

CITY OF WAYNESBORO
AUDITED FINANCIAL STATEMENTS
AND
SPECIAL REPORTS
For the Year Ended September 30, 2008

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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, 2008, 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.

I was unable to determine the accounts receivable for ticket fines for the general fund and governmental activities because of inadequate accounting records. The city does not have a current listing of fines receivable, with an allowance for uncollectible receivables. The amount by which this departure would affect the assets, fund balances, and revenues of the general fund and governmental activities is not reasonably determinable.

In my opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence to determine the accounts receivable as discussed in paragraph three, 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, 2008, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 2, 2009, 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
July 2, 2009

CITY OF WAYNESBORO

FINANCIAL STATEMENTS

CITY OF WAYNESBORO
Statement of Net Assets – Exhibit 1
September 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,207,537	133,014	1,340,551
Property tax receivable	1,132,011		1,132,011
Sales tax receivable	213,123		213,123
Franchise tax receivable	96,334		96,334
Federal grants receivable	60,566		60,566
Other receivables	4,356		4,356
Accounts receivable, net		128,109	128,109
Internal balances	83,896	(83,896)	0
Inventories	1,000	1,000	2,000
Restricted assets - cash		213,994	213,994
Capital assets, net	7,401,299	7,245,521	14,646,820
Total Assets	<u>10,200,122</u>	<u>7,637,742</u>	<u>17,837,864</u>
LIABILITIES			
Claims payable	322,088	94,932	417,020
Customer deposits payable		104,203	104,203
Accrued interest payable		5,457	5,457
Deferred Revenue	1,093,000		1,093,000
Other payables	71,820	1,458	73,278
Long-term liabilities			
Due within one year:			
Capital related debt	251,460	212,148	463,608
Non-capital debt	66,142	20,507	86,649
Due in more than one year:			
Capital related debt	640,825	1,245,417	1,886,242
Non-capital debt	0		0
Total Liabilities	<u>2,445,335</u>	<u>1,684,122</u>	<u>4,129,457</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,509,016	5,787,956	12,296,972
Restricted net assets:			
Expendable:			
Debt service		178,484	178,484
Other purposes	1,000	1,000	2,000
Nonexpendable - Perpetual care	20,729		20,729
Nonexpendable - Joint Venture Interests	131,986		131,986
Unrestricted	1,092,056	(13,820)	1,078,236
Total Net Assets	<u>\$ 7,754,787</u>	<u>5,953,620</u>	<u>13,708,407</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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 817,621	37,776	15,999	542,930	(220,916)		(220,916)
Public safety	2,231,785	194,983	319,677		(1,717,125)		(1,717,125)
Public works	1,286,192	422,006	7,145		(857,041)		(857,041)
Culture and recreation	612,090			80,984	(531,106)		(531,106)
Interest on long-term debt	11,342				(11,342)		(11,342)
Total Governmental Activities	4,959,030	654,765	342,821	623,914	(3,337,530)	0	(3,337,530)
Business-type activities:							
Water and sewer	1,286,860	1,055,395				(231,465)	(231,465)
Interest on long-term debt	63,965					(63,965)	(63,965)
Total Business-type Activities	1,350,825	1,055,395	0	0	0	(295,430)	(295,430)
Total Government Wide	\$ 6,309,855	1,710,160	342,821	623,914	(3,337,530)	(295,430)	(3,632,960)
General revenues:							
Taxes:							
Property taxes					\$ 996,952		996,952
Road & bridge privilege taxes					189,128		189,128
Sales taxes					2,220,698		2,220,698
Franchise taxes					345,836		345,836
Privilege taxes					20,683		20,683
Rental car taxes					906		906
Gasoline taxes					12,380		12,380
Homestead reimbursement from State					38,458		38,458
Use of money and property					88,661	10,826	99,487
Miscellaneous					296,003		296,003
Transfers					(57,633)	53,000	(4,633)
Total General Revenues and Transfers					4,152,072	63,826	4,215,898
Changes in Net Assets					814,542	(231,604)	582,938
Net Assets - Beginning					6,940,245	6,185,224	13,125,469
Net Assets - Ending					\$ 7,754,787	5,953,620	13,708,407

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

CITY OF WAYNESBORO
Balance Sheet – Governmental Funds – Exhibit 3
September 30, 2008

	Major Funds				Total Governmental Funds
	General Fund	Fire Protection Fund	South MS Narcotics Task Force	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 956,300	14,168	200,872	36,198	1,207,538
Property Tax Receivable - Real and Personal	830,831	301,180			1,132,011
Sales Tax Receivable	213,123				213,123
Franchise Taxes Receivable	96,334				96,334
Federal Grants Receivable	27,402		33,164		60,566
Other Receivables			4,356		4,356
Due from other funds	87,781	69,171			156,952
Inventories	1,000				1,000
Total Assets	\$ 2,212,771	384,519	238,392	36,198	2,871,880
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims Payable	\$ 308,320	2,763	11,006		322,089
Due to other funds	73,056				73,056
Deferred revenue	800,000	293,000			1,093,000
Other Payables	9,416		62,404		71,820
Total Liabilities	1,190,792	295,763	73,410		1,559,965
Fund Balances:					
Reserved for:					
Inventory	1,000				1,000
Perpetual Care				20,729	20,729
Joint Venture Interests			131,986		131,986
Unreserved, reported in:					
General Fund	1,020,979				1,020,979
Special Revenue Funds		88,756	32,996	15,469	137,221
Capital Projects Funds					
Permanent Fund					
Total Fund Balances	1,021,979	88,756	164,982	36,198	1,311,915
Total Liabilities and Fund Balances	\$ 2,212,771	384,519	238,392	36,198	2,871,880

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, 2008

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ <u>1,311,915</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,401,299
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(958,427)
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>7,754,787</u></u>

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, 2008

	<u>Major Funds</u>				Total Governmental Funds
	General Fund	Fire Protection Fund	South MS Narcotics Task Force	Other Governmental Funds	
REVENUES					
Taxes:	\$				
Property taxes - real and personal	714,643	282,309			996,952
Sales taxes	2,220,698				2,220,698
Franchise	345,836				345,836
Road and bridge	189,128				189,128
Privilege taxes	20,683				20,683
Rental Car Tax	906				906
Gasoline	12,380				12,380
Licenses and permits	25,395				25,395
Fines and forfeits	127,884		66,133	966	194,983
Intergovernmental revenues	203,011		271,636	542,930	1,017,577
Charges for services	422,006				422,006
Use of money and property	87,537	30		1,094	88,661
Miscellaneous	187,228	37,628	19,139	2,014	246,009
Total Revenues	4,557,335	319,967	356,908	547,004	5,781,214
EXPENDITURES					
Current:					
General government	817,431			542,930	1,360,362
Public safety	1,633,847	253,247	361,413		2,248,507
Public works	1,582,234				1,582,234
Culture and recreation	611,391			3,975	615,365
Debt service:					
Principal	657,952	15,940			673,892
Interest	5,151	6,191			11,342
Total Expenditures	5,308,006	275,378	361,413	546,905	6,491,702
Excess of Revenues over (under) Expenditures	(750,671)	44,589	(4,505)	99	(710,488)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	372,012				372,012
Short-term non-capital debt issued	203,856				203,856
Proceeds from sale of capital assets	139,397				139,397
Proceeds from insurance	25,991				25,991
Transfers in					
Transfers out	(57,633)				(57,633)
Total Other Financing Sources and Uses	683,623				683,623
Net Changes in Fund Balances	(67,048)	44,589	(4,505)	99	(26,865)
Fund balances - Beginning	1,089,027	44,167	169,487	36,099	1,338,780
Fund Balances - Ending	\$ 1,021,979	88,756	164,982	36,198	1,311,915

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, 2008

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (26,865)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$1,249,809 exceeded depreciation \$370,586 in the current period. 879,223

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of 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 \$673,892 exceeded debt proceeds \$575,868. 98,024

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 sale 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 \$11,551 and the proceeds from the sale of \$118,998 in the current period. (130,549)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

Increase in Compensated Absences Payable (5,291)

Change in net assets of governmental activities (Exhibit 2) \$ 814,542

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, 2008

		Business-type Activities
		<u>Enterprise Fund</u>
		<u>Water and Sewer Fund</u>
ASSETS		
Current Assets:		
Cash and investments	\$	133,014
Accounts receivable, net		128,109
Due from other funds		3,885
Inventories		1,000
Total Current Assets		<u>266,008</u>
Noncurrent assets:		
Restricted assets - cash		213,994
Capital assets, net		7,245,521
Total Noncurrent Assets		<u>7,459,515</u>
Total Assets		<u>7,725,523</u>
LIABILITIES		
Current Liabilities		
Accounts Payable		94,932
Due to other funds		87,781
Other Payables		1,458
Customer Deposits Payable		104,203
Compensated Absences Payable		20,507
Accrued Interest Payable on Revenue Bonds		5,457
Current portions of long-term capital-related debt:		
Capital improvement loans payable		72,600
Capital leases payable		51,755
Revenue bonds payable		87,793
Total Current Liabilities		<u>526,486</u>
Noncurrent liabilities:		
Capital-related debt:		
Capital Improvement Loans Payable		256,473
Capital Leases Payable		87,598
Revenue bonds payable		901,346
Total Noncurrent Liabilities		<u>1,245,417</u>
Total Liabilities		<u>1,771,903</u>
NET ASSETS		
Invested in capital assets, net of related debt		5,787,956
Restricted for debt service		178,484
Restricted for other purposes		1,000
Unrestricted		(13,820)
Total Net Assets	\$	<u>5,953,620</u>

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, 2008

	Business-type Activities
	Enterprise Fund
	Water and Sewer
	Fund
Operating Revenues:	
Charges for Services - Water Sales	\$ 547,811
Charges for Services - Sewer charges	471,374
Charges for Services - Other	36,210
Total Operating Revenues	1,055,395
Operating Expenses:	
Cost of Sales - Utilities	125,226
Depreciation expense	353,970
Wages	376,828
Payroll expense	69,109
Insurance	51,211
Communications	5,196
Fuel & Oil	31,864
Materials & Supplies	133,505
Repairs & Maintenance - Vehicles	13,208
Repairs & Maintenance - Equipment	26,851
Repairs & Maintenance - Water Tank	
Repairs & Maintenance - Computers	9,954
Miscellaneous	89,938
Total Operating Expenses	1,286,860
Operating Income (Loss)	(231,465)
Nonoperating Revenues (Expenses)	
Interest income	10,826
Interest expense	(63,965)
Other income (expenses)	
Net Nonoperating Revenue (Expenses)	(53,139)
Net Income (Loss) Before Contributions and Transfers	(284,604)
Capital contributions	
Transfers In (Out)	53,000
Changes in Net Assets	(231,604)
Net Assets - Beginning	6,185,224
Net Assets - Ending	\$ 5,953,620

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, 2008

OPERATING ACTIVITIES	
Cash received from customers	1,045,220
Cash payments for suppliers and contractual services	(434,062)
Cash payments for personnel services	(447,163)
Other operating cash receipts / payments - net	19,245
Garbage Fees Collected for General Fund (increase)	422,006
Garbage Fees Remitted to General Fund (decrease)	(388,761)
Net Cash Provided (Used) By Operating Activities	<u>216,485</u>
INVESTING ACTIVITIES	
Interest received	10,826
Proceeds from the sale of property	1,305
Capital expenditures	(203,184)
Net Cash Provided (Used) By Investing Activities	<u>(191,053)</u>
FINANCING ACTIVITIES	
Capital grants received	-
Transfers in from General Fund	53,000
Proceeds from issuance of long-term debt & capital leases	179,489
Interest paid (net of amount capitalized)	(63,965)
Principal payments on long-term debt	(197,059)
Principal payments under capital lease obligations	(60,754)
Net Cash Provided (Used) By Financing Activities	<u>(89,289)</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(63,857)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	410,865
CASH AND RESTRICTED CASH AT END OF YEAR	347,008
RECONCILIATION OF NET INCOME TO NET CASH	
Net Income (Loss)	(231,603)
<u>Adjustments to reconcile net income:</u>	
Depreciation and amortization	353,970
(Gain) loss on disposal of property	1,048
(Increase) decrease in accounts receivable	16,740
Increase (decrease) in accounts payable	50,813
Increase (decrease) in accrued expenses	(901)
Increase (decrease) in compensated absences payable	(1,227)
Increase (decrease) in interfund payables	33,245
Increase (decrease) in other liabilities	(5,600)
Total Adjustments	<u>448,088</u>
Net Cash Provided (Used) By Operating Activities	<u>216,485</u>
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:	
Interest (net of amount capitalized)	63,965

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, 2008

	<u>Agency Fund - Employment Security Trust Fund</u>
ASSETS	
Cash	\$ <u>10,530</u>
Total Assets	\$ <u><u>10,530</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>10,530</u>
Total Liabilities	\$ <u><u>10,530</u></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, 2008

(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, 2008
(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, 2008
(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, 2008
(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, 2008
(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, 2008
(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	5,000	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, 2008
(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, 2008
(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) Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2008, was \$1,565,075 and the bank balance was \$1,576,142. 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

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

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.

(3) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Water & Sewer Fund	\$ 87,781
Fire Protection Fund	General Fund	69,171
Water & Sewer Fund	General Fund	<u>3,885</u>
Total		<u>\$ 160,837</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>
Major Funds:		
Water & Sewer Fund	General Fund	53,000
Non Major Funds:		
Agency Fund	General Fund	<u>4,633</u>
Total		<u>\$ 57,633</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, 2008
(continued)

(4) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2008</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 209,332				209,332
Construction in progress	<u>2,687,892</u>	<u>630,122</u>		<u>(3,262,044)</u>	<u>55,970</u>
Total non-depreciable capital assets	<u>2,897,224</u>	<u>630,122</u>	<u>-</u>	<u>(3,262,044)</u>	<u>265,302</u>
<u>Depreciable capital assets:</u>					
Infrastructure	68,902	130,624		3,262,044	3,461,570
Buildings	3,123,988				3,123,988
Improvements other than buildings	371,026	68,450			439,476
Mobile equipment	1,519,385	23,400	63,942	51,264	1,530,107
Furniture and equipment	46,474	25,201			71,675
Leased property under capital leases	<u>729,854</u>	<u>372,012</u>	<u>210,111</u>	<u>(51,264)</u>	<u>840,491</u>
Total depreciable capital assets	<u>5,859,629</u>	<u>619,687</u>	<u>274,053</u>	<u>3,262,044</u>	<u>9,467,307</u>
<u>Less accumulated depreciation</u>					
Infrastructure	6,574	64,069			70,643
Buildings	655,708	59,999			715,707
Improvements other than buildings	212,850	9,643			222,493
Mobile equipment	1,018,113	102,717	57,548	36,908	1,100,190
Furniture and equipment	26,080	10,519			36,599
Leased property under capital leases	<u>186,131</u>	<u>123,639</u>	<u>87,184</u>	<u>(36,908)</u>	<u>185,678</u>
Total accumulated depreciation	<u>2,105,456</u>	<u>370,586</u>	<u>144,732</u>	<u>-</u>	<u>2,331,310</u>
Total depreciable capital assets, net	<u>3,754,173</u>	<u>249,101</u>	<u>129,321</u>	<u>3,262,044</u>	<u>7,135,997</u>
Governmental activities capital assets, net	<u>6,651,397</u>	<u>879,223</u>	<u>129,321</u>	<u>-</u>	<u>7,401,299</u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

Business-type activities:

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2008</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ -				-
Construction in progress	1,620,542				1,620,542
Total non-depreciable capital assets	<u>1,620,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,620,542</u>
<u>Depreciable capital assets:</u>					
Infrastructure	11,981,082				11,981,082
Buildings	1,112,264				1,112,264
Improvements other than buildings	-				-
Mobile equipment	230,781		24,133	11,671	218,319
Furniture and equipment	201,300	23,695			224,995
Leased property under capital leases	41,186	179,489		(11,671)	209,004
Total depreciable capital assets	<u>13,566,613</u>	<u>203,184</u>	<u>24,133</u>	<u>-</u>	<u>13,745,664</u>
<u>Less accumulated depreciation</u>					
Infrastructure	6,864,856	282,378			7,147,234
Buildings	629,069	21,915			650,984
Improvements other than buildings	-				-
Mobile equipment	187,951	5,316	21,720	8,404	179,951
Furniture and equipment	92,163	19,771			111,934
Leased property under capital leases	14,396	24,590		(8,404)	30,582
Total accumulated depreciation	<u>7,788,435</u>	<u>353,970</u>	<u>21,720</u>	<u>-</u>	<u>8,120,685</u>
Total depreciable capital assets, net	<u>5,778,178</u>	<u>(150,786)</u>	<u>2,413</u>	<u>-</u>	<u>5,624,979</u>
Business-type activities capital assets, net	<u>7,398,720</u>	<u>(150,786)</u>	<u>2,413</u>	<u>-</u>	<u>7,245,521</u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 124,956
Public safety	97,688
Public works	111,316
Culture and recreation	36,626
Total governmental activities depreciation expense	\$ 370,586
Business-type Activities:	
Water & Sewer	\$ 353,970
Total business-type activities depreciation expense	\$ 353,970

(5) 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, 2008.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

(6) Capital Leases

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ <u>840,491</u>	<u>209,004</u>
Total	840,491	209,004
Less: Accumulated depreciation	<u>185,678</u>	<u>30,582</u>
Leased Property Under Capital Leases	\$ <u><u>654,813</u></u>	<u><u>178,422</u></u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<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>
2009	171,460	21,639	51,755	5,840
2010	187,285	14,878	45,424	2,991
2011	197,148	7,887	42,174	1,118
2012	18,189	3,239	-	-
2013	19,012	2,417		
2014-2018	<u>44,191</u>	<u>2,236</u>	<u>-</u>	<u>-</u>
Total	\$ <u><u>637,285</u></u>	<u><u>52,296</u></u>	<u><u>139,353</u></u>	<u><u>9,949</u></u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

(7) Long-term Debt

Debt outstanding as of September 30, 2008, 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	\$ 131,375	4.43%	Nov. 2015
Trustmark National Bank- (1) International 4300 Truck, dated 2/17/06	42,971	4.09%	Feb. 2011
Trustmark National Bank-(2) 2008 Ford Crown Vic Police Cars	15,052	3.87%	July 2009
Trustmark National Bank- (3) 2008 Ford F-150 Pick-ups	35,218	4.23%	Dec. 2010
Trustmark National Bank- (1) 2007 Ford F-150 Pickup	15,298	4.31%	Apr. 2010
Trustmark National Bank- (2) Ford Crown Victoria police cars	22,496	4.33%	May 2010
First Continental Leasing- (1) 2004 Caterpillar Backhoe	23,076	3.14%	July 2009
First Continental Leasing- (1) Ford Truck - Street - split GF/WSF	2,280	4.05%	Jan. 2009
First Continental Leasing- (1) 2007 Mack Dump Truck	84,579	4.28%	July 2010
Bancorp Equipment Finance- (1) 2008 Caterpillar D5KLGPD Bulldozer	111,709	3.30%	June 2011
Bancorp Equipment Finance- (1) 2008 Caterpillar 315CL Excavator	115,588	3.30%	June 2011
Bancorp Equipment Finance- (1) 2008 Ford Ranger	12,758	3.30%	Aug. 2011
Bancorp Equipment Finance- (1) 2008 Crown Vic	24,118	3.30%	Aug. 2011
BBI- Computers	<u>767</u>	10.00%	Jan. 2009
Total Capital Leases	<u>\$ 637,285</u>		
Other Loans:			
Southern MS Investment Co.- Waynesboro-Wayne County Library building	<u>\$ 255,000</u>	5.28%	Mar. 2011
Total Other Loans	<u>\$ 255,000</u>		
Total Governmental Activities	<u>\$ 892,285</u>		

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Business-type Activities			
Revenue Bonds:			
1983 Series FmHA Revenue Bonds (Combined Water & Sewer System)	\$ 582,409	5.00%	Feb. 2018
2004 Series RUS Revenue Bonds (Combined Water & Sewer System)	<u>406,730</u>	4.50%	Mar. 2039
Total Revenue Bonds	<u>\$ 989,139</u>		
Capital Leases:			
First Continental Leasing- (1) Ford Truck - Water - split GF/WSF	\$ 1,813	4.05%	Feb. 2009
First Continental Leasing- (1) Vector Sewer Truck	122,008	4.28%	Dec. 2010
Trustmark National Bank- (1) Ford Ranger Pick-up	8,660	4.31%	Dec. 2010
Trustmark National Bank- (1) 2007 Ford F-150 Pickup	<u>6,872</u>	4.39%	Feb. 2010
Total Capital Leases	<u>\$ 139,353</u>		
Other Loans:			
1996 Capital Improvements Loan (MLK Sewer Project)	\$ 8,597	4.25%	Sept. 2011
1997 Capital Improvements Loan (Treatment Plant)	169,143	4.25%	Oct. 2012
1998 Capital Improvements Loan (West Avenue Sewer Improv.)	34,764	3.00%	Mar. 2013
1999 Capital Improvements Loan (Pump Station Renovation)	<u>116,569</u>	3.00%	Sept. 2014
Total Other Loans	<u>\$ 329,073</u>		
Total Business-type Activities	<u>\$ 1,457,565</u>		

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(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>
2009	80,000	11,352
2010	85,000	6,996
2011	90,000	2,376
2012	-	-
2013	-	-
2014-2018	-	-
Total	\$ <u>255,000</u>	<u>20,724</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>
2009	\$ 87,992	45,459	72,600	10,730
2010	92,459	40,992	66,450	8,182
2011	97,154	36,298	68,993	5,640
2012	102,087	31,365	71,636	2,997
2013	107,270	26,182	28,390	4,575
2014-2018	177,534	82,999	21,004	343
2019-2023	57,010	67,070		
2024-2028	71,365	52,715		
2029-2033	89,334	34,746		
2034-2038	106,934	12,262		
Total	\$ <u>989,139</u>	<u>430,088</u>	<u>329,073</u>	<u>32,467</u>

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(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, 2008, the City is in compliance with the 15% limitation, and has margin for further indebtedness under this respective debt limit of \$4,930,179.

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, 2008, the City is in compliance with the 20% limitation and has margin for further indebtedness under this respective debt limit of \$5,599,040.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:					
Compensated absences	59,633	6,509		66,142	
Capital leases	520,554	372,012	255,280	637,286	171,460
Other loans	469,756	203,856	418,612	255,000	80,000
Total	1,049,943	582,377	673,892	958,428	251,460
	Balance Oct. 1, 2007	Additions	Reductions	Balance Sept. 30, 2008	Amount due within one year
Business-type Activities:					
Compensated absences	21,734		1,227	20,507	
Capital leases	20,618	179,489	60,754	139,353	51,755
Revenue bonds	1,096,293		106,954	989,339	87,993
Other loans	419,178		90,105	329,073	72,600
Total	1,557,823	179,489	259,040	1,478,272	212,348

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

(8) 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.

(9) 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 \$94,533. 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 \$133,189 for their share of expenses paid by the county during fiscal year 2008.

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, 2008
(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 \$16,605. 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, 2008, as required by the most recent interlocal agreement.

(10) Defined Benefit Pension Plan

Plan Description – The City of Waynesboro, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 11.85% 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, 2008, 2007, and 2006 were \$217,222, \$198,172, and \$185,003, respectively, equal to the required contributions for each year.

CITY OF WAYNESBORO
Notes to the Financial Statements
For the Year Ended September 30, 2008
(continued)

(11) 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
Leonard Frost	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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 759,000	766,000	825,940	59,940
Licenses and permits	23,000	23,000	21,363	(1,637)
State Shared revenues	2,000,000	2,120,000	2,188,595	68,595
Fines and forfeitures	135,000	145,000	171,203	26,203
Grant proceeds	794,000	148,295	152,167	3,872
Other sources	1,335,000	1,338,566	1,400,821	62,255
Total Revenues	<u>5,046,000</u>	<u>4,540,861</u>	<u>4,760,088</u>	<u>219,227</u>
EXPENDITURES				
General government	926,261	932,305	903,445	28,860
Public safety	2,528,526	1,968,470	1,579,855	388,615
Public works	1,960,475	1,731,851	1,612,896	118,955
Culture and recreation	591,838	782,413	749,990	32,423
Total Expenditures	<u>6,007,100</u>	<u>5,415,039</u>	<u>4,846,186</u>	<u>568,853</u>
Excess of Revenues over (under) Expenditures	<u>(961,100)</u>	<u>(874,178)</u>	<u>(86,098)</u>	<u>788,080</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)	(57,633)	(18,733)
Total Other Financing Sources and Uses	<u>(38,900)</u>	<u>(38,900)</u>	<u>(57,633)</u>	<u>(18,733)</u>
Net Change in Fund Balance	(1,000,000)	(913,078)		
Fund Balances - Beginning	<u>1,000,000</u>	<u>1,000,000</u>		
Fund Balances - Ending	<u>\$ 0</u>	<u>86,922</u>		
Net Change in Fund Balance (cash basis)			\$ (143,731)	
Increase / (Decrease)				
Net adjustment for revenue accruals			538,503	
Net adjustment for expenditure accruals			<u>(461,820)</u>	
Net Change in Budgetary Fund Balance (GAAP basis)			<u>\$ (67,048)</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 259,000	259,000	282,309	23,309
State Shared revenues	24,593	26,916	26,916	0
Interest/Other Sources	450	20	10,742	10,722
Total Revenues	<u>284,043</u>	<u>285,936</u>	<u>319,967</u>	<u>34,031</u>
EXPENDITURES				
Current:				
Personnel, Fixed Assets, and Other	<u>322,943</u>	<u>324,836</u>	<u>275,144</u>	<u>49,692</u>
Total Expenditures	<u>322,943</u>	<u>324,836</u>	<u>275,144</u>	<u>49,692</u>
Excess of Revenues over (under) Expenditures	<u>(38,900)</u>	<u>(38,900)</u>	<u>44,823</u>	<u>83,723</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	<u>38,900</u>	<u>38,900</u>	<u> </u>	<u>(38,900)</u>
Total Other Financing Sources and Uses	<u>38,900</u>	<u>38,900</u>	<u> 0</u>	<u>(38,900)</u>
Net Change in Fund Balance	0	0	44,823	44,823
Fund Balances - Beginning	<u>0</u>	<u>0</u>		
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>		
Net Change in Fund Balance (cash basis)			\$ <u>44,823</u>	
Increase / (Decrease)				
Net adjustment for revenue accruals			0	
Net adjustment for expenditure accruals			<u>(234)</u>	
Net Change in Budgetary Fund Balance (GAAP basis)			<u>\$ 44,589</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, 2008

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u> <u>(cash basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Federal funds:				
Amounts awarded this period	\$ 192,777	192,777	185,595	(7,182)
Fines and Forfeitures	-	-	66,133	66,133
Grantee contributions	64,259	64,259	77,756	13,497
Other	-	-	19,139	19,139
Total Resources	<u>257,036</u>	<u>257,036</u>	<u>348,623</u>	<u>91,587</u>
Amounts Available for Appropriation	<u>257,036</u>	<u>257,036</u>	<u>348,623</u>	<u>91,587</u>
EXPENSES				
Federal funds:				
Personnel	128,750	128,750	111,987	16,763
Fringe benefits	55,026	55,026	45,656	9,370
Operating expenses	5,250	5,250	5,013	237
Travel	3,750	3,750	3,750	-
Total Federal Expenditures	<u>192,776</u>	<u>192,776</u>	<u>166,406</u>	<u>26,370</u>
Grantees' share:				
Personnel	42,917	42,917	37,329	5,588
Fringe benefits	18,342	18,342	15,219	3,123
Operating expenses:				
Grant	1,750	1,750	1,671	79
Non-grant	125,445	125,445	91,223	34,222
Travel	1,250	1,250	1,250	-
Equipment:				
Grant	-	-	-	-
Non-grant	44,000	44,000	43,762	238
Total Grantee's Share of Expenditures	<u>233,704</u>	<u>233,704</u>	<u>190,454</u>	<u>43,250</u>
Total Charges to Appropriations	<u>426,480</u>	<u>426,480</u>	<u>356,860</u>	<u>69,620</u>
Net Change in Fund Balance	(169,444)	(169,444)	(8,237)	
Fund Balances - Beginning	-	-		
Fund Balance - Ending	<u>\$ (169,444)</u>	<u>(169,444)</u>		
Net Change in Fund Balance (cash basis)			<u>\$ (8,237)</u>	
Increase / (Decrease)				
Net adjustment for revenue accruals			8,285	
Net adjustment for expenditure accruals			<u>(4,553)</u>	
Net Change in Budgetary Fund Balance (GAAP basis)			<u>\$ (4,505)</u>	

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, 2008

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, 2008

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 Transportation/ Direct Program/ Airport Improvement Program	20.106		\$ <u>510,029</u>
Total Expenditures of Major Federal Awards			<u>510,029</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Pass-through programs from Mississippi Development Authority/ Community Development Block Grants / State's Program HOME Investment Partnership Grant Program	14.228 14.239	06-380-SH-01 M07-SG-280-455	83,446 <u>6,500</u>
Total U.S. Department of Housing and Urban Development			<u>89,946</u>
U.S. Department of Justice/ Pass-through program from Mississippi Department of Public Safety/ Byrne Formula Grant Program	16.738	07NM2351	<u>221,875</u>
Total U.S. Department of Justice			<u>221,875</u>
U.S. Department of Transportation/ Pass-through program from Mississippi Department of Public Safety/ State and Community Highway Safety - Alcohol Countermeasures	20.600	08TA2351	<u>27,403</u>
Total U.S. Department of Transportation			<u>27,403</u>
U.S. Department of Homeland Security/ Pass-through program from Mississippi Emergency Management Agency Emergency Management Performance Grant Program - Formula Grant	97.042		<u>9,499</u>
Total U.S. Department of Homeland Security			<u>9,499</u>
Total Expenditures of Other Federal Awards			<u>348,723</u>
Total Expenditures of Federal Awards			\$ <u><u>858,752</u></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, 2008, which collectively comprise the city's basic financial statements and have issued my report thereon dated July 2, 2009. The auditor's report on the basic government financial statements is modified to reflect that accounts receivable, and the related allowance for uncollectible receivables, in the general fund and governmental activities is not presented in accordance with accounting principles generally accepted in the United States of America. 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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 08-1, 08-2, and 08-3, to be significant deficiencies 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 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 items 08-1, 08-2, and 08-3 to be material weaknesses.

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
July 2, 2009

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 program for the year ended September 30, 2008. The City of Waynesboro, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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, 2008.

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
July 2, 2009

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, 2008 and have issued my report dated July 2, 2009. 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. My 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. 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.

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

The instances of noncompliance of the prior year have been corrected by management.

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

Michael E. Britton, CPA

Waynesboro, Mississippi
July 2, 2009

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, 2008

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. 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, 2008
(continued)

Section 2: Financial Statement Findings

Finding 08-1

Expenditures made by the City of Waynesboro are required to be in compliance with the City's internal control procedures. My test results identified instances where the City's internal control procedures governing purchases were not followed in accordance with the City's most recently adopted purchasing manual.

More specifically, instances were noted where Purchase Orders and Materials Requisitions were prepared and/or dated after the corresponding invoice was received by the City. Proper approval was not obtained before orders for these goods and/or services were placed.

Recommendation

I recommend that the City of Waynesboro examine current purchasing practices to ensure that purchases are made according to internal controls adopted in the City's most recent purchasing manual.

Response

The City of Waynesboro will comply with the recommendation.

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2008
(continued)

Finding 08-2

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the City personnel lacked the expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

Recommendation

The City should continue to ensure that experienced, qualified city personnel provide appropriate financial information to the auditor and that a critical review of the financial statements is performed.

Response

The city has relied upon the auditor to prepare financial statements for quite a number of years due to city personnel time constraints and to save taxpayer funds for the sake of financial efficiency. The Board of Aldermen will take the necessary steps to ensure that experienced, qualified city personnel provide the appropriate financial information to the auditor and that a critical review of financial statements prepared by the auditor is performed to strengthen internal control over financial statement preparation.

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2008
(continued)

Finding 08-3

The municipal court accounting system is not maintained in accordance with requirements established by the Municipal Audit and Accounting Guide. Failure to properly maintain the municipal court accounting system in accordance with established standards could result in the loss or misappropriation of public funds.

More specifically, payments made are not posted to the computerized accounting system. Since payments made are not posted, an accurate listing of fines receivable can not be determined.

Recommendation

The City should utilize all capabilities of their current municipal court accounting system, thereby ensuring that the requirements of the Municipal Audit and Accounting Guide are met. Specifically, all payments made need to be posted to the computerized municipal court accounting system.

Response

The City of Waynesboro will comply with the recommendation.

CITY OF WAYNESBORO
Schedule of Findings and Questioned Costs (if any)
For the Year Ended September 30, 2008
(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.