

CITY OF WAYNESBORO
AUDITED FINANCIAL STATEMENTS
AND
SPECIAL REPORTS

For the Year Ended September 30, 2009

Michael E. Britton
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CITY OF WAYNESBORO

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CITY OF WAYNESBORO

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CITY OF WAYNESBORO

FINANCIAL AUDIT REPORT

MICHAEL E. BRITTON
Certified Public Accountant



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**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION**

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of and for the year ended September 30, 2009, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the city's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Waynesboro, Mississippi as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the city adopted the provisions of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 1, 2010, on my consideration of the city's internal control over financial reporting and my 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* and should be read in conjunction with this report in considering the results of my audit.

City of Waynesboro, Mississippi, has not presented Management's Discussion and Analysis. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waynesboro, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Michael E. Britton, CPA

Waynesboro, Mississippi
October 1, 2010

CITY OF WAYNESBORO

FINANCIAL STATEMENTS

CITY OF WAYNESBORO
Statement of Net Assets – Exhibit 1
September 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Equivalents	\$ 1,150,712	\$ 249,221	\$ 1,399,933
Receivables	21,558	160,768	182,326
Property Tax Receivable	1,189,473	-	1,189,473
Fines Receivable, net of allowance of \$258,008	22,436	-	22,436
Sales Tax Receivable	176,666	-	176,666
Franchise Tax Receivable	106,021	-	106,021
Internal Balances	87,874	(87,874)	-
Due from Other Governmental Agencies	46,608	-	46,608
Inventories	1,000	1,000	2,000
Restricted Cash	73,167	151,738	224,905
Capital Assets			
Land, improvements, and construction in progress	764,266	-	764,266
Infrastructure and infrastructure in progress	3,573,853	13,663,401	17,237,254
Buildings	3,123,988	1,112,264	4,236,252
Equipment and Furniture	107,653	237,498	345,151
Other Capital Assets	2,407,613	327,448	2,735,061
Less: Accumulated Depreciation	<u>(2,562,205)</u>	<u>(8,360,570)</u>	<u>(10,922,775)</u>
Total Capital Assets	<u>7,415,168</u>	<u>6,980,041</u>	<u>14,395,209</u>
Total Assets	<u><u>10,290,683</u></u>	<u><u>7,454,894</u></u>	<u><u>17,745,577</u></u>
LIABILITIES			
Accounts payable and accrued expenses	144,116	55,144	199,260
Other Payables	78,802	1,458	80,260
Customer Deposits Payable	-	98,464	98,464
Deferred Revenues	1,156,072	-	1,156,072
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	251,460	113,276	364,736
Accrued interest	-	4,817	4,817
Compensated Absences	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	550,909	1,102,728	1,653,637
Accrued interest	-	-	-
Compensated absences	158,466	65,500	223,966
Total liabilities	<u>2,339,825</u>	<u>1,441,387</u>	<u>3,781,212</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,509,013	5,759,220	12,268,233
Restricted for:			
Debt Service	-	214,149	214,149
Other projects	89,345	-	89,345
Unrestricted	1,352,500	40,138	1,392,638
Total net assets	<u><u>\$ 7,950,858</u></u>	<u><u>\$ 6,013,507</u></u>	<u><u>\$ 13,964,365</u></u>

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

CITY OF WAYNESBORO
Statement of Activities – Exhibit 2
For the Year Ended September 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental Activities							
General Government	\$ 1,149,881	\$ 190,783	\$ 405,027	\$ 117,169	\$ (436,902)	\$ -	\$ (436,902)
Public Safety	2,214,982	217,651	293,833	-	(1,703,498)	-	(1,703,498)
Public Works	873,728	-	-	-	(873,728)	-	(873,728)
Health, Welfare and Sanitation	586,545	452,902	-	-	(133,643)	-	(133,643)
Culture and Recreation	458,177	-	-	-	(458,177)	-	(458,177)
Interest on Long-term debt	55,616	-	-	-	(55,616)	-	(55,616)
Total governmental activities	<u>5,338,929</u>	<u>861,336</u>	<u>698,860</u>	<u>117,169</u>	<u>(3,661,564)</u>	<u>-</u>	<u>(3,661,564)</u>
Business-type activities:							
Water & Sewer Activities	1,260,003	1,247,855	-	-	-	(12,148)	(12,148)
Total business-type activities	<u>1,260,003</u>	<u>1,247,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,148)</u>	<u>(12,148)</u>
Total primary government	<u>6,598,932</u>	<u>2,109,191</u>	<u>698,860</u>	<u>117,169</u>	<u>(3,661,564)</u>	<u>(12,148)</u>	<u>(3,673,712)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 742,880	\$ -	\$ 742,880
Property taxes, levied for fire protection services					253,210	-	253,210
Franchise taxes and miscellaneous taxes					392,186	-	392,186
Sales taxes					2,151,986	-	2,151,986
Road & bridge privilege taxes					229,811	-	229,811
Homestead exemption reimbursement from State of MS					40,765	-	40,765
Unrestricted interest earnings					37,423	10,018	47,441
Miscellaneous					10,889	62,017	72,906
Transfers					(1,517)	-	(1,517)
Total general revenues, special items, and transfers					<u>3,857,633</u>	<u>72,035</u>	<u>3,929,668</u>
Change in net assets					196,069	59,887	255,956
Net assets - beginning					7,754,789	5,953,620	13,708,409
Net assets - ending					<u>\$ 7,950,858</u>	<u>\$ 6,013,507</u>	<u>\$ 13,964,365</u>

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

CITY OF WAYNESBORO
Balance Sheet – Governmental Funds – Exhibit 3
September 30, 2009

	<u>General</u> <u>Fund</u>	<u>Fire Protection</u> <u>Fund</u>	<u>South MS</u> <u>Narcotics Task</u> <u>Force Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,035,959	\$ 9,593	\$ 142,150	\$ 36,145	\$ 1,223,847
Taxes receivable, net	1,188,040	305,678	-	-	1,493,718
Fines receivable, net	22,436	-	-	-	22,436
Due from other funds	91,758	79,157	-	-	170,915
Receivable from other governments	-	-	46,608	-	46,608
Inventories	1,000	-	-	-	1,000
Total assets	<u>2,339,193</u>	<u>394,428</u>	<u>188,758</u>	<u>36,145</u>	<u>2,958,524</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	129,168	5,991	8,957	-	144,116
Due to other funds	83,041	-	-	-	83,041
Payable to other governments	10,683	-	-	-	10,683
Deferred revenue	884,235	294,273	-	-	1,178,508
Other accrued expenses	-	-	16,478	-	16,478
Other payables	-	-	51,642	-	51,642
Total liabilities	<u>1,107,127</u>	<u>300,264</u>	<u>77,077</u>	<u>-</u>	<u>1,484,468</u>
Fund balances:					
Reserved for:					
Other purposes	-	94,164	111,681	36,145	241,990
Unreserved	1,232,066	-	-	-	1,232,066
Total fund balances	<u>1,232,066</u>	<u>94,164</u>	<u>111,681</u>	<u>36,145</u>	<u>1,474,056</u>
Total liabilities and fund balances	<u>\$ 2,339,193</u>	<u>\$ 394,428</u>	<u>\$ 188,758</u>	<u>\$ 36,145</u>	<u>\$ 2,958,524</u>

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

CITY OF WAYNESBORO
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Assets – Exhibit 3.1
September 30, 2009

Total fund balance, governmental funds	\$	1,474,056
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		7,415,168
<p>Fines receivable, net, are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		22,436
<p>The assets and liabilities of certain funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		33
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		(960,835)
Net Assets of Governmental Activities in the Statement of Net Assets		7,950,858

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

CITY OF WAYNESBORO
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds – Exhibit 4
For the Year Ended September 30, 2009

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>South MS Narcotics Task Force Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 742,880	\$ 219,501	\$ -	\$ -	\$ 962,381
Sales and miscellaneous taxes	2,185,141	-	-	-	2,185,141
Road and bridge privilege taxes	229,811	33,709	-	-	263,520
Franchise taxes	359,031	-	-	-	359,031
Fees and fines	171,177	-	22,995	-	194,172
Licenses and permits	24,125	-	-	-	24,125
Intergovernmental	660,532	27,462	266,371	5,314	959,679
Charges for services	498,063	-	-	-	498,063
Investment earnings	36,357	33	-	1,033	37,423
Miscellaneous	14,687	-	14,072	1,044	29,803
Total revenues	<u>4,921,804</u>	<u>280,705</u>	<u>303,438</u>	<u>7,391</u>	<u>5,513,338</u>
EXPENDITURES					
Current:					
General government	1,215,000	-	-	-	1,215,000
Public Safety	1,373,302	249,615	322,432	2,549	1,947,898
Public Works	825,803	-	-	-	825,803
Health and sanitation	586,024	-	-	-	586,024
Culture and recreation	311,981	-	-	3,489	315,470
Debt Service:					
Principal	411,222	15,929	-	-	427,151
Interest and other charges	50,117	5,499	-	-	55,616
Capital Outlay	274,591	4,996	34,307	1,406	315,300
Total Expenditures	<u>5,048,040</u>	<u>276,039</u>	<u>356,739</u>	<u>7,444</u>	<u>5,688,262</u>
Excess (deficiency) of revenues over expenditures	<u>(126,236)</u>	<u>4,666</u>	<u>(53,301)</u>	<u>(53)</u>	<u>(174,924)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt, net	140,386	-	-	-	140,386
Proceeds from short-term debt, net	196,849	-	-	-	196,849
Proceeds from sale of capital assets	605	-	-	-	605
Other source	-	742	-	-	742
Other use	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(1,517)	-	-	-	(1,517)
Total other financing sources and uses	<u>336,323</u>	<u>742</u>	<u>-</u>	<u>-</u>	<u>337,065</u>
Net change in fund balances	210,087	5,408	(53,301)	(53)	162,141
Fund balances - beginning	1,021,979	88,756	164,982	36,198	1,311,915
Fund balances - ending	<u>\$ 1,232,066</u>	<u>\$ 94,164</u>	<u>\$ 111,681</u>	<u>\$ 36,145</u>	<u>\$ 1,474,056</u>

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

CITY OF WAYNESBORO
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities – Exhibit 4.1
For the Year Ended September 30, 2009

Net change in fund balances - total governmental funds:	\$	162,141
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
This is the amount by which capital outlays \$386,139 exceeded depreciation \$358,133 in the current period.		28,006
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sales of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net (gain/loss) of \$13,532 and the proceeds from the sale of \$605 in the current period.</p>		
		(14,137)
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Fines Receivable increase.</p>		
		22,436
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$427,152 exceeded debt proceeds \$337,235 in the current period.</p>		
		89,917
<p>Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net assets differs from the change in fund balances by the additions to Compensated Absences Payable during the current year and other miscellaneous payables.</p>		
		(92,294)
Change in net assets of governmental activities	\$	<u>196,069</u>

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

CITY OF WAYNESBORO
Statement of Net Assets – Proprietary Fund – Exhibit 5
September 30, 2009

	Enterprise Funds	
	Water & Sewer	
	Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 244,058	\$ 244,058
Accounts Receivable, net	160,767	160,767
Due from other funds	3,885	3,885
Inventories	1,000	1,000
Restricted cash	156,901	156,901
Total current assets	566,611	566,611
Non-current assets:		
Capital Assets:		
Infrastructure	13,663,401	13,663,401
Construction in Progress	-	-
Buildings	1,112,264	1,112,264
Equipment and Furniture	564,946	564,946
Less Accumulated depreciation	(8,360,570)	(8,360,570)
Total non-current assets	6,980,041	6,980,041
Total assets	7,546,652	7,546,652
LIABILITIES		
Current Liabilities:		
Accounts payable	55,144	55,144
Accrued interest payable	4,817	4,817
Due to other funds	91,758	91,758
Other payables	1,458	1,458
Customer deposits payable	98,464	98,464
Compensated absences	65,500	65,500
Capital lease obligation	46,837	46,837
Bonds, notes and loans payable	158,897	158,897
Total current liabilities	522,875	522,875
Non-current liabilities:		
Capital lease obligation	11,333	11,333
Bonds, notes and loans payable	998,937	998,937
Total non-current liabilities	1,010,270	1,010,270
Total liabilities	1,533,145	1,533,145
NET ASSETS		
Invested in capital assets, net of related debt	5,764,037	5,764,037
Restricted for debt service	214,149	214,149
Restricted for capital projects	-	-
Restricted for other purposes	-	-
Unrestricted	35,321	35,321
Total net assets	\$ 6,013,507	\$ 6,013,507

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

CITY OF WAYNESBORO
Statement of Activities – Proprietary Fund – Exhibit 6
For the Year Ended September 30, 2009

	<u>Enterprise Funds</u>	
	<u>Water & Sewer</u>	
	<u>Fund</u>	<u>Total</u>
REVENUES		
Charges for services	\$ 1,230,786	\$ 1,230,786
Miscellaneous	17,069	17,069
Total operating revenues	<u>1,247,855</u>	<u>1,247,855</u>
OPERATING EXPENSES		
Personal services	501,197	501,197
Utilities	133,047	133,047
Repairs and maintenance	148,309	148,309
Other supplies and expenses	38,756	38,756
Depreciation	329,772	329,772
Total Operating Expenses	<u>1,151,081</u>	<u>1,151,081</u>
Operating income (loss)	<u>96,774</u>	<u>96,774</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	10,018	10,018
Miscellaneous revenue	49,159	49,159
Operating grants and contributions	12,858	12,858
Interest expense	(62,519)	(62,519)
Miscellaneous expenses	(46,404)	(46,404)
Total non-operating revenue (expenses)	<u>(36,888)</u>	<u>(36,888)</u>
Income (loss) before contributions and transfers	59,886	59,886
Capital contributions	-	-
Change in net assets	<u>59,886</u>	<u>59,886</u>
Total net assets - beginning	5,953,621	5,953,621
Total net assets - ending	<u>\$ 6,013,507</u>	<u>\$ 6,013,507</u>

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

CITY OF WAYNESBORO
Statement of Cash Flows – Proprietary Fund – Exhibit 7
For the Year Ended September 30, 2009

OPERATING ACTIVITIES	
Cash received from customers	1,148,936
Cash payments for suppliers	(355,134)
Cash payments to employees	(456,204)
Other operating cash receipts	17,100
Other operating cash payments	1,868
Cash paid for claims	(100)
Cash (received) / paid to other funds	3,977
Net Cash Provided (Used) By Operating Activities	<u>360,443</u>
INVESTING ACTIVITIES	
Interest received	10,018
Proceeds from the sale of property	-
Capital expenditures	<u>(74,280)</u>
Net Cash Provided (Used) By Investing Activities	(64,262)
FINANCING ACTIVITIES	
Operating grants received	12,858
Non operating receipts	49,192
Proceeds from issuance of long-term debt & capital leases	-
Interest paid (net of amount capitalized)	(62,519)
Principal payments on long-term debt	(160,579)
Principal payments under capital lease obligations	<u>(81,182)</u>
Net Cash Provided (Used) By Financing Activities	(242,230)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	53,951
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	347,008
CASH AND RESTRICTED CASH AT END OF YEAR	400,959
RECONCILIATION OF NET INCOME TO NET CASH	
Net Income (Loss)	59,886
<u>Adjustments to reconcile net income:</u>	
Depreciation and amortization	329,772
(Gain) loss on disposal of property	-
(Increase) decrease in accounts receivable	(32,658)
Increase (decrease) in accounts payable	(39,788)
Increase (decrease) in accrued expenses	-
Increase (decrease) in compensated absences payable	44,993
Increase (decrease) in interfund payables	3,977
Increase (decrease) in other liabilities	<u>(5,739)</u>
Total Adjustments	<u>300,557</u>
Net Cash Provided (Used) By Operating Activities	<u>360,443</u>
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:	
Interest (net of amount capitalized)	62,519

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

CITY OF WAYNESBORO
Statement of Fiduciary Assets and Liabilities – Exhibit 8
September 30, 2009

	<u>Employment</u> <u>Security Trust</u> <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 10,250
Total assets	<u>10,250</u>
LIABILITIES	
Due to other governments	10,250
Total liabilities	<u>10,250</u>

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

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Waynesboro is a political subdivision of the State of Mississippi. The City operates under an Alderman–Mayor form of government and possesses all rights and privileges provided by statute for municipalities. Generally accepted accounting principles (GAAP) in the United States of America require the City of Waynesboro to present these financial statements on the primary government and its component units, which have significant operational or financial relationships with the City. The City does not have any component units.

B. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues, are reported separately from business-type activities

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

Fund Financial Statements:

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

The City's enterprise fund and business-type activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major governmental funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

Fire Protection Fund – Accounts for monies from specific revenue sources that are restricted for fire protection services.

The City reports the following major proprietary fund:

Water and Sewer Fund – Accounts for the City’s activities of providing water and sewer services to its residents.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

Permanent Funds – These funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for the support of City programs.

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and the *Mississippi Municipal Audit and Accounting Guide* as revised in 2003 by the Office of the State Auditor.

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, 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.

F. Receivables

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

G. 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 Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

H. Restricted Assets

Proprietary Fund 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.

I. Capital Assets

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist.

Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City of Waynesboro meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2003 are not reported in the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the City's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

The following schedule details the City's capitalization thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>	<u>Salvage Value</u>
Land	\$ 0	n/a	n/a
Infrastructure	0	20-50 years	0 - 30%
Buildings	50,000	40 years	20%
Improvements other than buildings	25,000	20 years	20%
Mobile equipment	5,000	5-10 years	10%
Furniture and equipment	500	3-7 years	1 - 10%
Leased property under capital leases	*	*	*

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

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the 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 assets.

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

K. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

Invested in capital assets, net of related debt – 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, constructions or improvements of those assets.

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

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriate or are legally segregated for a specific purpose.

L. Property Tax Revenues

Various statutes exist under which the City may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority.

Governing authorities, each year at a meeting in September, levy 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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

M. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences

The City adopted a sick leave policy in which 12 days of sick leave per year are given to each employee. The sick leave days begin accumulation after a 60 day waiting period. The City also adopted a vacation policy based on completion of years of employment. Upon retirement or separation, employees are given options to choose from in order to receive their accumulated earnings. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Therefore, the City's full liability in the amount of \$86,658 for accumulated unpaid personal and vacation leave payable from the Governmental Funds and Enterprise Funds is reported as a liability in the Statement of Net Assets.

(2) Changes in Accounting Standards

For the fiscal year ended September 30, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The provisions of this standard do not apply to the current fiscal year or subsequent thereto.

(3) Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2009, was \$1,624,838 and the bank balance was \$1,633,689. 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

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

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.

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Water & Sewer Fund	\$ 91,758
Fire Protection Fund	General Fund	79,156
Water & Sewer Fund	General Fund	<u>3,885</u>
Total		<u>\$ 174,799</u>

All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Non Major Funds:		
Agency Fund	General Fund	<u>1,517</u>
Total		<u>\$ 1,517</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

(5) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Transfers/ Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 209,332	15,000			224,332
Construction in progress	55,970				55,970
Total non-depreciable capital assets	<u>265,302</u>	<u>15,000</u>	-	-	<u>280,302</u>
<u>Depreciable capital assets:</u>					
Infrastructure	3,461,570	112,283		-	3,573,853
Buildings	3,123,988				3,123,988
Improvements other than buildings	439,476	44,488			483,964
Mobile equipment	1,530,107	-	141,375	49,292	1,438,024
Furniture and equipment	71,675	35,978			107,653
Leased property under capital leases	840,491	178,390	-	(49,292)	969,589
Total depreciable capital assets	<u>9,467,307</u>	<u>371,139</u>	<u>141,375</u>	<u>-</u>	<u>9,697,071</u>
<u>Less accumulated depreciation</u>					
Infrastructure	70,643	69,924			140,567
Buildings	715,707	59,053			774,760
Improvements other than buildings	222,493	13,456			235,949
Mobile equipment	1,100,190	91,373	127,238	17,745	1,082,070
Furniture and equipment	36,599	12,692			49,291
Leased property under capital leases	185,678	111,635	-	(17,745)	279,568
Total accumulated depreciation	<u>2,331,310</u>	<u>358,133</u>	<u>127,238</u>	<u>0</u>	<u>2,562,205</u>
Total depreciable capital assets, net	<u>7,135,997</u>	<u>13,006</u>	<u>14,137</u>	<u>(0)</u>	<u>7,134,866</u>
Governmental activities capital assets, net	<u>7,401,299</u>	<u>28,006</u>	<u>14,137</u>	<u>(0)</u>	<u>7,415,168</u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

Business-type activities:

	Balance Oct. 1, 2008	Additions	Deletions	Transfers/ Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ -				-
Construction in progress	1,620,542			(1,620,542)	-
Total non-depreciable capital assets	1,620,542	-	-	(1,620,542)	-
<u>Depreciable capital assets:</u>					
Infrastructure	11,981,082	61,777		1,620,542	13,663,401
Buildings	1,112,264				1,112,264
Improvements other than buildings	-				-
Mobile equipment	218,319		99,875	15,450	133,894
Furniture and equipment	224,995	12,503		-	237,498
Leased property under capital leases	209,004	-		(15,450)	193,554
Total depreciable capital assets	13,745,664	74,280	99,875	1,620,542	15,340,611
<u>Less accumulated depreciation</u>					
Infrastructure	7,147,234	269,060			7,416,294
Buildings	650,984	15,550			666,534
Improvements other than buildings	-				-
Mobile equipment	179,951	9,301	89,887	11,124	110,489
Furniture and equipment	111,934	16,152			128,086
Leased property under capital leases	30,582	19,708		(11,124)	39,166
Total accumulated depreciation	8,120,685	329,772	89,887	-	8,360,570
Total depreciable capital assets, net	5,624,979	(255,493)	9,988	1,620,542	6,980,040
Business-type activities capital assets, net	7,245,521	(255,493)	9,988	-	6,980,040

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 139,298
Public safety	81,965
Public works	110,811
Culture and recreation	26,059
Total governmental activities depreciation expense	\$ 358,133
Business-type Activities:	
Water & Sewer	\$ 329,772
Total business-type activities depreciation expense	\$ 329,772

(6) Risk Financing

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

The City also carries commercial insurance for worker's compensation activities through Mississippi Municipal Services Company and employee health and accident coverage through Mississippi Blue Cross and Blue Shield as of September 30, 2009.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

(7) Capital Leases

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 969,589	193,554
Total	969,589	193,554
Less: Accumulated depreciation	<u>279,568</u>	<u>39,166</u>
Leased Property Under Capital Leases	<u>\$ 690,021</u>	<u>154,388</u>

The following is a schedule by years of the total payments due as of September 30, 2009:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	226,937	18,735	46,838	1,577
2011	237,897	10,622	11,333	249
2012	47,419	4,705		
2013	49,768	3,129	-	-
2014	19,871	1,557		
2015-2019	<u>24,321</u>	<u>679</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 606,212</u>	<u>39,427</u>	<u>58,171</u>	<u>1,826</u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

(8) Long-term Debt

Debt outstanding as of September 30, 2009, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
Capital Leases:			
Trustmark National Bank- (1) 2006 Pierce Intl Pumper Truck, dated 11/05	\$ 115,446	4.43%	Nov. 2015
Trustmark National Bank- (1) International 4300 Truck, dated 2/17/06	25,703	4.09%	Feb. 2011
Trustmark National Bank- (3) 2008 Ford F-150 Pick-ups	19,978	4.23%	Dec. 2010
Trustmark National Bank- (1) 2007 Ford F-150 Pickup	5,758	4.31%	Apr. 2010
Trustmark National Bank- (2) Ford Crown Victoria police cars	9,194	4.33%	May 2010
First Continental Leasing- (1) 2007 Mack Dump Truck	72,894	4.28%	July 2010
Bancorp Equipment Finance- (1) 2008 Caterpillar D5KLGP Bulldozer	93,880	3.30%	June 2011
Bancorp Equipment Finance- (1) 2008 Caterpillar 315CL Excavator	98,344	3.30%	June 2011
Bancorp Equipment Finance- (1) 2008 Ford Ranger	8,521	3.30%	Aug. 2011
Bancorp Equipment Finance- (1) 2008 Crown Vic	16,108	3.30%	Aug. 2011
Trustmark National Bank-(2) 2009 Ford Crown Vic Police Cars #03915	49,376	3.31%	June 2012
Bancorp Eqmt Finance- (1) 2009 Magnolia 25 Ton 30 Ft Trailer	13,543	3.29%	Nov 2011
Bancorp Eqmt Finance- (1) 2009 Caterpillar 416 E Backhoe	61,967	3.34%	May 2013
Bancorp Eqmt Finance- (1) 2009 Ford Pickup	<u>15,500</u>	3.34%	May 2012
Total Capital Leases	\$ <u>606,212</u>		
Other Loans:			
First State Bank- Package & Airport Insurance Coverage Premium 12-31-2009	21,157	7.009%	Dec 2009
Southern MS Investment Co.- Waynesboro-Wayne County Library building	<u>\$ 175,000</u>	5.28%	Mar. 2011
Total Other Loans	\$ <u>196,157</u>		
Total Governmental Activities	\$ <u>802,370</u>		

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Business-type Activities			
Revenue Bonds:			
1983 Series FmHA Revenue Bonds (Combined Water & Sewer System)	\$ 501,063	5.00%	Feb. 2018
2004 Series RUS Revenue Bonds (Combined Water & Sewer System)	<u>400,141</u>	4.50%	Mar. 2039
Total Revenue Bonds	<u>\$ 901,204</u>		
Capital Leases:			
First Continental Leasing- (1) Vector Sewer Truck	51,191	4.28%	Dec. 2010
Trustmark National Bank- (1) Ford Ranger Pick-up	4,914	4.31%	Dec. 2010
Trustmark National Bank- (1) 2007 Ford F-150 Pickup	<u>2,066</u>	4.39%	Feb. 2010
Total Capital Leases	<u>\$ 58,171</u>		
Other Loans:			
1997 Capital Improvements Loan (Treatment Plant)	130,539	4.25%	Oct. 2012
1998 Capital Improvements Loan (West Avenue Sewer Improv.)	27,459	3.00%	Mar. 2013
1999 Capital Improvements Loan (Pump Station Renovation)	<u>98,631</u>	3.00%	Sept. 2014
Total Other Loans	<u>\$ 256,629</u>		
Total Business-type Activities	<u>\$ 1,216,005</u>		

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2010	106,157	6,996
2011	90,000	2,376
2012	-	-
2013	-	-
2014	-	-
2015-2019	-	-
Total	<u>\$ 196,157</u>	<u>9,372</u>

Business-type Activities:

<u>Year Ending September 30,</u>	<u>Revenue Bonds</u>		<u>Capital Improv. Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 92,459	40,993	66,439	8,194
2011	97,153	36,299	68,981	5,651
2012	102,086	31,366	71,623	3,009
2013	107,269	26,183	28,524	1,014
2014	112,715	20,737	21,062	346
2015-2019	74,957	76,739	-	-
2020-2024	59,550	64,530	-	-
2025-2029	74,545	49,535	-	-
2030-2034	93,315	30,765	-	-
2035-2038	87,156	7,964	-	-
Total	<u>\$ 901,204</u>	<u>385,112</u>	<u>256,629</u>	<u>18,214</u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

Legal Debt Margin - The amount of debt that can be incurred by the City is limited by state statute.

In general all debt of the City can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, certain types of debt are specifically exempted from the 15% limitation, such as Water and Sewer revenue bonds and capital improvement loans through the Mississippi Development Authority. As of September 30, 2009, the City is in compliance with the 15% limitation, and has margin for further indebtedness under this respective debt limit of \$5,445,310.

State statute limits all debt of the City to 20% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. As of September 30, 2009, the City is in compliance with the 20% limitation and has margin for further indebtedness under this respective debt limit of \$6,389,426.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	<u>Balance</u> <u>Oct. 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2009</u>	<u>Amount due</u> <u>within one</u> <u>year</u>
Governmental Activities:					
Compensated absences	66,142	92,324	-	158,466	-
Capital leases	637,286	140,386	171,460	606,212	226,937
Other loans	255,000	196,849	255,692	196,157	106,157
Total	<u>958,428</u>	<u>429,559</u>	<u>427,152</u>	<u>960,835</u>	<u>333,094</u>

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2008</u>	<u>Amount due</u> <u>within one</u> <u>year</u>
Business-type Activities:					
Compensated absences	20,507	44,993	-	65,500	-
Capital leases	139,353	-	81,182	58,171	46,838
Revenue bonds	989,339	-	88,135	901,204	92,459
Other loans	329,073	-	72,444	256,629	66,439
Total	<u>1,478,272</u>	<u>44,993</u>	<u>241,761</u>	<u>1,281,504</u>	<u>205,736</u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

(9) Contingencies

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

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

(10) Joint ventures

The City of Waynesboro is a participant with Wayne County in a joint venture authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Waynesboro-Wayne County Library System. The Library was created to provide free public library service to citizens of the respective county and city. A ten-member board, one from each county and city district, governs the Library. The county and city are obligated by contract to levy not more than a four mill and three mill tax, respectively, as provided by Sections 39-3-5(1) and 39-3-7(1), Miss. Code Ann. (1972), respectively, for the ongoing financial support of the Library. By contractual agreement, the City's appropriation from the General Fund this year to the joint venture amounted to \$107,364. Complete financial statements for the Library can be obtained from the Waynesboro-Wayne County Library, Waynesboro, Mississippi.

The City of Waynesboro is a participant with Wayne County in a joint venture created under the provisions of Sections 33-15-17, 21-21-3, and 17-13-7, Miss. Code Ann. (1972) to operate the Emergency Management District of Wayne County. The District was formed by an Interlocal Agreement. The council that governs the District is composed of five members, three of which are appointed by City. Expenses are shared by the two participants. The City reimbursed the County \$114,353 for their share of expenses paid by the county during fiscal year 2009.

The City of Waynesboro is a participant with Wayne County, Clarke County, Greene County, and the City of Quitman in a joint venture to operate the South Mississippi Narcotics Task Force organized under the Interlocal Cooperation Act of 1974, Section 17-13-1 through 17-13-11, Miss. Code Ann.(1972). The Task Force was

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

created to provide a joint law enforcement effort between the participants. At 9/30/08 a five-member board governs the Task Force, consisting of the sheriff/police chiefs from each participating entity. By contractual agreement, the City's appropriation from the General Fund this year to the joint venture amounted to \$15,974. The South Mississippi Narcotics Task Force is a special revenue fund of the City due to its involvement as lead agency and is considered to be a major fund. A portion of the fund balance is reserved for other participants at September 30, 2009, as required by the most recent interlocal agreement.

(11) Defined Benefit Pension Plan

Plan Description – The City of Waynesboro, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy – PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2009, 2008, and 2007 were \$234,424, \$217,222, and \$198,172, respectively, equal to the required contributions for each year.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2009
(continued)

(12) Schedule of Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Joe Taylor	Mayor	Western Surety Co.	\$ 175,000
Joe Taylor	Mayor	Western Surety Co.	50,000
Sytrecia C. Hull	City Clerk	Western Surety Co.	175,000
Sytrecia C. Hull	City Clerk	Western Surety Co.	87,500
Susan Hardee	Office Clerk	Western Surety Co.	12,500
Terri Seawright	Deputy Clerk	Western Surety Co.	12,500
James C. Bunch, Jr.	Police Chief	Western Surety Co.	87,500
Stephanie West	Court Clerk	Western Surety Co.	12,500
Mark West	Special Investigator	Western Surety Co.	25,000
Jan Bishop	Purchasing Clerk	Western Surety Co.	12,500
Sherry Burke	Police Clerk	Western Surety Co.	12,500
The Water Dept. of Waynesboro	2 Water Dept. Clerks	RLI Surety	12,500
Various Police officers	Police officers	Western Surety Co.	1,000 to 25,000
Board of Aldermen (individually)	Aldermen	Western Surety Co.	40,000

CITY OF WAYNESBORO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
(Non-GAAP Basis) – General Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Cash Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 800,000	795,000	732,099	(62,901)
Licenses and permits	23,000	23,000	24,125	1,125
State Shared revenues	2,000,000	2,170,000	2,188,442	18,442
Fines and forfeitures	135,000	195,000	227,468	32,468
Grant proceeds	794,000	24,000	223,505	199,505
Other sources	1,221,000	1,156,000	1,143,439	(12,561)
Total Revenues	<u>4,973,000</u>	<u>4,363,000</u>	<u>4,539,078</u>	<u>176,078</u>
EXPENDITURES				
General government	935,958	1,018,425	877,867	140,558
Public safety	2,653,567	1,933,831	1,827,807	106,024
Public works	1,754,413	1,426,502	1,162,603	263,899
Culture and recreation	515,947	541,719	437,471	104,248
Total Expenditures	<u>5,859,885</u>	<u>4,920,477</u>	<u>4,305,748</u>	<u>614,729</u>
Excess of Revenues over (under) Expenditures	<u>(886,885)</u>	<u>(557,477)</u>	<u>233,330</u>	<u>790,807</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued				-
Short-term debt issued				-
Proceeds from sale of capital assets				-
Transfers out	(38,900)	(38,900)	(1,517)	37,383
Total Other Financing Sources and Uses	<u>(38,900)</u>	<u>(38,900)</u>	<u>(1,517)</u>	<u>37,383</u>
Net Change in Fund Balance	(925,785)	(596,377)		
Fund Balances - Beginning	1,000,000	1,000,000		
Fund Balances - Ending	<u>\$ 74,215</u>	<u>403,623</u>		
Net Change in Fund Balance (cash basis)			<u>\$ 231,813</u>	
Increase / (Decrease)				
Net adjustment for revenue accruals			720,566	
Net adjustment for expenditure accruals			<u>(742,292)</u>	
Net Change in Budgetary Fund Balance (GAAP basis)			<u>\$ 210,087</u>	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
(Non-GAAP Basis) – Fire Protection Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Cash Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 293,000	266,595	253,210	(13,385)
State Shared revenues	25,000	27,461	27,462	1
Interest/Other Sources	20	23	33	10
Total Revenues	<u>318,020</u>	<u>294,079</u>	<u>280,705</u>	<u>(13,374)</u>
EXPENDITURES				
Current:				
Personnel, Fixed Assets, and Other	<u>328,359</u>	<u>332,979</u>	<u>276,208</u>	<u>56,771</u>
Total Expenditures	<u>328,359</u>	<u>332,979</u>	<u>276,208</u>	<u>56,771</u>
Excess of Revenues over (under) Expenditures	<u>(10,339)</u>	<u>(38,900)</u>	<u>4,497</u>	<u>43,397</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	<u>38,900</u>	<u>38,900</u>	<u>742</u>	<u>(38,158)</u>
Total Other Financing Sources and Uses	<u>38,900</u>	<u>38,900</u>	<u>742</u>	<u>(38,158)</u>
Net Change in Fund Balance	28,561	0	5,239	5,239
Fund Balances - Beginning	<u>0</u>	<u>0</u>		
Fund Balances - Ending	<u>\$ 28,561</u>	<u>0</u>		
Net Change in Fund Balance (cash basis)			\$ <u>5,239</u>	
Increase / (Decrease)				
Net adjustment for revenue accruals			0	
Net adjustment for expenditure accruals			<u>169</u>	
Net Change in Budgetary Fund Balance (GAAP basis)			\$ <u><u>5,408</u></u>	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF WAYNESBORO
Budgetary Comparison Schedule – Budget and Actual
(Non-GAAP Basis) – South Mississippi Narcotics Task Force
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (cash basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Federal funds:				
Amounts awarded this period	\$ 202,617	202,617	198,772	(3,845)
Fines and Forfeitures	-	-	22,995	22,995
Grantee contributions	67,539	67,539	67,599	60
Other	-	-	14,072	14,072
Total Resources	270,156	270,156	303,438	33,282
Amounts Available for Appropriation	270,156	270,156	303,438	33,282
EXPENSES				
Federal funds:				
Personnel	141,900	141,900	126,006	15,894
Fringe benefits	47,967	47,967	37,405	10,562
Operating expenses	5,250	5,250	5,250	-
Travel	3,750	3,750	3,750	-
Total Federal Expenditures	198,867	198,867	172,411	26,456
Grantees' share:				
Personnel	47,300	47,300	42,002	5,298
Fringe benefits	15,989	15,989	12,468	3,521
Operating expenses:				
Grant	1,750	1,750	1,750	-
Non-grant	146,591	146,591	83,268	63,323
Travel	1,250	1,250	4,987	(3,737)
Equipment:				
Grant	3,750	3,750	3,750	-
Non-grant	3,250	3,250	36,103	(32,853)
Total Grantee's Share of Expenditures	219,880	219,880	184,328	35,552
Total Charges to Appropriations	418,747	418,747	356,739	62,008
Net Change in Fund Balance	(148,591)	(148,591)	(53,301)	
Fund Balances - Beginning	-	-		
Fund Balance - Ending	\$ (148,591)	(148,591)		
Net Change in Fund Balance (cash basis)			\$ (53,301)	
Increase / (Decrease)				
Net adjustment for revenue accruals				
Net adjustment for expenditure accruals				
Net Change in Budgetary Fund Balance (GAAP basis)			\$ (53,301)	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF WAYNESBORO
Notes to the Required Supplementary Information
For the Year Ended September 30, 2009

A. Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of July, departmental budgets are to be submitted for approval to the governing authorities. The total proposed budget should be presented at the August meeting of the board/council each year and should be published at least one time during September. At least one public hearing must be held at least one week prior to the final official adoption of the budget by September 15. 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 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 and final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is part of required supplemental information.

C. Budget/GAAP Reconciliation

A reconciliation of differences between the City's budgetary basis and the GAAP basis is provided on the face of the Budgetary Comparison Schedule – Budget and Actual. 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).

CITY OF WAYNESBORO

SUPPLEMENTAL INFORMATION

CITY OF WAYNESBORO
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Pass-through programs from Mississippi Development Authority/ HOME Investment Partnership Grant Program	14.239	M07-SG-280-455	<u>367,732</u>
U.S. Department of Transportation/ Direct Program/ Airport Improvement Program	20.106		\$ <u>10,866</u>
Total Expenditures of Major Federal Awards			<u>378,598</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture/ Direct Program/ Water & Water Disposal Systems for Rural Communities	10.760		15,400
Pass-through programs from the MS Emergency Mgmt Agency Emergency Watershed Protection Program	10.923		<u>55,667</u>
Total U.S. Department of Agriculture			71,067
U.S. Department of Housing and Urban Development/ Pass-through programs from Mississippi Development Authority/ Community Development Block Grants / State's Program	14.228	R-110-380-01-G2	32,000
Community Development Block Grants / State's Program	14.228	1123	<u>11,634</u>
Total U.S. Department of Housing and Urban Development			43,634
U.S. Department of Justice/ Pass-through program from Mississippi Department of Public Safety/ Byrne Formula Grant Program	16.738	06NM2352	<u>198,772</u>
Total U.S. Department of Justice			<u>198,772</u>
U.S. Department of Transportation/ Pass-through program from Mississippi Department of Public Safety/ State and Community Highway Safety	20.600	08TA2351, 09OP2351, 08UA2351	<u>58,845</u>
Total U.S. Department of Transportation			<u>58,845</u>
Total Expenditures of Other Federal Awards			<u>372,318</u>
Total Expenditures of Federal Awards			\$ <u>750,916</u>

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

CITY OF WAYNESBORO

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MICHAEL E. BRITTON
Certified Public Accountant



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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
Waynesboro, Mississippi

I 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 Waynesboro, Mississippi, as of and for the year ended September 30, 2009, which collectively compromise the city's basic financial statements and have issued my report thereon dated October 1, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Waynesboro, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the city's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the city's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the city's financial statements that is more than inconsequential will not be prevented or detected by the city's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as 09-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the city's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item 09-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waynesboro, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Waynesboro, Mississippi's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the City of Waynesboro's responses and, accordingly, I express no opinion on them.

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



Michael E. Britton, CPA

Waynesboro, Mississippi
October 1, 2010

MICHAEL E. BRITTON
Certified Public Accountant



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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

I have audited the compliance of the City of Waynesboro, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2009. The City of Waynesboro, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Waynesboro, Mississippi's management. My responsibility is to express an opinion on the City of Waynesboro, Mississippi's compliance based on my audit.

I conducted my 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Waynesboro, Mississippi's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Waynesboro, Mississippi's compliance with those requirements.

In my opinion, the City of Waynesboro, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City of Waynesboro, Mississippi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Waynesboro, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the city's internal control over compliance.

A control deficiency in a city's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the city's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the city's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the city's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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



Michael E. Britton, CPA

Waynesboro, Mississippi
October 1, 2010

CITY OF WAYNESBORO

COMPLIANCE WITH STATE LAWS AND REGULATIONS

MICHAEL E. BRITTON
Certified Public Accountant



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

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

I have audited the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waynesboro, Mississippi as of and for the year ended September 30, 2009 and have issued my report dated October 1, 2010. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and my audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

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

Michael E. Britton, CPA

Waynesboro, Mississippi
October 1, 2010

CITY OF WAYNESBORO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (IF ANY)

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---------------------------------------------------------------------------------------------|-------------|
| 1. Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that is not considered to be a material weakness? | No |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)? | No |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. HOME Investment Partnership Program, CFDA #14.239 | |
| b. Airport Improvement Program, CFDA # 20.106 | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2009
(continued)

Section 2: Financial Statement Findings

Significant Deficiency – Material Weakness

Finding 09-1,

Accurate and complete subsidiary accounts receivable records need to be maintained the water department to ensure accurate and complete financial presentation within the City's general ledger and financial statements.

In a sample of customer accounts receivable balances per City records at September 30, 2009, 17% of the customers balances due the City did not agree with those calculated manually and compiled from other records maintained by the Water Department.

Recommendation

I recommend that the City of Waynesboro's water department post payments to the accounting system daily. Also, I recommend that the water department independently calculate accounts receivable on a monthly basis and agree that amount to reports produced from the accounting system. Any discrepancies should be reconciled timely. Further, I recommend that these reports be filed with the City Clerk monthly.

Response

The City of Waynesboro will comply with the recommendations.

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2009
(continued)

Section 3: Federal Award Findings and Questioned Costs

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