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CITY OF WAVELAND

Audited Financial Statements
And
Special Reports

For the Year Ended September 30, 2016

CITY OF WAVELAND

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waveland, as of and for the year ended September 30, 2016, 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, 2016, 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 Contributions - PERS, the Schedule of the City's Proportionate Share of the Net Pension Liability - PERS, and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

The City of Waveland, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

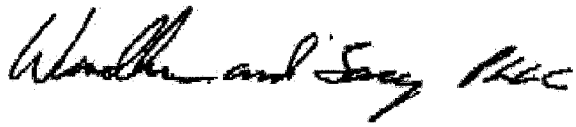
Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waveland, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 September 19, 2017, 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 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
September 19, 2017

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 user's understanding of the basic financial statements

CITY OF WAVELAND
Statement of Net Position
September 30, 2016

Exhibit 1

		Governmental Activities	Business-type Activities	Total
ASSETS				
Current Assets:				
Cash	$	4,410,299	2,193,654	6,603,953
Inventories			12,057	12,057
Property tax receivable		2,247,379		2,247,379
Fines receivable, net		141,539		141,539
Accounts receivable, net		60,683	477,618	538,301
Internal balances		92,505	(92,505)	0
Intergovernmental receivable		1,688,552		1,688,552
Sales tax receivable		387,427		387,427
Other receivables		951,170	18,857	970,027
Total Current Assets		9,979,554	2,609,681	12,589,235
Noncurrent Assets:				
Restricted cash			449,788	449,788
Capital assets, net		51,039,055	74,886,280	125,925,335
Total Noncurrent Assets		51,039,055	75,336,068	126,375,123
Total Assets	$	61,018,609	77,945,749	138,964,358
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on bond refunding	$	144,060	67,792	211,852
Deferred outflows - pension		1,416,985	219,379	1,636,364
Total Deferred Outflows of Resources	$	1,561,045	287,171	1,848,216
LIABILITIES				
Current Liabilities:				
Claims payable	$	353,132	141,578	494,710
Customer deposits			449,788	449,788
Accrued interest payable		32,330	3,293	35,623
Other current liabilities		72,789	29,579	102,368
Current portion of long-term debt		716,970	248,523	965,493
Total Current Liabilities		1,175,221	872,761	2,047,982
Noncurrent Liabilities:				
Net pension liability		6,221,190	945,601	7,166,791
Compensated absences payable		88,399	10,228	98,627
Long-term liabilities		4,503,053	1,409,670	5,912,723
Total Noncurrent Liabilities		10,812,642	2,365,499	13,178,141
Total Liabilities	$	11,987,863	3,238,260	15,226,123
DEFERRED INFLOWS OF RESOURCES				
Property tax for future periods	$	2,247,379		2,247,379
Deferred inflows - pension		85,651	12,073	97,724
Total Deferred Inflows of Resources	$	2,333,030	12,073	2,345,103
NET POSITION				
Net investment in capital assets	$	45,819,032	73,228,087	119,047,119
Restricted for:				
Debt service		2,818,388		2,818,388
Culture & recreation		95,480		95,480
Unrestricted		(488,982)	1,754,500	1,265,518
Total Net Position	$	48,243,918	74,982,587	123,226,505

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, 2016

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	$ 1,182,007		9,601		(1,172,406)		(1,172,406)
Public safety	2,960,514	179,791	69,305	2,610,878	(100,540)		(100,540)
Public works	1,106,049			928,870	(177,179)		(177,179)
Health and welfare	77,613		33,326		(44,287)		(44,287)
Culture and recreation	967,479				(967,479)		(967,479)
Economic development and assistance	86,718				(86,718)		(86,718)
Pension expense	925,482				(925,482)		(925,482)
Interest on long-term debt	162,112				(162,112)		(162,112)
Total Governmental Activities	7,467,974	179,791	112,232	3,539,748	(3,636,203)	0	(3,636,203)
Business-type Activities:							
Water/Sewer	5,700,196	3,218,363				(2,481,833)	(2,481,833)
Interest on long-term debt	70,540					(70,540)	(70,540)
Total Business-type Activities	5,770,736	3,218,363	0	0	0	(2,552,373)	(2,552,373)
Total Primary Government	$ 13,238,710	3,398,154	112,232	3,539,748	(3,636,203)	(2,552,373)	(6,188,576)
General Revenues							
Taxes:							
Property taxes					$ 2,433,798		2,433,798
Road & bridge privilege taxes					135,355		135,355
Sales tax					2,359,906		2,359,906
Franchise taxes					209,715		209,715
Grants and contributions not restricted to specific programs					7,001		7,001
Unrestricted investment income					11,205	8,257	19,462
Miscellaneous					394,619	140,861	535,480
Transfers in					350,000	(350,000)	0
Total General Revenues					5,901,599	(200,882)	5,700,717
Change in net position					2,265,396	(2,753,255)	(487,859)
Net Position - Beginning					45,978,522	77,735,842	123,714,364
Net Position - Ending					$ 48,243,918	74,982,587	123,226,505

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

CITY OF WAVELAND
Balance Sheet
Governmental Funds
September 30, 2016

Exhibit 3

		Major Funds					
			Capital Projects	Capital Projects			
		General Fund	Police Building Fund	Hazard Mitigation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	$	607,648	19,540	1,071,063	2,207,090	504,958	4,410,299
Property tax receivable		1,348,039			720,000	179,340	2,247,379
Fines receivable		141,539					141,539
Sales tax receivable		387,427					387,427
Due from other funds		5,692,084	9,541	194,559	499,567	406,011	6,801,762
Intergovernmental receivable		50,009	516,666	207,409		914,468	1,688,552
Other receivables		285,341	720,000			6,512	1,011,853
Total Assets	$	8,512,087	1,265,747	1,473,031	3,426,657	2,011,289	16,688,811
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Claims payable	$	233,712	7,944	106,895		4,583	353,134
Due to other funds		377,188	2,329,020	2,173,525		1,829,524	6,709,257
Other current liabilities		63,022				9,766	72,788
Total Liabilities		673,922	2,336,964	2,280,420	0	1,843,873	7,135,179
Deferred Inflows of Resources:							
Property tax for future periods		1,348,039			720,000	179,340	2,247,379
Unavailable revenue - fines		141,539					141,539
Total Deferred Inflows of Resources		1,489,578	0	0	720,000	179,340	2,388,918

(Continued)

CITY OF WAVELAND
Balance Sheet
Governmental Funds
September 30, 2016

Exhibit 3 (Continued)

	Major Funds					
		Capital Projects	Capital Projects			
Fund Balances:	General Fund	Police Building Fund	Hazard Mitigation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Committed:						
Debt service				2,706,657		2,706,657
Culture and recreation					95,480	95,480
Other purposes					148,517	148,517
Unassigned	6,348,587	(1,071,217)	(807,389)		(255,921)	4,214,060
Total Fund Balances	6,348,587	(1,071,217)	(807,389)	2,706,657	(11,924)	7,164,714
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,512,087	1,265,747	1,473,031	3,426,657	2,011,289	

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, 2015	$	46,597,424	
Plus: Capital outlay expenditures and donations made during the year		5,811,798	
Less: Depreciation expense recorded during the year		(1,362,100)	
Less: Capital asset deletions net of accumulated depreciation		(8,067)	51,039,055
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:			
Fines receivable			141,539
Pension Obligations:			
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability			(6,221,190)
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.		1,416,985	
Deferred outflows of resources related to pension obligations		(85,651)	1,331,334
Deferred amounts on bond refunding are not a current financial resource and, therefore, are not reported in the funds.			144,060
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(5,234,866)
Accrued interest payable is not a current liability payable from current assets.			(32,329)
Compensated absences used in governmental activities are not reported in funds.			(88,399)
Net Position of Governmental Activities			$ 48,243,918

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

CITY OF WAVELAND
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

Exhibit 4

	Major Funds					
		Capital Projects	Capital Projects			
	General Fund	Police Building Fund	Hazard Mitigation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 1,516,872			733,169	183,757	2,433,798
Road and bridge privilege tax	135,355					135,355
Licenses and permits	366,884					366,884
Fines and forfeitures	198,597				990	199,587
Intergovernmental revenues	2,484,989	2,108,643	1,202,314		228,791	6,024,737
Interest income	10,895				310	11,205
Miscellaneous	243,545				20,692	264,237
Total Revenues	4,957,137	2,108,643	1,202,314	733,169	434,540	9,435,803
EXPENDITURES						
Current:						
General government	1,115,263				2,420	1,117,683
Public safety	2,832,332	2,936,223	326,808		550,259	6,645,622
Public works	670,742	24,540	1,877,717		3,423	2,576,422
Health and welfare	82,303					82,303
Culture and recreation	357,699	111,976			192,533	662,208
Economic development and assistance	84,223				2,493	86,716
Debt service:						
Principal	152,460			4,022,345	42,187	4,216,992
Interest	4,115			128,231	9,224	141,570
Total Expenditures	5,299,137	3,072,739	2,204,525	4,150,576	802,539	19,989,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	(342,000)	(964,096)	(1,002,211)	(3,417,407)	(367,999)	(10,553,486)

(Continued)

CITY OF WAVELAND
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

Exhibit 4 (Continued)

	Major Funds					
		Capital Projects	Capital Projects			
	General Fund	Police Building Fund	Hazard Mitigation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Transfers in	350,000					350,000
Claims and judgements losses					(33,627)	(33,627)
Proceeds of capital debt issued	27,340			1,537,707		1,565,047
Total Other Financing Sources and Uses	377,340	0	0	1,537,707	(33,627)	1,881,420
Net Change in Fund Balances	35,340	(964,096)	(1,002,211)	(1,879,700)	(401,626)	(4,212,293)
Fund Balances - Beginning	6,313,247	(107,121)	194,822	4,586,357	389,702	11,377,007
Fund Balances - Ending	$ 6,348,587	(1,071,217)	(807,389)	2,706,657	(11,924)	7,164,714

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, 2016

Exhibit 5

Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4)	$	(4,212,293)
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation ($1,362,100) exceeded capital outlays ($5,811,798) in the current period.		4,449,698
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.		(18,806)
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	(1,565,047)	
Payments on debt principal	4,216,992	
Amortization of premiums on bonds	3,711	2,655,656
Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
Recognition of pension expense for the current year	(925,482)	
Recognition of contributions made subsequent to the measurement date	96,720	
Recognition of contributions made in the fiscal year prior to the measurement date	260,355	(568,407)
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 on disposal of capital assets		(8,067)
Accrued interest expense		11,763
Amortization of bond refunding costs		(36,017)
Change in compensated absences		(8,131)
Change in Net Position of Governmental Activities (Exhibit 2)	$	2,265,396

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

CITY OF WAVELAND
Statement of Net Position
Proprietary Fund
September 30, 2016

Exhibit 6

	Business-type Activity Utility Fund
ASSETS	
Current Assets:	
Cash	$ 2,193,654
Due from other funds	284,362
Inventory	12,057
Accounts receivable, net	477,618
Other receivables	18,857
Total Current Assets	2,986,548
Noncurrent Assets:	
Restricted cash	449,788
Capital assets, net	74,886,280
Total Noncurrent Assets	75,336,068
Total Assets	$ 78,322,616
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on bond refunding	$ 67,792
Deferred outflows - pension	219,379
Total Deferred Outflows of Resources	$ 287,171
LIABILITIES	
Current Liabilities:	
Claims payable	$ 141,578
Customer deposits	449,788
Interest payable	3,293
Due to other funds	376,867
Other payables	29,579
Current portion of long-term debt	248,523
Total Current Liabilities	1,249,628
Noncurrent Liabilities:	
Net pension liability	945,601
Compensated absences payable	10,228
Long-term liabilities	1,409,670
Total Noncurrent Liabilities	2,365,499
Total Liabilities	$ 3,615,127
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	$ 12,073
NET POSITION	
Net investment in capital assets	$ 73,228,087
Unrestricted	1,754,500
Total Net Position	$ 74,982,587

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

CITY OF WAVELAND
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2016

Exhibit 7

	Business-type Activity Utility Fund
OPERATING REVENUES	
Charges for services	$ 3,218,363
Miscellaneous revenues	140,861
Total Operating Revenues	3,359,224
OPERATING EXPENSES	
Personal services	620,830
Contractual services	1,039,487
Maintenance	380,319
Materials and supplies	96,561
Utilities	124,658
Depreciation expense	2,853,042
Other operating expenses	585,299
Total Operating Expenses	5,700,196
Operating Income (Loss)	(2,340,972)
NONOPERATING REVENUES (EXPENSES)	
Interest income	8,257
Interest expense	(70,540)
Total Nonoperating Revenue (Expenses)	(62,283)
Transfers out	(350,000)
Change in Net Position	(2,753,255)
Total Net Position - Beginning	77,735,842
Total Net Position - Ending	$ 74,982,587

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

CITY OF WAVELAND
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2016

Exhibit 8

	Business-type Activity Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and others	$ 3,284,074
Payments to suppliers	(2,299,688)
Payments to employees	(508,075)
Net Cash Provided (Used) by Operating Activities	476,311
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out to other funds	(350,000)
Net Cash Used by Noncapital Financing Activities	(350,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(149,986)
Proceeds from debt	149,986
Principal paid on long-term debt	(217,823)
Interest expense paid	(78,390)
Net Cash Provided (Used) by Capital and Related Financing Activities	(296,213)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	8,257
Net Increase (Decrease) in Cash and Cash Equivalents	(161,645)
Cash and Cash Equivalents - Beginning of Year	2,805,087
Cash and Cash Equivalents - End of Year	$ 2,643,442
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (2,340,972)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	2,853,042
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(119,010)
(Increase) decrease in inventory	(130)
(Increase) decrease in deferred outflows of resources	(75,803)
(Increase) decrease in due from other funds	(1,883)
Increase (decrease) in claims payable	(93,885)
Increase (decrease) in other payables	21,133
Increase (decrease) in compensated absences payable	3,244
Increase (decrease) in due to other funds	1,401
Increase (decrease) in net pension liability	194,112
Increase (decrease) in deferred inflows of resources	(8,798)
Increase (decrease) in customer deposits	43,860
Total adjustments	2,817,283
Net Cash Provided (Used) by Operating Activities	$ 476,311

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

CITY OF WAVELAND
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 9

		Agency Funds
ASSETS		
Cash	$	447,489
Due from other funds		14,099
Total Assets	$	461,588
LIABILITIES		
Assets held in trust	$	28,354
Claims payable		433,234
Total Liabilities	$	461,588

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 *Capital Project – Police Building Fund* accounts for the revenues from federal and state grants and other sources, as well as the expenditures for construction of the building that houses the police department.

The *Capital Project – Hazard Mitigation Fund* accounts for federal and state grant revenues and the expenditures for various projects including the drainage project.

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

The City reports the following major Proprietary Fund:

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

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

The City reports the following Fiduciary Fund:

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

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

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

D. Assets, Liabilities and Net Position or Equity.

1. Deposits.

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

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

2. Receivables.

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

3. Interfund Transactions and Balances.

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

4. Restricted Assets.

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

5. Capital Assets.

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

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

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

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

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

6. Compensated Absences.

The City's policy does not 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 non-administrative employees may accumulate unused compensatory time (comp time). Retiring and terminating employees are paid for all unused vacation for that year and unused comp time not exceeding limits of 140 hours as established by the employee handbook. Amounts not expected to be liquidated with expendable available financial resources are recorded in the government-wide financial statements.

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

7. Long-term Obligations.

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

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

8. Pensions.

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

9. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

Fund Balance Flow Assumption:

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

10. Deferred Outflows/Inflows of Resources.

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

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

Deferred Outflows of Resources

The City reports the following items in this category:

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

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

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

Deferred Inflows of Resources

The City reports the following items in this category:

Government-wide Statement of Net Position

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

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

Governmental Funds Balance Sheet:

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

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

11. Estimates.

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

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.

5. 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. Detailed Notes on all Funds.

A. Deposits.

At year-end, the City's carrying amount of deposits was $7,501,230, and the bank balance was $7,440,763. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

B. Receivables.

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

	Governmental Funds	Business-type Funds	Total
Receivables:			
Sales tax	$ 387,427		387,427
Property taxes	2,247,379		2,247,379
Accounts		901,091	901,091
Franchise taxes	60,683		60,683
Fines	392,666		392,666
Settlement receivable - police building	720,000		720,000
Other receivables	231,170		231,170
State	157,426		157,426
Federal grants	1,531,126		1,531,126
Gross receivables	5,727,877	901,091	6,628,968
Less: Allowance for uncollectibles	(251,127)	(423,473)	(674,600)
Net Total Receivables	$ 5,476,750	477,618	5,954,368

C. Capital Assets.

Capital asset activity for the year ended September 30, 2016, is as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 2,982,481				2,982,481
Construction in progress	7,803,030	5,566,142		(6,903,173)	6,465,999
Total capital assets, not being depreciated	10,785,511	5,566,142	0	(6,903,173)	9,448,480
Capital assets, being depreciated:					
Buildings	18,382,683			6,903,173	25,285,856
Machinery and equipment	1,231,724	162,806		874,831	2,269,361
Furniture and office equipment	915,551	55,510	62,636		908,425
Improvements other than buildings	10,297,230				10,297,230
Infrastructure	10,417,714				10,417,714
Vehicles/mobile equipment	1,466,368		74,407		1,391,961
Equipment under capital lease	2,203,256	27,340		(874,831)	1,355,765
Total capital assets being depreciated	44,914,526	245,656	137,043	6,903,173	51,926,312
Less: Accumulated depreciation for:					
Buildings	1,559,009	367,660			1,926,669
Machinery and equipment	901,432	95,258		787,348	1,784,038
Furniture and office equipment	661,680	80,844	62,010		680,514
Improvements other than buildings	1,894,320	411,996			2,306,316
Infrastructure	1,450,234	304,162			1,754,396
Vehicles/mobile equipment	1,311,557	2,336	66,966		1,246,927
Equipment under capital lease	1,324,381	99,844		(787,348)	636,877
Total accumulated depreciation	9,102,613	1,362,100	128,976	0	10,335,737
Total capital assets, being depreciated, net	35,811,913	(1,116,444)	8,067	6,903,173	41,590,575
Governmental activities capital assets, net$	46,597,424	4,449,698	8,067	0	51,039,055

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 76,182			76,182
Total capital assets, not being depreciated	76,182	0	0	76,182
Capital assets, being depreciated:				
Buildings	50,204			50,204
Machinery and equipment	107,561			107,561
Improvements other than buildings	134,880			134,880
Infrastructure	95,983,012			95,983,012
Equipment under capital lease		149,986		149,986
Total capital assets, being depreciated	96,275,657	149,986	0	96,425,643

(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Less: Accumulated depreciation				
Buildings	1,004	1,004		2,008
Machinery and equipment	42,207	16,963		59,170
Improvements other than buildings	10,792	5,396		16,188
Infrastructure	18,708,500	2,802,681		21,511,181
Equipment under capital lease		26,998		26,998
Total accumulated depreciation	18,762,503	2,853,042	0	21,615,545
Total capital assets, being depreciated, net	77,513,154	(2,703,056)	0	74,810,098
Business-type activities capital assets, net	$ 77,589,336	(2,703,056)	0	74,886,280

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	$ 138,029
Public safety	269,108
Public works	481,733
Culture and recreation	396,463
Economic development	76,767
Total depreciation expense - governmental activities	$ 1,362,100
Business-type activities:	
Water and sewer	$ 2,853,042
Total depreciation expense - business-type activities	$ 2,853,042

D. Interfund Transactions.

Due from/to other funds is composed of the following balances at September 30, 2016:

	Due to Other Funds	Due From Other Funds
Governmental Funds:		
General Fund	$ 377,188	5,692,084
Capital projects - police building fund	2,329,020	9,541
Capital projects - hazard mitigation fund	2,173,525	194,559
Debt service fund	1,829,524	499,567
Other governmental fund		406,011
Total Governmental Funds	6,709,257	6,801,762
Proprietary Fund:		
Water, sewer and gas fund	376,867	284,362
Total Proprietary Fund	376,867	284,362
Total	$ 7,086,124	7,086,124

The composition of interfund transfers as of September 30, 2016, is as follows:

Transfer In	Transfer Out	Amount
General Fund	Water, sewer and gas fund	$ 350,000

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, 2016:

Classes of Property	Governmental Activities
Mobile equipment	$ 27,340
Machinery and equipment	2,203,256
Less: Accumulated depreciation	(1,424,225)
Leased Property Under Capital Leases	$ 806,371

Classes of Property	Business-type Activities
Machinery and equipment	$ 149,986
Less: Accumulated depreciation	(26,998)
Leased Property Under Capital Leases	$ 122,988

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 are as follows:

Year Ending September 30:	Governmental Activities
2017	$ 111,254
2018	81,479
2019	65,289
2020	57,194
2021	56,712
2022 - 2023	102,819
Total minimum lease payments	474,747
Less: Amount representing interest	37,938
Present value of minimum lease payments	$ 436,809

Year Ending September 30:		Business-type Activities
2017	$	31,776
2018		31,776
2019		31,776
2020		31,776
2021		29,127
Total minimum lease payments		156,231
Less: Amount representing interest		8,607
Present value of minimum lease payments	$	147,624

F. Long-term Debt.

General Obligation Bonds

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

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, 2016:

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	$	1,662,600	1.0 - 1.13%	11/01/2020
Series 2013		1,500,000	01/25/2013		1,095,000	1.63%	12/01/2022
Series 2015		2,000,000	07/08/2015		1,890,000	2.63%	07/01/2030
Total General Obligation Bonds	$	5,597,800		$	4,647,600		
B. Note Payable							
Hancock Bank - grant anticipation note	$	7,924,011	11/14/2013	$	135,614	1.80%	03/31/2018
C. Capital leases							
Hancock Bank	$	433,763	11/02/2006	$	4,351	3.87%	11/02/2016
Hancock Bank		452,853	12/13/2013		326,542	2.49%	09/15/2023
Hancock Bank		115,170	01/24/2014		55,251	2.10%	01/24/2019
Hancock Bank		76,639	08/13/2014		23,757	1.39%	08/13/2014
Hancock Bank		27,340	08/05/2016		26,908	2.24%	08/05/2021
Total Capital Leases	$	1,105,765		$	436,809		

Description and Purpose	Original Issue	Date of Issue	Amount Outstanding	Interest Rates	Final Maturity Date
Business-type Activities:					
A. Revenue Bonds					
1992 USDA Rural Development Combined, Water, Gas and Sewer System Revenue Bonds	$ 1,350,200	12/17/1992	$ 709,789	5.50%	12/17/2027
Total Revenue Bonds	$ 1,350,200		$ 709,789		
B. General Obligation Bonds					
Refunding, Series 2012	$ 987,200	08/28/2012	$ 782,400	1.0 - 2.13%	11/01/2020
Total General Obligation Bonds	$ 987,200		$ 782,400		

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

Year Ending September 30:	Governmental-type Activities Principal	Interest
2017	$ 617,000	96,246
2018	632,200	83,588
2019	616,800	70,992
2020	598,000	58,666
2021	553,600	46,873
2022 - 2026	1,015,000	205,378
2027 - 2030	615,000	40,819
Total	$ 4,647,600	602,562

Year Ending September 30:	Business-type Activities Revenue Bonds Principal	Interest	General Obligation Bonds Principal	Interest	Total
2017	$ 51,828	37,744	168,000	14,126	271,698
2018	54,752	34,821	172,800	10,718	273,091
2019	57,840	31,732	163,200	7,358	260,130
2020	61,103	28,470	152,000	4,206	245,779
2021	64,549	25,023	126,400	1,343	217,315
2022 - 2026	381,648	66,213			447,861
2027 - 2030	38,069	549			38,618
Total	$ 709,789	224,552	782,400	37,751	1,754,492

Loans Payable

In March, 2016, the City obtained a grant anticipation note from Hancock Bank in the amount of $3,000,000. The note matures on March 31, 2018. Loans currently outstanding are as follows:

Loan Type	Interest Rate	Amount
Governmental Activities:		
Hazard Mitigation Grant Anticipation Note	2.85%	$ 135,614

Loan debt service requirements to maturity are as follows:

Year Ending September 30:	Governmental-type Activities Principal	Interest
2017	$ 0	0
2018	135,614	6,562
Total	$ 135,614	6,562

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 5,251,200		603,600	4,647,600	617,000
Notes payable	2,016,652	1,537,707	3,418,745	135,614	
Capital leases payable	604,116	27,340	194,647	436,809	99,970
Compensated absences	80,268	8,131		88,399	
	7,952,236	1,573,178	4,216,992	5,308,422	716,970
Plus: Bond premium	18,554		3,711	14,843	
Governmental activity long-term liabilities	$ 7,970,790	1,573,178	4,220,703	5,323,265	716,970
Business-type Activities:					
Revenue bonds	$ 758,850		49,061	709,789	51,828
General obligation bonds	948,800		166,400	782,400	168,000
Capital leases payable	0	149,986	2,362	147,624	28,695
Compensated absences	6,984	3,243		10,227	
	1,714,634	153,229	217,823	1,650,040	248,523
Plus: Bond premium	21,549		3,169	18,380	
Business-type activity long-term liabilities	$ 1,736,183	153,229	220,992	1,668,420	248,523

3. 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.

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

As of September 30, 2016, the City had entered into a construction contract that was not completed. The amount spent on this contract as of September 30, 2016, was $4,899,873. The remaining commitment including retainage, as of year-end, is $435,657.

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 – 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, 2016, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll.

The City of Waveland's employer contributions to PERS for the years ended September 30, 2016, 2015 and 2014 were $412,725, $381,578 and $351,789, 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, 2016, the City of Waveland reported a liability of $7,166,791 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 employers, actuarially determined. At June 30, 2016, the entity's proportion was .040122 percent, which was an increase of 0.002726 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City of Waveland recognized pension expense of $925,482 for governmental activities and $150,711 for business-type activities.

At September 30, 2016, the City of Waveland reported as a component of pension expense, deferred outflows of resources from the following sources:

	Deferred Outflows and Inflows of Resources
Difference between expected and actual experience	$ 313,510
Net difference between projected and actual earnings on pension plan investments	721,475
Changes of assumptions	430,629
Changes in proportion and differences between entity contributions and proportionate share of contributions	(39,445)
Entity contributions subsequent to the measurement date	112,471
Total	$ 1,538,640

These amounts will be amortized as follows:

Year Ended September, 30:	Amount
2017	$ 543,205
2018	438,682
2019	302,699
2020	141,582
Total	$ 1,426,168

$112,471 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, 2016.

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 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 2016, set forward one year for males.

The actuarial assumption used in the June 30, 2015 valuation was based on the results of an actuarial experience study for the pension July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	100.00 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Entity's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	$ 9,189,433	7,166,791	5,488,654

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 $617,594 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:		Amount
2017	$	14,472
2018		14,472
2019		14,472
2020		14,472
2021		14,472
Thereafter		43,416
Total	$	115,776

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, 2016, the City paid $246,913 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. Subsequent Events.

The City Waveland has evaluated events and transactions for potential recognition or disclosure through September 19, 2017, which is the date the financial statements were available to be issued.

As of September 19, 2017, the City of Waveland had the following subsequent events:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
05/25/2017	2.160%	$ 78,787	Lease purchase	Ad valorem taxes
07/06/2017	2.300%	$ 71,933	Lease purchase	Ad valorem taxes

F. Effect of Deferred Amounts on Net Position.

The City of Waveland's unrestricted net position amount of $1,265,518, includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The $1,636,364 balance of deferred outflow of resources at September 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next four years. The $97,724 balance of deferred inflows of resources at September 30, 2016, will reduce expense and will increase the unrestricted net position over the next four years.

The City of Waveland's unrestricted net position amount of $1,265,518 includes the effect of deferring the recognition of expenses resulting from an advanced refunding of City debt. The $24,852 balance of deferred outflow of resources at September 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next five years.

G. Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2016:

Fund	Deficit Amount
Tidelands Fund	$ 32,580
Fire Purposes Fund	$ 32,591
Katrina Disaster Fund	$ 290,296
Isaac Fund	$ 100,934
MDOT Sidewalks Fund	$ 123

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

City's Contributions

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, 2016

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$	1,454,140	1,516,872	1,516,872	
Licenses and permits		371,250	398,461	398,461	
Fines and forfeitures		227,450	198,597	198,597	
Intergovernmental revenues		2,599,265	2,592,044	2,592,044	
Miscellaneous revenues		530,272	170,440	170,440	
Total Revenues		5,182,377	4,876,414	4,876,414	0
EXPENDITURES					
General government		1,095,323	1,088,263	1,088,263	
Public safety		2,813,840	2,709,300	2,709,300	
Public works		909,409	821,099	821,099	
Health and welfare		87,954	80,445	80,445	
Culture and recreation		320,506	346,149	346,149	
Economic development		91,950	82,929	82,929	
Debt services		213,395	156,575	156,575	
Total Expenditures		5,532,377	5,284,760	5,284,760	0
Excess of Revenues over (under) Expenditures		(350,000)	(408,346)	(408,346)	0
OTHER FINANCING SOURCES (USES)					
Transfers in		350,000	350,000	350,000	
Total Other Financing Sources and Uses		350,000	350,000	350,000	0
Net Change in Fund Balance		(0)	(58,346)	(58,346)	
Fund Balances - Beginning		0	6,133,247	6,133,247	
Fund Balances - Ending	$	(0)	6,074,901	6,074,901	0

The 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
PERS
Last 10 Fiscal Years*

		2016	2015	2014
City's proportion of the net pension liability (asset)	$	7,166,791	5,780,684	4,248,238
City's proportionate share of the net pension liability (asset)		0.040122 %	0.037396 %	0.034999 %
City's covered-employee payroll	$	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-employee payroll		279.2201478 %	242.5352253 %	191.8713089 %
Plan fiduciary net position as a percentage of the total pension liability		57.467727 %	61.703983 %	67.207687 %

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

CITY OF WAVELAND
Schedule of the City's Contributions
PERS
Last 10 Fiscal Years*

		2016	2015
Contractually required contribution	$	412,725	381,578
Contributions in relation to the contractually required contribution		412,725	381,578
Contribution deficiency (excess)	$	0	0
City covered-employee payroll	$	2,620,476	2,422,717
Contributions as a percentage of covered-employee payroll		15.75%	15.75%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

CITY OF WAVELAND

Notes to the Required Supplementary Information
For the Year Ended September 30, 2016

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)	$	(58,346)
Increase (decrease):		
Net adjustments for revenue accruals		80,723
Net adjustments for expenditure accruals		(14,377)
Net adjustments for other financing sources (uses)		27,340
Net Change in Fund Balance GAAP Basis	$	35,340

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.

None.

B. Changes of Assumptions.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

CITY OF WAVELAND

OTHER INFORMATION

CITY OF WAVELAND
Schedule of Surety Bonds for Municipal Officials - UNAUDITED
For the Year Ended September 30, 2016

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
Lisa Planchard	City Clerk	50,000
Ronald Duckworth	Comptroller	50,000
Tammy Fayard	Deputy City Clerk	50,000
Rhonda Cummings	Court Clerk	50,000
Anitra Freeman	Deputy Court Clerk	50,000
Christine Gallagher	Building Department Manager	50,000
Marcia Ivey	Permits Clerk	50,000
Larry Holland	Utility Department Manager	50,000
Jeanne Conrad	Public Works Clerk	50,000
April Chevis	Personnel Director	50,000
Rachel Cullen	Purchasing Agent	50,000
David Allen	Police Chief	50,000
Michael Prendergast	Assistant Police Chief	50,000
Janelle Piazza	Police Department Clerk	50,000
Mac Cowand	Police Officer	25,000

CITY OF WAVELAND
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

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	14.228	* 103-379-01-KCR	$ 109,576
Community Development Block Grant	14.228	* 118-379-02-HCCR	2,099,067
Total U. S. Department of Housing and Urban Development			2,208,643
U. S. Department of Justice - Violence Against Women Office/Passed-through Mississippi Department of Public Safety/			
Violence Against Women Formula Grant	16.588	14SL3541	29,116
Total U. S. Department of Justice			29,116
U. S. Department of Transportation - (NHTSA)/ Passed-through the Mississippi Office of Highway Safety/			
State and Community Highway Safety	20.600	16ST3541	7,191
State and Community Highway Safety	20.600	16PT3541	23,981
Total U. S. Department of Transportation			31,172
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002	N/A	32,922
Total Corporation for National and Community Service			32,922
U. S. Department of Homeland Security			
Hazard Mitigation Grant	97.039	FEMA-1604-DR-MS-0357	446,927
Hazard Mitigation Grant	97.039	FEMA-1604-DR-MS-0420	756,387
Total U. S. Department of Homeland Security			1,203,314
Total Expenditures of Federal Awards			$ 3,505,167

* Denotes major federal award program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A: Significant Accounting Policies

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

CITY OF WAVELAND

SPECIAL REPORTS

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 19, 2017.

Internal Control Over Financial Reporting

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

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

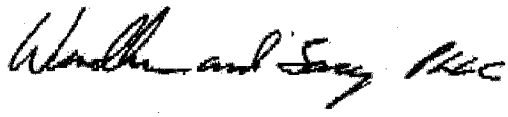
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Windham and Lacey, PLLC
September 19, 2017

Windham and Lacey, PLLC

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Waveland, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Uniform Guidance that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. 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, 2016.

Report on Internal Control Over Compliance

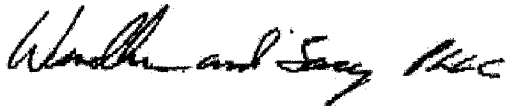
The management of the City of Waveland, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City of Waveland, Mississippi's internal control over 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
September 19, 2017

Windham and Lacey, PLLC

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Mississippi Society of CPAs

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

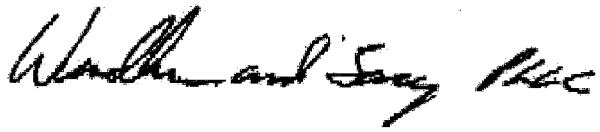
Honorable Mayor and
Members of the Board of Aldermen
City of Waveland, Mississippi

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, 2016, and have issued our report thereon dated September 19, 2017. 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 federal awarding agencies and pass-through entities 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
September 19, 2017

CITY OF WAVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF WAVELAND

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
5.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
7.	Federal program identified as a major program:	
	U. S. Department of Housing and Urban Development, Community Development Block Grant, CFDA #14.228	
8.	The dollar threshold used to distinguish between type A and type B programs:	$750,000
9.	Auditee qualified as a low-risk auditee?	No

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

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.