243)
To correct cash	(2,425)
To adjust accumulated depreciation and capital assets	571,177
Total prior period adjustments	$ 565,509

3. Detailed Notes on all Funds.

A. Deposits.

Cash

At year-end, the City's carrying amount of deposits was $6,247,349 and the bank balance was $6,600,439. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

At year-end, the City's carrying amount of deposits with an investment company was $2,506,856, which represents the fair market value of obligations of or guaranteed by the U.S. government.

Cash Equivalents.

Section 21-33-323, Miss. Code Ann. (1972), allows the Board of Aldermen of any municipality which has on hand any funds in excess of the sums which will be required to meet the current needs and demands of no more than seven (7) business days to invest such excess funds for periods of from fourteen (14) days to one (1) year in one or more of the following:

- Interest-bearing time certificates of deposit of the established city depository or state depositories in the municipality;
- Bonds or other direct obligations of the United States of America, the State of Mississippi, or any county, municipality or school district of the state, if such county, municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the Chancery Court;
- Obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a city or state depository; or
- Interest-bearing accounts with a municipality or state depository.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has not adopted a formal credit risk policy; however, state law limits investments to those described in the preceding paragraph.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy on limiting exposure to interest rate risk; however, state law limits the maturity period of any investment to no more than one year as described in the second preceding paragraph.

Custodial Credit Risk - 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. Of the amounts reported as deposits, the City had obligations of or guaranteed by the U.S. government totaling $2,506,857 with a maturity of less than one year and were held by a third-party custodian.

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.

As of September 30, 2019, as provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the City are managed through an investment company:

Investment Type	Maturities	Fair Value
Money Market: Federated US Treasury Cash Reserves	Less than one year	$ 12,815
US Treasury Bills	Less than one year	1,726,435
Agency Mortgage Pass Through: Gov't National Mortgage	Less than one year	767,606
Total		$ 2,506,856

B. Receivables.

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

	Governmental Funds	Business-type Funds	Total
Receivables:			
Sales tax	$ 208,090		208,090
Property taxes	2,490,691		2,490,691
Accounts		464,800	464,800
Franchise taxes	63,659		63,659
Fines	220,811		220,811
RSVP reimbursements	40,529		40,529
Federal grants	1,320,403		1,320,403
Revenues earned but not billed		426,696	426,696
Gross receivables	4,344,183	891,496	5,235,679
Less: Allowance for uncollectibles	(171,453)	(156,306)	(327,759)
Net total receivables	$ 4,172,730	735,190	4,907,920

C. Capital Assets.

Capital asset activity for the year ended September 30, 2019, is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 2,982,481				2,982,481
Construction in progress	8,880,188	1,979,727		(1,846,021)	9,013,894
Total capital assets, not being depreciated	11,862,669	1,979,727	0	(1,846,021)	11,996,375
Capital assets, being depreciated:					
Buildings	25,164,280			2,217,628	27,381,908
Machinery and equipment	4,081,028	192,302	813,375	219,561	3,679,516
Furniture and office equipment	1,186,158	36,049	9,350	9,349	1,222,206
Improvements other than buildings	10,447,006				10,447,006
Infrastructure	10,527,882				10,527,882
Equipment under capital lease	924,150	67,856	27,340		964,666
Total capital assets being depreciated	52,330,504	296,207	850,065	2,446,538	54,223,184
Less: Accumulated depreciation for:					
Buildings	3,068,888	547,647		(271,266)	3,345,269
Machinery and equipment	3,492,559	85,252	720,297	124,369	2,981,883
Furniture and office equipment	979,312	73,258	8,415	(7,511)	1,036,644
Improvements other than buildings	3,147,957	418,044		(175,900)	3,390,101
Infrastructure	2,312,892	293,027		(56,822)	2,549,097
Equipment under capital lease	412,287	92,929	19,688	(49,337)	436,191
Total accumulated depreciation	13,413,895	1,510,157	748,400	(436,467)	13,739,185
Total capital assets, being depreciated, net	38,916,609	(1,213,950)	101,665	2,883,005	40,483,999
Governmental activities capital assets, net	$ 50,779,278	765,777	101,665	1,036,984	52,480,374

(Continued)

Business-type Activities:

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 76,182				76,182
Construction in progress	845,513	4,889,182			5,734,695
Total capital assets, not being depreciated	921,695	4,889,182	0	0	5,810,877
Capital assets, being depreciated:					
Buildings	50,204				50,204
Machinery and equipment	101,306	127,770	5,000	(96,306)	127,770
Improvements other than buildings	134,880			106,306	241,186
Infrastructure	95,983,012				95,983,012
Equipment under capital lease	221,919				221,919
Total capital assets, being depreciated	96,491,321	127,770	5,000	10,000	96,624,091
Less: Accumulated depreciation					
Buildings	4,018	1,005		(2,008)	3,015
Machinery and equipment	83,689	31,236	4,500	(15,928)	94,497
Improvements other than buildings	26,980	5,396			32,376
Infrastructure	26,656,032	2,687,554		(537,268)	28,806,318
Equipment under capital lease	100,416	33,472		(6,474)	127,414
Total depreciation	26,871,135	2,758,663	4,500	(561,678)	29,063,620
Total capital assets, being depreciated, net	69,620,186	(2,630,893)	500	(551,678)	67,560,471
Business-type activities capital assets, net	$ 70,541,881	2,258,289	500	(551,678)	73,371,348

Adjustments to governmental activities represent transfers of completed construction projects and adjustments to accumulated depreciation. Business-type activities' adjustments corrected accumulated depreciation.

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	$ 94,993
Public safety	433,103
Public works	473,521
Culture and recreation	436,369
Economic development	72,171
Total depreciation expense - governmental activities	$ 1,510,157
Business-type activities:	
Water and sewer	$ 2,758,663
Total depreciation expense - business-type activities	$ 2,758,663

Commitments with respect to unfinished capital projects at September 30, 2019, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Sanitary Sewer Project	$ 407,579	01/31/2020
Community Center at MLK Park	$ 143,045	01/31/2020

D. Interfund Transactions.

Due from/to other funds is composed of the following balances at September 30, 2019:

	Due To Other Funds	Due From Other Funds
Governmental Funds:		
General Fund	$ 446,532	6,058,610
Katrina disaster fund	321,795	16,499
Other governmental funds	6,973,768	2,883,593
Total Governmental Funds	7,742,095	8,958,702
Proprietary Fund:		
Water, sewer and gas fund	1,367,625	307,442
Total Proprietary Fund	1,367,625	307,442
Fiduciary Assets and Liabilities:		
Payroll clearing fund	182,722	24,105
Unemployment compensation fund	10,631	12,824
Total Fiduciary Assets and Liabilities	193,353	36,929
Total	$ 9,303,073	9,303,073

The composition of interfund transfers as of September 30, 2019, is as follows:

Transfer In	Transfer Out	Amount
General Fund	Water, sewer & gas fund	$ 409,000
Total		$ 409,000

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

E. Leases.

Capital Leases.

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in the governmental activities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The City is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

Governmental Activities:

Classes of Property		Governmental Activities
Machinery and equipment	$	964,666
Less: Accumulated depreciation		436,191
Leased Property Under Capital Leases	$	528,475

Business-type Activities:

Classes of Property		Business-type Activities
Machinery and equipment	$	221,919
Less: Accumulated depreciation		127,414
Leased Property Under Capital Leases	$	94,505

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, are as follows:

Governmental Activities:

Year Ending September 30:		Governmental Activities
2020	$	99,014
2021		80,435
2022		59,317
2023		51,409
Total minimum lease payments		290,175
Less: Amount representing interest		15,295
Present Value of Minimum Lease Payments	$	274,880

Business-type Activities:

Year Ending September 30:	Business-type Activities
2020	$ 54,997
2021	29,128
Total minimum lease payments	84,125
Less: Amount representing interest	1,598
Present Value of Minimum Lease Payments	$ 82,527

General Obligation Bonds

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

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

The following is a schedule of the long-term debt of the City as of September 30, 2019:

Description and Purpose	Original Issue	Date of Issue	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities:					
A. General Obligation Bonds					
Refunding, Series 2012	$ 2,097,800	08/28/2012	$ 591,600	1.0 - 1.13%	11/01/2020
Series 2013	1,500,000	01/25/2013	650,000	1.63%	12/01/2022
Series 2015	2,000,000	07/08/2015	780,000	2.63%	07/01/2025
Total General Obligation Bonds	$ 5,597,800		$ 2,021,600		
B. Capital Leases					
Hancock Bank	$ 452,853	12/13/2013	$ 193,447	2.49%	09/15/2023
Hancock Bank	27,340	08/05/2016	10,844	2.24%	08/05/2021
Hancock Bank	78,787	05/25/2019	17,952	2.16%	05/25/2020
Hancock Bank	66,756	01/23/2019	52,637	4.20%	01/23/2022
Total Capital Leases	$ 625,736		$ 274,880		
Business-type Activities:					
A. Revenue Bonds					
1992 USDA Rural Development Combined, Water, Gas and Sewer System Revenue Bonds	$ 1,350,200	12/17/1992	$ 545,369	5.50%	12/17/2027
B. General Obligation Bonds					
Refunding, Series 2012	$ 987,200	08/28/2012	$ 126,400	1.0 - 2.13%	11/01/2020
C. Capital Leases					
Hancock Bank	$ 149,986	08/13/2016	$ 62,037	2.29%	08/31/2021
The First Bank	71,933	07/06/2017	20,490	2.30%	07/10/2020
Total Capital Leases	$ 221,919		$ 82,527		

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending September 30:	Business-type Activities Principal	Business-type Activities Interest
2020	$ 113,117	37,849
2021	236,530	65,402
2022	240,702	61,229
2023	244,949	56,983
2024	249,270	52,662
2025 - 2029	1,313,881	195,775
2030 - 2034	1,433,935	75,723
2035 - 2039	126,045	554
Total	$ 3,958,429	546,177

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

Year Ending September 30:	Governmental-type Activities Principal	Governmental-type Activities Interest
2020	$ 598,000	38,716
2021	553,600	26,923
2022	295,000	18,147
2023	300,000	13,393
2024	135,000	7,219
2025	140,000	3,675
Total	$ 2,021,600	108,073

Year Ending September 30:	Business-type Activities Revenue Bonds Principal	Business-type Activities Revenue Bonds Interest	General Obligation Bonds Principal	General Obligation Bonds Interest
2020	$ 61,103	28,470	126,400	1,343
2021	64,549	25,023		
2022	68,190	21,382		
2023	72,037	17,535		
2024	76,100	13,472		
2025 - 2027	203,390	14,373		
Total	$ 545,369	120,255	126,400	1,343

Long-term liability activity for the year ended September 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 2,638,400		616,800	2,021,600	496,800
Less:					
Discount	(72,029)		(36,016)	(36,013)	
Capital leases payable	307,685	66,756	99,561	274,880	85,444
Compensated absences	84,368		26,557	57,811	
	2,958,424	66,756	706,902	2,318,278	582,244
Plus: Bond premium	7,421		3,711	3,710	
Governmental activity long-term liabilities	$ 2,965,845	66,756	710,613	2,321,988	582,244
Business-type Activities:					
Revenue bonds	$ 603,209		57,840	545,369	57,840
General obligation bonds	441,600		315,200	126,400	163,200
Less:					
Discount	(33,894)		(16,949)	(16,945)	
Notes payable		3,958,429		3,958,429	
Capital leases payable	134,139		51,612	82,527	54,114
Compensated absences	14,683	4,797		19,480	
	1,159,737	3,963,226	407,703	4,715,260	275,154
Plus: Bond premium	12,042		3,169	8,873	
Business-type activity long-term liabilities	$ 1,171,779	3,963,226	410,872	4,724,133	275,154

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. As of September 30, 2019, the amount of outstanding debt was equal to 2.88% of the latest property assessments.

4. Other Information.

A. Commitment and Contingencies.

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

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

As of September 30, 2019, the City had no construction contracts that were not completed.

B. Defined Benefit Pension Plan.

General Information about the Pension Plan.

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

Benefits Provided – For those persons employed by political subdivisions and instrumentalities of the State of Mississippi membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

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

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions. Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2019, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 17.40 percent of annual covered payroll at September 30, 2019. This rate increased as of July 1, 2019 from 15.75 percent.

The City of Waveland's employer contributions to PERS for the years ended September 30, 2019, 2018 and 2017 were $463,182, $436,422 and $407,974, respectively, equal to the required contributions for each year.

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

At September 30, 2019, the City of Waveland reported a liability of $7,705,636 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 net pension liability was 0.04380 percent, which is based on a measurement date of June 30, 2018. This was an increase/decrease of .00101 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the City of Waveland recognized pension expense of $805,813 for governmental activities and $138,887 for business-type activities.

At September 30, 2019, the City of Waveland reported as a component of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,453	7,641
Net difference between projected and actual earnings on pension plan investments		72,843
Changes of assumptions	75,456	
Changes in proportion and differences between entity contributions and proportionate share of contributions	323,180	
Entity contributions subsequent to the measurement date	132,681	
Total	$ 535,770	80,484

These amounts will be amortized as follows:

Year Ended September 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	$ 182,360	(7,551)
2021	166,434	126,387
2022	54,295	(3,171)
2023		(35,181)
Total	$ 403,089	80,484

$132,681 reported as deferred outflows of resources related to pensions resulting from entity contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019.

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

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, set forward one year for males.

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

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

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

Asset Class	Target Allocation		Long-term Expected Real Rate of Return	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Debt Securities	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash Equivalents	1.00		0.25	
Total	100.00	%		

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (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 of the Entity's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	$ 10,129,326	$ 7,705,636	$ 5,705,098

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

C. Risk Management.

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

Self-Insurance – Worker's Compensation Fund

The City is one of the members of the Mississippi Municipal Worker's Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory worker's compensation protection up to $1,000,000. Members are jointly and severally liable for the obligation of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

Self-Insurance – Liability Fund

The City is a member of the Mississippi Municipal Liability Plan. The plan is a private non-profit corporation organized under the non-profit laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members according to the limits established by the Mississippi Tort Claims Act. The plan is totally self-insured with claims and expenses paid out of premiums, and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined.

D. Joint Ventures.

Hancock County Utility Authority

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

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs and debt service costs for the treatment facilities. The costs associated with this contract totaled $655,990 for the year.

The Authority began leasing the City's sewer treatment plant on January 1, 1983, at a monthly rent of $1,206. The lease will terminate January 1, 2025. Lease revenue is included in Miscellaneous Revenue in the Statement of Revenues, Expenses and Changes in Fund Net Position.

Future minimum lease payments are as follows:

Year Ending September 30:		
2020	$	14,472
2021		14,472
2022		14,472
2023		14,472
2024		14,472
Total	$	72,360

The City's obligation to pay operational costs of the Authority is joint and several with the obligations of all other public agencies similarly contracting with the Authority. Whenever any public agency shall default in the payment to the Authority of its respective payment, the Authority may adjust the contract sums of the remaining public agencies, which are not in default, so as to increase their contract sums by a proportional amount. Accordingly, the City is jointly and severally liable for all the liabilities of the Authority.

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

Hancock County Solid Waste Authority

The City provides for pickup and disposal of garbage and trash through a contract with the Hancock County Solid Waste Authority (Waste Authority). The Waste Authority was formed as an inter-local joint venture with the City of Bay St. Louis, Mississippi, the City of Waveland, Mississippi, and Hancock County, Mississippi, in fiscal year 1974. The Waste Authority was officially incorporated in March 1998, pursuant to an incorporation agreement entered into in December 1997.

During the year ended September 30, 2019, the City paid $302,162 for solid waste services which are included in the business-type activities as contractual services. The City is jointly and severally liable for all of the liabilities of the Waste Authority.

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

E. Tax Abatements.

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

The City of Waveland Board of Aldermen and the Hancock County Board of Supervisors negotiates property tax abatements on an individual basis. The City has no tax abatement agreements with any entities as of September 30, 2019.

F. Subsequent Events.

GAAP requires the City to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of the City of Waveland evaluated the City's activity and events that occurred through January 15, 2021, and determined that the following subsequent event met the disclosure requirements:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
04/01/2020	1.750%	$ 1,044,623	State of MS Revolving Loan Fund Loan	Sales Tax

G. Effect of Deferred Amounts on Net Position.

The City of Waveland's unrestricted net position amount of ($1,710,788), includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of $132,681 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, 2020. The $401,365 balance of deferred outflow of resources at September 30, 2019, will be recognized as pension expense and will decrease the unrestricted net position over the next three years.

The City of Waveland's unrestricted net position amount of ($1,710,788) includes the effect of deferring the recognition of expenses resulting from an advanced refunding of City debt. The $52,998 balance of deferred outflow of resources at September 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next three years.

H. Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2019:

Fund	Deficit Amount
NTF Police Seizure Fund	$ 71,000
Fire Purposes Fund	$ 19,957
Hazard Mitigation Grant Fund	$ 468,146
Isaac Fund	$ 161,027
MDOT Sidewalks Fund	$ 283,442
Capital Projects Fund	$ 2,729,204

REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedule

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

City's Contributions - PERS

Notes to the Required Supplementary Information

CITY OF WAVELAND
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2019 - UNAUDITED

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$	1,632,909	1,800,043	1,800,043	
Licenses and permits		445,823	401,684	401,684	
Fines and forfeitures		131,450	162,253	162,253	
Intergovernmental revenues		2,871,481	2,678,519	2,678,519	
Miscellaneous revenues		467,089	234,253	234,253	
Total Revenues		5,548,752	5,276,752	5,276,752	0
EXPENDITURES					
General government		1,009,059	1,008,310	1,008,310	
Public safety		2,738,988	3,004,105	3,004,105	
Public works		1,364,079	1,166,579	1,166,579	
Health and welfare		7,500	100,646	100,646	
Culture and recreation		310,602	355,523	355,523	
Economic development		56,976	40,864	40,864	
Debt services		61,550	56,841	56,841	
Total Expenditures		5,548,754	5,732,868	5,732,868	0
Excess of Revenues Over (Under) Expenditures		(2)	(456,116)	(456,116)	0
OTHER FINANCING SOURCES (USES)					
Transfers in			350,000	350,000	
Sale of capital assets			89,368	89,368	
Total Other Financing Sources and Uses		0	439,368	439,368	0
Net Change in Fund Balance		(2)	(16,748)	(16,748)	0
Fund Balances - Beginning		3,171,566	6,563,778	6,563,778	0
Fund Balances - Ending	$	3,171,564	6,547,030	6,547,030	0

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

CITY OF WAVELAND
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years *
PERS
For the Year Ended September 30, 2019 - UNAUDITED

	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.043802 %	0.042793 %	0.040348 %	0.040122 %	0.037396 %	0.034999 %
City's proportionate share of the net pension liability (asset)	$ 7,705,636	7,117,747	6,707,205	7,166,791	5,780,684	4,248,238
City's covered payroll	$ 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	262.02178 %	260.46354 %	259.1331492 %	279.220148 %	242.535225 %	191.871309 %
Plan fiduciary net position as a percentage of the total pension liability	62.540000 %	62.540000 %	61.490050 %	57.467727 %	61.703983 %	67.207687 %

* 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, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

CITY OFWAVELAND
Schedule of the City's Contributions
Last 10 Fiscal Years*
PERS
For the Year Ended September 30, 2019 - UNAUDITED

		2019	2018	2017	2016	2015	2014
Contractually required contribution	$	463,182	436,422	407,974	412,725	381,578	351,789
Contributions in relation to the contractually required contribution		463,182	436,422	407,974	412,725	381,578	351,789
Contribution deficiency (excess)	$	0	0	0	0	0	0
City employee covered payroll	$	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		15.75%	15.75%	15.75%	15.75%	15.75%	15.75%
as of July 1, 2019		17.40%					

*17.40% started July 2019

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

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

CITY OF WAVELAND

Notes to the Required Supplementary Information
For the Year Ended September 30, 2019
UNAUDITED

1. Budget.

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

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

		General Fund
Net Change in Fund Balance - Budget (Cash Basis)	$	(16,748)
Increase (decrease):		
Net adjustments for revenue accruals		(185,055)
Net adjustments for expenditure accruals		(105,927)
Net adjustments for other financing sources (uses)		126,856
Net Change in Fund Balance - GAAP Basis	$	(180,874)

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

A. Changes in Benefit Provisions.

2016

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

B. Changes of Assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

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

2016

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

2017

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

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

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

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

2019

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

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

For males, 137% of male rates at all ages.
For females, 115% 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% to 9%.

Methods 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, 2017 valuation for the June 30, 2019 fiscal year-end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF WAVELAND

OTHER INFORMATION

CITY OF WAVELAND
Schedule of Surety Bonds for Municipal Officials – UNAUDITED
For the Year Ended September 30, 2019

Name	Position	Bond Amount
Charles Smith	Mayor	$ 100,000
Jeremy Burke	Alderman - Ward 1	$ 100,000
Bobby Richardson	Alderman - Ward 2	$ 100,000
Shane Lafontaine	Alderman - Ward 3	$ 100,000
Charles Piazza	Alderman - Ward 4	$ 50,000
James M. Lagasse	City Clerk	$ 50,000
Ronald Duckworth	Comptroller	$ 50,000
Tammy Fayard	Deputy City Clerk	$ 50,000
Ronald Duckworth	Deputy City Clerk	$ 50,000
Katherine Corr	Deputy City Clerk	$ 50,000
Pam Lafontaine	Deputy City Clerk	$ 50,000
Rhonda Commings	Court Clerk	$ 50,000
Rachel Sekinger	Deputy Court Clerk	$ 50,000
David Draz	Building Department Manager	$ 50,000
Jeanne Conrad	Permits Clerk	$ 50,000
Larry Holland	Utility Department Manager	$ 50,000
Julie Bromwell	Public Works Clerk	$ 50,000
Lisa Ladner	Public Works Clerk	$ 50,000
Erin Johnson	Public Works Clerk	$ 50,000
Josh Hayes	Building Officer	$ 50,000
Pam Lafontaine	Personnel Director	$ 50,000
Katherine Corr	Purchasing Agent	$ 50,000
Michael Prendergast	Police Chief	$ 50,000
Phillip Pavolini	Assistant Police Chief	$ 50,000
Janelle Piazza	Police Department Clerk	$ 50,000
Devin Bates	Police Officer	$ 25,000
Troy Bordelon	Police Officer	$ 25,000
Harley Caughlin	Police Officer	$ 25,000
William Cotter	Police Officer	$ 25,000
Chad Dorn	Police Officer	$ 25,000
Natalia Exposito Rodriguez	Police Officer	$ 25,000
Edward Hursey	Police Officer	$ 25,000
Joseph Joffrion	Police Officer	$ 25,000
Shondi Merwin Garcia	Police Officer	$ 25,000
Jamie Nelson,	Police Officer	$ 25,000
John Nelson	Police Officer	$ 25,000
David Allen	Police Officer	$ 25,000
Adam Penton	Police Officer	$ 25,000
Edward Richardson, IV	Police Officer	$ 25,000
Demetrius Scott	Police Officer	$ 25,000
Paul Taylor	Police Officer	$ 25,000
Richard Trudell	Police Officer	$ 25,000
Michael Whitfield	Police Officer	$ 25,000

CITY OF WAVELAND

SUPPLEMENTAL INFORMATION

CITY OF WAVELAND
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number		Federal Expenditure
U. S. Department of Housing and Urban Development/				
Passed-through Mississippi Development Authority/				
Community Development Block Grant/	14.219 &	R-118-379-08-HCCR	$	269,708
Waveland Community Center - Phase 1	14.228	R-109-379-10-KCR		183,673
Total U. S. Department of Housing and Urban Development				453,381
U. S. Department of Transportation - (NHTSA)/				
Passed-through the Mississippi Office of Highway Safety/				
Highway Planning and Construction	20.205			636,606
Sidewalk Project				314,838
Total U. S. Department of Transportation				951,444
United States Environmental Protection Agency - (EPA)/				
Passed-through the Mississippi Office of				
Environmental Quality				
Water Pollution Control Revolving Loan Fund Program	66.458			4,302,969
Total U. S. Environmental Protection Agency				4,302,969
Corporation for National and Community Service/				
Passed-through Mississippi Development Authority/				
Retired and Senior Volunteer Program	94.002			51,832
Total Corporation for National and Community Service				51,832
U. S. Department of Homeland Security				
Hazard Mitigation Grant	97.039	FEMA-1604-DR-MS-0420	*	10,015
Total U. S. Department of Homeland Security				10,015
Total Expenditures of Federal Awards			$	5,769,641

* Denotes major federal award program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation.

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Waveland under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Waveland, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Waveland.

Note B - Summary of Significant Accounting Policies.

Expenditures reported on the Schedule are reported on the modified 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

CITY OF WAVELAND

SPECIAL REPORTS

Windham and Lacey, PLLC

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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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waveland, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 15, 2021.

Internal Control Over Financial Reporting

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

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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 significant deficiency is a deficiency, or 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. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2019-1 to be a material weakness and 2019-2 to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

Windham and Lacey PLLC

Windham and Lacey, PLLC
January 15, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Waveland, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Uniform Guidance that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019. The City of Waveland Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Waveland, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Uniform Guidance. Those standards and OMB Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Waveland, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City of Waveland, Mississippi's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the City of Waveland, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

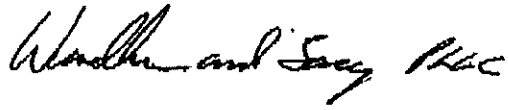
The management of the City of Waveland, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City of Waveland, Mississippi's internal control over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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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



Windham and Lacey, PLLC
January 15, 2021

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

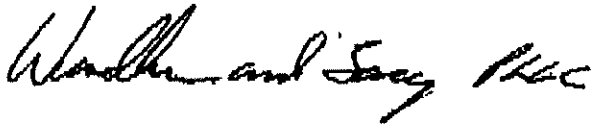
Honorable Mayor and
Members of the Board of Aldermen
City of Waveland, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waveland, Mississippi, as of and for the year ended September 30, 2019, and have issued our report thereon dated January 15, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
January 15, 2021

CITY OF WAVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF WAVELAND

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
5.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
7.	Federal program identified as a major program:	
	U. S. Environmental Protection Agency Water Pollution Control Revolving Loan Fund Program CFDA #66.458	
8.	The dollar threshold used to distinguish between type A and type B programs:	$750,000
9.	Auditee qualified as a low-risk auditee?	No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section 2: Financial Statement Findings

Board of Aldermen

2019-1. Finding

Material Weakness

Audit adjustments were made to cash balances, including recording beginning cash balances that had not been entered on the general ledger, adjusting negative cash balances at year end for pooled cash accounts, and adjusting the payroll clearing account that had not been reconciled. All cash accounts should be accounted for on the general ledger of the City and reconciled monthly.

This procedure is a basic internal control procedure that is necessary so that misappropriation of cash will be prevented, or detected and corrected on a timely basis.

Recommendation

The Board of Aldermen should institute procedures to ensure that the internal control noted above will be applied on a timely basis.

Response

The City of Waveland has implemented new Accounting Software (in October 2019) which requires all cash accounts to be reconciled on a timely basis and prohibits Month end close before all bank accounts are reconciled. Additionally, the new BBI Software "rolls over" year end balances automatically unlike the Delta Software that was previously used by the city where all cash balances had to be entered by journal entry.

2019-2. Finding

Significant Deficiency

Interfund payable and receivable balances at September 30, 2019 totaled $9,303,073. These balances have been accumulating for several years. Many of the balances result from individual general ledger funds spending from a pooled bank account without transferring money to maintain cash balances in those funds. A pooled bank account is one that has several funds that are accounted for individually on the City's financial statements but combined in one bank account. Audit adjustments were necessary to reflect the true nature of borrowed funds and to adjust negative cash balances. Failure to maintain accurate financial statement balances could result in loss or misappropriations of public funds.

Recommendation

Interfund receivables and payables are intended to be short-term and need to be repaid and reconciled regularly.

(Continued)

Response

These balances have accumulated over a number of years and we concur that they were never corrected. These balances have been reviewed by the City Clerk and Comptroller and will be addressed and resolved as soon. Currently all interfund payables and receivables are being balanced as this is an integral part of the BBI Software.

CITY OF WAVELAND

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section 3: Federal Award Findings and Questioned Costs

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