

**CITY OF WAYNESBORO,
TENNESSEE**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

CITY OF WAYNESBORO, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

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CITY OF WAYNESBORO, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2015

PUBLICLY ELECTED OFFICIALS

Tony Creasy	Mayor
Jeff Howell	Vice-Mayor
Gerald Baer	Commissioner
Chris Bevis	Commissioner
Brant Sanders	Commissioner

MANAGEMENT OFFICIALS

John Hickman	City Manager/CMFO
Darlene Skelton	City Recorder



Independent Auditor's Report

To the Mayor and City Council
City of Waynesboro, Tennessee

Report on the Financial Statements

We 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, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4.D., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement 27*. The City also adopted the provisions of Governmental Standards Accounting Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 7 and page 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, other supplemental information, and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that which has been marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, other supplemental information, except for that which has been marked "unaudited", and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the AWWA WLCC Free Water Audit Software: Reporting Worksheet, and the AWWA Free Water Audit Software: System Attributes and Performance Indicators – "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

 : Associates, PLLC

January 5, 2016

**CITY OF WAYNESBORO, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Our discussion and analysis of the City of Waynesboro, Tennessee, will offer readers of the City's financial statements a narrative overview and review of the financial activities of the City for the fiscal year ended June 30, 2015. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 8. The following is one of the most important questions asked about the City's finances, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *statement of net position* presents financial information on all of the City's assets, liabilities, deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows of future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the general administration, police, fire, public works, health, welfare, and recreation, and economic development. Property taxes, local sales taxes, and state shared revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City's gas, water and sewer operations are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 10 and provide detailed information about the most significant funds (not the City as a whole). Some funds are required to be established by State law. However, the City Council establishes other funds to help it control and manage money for particular purposes (e.g. COPS For Kids). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the

City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

- *Proprietary Funds* – When the City charges customers for the services it provides – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 42.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees which can be found on pages 43-45.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Supplementary information can be found on pages 46 – 60 of this report.

THE CITY AS A WHOLE

For the year ended June 30, 2015 net position changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,413,568	\$ 2,274,992	\$ 4,079,598	\$ 3,022,883	\$ 6,493,166	\$ 5,297,875
Capital Assets	1,709,605	1,621,505	9,521,139	8,983,680	11,230,744	10,605,185
Total Assets	4,123,173	3,896,497	13,600,737	12,006,563	17,723,910	15,903,060
Total deferred outflows of resources	16,544	-	16,693	-	33,237	-
Long term liabilities	84,146	86,355	2,653,757	2,410,491	2,737,903	2,496,846
Other liabilities	153,554	60,590	243,609	421,932	397,163	482,522
Total Liabilities	237,700	146,945	2,897,366	2,832,423	3,135,066	2,979,368
Total deferred inflows of resources	560,002	494,863	52,871	-	612,873	494,863
Net Position						
Net investment in capital assets	1,641,869	1,587,483	6,895,507	6,595,125	8,537,376	8,182,608
Restricted	415,784	506,614	562	573	416,346	507,187
Unrestricted	1,284,362	1,160,592	3,771,124	2,578,442	5,055,486	3,739,034
Total Net Position	\$ 3,342,015	\$ 3,254,689	\$ 10,667,193	\$ 9,174,140	\$ 14,009,208	\$ 12,428,829

The City's combined net position increased by \$1,808,209 (exclusive of prior period adjustments) or 15% during the fiscal year. Of that total increase, business-type activities net position increased by \$1,606,968 or 18%. The City's governmental activities net position increased by \$225,442 or 7.2%.

Governmental Activities

Revenues for the City's governmental activities increased by 15.4% (\$336,360) while total expenses increased by 18.4% (\$361,234).

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-type Activities

The changes in net position of business-type activities are described below:

- The City's Gas Fund had an increase in net position of \$201,624 compared to an increase in the prior year of \$181,900.
- The City's Water and Sewer Fund had a gain of \$1,405,344 compared to an increase in the prior year of \$1,384,061. This change is due to grant revenues received for various projects.

The following schedule presents a summary of the City's operations for the fiscal year ended June 30, 2015 with comparative totals for year ended June 30, 2014.

	Governmental Activities		Business-type Activities		TOTAL	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 437,800	\$ 488,051	\$ 2,152,710	\$ 1,958,416	\$ 2,590,510	\$ 2,446,467
Operating grants and contributions	69,222	78,654	-	-	69,222	78,654
Capital grants and contributions	62,491	46,420	625,859	1,425,562	688,350	1,471,982
<i>General Revenues:</i>						
Property taxes	575,308	560,393	-	-	575,308	560,393
Sales taxes	1,251,805	891,846	-	-	1,251,805	891,846
Public service	9,219	9,757	-	-	9,219	9,757
Investment earnings	5,180	14,161	18,959	16,152	24,139	30,313
Sale of fixed assets	21,493	25,703	19,136	6,628	40,629	32,331
Insurance reimbursements	9,942	21,770	-	-	9,942	21,770
Miscellaneous	48,080	33,118	-	-	48,080	33,118
Lawsuit settlement	-	-	588,795	-	588,795	-
Transfers	30,827	15,134	-	-	30,827	15,134
Total revenues	<u>2,521,367</u>	<u>2,185,007</u>	<u>3,405,459</u>	<u>3,406,758</u>	<u>5,926,826</u>	<u>5,591,765</u>
Expenses:						
General government and administration						
	1,090,781	715,016	-	-	1,090,781	715,016
Public safety						
	444,929	532,063	-	-	444,929	532,063
Public works						
	374,433	293,782	-	-	374,433	293,782
Health, welfare and recreation						
	391,743	400,331	-	-	391,743	400,331
Economic development						
	14,336	14,336	-	-	14,336	14,336
Debt service						
	3,904	3,364	-	-	3,904	3,364
Natural gas						
	-	-	710,142	809,134	710,142	809,134
Water and Sewer						
	-	-	1,057,522	1,016,627	1,057,522	1,016,627
Transfers						
	-	-	30,827	15,134	30,827	15,134
Total expenses	<u>2,320,126</u>	<u>1,958,892</u>	<u>1,798,491</u>	<u>1,840,895</u>	<u>4,118,617</u>	<u>3,799,787</u>
Change in net position	<u>201,241</u>	<u>226,115</u>	<u>1,606,968</u>	<u>1,565,863</u>	<u>1,808,209</u>	<u>1,791,978</u>
Net position- beginning, as originally reported						
	3,254,689	3,028,574	9,174,140	7,584,602	12,428,829	10,613,176
Restatement - GASB No.68						
	(113,915)	-	(113,915)	-	(227,830)	-
Prior period adjustment						
	-	-	-	23,675	-	23,675
Net position - beginning, as restated	<u>3,140,774</u>	<u>3,028,574</u>	<u>9,060,225</u>	<u>7,608,277</u>	<u>12,200,999</u>	<u>10,636,851</u>
Net position at end of year	<u>\$ 3,342,015</u>	<u>\$ 3,254,689</u>	<u>\$ 10,667,193</u>	<u>\$ 9,174,140</u>	<u>\$ 14,009,208</u>	<u>\$ 12,428,829</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of \$1,770,372 which is a 6.4% increase from the last year's total of \$1,664,649.

Expenditures increased by \$196,056. This increase is due to an increase in the amount reported in sales tax allocations to the county.

General Fund Budgetary Highlights

Over the course of the year the City had various revisions to the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2015, the City had \$11,230,744 invested in a broad range of capital assets, including police and fire equipment, buildings, parks facilities, water and sewer lines, natural gas lines, electric plant and equipment, and various other equipment. Additional information on capital assets is in Note 3.D.

Debt

At year-end, the City had \$2,737,903 in outstanding long-term debt compared to \$2,496,845 last year. Of the total outstanding debt 3% belongs to the Governmental funds and 3% to the Gas Fund for compensated absences and 94% to the Water Fund for note payables and compensated absences.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact John Hickman at City Hall in Waynesboro, Tennessee.

John Hickman
City Manager

CITY OF WAYNESBORO, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,294,695	\$ 1,116,110	\$ 2,410,805
Investments	372,847	2,748,903	3,121,750
Receivables:			
Property taxes	563,840	-	563,840
Accounts receivable, net of allowance	-	18,589	18,589
Grant receivables	1,120	23,400	24,520
Other receivables	5,991	5,011	11,002
Natural gas inventory	-	61,703	61,703
Inventory of supplies	9,667	70,228	79,895
Internal balances	-	-	-
Due from other governments	125,976	-	125,976
Prepaid expenses	39,432	35,092	74,524
Restricted assets:			
Cash and cash equivalents	-	562	562
Capital assets not being depreciated:			
Land	248,490	90,333	338,823
Land improvements	40,167	-	40,167
Construction in progress	9,205	412,678	421,883
Capital assets net of accumulated depreciation:			
Buildings	393,043	151,579	544,622
Improvements	737,677	-	737,677
Equipment	158,277	114,116	272,393
Equipment under capital lease	122,746	110,421	233,167
Distribution plant	-	8,642,012	8,642,012
Total assets	4,123,173	13,600,737	17,490,743
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	16,544	16,693	33,237
LIABILITIES			
Accounts payable	57,314	49,995	107,309
Accrued expenses	24,971	45,784	70,755
Customer deposits	-	76,653	76,653
Unearned revenues - other	91	-	91
Net pension liability	71,178	71,177	142,355
Long-term liabilities:			
Due within one year	51,467	108,173	159,640
Due in more than one year	32,679	2,545,584	2,578,263
Total liabilities	237,700	2,897,366	3,135,066
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	52,872	52,871	105,743
Unavailable revenues - property taxes	507,130	-	507,130
	560,002	52,871	612,873
NET POSITION			
Net investment in capital assets	1,641,869	6,895,507	8,537,376
Restricted for:			
Debt service	-	562	562
State Street Aid	267,348	-	267,348
Police Drug Fund	51,836	-	51,836
Cops for Kids	3,459	-	3,459
Sanitation	93,141	-	93,141
Grants	-	-	-
Unrestricted	1,284,362	3,771,124	5,055,486
TOTAL NET POSITION	\$ 3,342,015	\$ 10,667,193	\$ 14,009,208

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Program Activities							
Governmental activities							
General Government	\$ 1,090,781	\$ 790	\$ 1,120	\$ 42,216	\$ (1,046,655)	\$ -	\$ (1,046,655)
Public Safety	444,929	51,277	3,809	20,275	(369,568)	-	(369,568)
Public Works	374,433	197,026	64,293	-	(113,114)	-	(113,114)
Health, Welfare and Recreation	391,743	188,707	-	-	(203,036)	-	(203,036)
Economic Development	14,336	-	-	-	(14,336)	-	(14,336)
Debt Service	3,904	-	-	-	(3,904)	-	(3,904)
Business-type activities:							
Water and Sewer Fund	1,057,522	1,224,859	-	625,859	-	793,196	793,196
Gas Fund	710,142	927,851	-	-	-	217,709	217,709
Total business-type activities	1,767,664	2,152,710	-	625,859	-	-	1,010,905
Total government	\$ 4,087,790	\$ 2,590,510	\$ 69,222	\$ 688,350	(1,750,613)	1,010,905	(725,372)
General revenues:							
Taxes:							
Property		575,308			575,308		575,308
Sales		1,251,805			1,251,805		1,251,805
Public service		9,219			9,219		9,219
Investment earnings		5,180			5,180	18,959	24,139
Insurance reimbursement		9,942			9,942	-	9,942
Lawsuit settlement		-			-	588,795	588,795
Miscellaneous		48,080			48,080	-	48,080
Sale of fixed assets		21,493			21,493	19,136	40,629
Transfers		30,827			30,827	(30,827)	-
		1,951,854			1,951,854	596,063	2,547,917
Total general revenues		201,241			201,241	1,606,968	1,808,209
Change in net position							
Net position at beginning of year					3,254,689	9,174,140	12,428,829
Restatement - GASB Statement No. 68 implementation					(113,915)	(113,915)	(227,830)
Net position at beginning of year, as restated					3,140,774	9,060,225	12,200,999
Net position at the end of year					\$ 3,342,015	\$ 10,667,193	\$ 14,009,208

**CITY OF WAYNESBORO, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 844,282	\$ 450,413	\$ 1,294,695
Investments	351,608	21,239	372,847
Taxes receivable	563,840	-	563,840
Grants receivable	1,120	-	1,120
Other receivables	3,167	2,824	5,991
Due from other governments	114,492	11,484	125,976
Due from other funds	28,906	-	28,906
Inventory	9,667	-	9,667
Prepaid expenses	37,578	1,854	39,432
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,954,660</u>	<u>\$ 487,814</u>	<u>\$ 2,442,474</u>
LIABILITIES			
Accounts payable	\$ 16,180	\$ 41,134	\$ 57,314
Accrued expenses	21,906	44	21,950
Unearned revenues - other	-	91	91
Due to other funds	-	28,907	28,907
Total liabilities	<u>38,086</u>	<u>70,176</u>	<u>108,262</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	563,840	-	563,840
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE			
Nonspendable			
Prepays	37,578	1,854	39,432
Inventory	9,667	-	9,667
Restricted			
State street aid	-	267,348	267,348
Drug fund	-	51,836	51,836
Committed			
Sanitation	-	93,141	93,141
Cops for kids fund	-	3,459	3,459
Unassigned			
General fund	1,305,489	-	1,305,489
Total fund balances	<u>1,352,734</u>	<u>417,638</u>	<u>1,770,372</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,954,660</u>	<u>\$ 487,814</u>	<u>\$ 2,442,474</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAYNESBORO, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET
POSITION
JUNE 30, 2015**

Total fund balance - total governmental funds		\$	1,770,372
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.			1,709,605
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources			16,544
Less: deferred inflows of resources			(52,872)
Net pension liabilities of the agent plan are not current financial resources and therefore are not reported in the governmental funds			(71,178)
Compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			(16,269)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			
Due within one year	\$	51,467	
Due in more than one year		16,410	(67,877)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.			(3,020)
Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.			56,710
Net position of governmental activities		\$	3,342,015

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 548,467	\$ -	\$ 548,467
Penalty and interest	8,803	-	8,803
Sales	937,867	-	937,867
Beer	46,511	-	46,511
Business	39,326	-	39,326
Franchise	9,219	-	9,219
Intergovernmental revenues	323,905	64,293	388,198
Licenses and permits	600	-	600
Charges for services	188,897	197,026	385,923
Fines, forfeits, and penalties	45,964	5,313	51,277
Other revenues	51,995	2,404	54,399
Total revenues	2,201,554	269,036	2,470,590
Expenditures			
Current:			
General government	1,055,549	-	1,055,549
Public safety	395,663	774	396,437
Public works	117,896	242,438	360,334
Health, welfare, and recreation	351,438	-	351,438
Debt service	55,496	-	55,496
Capital outlay	255,300	-	255,300
Total expenditures	2,231,342	243,212	2,474,554
Excess (deficiency) of revenues over (under) expenditures	(29,788)	25,824	(3,964)
Other financing sources			
Transfers in	30,827	-	30,827
Proceeds from capital lease	49,040	-	49,040
Sale of capital assets	22,397	7,423	29,820
Total other financing sources	102,264	7,423	109,687
Net change in fund balances	72,476	33,247	105,723
Fund balance at beginning of year	1,280,258	384,391	1,664,649
Fund balance at end of Year	\$ 1,352,734	\$ 417,638	\$ 1,770,372

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	105,723
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount recorded in the current period.		
		255,300
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		
		(158,873)
The effects of various miscellaneous transactions involving capital assets is to decrease net position.		
		(8,327)
Debt proceeds are recorded on the governmental funds as revenue, but the government-wide statement of activities does not report debt proceeds as revenue.		
		(49,040)
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the government funds		
Less: pension expense		(10,135)
Add: change in accrued interest expense		344
Add: change in deferred outflows related to pensions		16,544
Principal paid on debt		51,248
Some property tax will not be collected for several months after the City's fiscal year end; they are not considered "available" revenues in the governmental funds.		
		(1,543)
Change in net position of governmental activities	<u>\$</u>	<u>201,241</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAYNESBORO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes - current	\$ 520,000	\$ 520,000	\$ 548,467	\$ 28,467
Property taxes - delinquent	-	-	-	-
Penalties and interest	7,000	7,000	8,803	1,803
Local sales tax	250,000	250,000	296,855	46,855
Local sales tax - allocation to schools	299,139	299,139	299,139	-
Local sales tax - allocation for debt	341,873	341,873	341,873	-
Local beer tax	45,550	45,550	46,511	961
Business tax	35,000	35,000	39,326	4,326
Cable TV Franchise tax	9,750	9,750	9,219	(531)
Total taxes	1,508,312	1,508,312	1,590,193	81,881
Intergovernmental				
State of Tennessee				
- Sales tax allocation	170,000	170,000	183,284	13,284
- Income tax allocation	14,000	14,000	18,861	4,861
- Beer tax allocation	1,000	1,000	1,171	171
- City street & transportation	4,000	4,000	4,998	998
- Telecom tax	-	-	234	234
- TVA replacement tax	28,000	28,000	28,384	384
- Excise tax	50,000	50,000	19,553	(30,447)
- Police training supplement	3,000	3,000	3,000	-
- Arts build a better community grant	2,000	2,000	1,120	(880)
Federal government				
- Pedestrian access grant	85,000	85,000	42,216	(42,784)
- Highway safety grant	5,000	5,000	5,809	809
- JAG grant	15,000	15,000	15,000	-
- Police bullet proof vest grant	-	-	275	275
Total intergovernmental revenues	377,000	377,000	323,905	(53,095)
Licenses and permits				
Beer licenses	300	300	600	300
Other permits	200	200	-	(200)
Total licenses and permits	500	500	600	100
Charges for services				
Duplicating services	200	200	190	(10)
Swimming pool charges	50,000	50,000	57,025	7,025
Parks and recreation charges	3,000	3,000	1,320	(1,680)
Golf course revenues	140,000	140,000	130,362	(9,638)
Total charges for services	193,200	193,200	188,897	(4,303)
City court fines and costs	78,100	78,100	45,964	(32,136)
Other revenues				
Interest income	6,000	6,000	5,234	(766)
Contributions and donations	-	-	2,739	2,739
Fundraising revenue	-	-	952	952
Rent	12,600	12,600	14,730	2,130
Insurance recoveries	-	-	9,942	9,942
Handgun permit class	3,000	3,000	300	(2,700)
Sportsplex signs	500	500	-	(500)
Miscellaneous income	13,100	13,100	18,098	4,998
Total other revenue	35,200	35,200	51,995	16,795
Total revenues	2,192,312	2,192,312	2,201,554	9,242

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government				
Salaries	147,350	147,350	143,275	4,075
Employee benefits	53,675	65,600	51,049	14,551
Memberships	5,000	5,000	6,534	(1,534)
Advertising	1,500	1,500	3,051	(1,551)
Office supplies	10,000	10,000	9,259	741
Local government software	12,000	12,000	10,010	1,990
Election officials	-	-	325	(325)
Travel	6,750	6,750	10,613	(3,863)
Prisoner lunches	40,000	40,000	39,884	116
Landfill services	1,000	1,000	-	1,000
Operating supplies	1,200	1,200	1,589	(389)
Clothing and uniforms	200	200	715	(515)
Gas, oil and diesel	2,500	2,500	560	1,940
Grants and contributions	2,000	2,000	1,090	910
Machinery and equipment	1,500	1,500	-	1,500
Insurance	5,550	5,550	8,425	(2,875)
Professional fees	9,050	19,050	18,957	93
Utilities	25,000	25,000	24,433	567
Repair and maintenance	5,500	5,500	4,374	1,126
Bad debt expense	-	-	4,800	(4,800)
Donations to industrial development	48,000	64,000	63,909	91
Miscellaneous	13,000	13,000	11,685	1,315
Sales tax allocation to county	641,012	641,012	641,012	-
Capital outlay	58,200	93,200	84,728	8,472
Total general government	<u>1,089,987</u>	<u>1,162,912</u>	<u>1,140,277</u>	<u>22,635</u>
Public safety				
Police department				
Salary	249,950	249,950	209,690	40,260
Employee benefits	107,200	107,200	71,586	35,614
Advertising	2,000	2,000	3,295	(1,295)
Supplies	3,350	3,350	6,556	(3,206)
Gas, oil, and diesel	31,000	31,000	16,152	14,848
Insurance	13,050	13,050	10,122	2,928
Uniforms and clothing	2,700	2,700	6,106	(3,406)
Utilities	3,000	3,000	1,214	1,786
Repair and maintenance	24,500	24,500	22,964	1,536
Training	1,000	1,000	2,000	(1,000)
Travel	2,500	2,500	2,162	338
Miscellaneous	5,000	5,000	6,628	(1,628)
Small equipment	1,250	1,250	810	440
Debt service	-	-	47,917	(47,917)
Capital Outlay	94,955	94,955	71,525	23,430
Total police department	<u>541,455</u>	<u>541,455</u>	<u>478,727</u>	<u>62,728</u>
Fire department				
Salaries	13,050	13,050	11,679	1,371
Employee benefits	775	775	3,008	(2,233)
Supplies	2,000	2,000	1,454	546
Gas, oil, diesel	1,000	1,000	713	287
Insurance	7,300	7,300	7,385	(85)
Utilities	7,500	7,500	6,600	900
Repair and maintenance	1,500	1,500	4,018	(2,518)
Miscellaneous	1,325	1,325	1,521	(196)
Capital Outlay	4,500	4,500	-	4,500
Total fire department	<u>38,950</u>	<u>38,950</u>	<u>36,378</u>	<u>2,572</u>
Total public safety	<u>580,405</u>	<u>580,405</u>	<u>515,105</u>	<u>65,300</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	23,158	23,158	23,139	19
Employee benefits	11,944	11,944	8,648	3,296
Street lights	61,500	61,500	55,052	6,448
Repair and maintenance	40,000	40,000	3,486	36,514
Clothing and uniforms	150	150	-	150
Gas, oil, diesel	1,000	1,000	901	99
Operating supplies	4,500	4,500	5,981	(1,481)
Sign parts and supplies	3,500	3,500	57	3,443
Insurance	665	665	937	(272)
Miscellaneous	2,583	2,583	4,195	(1,612)
Total highways and streets	149,000	149,000	102,396	46,604
Animal Control				
Miscellaneous	14,000	15,500	15,500	-
Total animal control	14,000	15,500	15,500	-
Total public works	163,000	164,500	117,896	46,604
Health, welfare and recreation				
Parks				
Salaries	62,810	62,810	56,990	5,820
Employee benefits	18,712	18,712	23,784	(5,072)
Advertising	1,600	1,600	1,256	344
Supplies	23,550	23,750	23,633	117
Machinery and equipment	650	650	2,555	(1,905)
Uniforms and clothing	100	100	350	(250)
Gas, oil, and diesel	5,000	5,000	3,725	1,275
Insurance	10,410	10,410	9,467	943
Promotion and prizes	17,150	17,150	17,640	(490)
Repair and maintenance	22,550	22,550	12,084	10,466
Utilities	22,100	22,100	18,121	3,979
Miscellaneous	5,840	5,840	2,030	3,810
Arts in the community	4,000	4,000	3,250	750
Debt service	-	-	7,579	(7,579)
Capital outlay	65,600	65,600	83,547	(17,947)
Total parks	260,072	260,272	266,011	(5,739)
Golf course				
Salaries	73,500	73,500	55,560	17,940
Employee benefits	14,224	14,224	7,284	6,940
Advertising	1,000	1,000	1,408	(408)
Office supplies	1,000	1,000	899	101
Operating supplies	43,500	43,500	44,660	(1,160)
Concession supplies	35,000	35,000	34,006	994
Uniforms and clothing	100	100	-	100
Gas, oil, and diesel	10,000	10,000	6,195	3,805
Insurance	2,675	2,675	1,770	905
Repair and maintenance	15,000	15,000	9,484	5,516
Utilities	15,000	15,000	12,495	2,505
Telephone	900	900	893	7
Miscellaneous	2,101	2,101	1,899	202
Capital outlay	18,000	18,000	15,500	2,500
Total golf course	232,000	232,000	192,053	39,947
Total health, welfare and recreation	492,072	492,272	458,064	34,208
Total expenditures	2,325,464	2,400,089	2,231,342	168,747

The accompanying notes are an integral part of these financial statements.

**CITY OF WAYNESBORO, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>(133,152)</u>	<u>(207,777)</u>	<u>(29,788)</u>	<u>177,989</u>
Other financing sources				
Transfers in	120,000	120,000	30,827	(89,173)
Proceeds from capital lease	-	-	49,040	49,040
Sale of capital assets	<u>25,000</u>	<u>25,000</u>	<u>22,397</u>	<u>(2,603)</u>
Total other financing sources (uses)	<u>145,000</u>	<u>145,000</u>	<u>102,264</u>	<u>(42,736)</u>
Net change in fund balance	11,848	(62,777)	72,476	135,253
Fund balance at beginning of year	<u>1,280,258</u>	<u>1,280,258</u>	<u>1,280,258</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,292,106</u>	<u>\$ 1,217,481</u>	<u>\$ 1,352,734</u>	<u>\$ 135,253</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUND	GAS FUND	TOTALS
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 606,194	\$ 509,916	\$ 1,116,110
Investments	1,120,279	1,628,624	2,748,903
Restricted cash and cash equivalents	562	-	562
Accounts receivable, net of allowance	-	18,589	18,589
Grant receivables	23,400	-	23,400
Other receivables	3,896	1,115	5,011
Inventory of supplies	29,723	40,505	70,228
Natural gas inventory	-	61,703	61,703
Due from other funds	419	238,665	239,084
Prepaid expenses	30,929	4,163	35,092
Total current assets	<u>1,815,402</u>	<u>2,503,280</u>	<u>4,318,682</u>
Noncurrent Assets:			
Capital Assets:			
Land	87,670	2,663	90,333
Buildings	81,396	209,234	290,630
Equipment and vehicles	342,646	375,640	718,286
Equipment under capital leases	52,236	68,582	120,818
Distribution plant	12,590,855	1,194,826	13,785,681
Construction in progress	412,680	-	412,680
Less accumulated depreciation	<u>(5,011,198)</u>	<u>(886,091)</u>	<u>(5,897,289)</u>
Total noncurrent assets	<u>8,556,285</u>	<u>964,854</u>	<u>9,521,139</u>
Total assets	<u>10,371,687</u>	<u>3,468,134</u>	<u>13,839,821</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>11,127</u>	<u>5,566</u>	<u>16,693</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	33,204	16,791	49,995
Accrued expenses	5,196	6,715	11,911
Accrued interest	31,063	2,810	33,873
Customer deposits	32,926	43,727	76,653
Due to other funds	217,480	21,604	239,084
Current portion of long-term debt	<u>62,696</u>	<u>45,477</u>	<u>108,173</u>
Total current liabilities	<u>382,565</u>	<u>137,124</u>	<u>519,689</u>
Noncurrent Liabilities:			
Compensated absences	12,212	15,913	28,125
Net pension liability	46,977	24,200	71,177
Bonds and notes payable	<u>2,494,649</u>	<u>22,810</u>	<u>2,517,459</u>
Total noncurrent liabilities	<u>2,553,838</u>	<u>62,923</u>	<u>2,616,761</u>
Total liabilities	<u>2,936,403</u>	<u>200,047</u>	<u>3,136,450</u>
Deferred Inflows			
Deferred inflows related to pensions	<u>34,895</u>	<u>17,976</u>	<u>52,871</u>
NET POSITION			
Net investments in capital assets	5,998,940	896,567	6,895,507
Restricted for:			
Debt service	562	-	562
Unrestricted	<u>1,412,014</u>	<u>2,359,110</u>	<u>3,771,124</u>
Total net position	<u>\$ 7,411,516</u>	<u>\$ 3,255,677</u>	<u>\$ 10,667,193</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND	GAS	TOTALS
	SEWER FUND	FUND	
Operating revenues:			
Charges for services	\$ 1,205,779	\$ 918,074	\$ 2,123,853
Miscellaneous	19,080	9,777	28,857
Total operating revenues	<u>1,224,859</u>	<u>927,851</u>	<u>2,152,710</u>
Operating expenses:			
Natural gas purchases	-	321,001	321,001
Personnel expenses	353,858	238,326	592,184
Advertising	878	297	1,175
Gas, oil and diesel	13,252	2,756	16,008
Office expense	17,598	8,461	26,059
Materials and supplies	99,409	16,541	115,950
Memberships and subscriptions	869	839	1,708
Insurance	35,504	3,295	38,799
Permits	5,727	-	5,727
Professional services	40,907	18,138	59,045
Repairs and maintenance	79,056	15,042	94,098
Solids removal	4,129	-	4,129
Training	1,155	5,920	7,075
Travel	3,023	750	3,773
Utilities	104,241	3,562	107,803
Miscellaneous	4,731	6,793	11,524
Bond issuance costs	8,600	-	8,600
Depreciation	229,359	64,795	294,154
Total operating expenses	<u>1,002,296</u>	<u>706,516</u>	<u>1,708,812</u>
Operating income (loss)	<u>222,563</u>	<u>221,335</u>	<u>443,898</u>
Nonoperating revenues (expenses)			
Interest income	6,245	12,714	18,959
Interest expense	(55,226)	(3,626)	(58,852)
Lawsuit settlement	588,795	-	588,795
Gain (loss) on sale of capital assets	17,108	2,028	19,136
Total nonoperating revenues (expenses)	<u>556,922</u>	<u>11,116</u>	<u>568,038</u>
Income (loss) before capital contributions and transfers	<u>779,485</u>	<u>232,451</u>	<u>1,011,936</u>
Transfer out	-	(30,827)	(30,827)
Capital contributions	625,859	-	625,859
Total transfers and capital contributions	<u>625,859</u>	<u>(30,827)</u>	<u>595,032</u>
Change in net position	<u>1,405,344</u>	<u>201,624</u>	<u>1,606,968</u>
Net position - beginning of year	<u>6,081,356</u>	<u>3,092,784</u>	<u>9,174,140</u>
Restatement - GASB Statement No. 68 implementation	<u>(75,184)</u>	<u>(38,731)</u>	<u>(113,915)</u>
Net position - beginning of year, as restated	<u>6,006,172</u>	<u>3,054,053</u>	<u>9,060,225</u>
Net position - end of year	<u>\$ 7,411,516</u>	<u>\$ 3,255,677</u>	<u>\$ 10,667,193</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUND	GAS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,203,498	\$ 921,149	\$ 2,124,647
Other operating cash receipts	19,080	9,857	28,937
Cash receipts from other funds	15,849	18,863	34,712
Cash payments to suppliers for goods and services	(638,001)	(419,520)	(1,057,521)
Cash payments to employees for services	(354,356)	(238,198)	(592,554)
Cash payments to other funds for services	-	(15,680)	(15,680)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	246,070	276,471	522,541
CASH FLOWS FROM NONCAPITAL FINANCING			
Transfers to other funds	-	(30,827)	(30,827)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of fixed assets	(705,884)	(9,043)	(714,927)
Gain on sale of capital assets	17,108	6,160	23,268
Lawsuit settlement	588,795	-	588,795
RUS grant funds	382,795	-	382,795
CDBG grant funds	268,162	-	268,162
Principal paid on long-term debt	(63,061)	(46,681)	(109,742)
Bond proceeds	226,000	-	226,000
Interest paid on long-term debt	(53,674)	(2,769)	(56,443)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	660,241	(52,333)	607,908
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases/redemptions of investments	(734,391)	(446,998)	(1,181,389)
Interest on cash and investments	6,245	12,714	18,959
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(728,146)	(434,284)	(1,162,430)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	178,165	(240,973)	(62,808)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	428,591	750,889	1,179,480
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 606,756	\$ 509,916	\$ 1,116,672
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operating activities	\$ 222,563	\$ 221,335	\$ 443,898
Adjustments to reconcile income from operations to net cash			
Depreciation and amortization	229,359	64,795	294,154
GASB 68 adjustments related to pensions	(51,415)	(26,321)	(77,736)
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	-	3,325	3,325
(Increase) decrease in other receivables	(2,191)	80	(2,111)
(Increase) decrease in due from other funds	-	(15,680)	(15,680)
(Increase) decrease in inventory	146	-	146
(Increase) decrease in natural gas inventory	-	10,867	10,867
(Increase) decrease in prepaid expenses	5,525	(16)	5,509
Increase (decrease) in accounts payable	(225,495)	(27,291)	(252,786)
Increase (decrease) in accrued leave	3,940	2,249	6,189
Increase (decrease) in due to other funds	15,849	18,863	34,712
Increase (decrease) in customer deposits	(90)	(250)	(340)
Increase (decrease) in net pension liability	46,977	24,200	71,177
Increase (decrease) in accrued liabilities	902	315	1,217
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 246,070	\$ 276,471	\$ 522,541
NONCASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Fixed asset acquisitions	\$ 758,120	\$ 77,625	\$ 835,745
Purchase financed with capital lease	(52,236)	(68,582)	(120,818)
Cash acquisition and construction of fixed assets	\$ 705,884	\$ 9,043	\$ 714,927

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1. A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Waynesboro
Blended Component Units:	None

In determining the financial reporting entity, the City complies with the provisions as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described in the codification as listed above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1. B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements:

Fund financial statements of the reporting entity 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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Proprietary Fund

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major:	
Governmental:	
General	See above for description.
Proprietary:	
Water and Sewer	Accounts for the water and sewer operations.
Natural Gas	Accounts for the natural gas operations.
Nonmajor	
Special Revenue Funds:	
State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.
Police Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement costs.
COPS For Kids	Accounts for revenues and expenditures for the program of COPS for Kids.
Sanitation	Accounts for the solid waste collection revenue and expenditures related to disposal services.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates timing transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The City does not allocate indirect costs.

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The City adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

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

- Prior to May 1, the City Manager submits to the Board of Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The proposed budget is published in the local newspaper with invitations for the public to attend the budget hearings.
- Prior to July 1, the budget is legally adopted by the City Manager and Board of Commission through adoption of the appropriation ordinance upon two readings.
- The City Manager is responsible for controlling expenditures of the various agencies of the City government within the appropriated amounts. No expenditures shall be made in excess of the appropriations.

Budgeted amounts of the revenues and expenditures presented for the General and Special Revenue Funds are shown as originally adopted and after final amendments by the Board of Aldermen. Budget appropriations lapse at year end. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the all funds are presented as fund financial statements.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Investments

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

All investments are certificates of deposits held at local banks and are not considered to be marketable. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.G for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales taxes, and grants. Business-type activities report utility sales as their major receivables.

Inventories and Prepaid Expense

Natural gas storage inventory is accounted for on the weighted average method. Inventory of supplies is accounted for on the first in first out method. Prepaid expenses are maintained on the consumptive method of accounting.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value some of the assets acquired prior to June 30, 2004.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

The capitalization policy is as listed below:

1. Real property – Land	
a. Land – non depreciable	\$1,000
b. Land Improvements	\$1,000
2. Real property – Buildings	\$2,000
3. Motor Vehicles	
a. Cars/Light Trucks/Jeeps	\$1,000
b. Trucks/Heavy	\$1,000
c. Buses	\$1,000
d. Vans	\$1,000
4. Equipment	\$1,000
5. Personal Property	\$1,000

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings	10-50
Equipment	5-17
Vehicles	5-7
Plant	15-50

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are for pension changes in experience, changes in pension proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. Accordingly, the items, are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are from the following sources: current and delinquent property taxes, rent, pension changes in experience, and changes in pension investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government's policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The Board of Aldermen is the government's highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Nonspendable fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The City has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, general obligation bonds, and accrued compensated absences.

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

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The non-current portion for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

1.E. PENSIONS

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Sales Tax

The City presently levies a two and three-quarters percent sales tax on taxable sales within the City. The sales tax is collected by the Tennessee Department of Revenue and 0.875 percent is remitted to the City in the month following receipt by the Department of Revenue. The remaining 1.875 percent goes to Wayne County for the school system. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund. Sales tax remitted to the City in July and August has been accrued and is included under the caption "Due from other governments."

Property Tax

Property taxes are levied annually on the first of January. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as non-operating.

Expenditures/ Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**CITY OF WAYNESBORO, TENNESSEE
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

Interfund Receivables

Interfund receivables were not eliminated within one year of origination.

2.A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
Police Drug Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The City's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	Portion to fund city school program
Gasoline Excise Tax	Street Purposes
Grants	Grant Program Expenditures

2.D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee statutes prohibit the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2015.

2.E. BUDGET APPROPRIATIONS

The City's State Street Aid and Sanitation Funds had expenditures that exceeded appropriations for the year ended June 30, 2015.

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.D.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy regarding custodial credit risks for deposits.

As of June 20, 2015, \$1,814,040 of the City's bank balances were exposed to custodial credit risk due to not being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool or additional pledged securities).

3.B. RESTRICTED ASSETS

The Water and Sewer Fund has a restricted cash account for \$562 for sewer bond repayment.

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable is shown net of any allowance for uncollectible accounts. The allowance amount is \$235,305.

3.D. CAPITAL ASSETS

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 30,434
Public safety	57,144
Public works	15,102
Health, recreation and welfare	41,857
Economic development	<u>14,336</u>
Total depreciation expense	<u>\$158,873</u>

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance 7/1/14</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/15</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 248,490	\$ -	\$ -	\$ 248,490
Land improvements	40,167	-	-	40,167
Construction in progress	96,698	-	(87,493)	9,205
Total Capital assets not being depreciated	<u>385,355</u>	<u>-</u>	<u>(87,493)</u>	<u>297,862</u>
Capital assets being depreciated				
Buildings	770,452	-	-	770,452
Equipment	1,642,062	83,384	(41,808)	1,683,638
Equipment under capital lease	127,992	49,040	-	177,032
Improvements	1,006,219	210,369	-	1,216,588
Total Capital assets being depreciated	<u>3,546,725</u>	<u>342,793</u>	<u>(41,808)</u>	<u>3,847,710</u>
Less accumulated depreciation for:				
Buildings	(352,008)	(25,401)	-	(377,409)
Equipment	(1,501,663)	(57,179)	33,481	(1,525,361)
Equipment under capital lease	(21,332)	(32,954)	-	(54,286)
Improvements	(435,572)	(43,339)	-	(478,911)
Total accumulated depreciation	<u>(2,310,575)</u>	<u>(158,873)</u>	<u>-</u>	<u>(2,435,967)</u>
Total capital assets, being depreciated, net				<u>1,411,743</u>
Governmental activities capital assets, net				<u>\$ 1,709,605</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 90,333	\$ -	\$ -	\$ 90,333
Construction in Progress	3,961,985	238,025	(3,787,332)	412,678
Total Capital assets not being depreciated	<u>4,052,318</u>	<u>238,025</u>	<u>(3,787,332)</u>	<u>503,011</u>
Capital assets being depreciated				
Buildings	287,680	2,950	-	290,630
Equipment	657,913	33,831	(6,700)	685,044
Equipment under capital lease	71,262	120,818	(38,019)	154,061
Plant	9,558,230	4,227,453	-	13,785,683
Total Capital assets being depreciated	<u>10,575,085</u>	<u>4,385,052</u>	<u>(44,719)</u>	<u>14,915,418</u>
Less accumulated depreciation for:				
Buildings	(131,346)	(7,705)	-	(139,051)
Equipment	(579,017)	(32,498)	40,587	(570,928)
Equipment under capital lease	(10,176)	(33,464)	-	(43,640)
Plant	(4,923,184)	(220,487)	-	(5,143,671)
Total accumulated depreciation	<u>(5,643,723)</u>	<u>(294,154)</u>	<u>40,587</u>	<u>(5,897,290)</u>
Total capital assets, being depreciated, net				<u>9,018,128</u>
Business-type activities capital assets, net				<u>\$ 9,521,139</u>

3.E. Pensions

General Information about the Pension Plan

Plan description. Employees of Waynesboro are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

(Exclude the COLA language if COLA is not included by the governmental entity)

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	57
Active employees	24
	91
	91

The plan is closed to new entrants.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Waynesboro makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Waynesboro were \$33,237 based on a rate of 4.72 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Waynesboro's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Waynesboro's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent (USE only if COLA is provided)

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Waynesboro will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) -(b)
Balance at 6/30/13	\$ 1,309,457	\$ 1,048,462	\$ 260,995
Changes for the year:			
Service cost	59,309		59,309
Interest	100,041		100,041
Differences between expected and actual experience	(33,703)		(33,703)
Contributions- employer		33,165	(33,165)
Contributions- employees		37,433	(37,433)
Net investment income		174,697	(174,697)
Benefit payments, including refunds of employee contributions	(69,759)	(69,759)	-
Administrative expense		(1,009)	1,009
Net changes	55,888	174,527	(118,639)
Balance at 6/30/14	\$ 1,365,345	\$ 1,222,989	\$ 142,356

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net position liability (asset) of Waynesboro calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Waynesboro's net pension liability (asset)	\$ 321,511	\$ 142,356	\$ (7,397)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows Of Resources Related to Pensions

Pension income. For the year ended June 30, 2015, Waynesboro recognized pension income of \$20,269.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Waynesboro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 28,888
Net difference between projected and actual earnings on pension plan investments	-	76,855
Contributions subsequent to the measurement date of June 30, 2014	33,237	(not applicable)
	\$ 33,237	\$ 105,743

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (24,029)
2017	(24,029)
2018	(24,029)
2019	(24,029)
2020	(4,815)
Thereafter	(4,815)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, Waynesboro reported a payable of \$ 6,869 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2015.

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

3.F. LONG-TERM LIABILITIES

The City's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

Capital Lease

(4) 2014 Police Interceptor capital leases, due in annual installments of \$28,227 with an annual interest rate of 6%, last payment due September 11, 2015 \$ 36,063

(1) 2015 Police Interceptor capital lease and (1) Parks 2014 Ford F-150 , due in annual installments of \$17,226 with an annual interest rate of 5.75%, last payment due October 15, 2016 31,814

Other liabilities

Compensated absences 16,269

Total Governmental Activities \$ 84,146

Business-type Activities

Revenue and Tax Bonds

USDA Rural Development Loan, dated November 12, 2014, 1.875% interest rate, monthly payments of \$672 with maturity date of August 12, 2054 \$ 223,747

USDA Rural Development Loan, dated July 6, 2011, 2.50% interest rate, monthly payments of \$6,747 with maturity date of January 22, 2052 2,099,187

Notes Payable

USDA Rural Development Loan, dated June 8, 2009, 4.375% interest rate, monthly payments of \$975 with maturity date of June 18, 2047 200,597

Capital Lease

(3) 2014 Ford F250 capital leases, due in annual installments of \$25,300 with an annual interest rate of 6%, last payment due October 17, 2015. Gas Fund 23,869

(1) 2014 F-150 capital lease, (1) 2015 Ford F-250 and (1) 2013 Ford F-750 , due in annual installments of \$42,586 with an annual interest rate of 5.75%, last payment due October 15, 2016. Gas Fund portion \$44,418; Water and Sewer Fund portion \$33,814 78,232

Other liabilities

Compensated absences 28,125

Total Business-type Activities \$ 2,653,757

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 7/1/2014	Issues or Additions	Retirements	Balance 6/30/2015	Due within one year
<u>Governmental Type Activities</u>					
Compensated absences	\$ 16,269	\$ -	\$ -	\$ 16,269	\$ -
Capital lease	70,086	49,040	51,249	67,877	51,467
Total governmental activities	86,355	49,040	51,249	84,146	51,467
<u>Business Type Activities</u>					
Revenue and Tax Bonds	2,137,948	226,000	41,014	2,322,934	43,241
Capital lease	46,386	120,820	65,105	102,101	61,950
Notes Payable	204,220	-	3,623	200,597	2,982
Compensated absences	21,936	6,189	-	28,125	-
Total business-type activities	2,410,490	353,009	109,742	2,653,757	108,173
Total government	\$ 2,496,845	\$ 402,049	\$ 160,991	\$ 2,737,903	\$ 159,640

The Water and Sewer Fund obtained new debt funding through a \$226,000 USDA tax and revenue bond. These funds were used for wastewater improvements. The City capitalized \$53 in interest incurred on this project in 2015. They also obtained new debt through a capital lease for equipment. The total capital lease is \$52,236 and will be repaid in three annual payments. The interest rate on this lease is 5.75%.

The General Fund obtained new debt funding through a capital lease for a police car and a vehicle for the Parks department. The total capital lease is \$49,040 and will be repaid in three annual payments. The interest rate on this lease is 5.75%.

The Gas Fund obtained new debt funding through a capital lease for equipment. The total capital lease is \$68,582 and will be repaid in three annual payments. The interest rate on this lease is 5.75%.

Other Long-term Liabilities

Compensated absences in the governmental-type activities have been liquidated in prior years by the General Fund.

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2015, are as follows:

Year Ending June 30,	<u>Notes Payable</u> Business-type Activities		<u>Revenue and Tax Bonds</u> Business-type Activities		Principal and Interest Total
	Principal	Interest	Principal	Interest	
	2016	\$ 2,982	\$ 8,718	\$ 43,241	
2017	3,115	8,585	44,109	44,926	59,932
2018	3,254	8,446	44,994	44,041	
2019	3,399	8,301	45,898	43,138	
2020	3,551	8,149	46,824	42,211	
2021-2025	20,280	38,220	248,603	196,573	
2026-2030	25,229	33,271	274,575	170,603	
2031-2035	31,385	27,115	303,256	141,921	
2036-2040	39,044	19,456	334,938	110,238	
2041-2045	48,572	9,927	369,932	75,246	
2046-2050	19,786	808	408,582	36,595	
2051-2055	-	-	157,982	3,386	
Total	<u>\$ 200,597</u>	<u>\$ 170,996</u>	<u>\$ 2,322,934</u>	<u>\$ 954,673</u>	

Year Ending June 30,	<u>Capital Leases</u> Governmental Activities		<u>Business-type Activities</u>		Principal and Interest Total
	Principal	Interest	Principal	Interest	
	2016	\$ 51,467	\$ 6,027	\$ 61,950	
2017	16,410	937	40,151	2,434	59,932
	<u>\$ 67,877</u>	<u>\$ 6,964</u>	<u>\$ 102,101</u>	<u>\$ 8,598</u>	<u>\$ 185,540</u>

**CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

3.G. INTERFUND TRANSACTIONS AND BALANCES

Interfund Receivables and Payables

	DUE TO			Totals
	General	Water/Sewer	Gas	
DUE FROM				
Drug	\$ 3,650	\$ -	\$ -	\$ 3,650
General Fund	-	-	-	-
SSA	836	419	-	1,255
Sanitation	-	-	24,000	24,000
Gas	21,604	-	-	21,604
Water/Sewer	2,815	-	214,665	217,480
	<u>\$ 28,905</u>	<u>\$ 419</u>	<u>\$ 238,665</u>	<u>\$ 267,989</u>

Transactions arising from water, sewer, and garbage billing of utility services are recorded in these accounts between the Gas, Water and Sewer, and Sanitation Funds. Transactions from drug related items are recorded between the General and Drug Funds. Transactions for street repair are recorded between the General and State Street Aid Fund. The Water and Sewer Fund owes the State Street Aid Fund for grant revenue that was erroneously deposited into the wrong fund. Transactions between the General and Water and Sewer Fund are also from street repairs and dental insurance items. These balances are expected to be repaid within one year.

Operating Transfers

The transfer from the Gas Fund to the General Fund of \$30,827 is for in-lieu of taxes.

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees bonds and certain property destruction and employee health and accident claims. The City also participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions, automobile liability and physical damage, workers compensation, and employees' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the state. Members are responsible for a pro-rata portion of claims which exceed the Pool's reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

4.B. COMMITMENTS AND CONTINGENCIES

The City has some construction projects in process at June 30, 2015. Commitments for these projects are described below.

The Water and Sewer Fund has a Water Treatment Plant Disaster Recovery Grant in progress for improvements to the facility. The project is in the amount of \$450,000 and is funded 100% by grant funds. The City has expended approximately \$383,455 on the project as of June 30, 2015.

The Water and Sewer Fund has the Geisler Springs Well Project for the upcoming year with estimated costs of \$1,275,000. This project will be funded with \$500,000 in CDBG grant funds, \$525,000 in USDA grant funds and a local match of \$250,000.

The General Fund has an Improvement Project to the Waynesboro Industrial Park Site on Hwy 64 with estimated costs of \$ 7,500. This project is to be funded 80% by the Select Tennessee Grant – TVA funds and 20% from the City.

The General Fund has a Community Transportation Grant to develop transportation and land use plans containing deliverables that can be used as guided tools for future transportation needs. This project is a 90/10 grant and has estimated costs of \$175,000 with the City's match being \$17,500.

4. C. RESTATEMENTS

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing the government-wide beginning net position by \$113,915 has been recognized on the Statement of Activities. In addition, a restatement decreasing the proprietary funds' beginning net positions by the amounts listed below have been recognized on the Statement of Activities:

Water and Sewer Fund	\$ 75,184
Natural Gas Fund	\$ 38,731

4.D. ACCOUNTING CHANGES

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulated and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

**CITY OF WAYNESBORO, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON
 PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
 LAST FISCAL YEAR ENDING JUNE 30**

	2014
Total pension liability	
Service Cost	\$ 59,309
Interest	100,041
Changes in benefit terms	-
Differences between actual & expected experience	(33,703)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(69,759)
Net change in total pension liability	55,888
Total pension liability - beginning	1,309,457
Total pension liability - ending (a)	\$ 1,365,345
Plan fiduciary net position	
Contributions - employer	\$ 33,165
Contributions - employee	37,433
Net investment income	174,697
Benefit payments, including refunds of employee contributions	(69,759)
Administrative expenses	(1,009)
Net change in plan fiduciary net position	174,527
Plan fiduciary net position - beginning	1,048,462
Plan fiduciary net position - ending (b)	\$ 1,222,989
Net Pension Liability (asset) - ending (a) - (b)	\$ 142,356
Plan fiduciary net position as a percentage of total pension liability	89.57%
Covered-employee payroll	\$ 748,648
Net pension liability (asset) as a percentage of covered-employee payroll	19.02%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN
OF TCRS
LAST FISCAL YEAR ENDING JUNE 30

	2014	2015
Actuarially determined contribution	\$ 33,165	\$ 33,238
Contributions in relation to the actuarially determined contribution	33,165	33,238
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 748,648	\$ 713,471
Contributions as a percentage to covered-employee payroll	4.43%	4.66%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
NOTES TO RSI
JUNE 30, 2015

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	20 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

The accompanying notes are an integral part of these financial statements.

**CITY OF WAYNESBORO, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	State Street Aid Fund	Police Drug Fund	COPS For Kids Fund	Sanitation Fund	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 258,260	\$ 55,577	\$ 3,459	\$ 133,117	\$ 450,413
Investments	21,239	-	-	-	21,239
Other receivable	2,824	-	-	-	2,824
Due from other governments	11,484	-	-	-	11,484
Due from other funds	-	-	-	-	-
Prepaid insurance	1,854	-	-	-	1,854
TOTAL ASSETS	<u>\$ 295,661</u>	<u>\$ 55,577</u>	<u>\$ 3,459</u>	<u>\$ 133,117</u>	<u>\$ 487,814</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 25,160	\$ -	\$ -	\$ 15,974	\$ 41,134
Due to other funds	1,255	3,650	-	24,002	28,907
Accrued liabilities	44	-	-	-	44
Deferred revenues	-	91	-	-	91
TOTAL LIABILITIES	<u>26,459</u>	<u>3,741</u>	<u>-</u>	<u>39,976</u>	<u>70,176</u>
FUND BALANCES					
Non-spendable					
Prepays	1,854	-	-	-	1,854
Restricted					
State street aid	267,348	-	-	-	267,348
Drug fund	-	51,836	-	-	51,836
Committed					
Sanitation	-	-	-	93,141	93,141
Cops for Kids fund	-	-	3,459	-	3,459
TOTAL FUND BALANCES	<u>269,202</u>	<u>51,836</u>	<u>3,459</u>	<u>93,141</u>	<u>417,638</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 295,661</u>	<u>\$ 55,577</u>	<u>\$ 3,459</u>	<u>\$ 133,117</u>	<u>\$ 487,814</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	State Street Aid Fund	Police Drug Fund	COPS For Kids Fund	Sanitation Fund	Total Other Governmental Funds
Revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ 197,026	\$ 197,026
Intergovernmental revenues	64,293	-	-	-	64,293
Fines, forfeitures, and penalties	-	5,313	-	-	5,313
Other revenue	1,711	-	348	345	2,404
Total Revenues	<u>66,004</u>	<u>5,313</u>	<u>348</u>	<u>197,371</u>	<u>269,036</u>
Expenditures:					
Current:					
Public works	50,931	-	-	191,507	242,438
Public safety	-	275	499	-	774
Total Expenditures	<u>50,931</u>	<u>275</u>	<u>499</u>	<u>191,507</u>	<u>243,212</u>
Excess (deficiency) or revenues over (under) expenditures	<u>15,073</u>	<u>5,038</u>	<u>(151)</u>	<u>5,864</u>	<u>25,824</u>
Other financing sources					
Sale of capital assets	-	7,423	-	-	7,423
Net change in fund balances	15,073	12,461	(151)	5,864	33,247
Fund balances at beginning of year	<u>254,129</u>	<u>39,375</u>	<u>3,610</u>	<u>87,277</u>	<u>384,391</u>
Fund balances at end of year	<u>\$ 269,202</u>	<u>\$ 51,836</u>	<u>\$ 3,459</u>	<u>\$ 93,141</u>	<u>\$ 417,638</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
State gasoline and motor fuel tax	\$ 50,000	\$ 50,000	\$ 44,104	\$ (5,896)
Gas 3 cent tax	-	-	13,120	13,120
State gas 1989 tax	-	-	7,069	7,069
Other revenues:				
Interest income	450	450	730	280
Miscellaneous income	-	-	981	981
Total Revenues	50,450	50,450	66,004	15,554
 Expenditures:				
Public works				
Street lighting	1,200	1,200	2,084	(884)
Repairs and maintenance	25,500	25,500	29,516	(4,016)
Analysis	-	-	253	(253)
Snow removal	2,500	2,500	8,160	(5,660)
Fuel	15,000	15,000	8,314	6,686
Insurance	2,150	2,150	2,200	(50)
Miscellaneous	650	650	45	605
Machinery and equipment	1,000	1,000	359	641
Total Expenditures	48,000	48,000	50,931	(2,931)
 Excess (deficiency) of revenues over (under) expenditures	2,450	2,450	15,073	12,623
 Other financing sources				
Transfers in	8,000	8,000	-	(8,000)
 Net Change in Fund Balances	10,450	10,450	15,073	4,623
 Fund Balance at Beginning of Year	254,129	254,129	254,129	-
 Fund Balance at End of Year	\$ 264,579	\$ 264,579	\$ 269,202	\$ 4,623

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
POLICE DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 5,000	\$ 5,000	\$ 5,313	\$ 313
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>5,313</u>	<u>313</u>
Expenditures:				
Public Safety:				
Operating costs	1,000	1,000	40	960
Travel	500	500	-	500
Training	500	500	-	500
Miscellaneous	3,000	3,000	235	2,765
Machinery and equipment	500	500	-	500
Total Expenditures	<u>5,500</u>	<u>5,500</u>	<u>275</u>	<u>5,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(500)</u>	<u>(500)</u>	<u>5,038</u>	<u>5,538</u>
Other financing sources				
Transfers in	9,000	9,000	-	(9,000)
Sale of capital assets	-	-	7,423	7,423
Total other financing sources (uses)	<u>9,000</u>	<u>9,000</u>	<u>7,423</u>	<u>(1,577)</u>
Net Change in Fund Balances	8,500	8,500	12,461	3,961
Fund Balance at Beginning of Year	<u>39,375</u>	<u>39,375</u>	<u>39,375</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 47,875</u>	<u>\$ 47,875</u>	<u>\$ 51,836</u>	<u>\$ 3,961</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
COPS FOR KIDS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Donations	\$ 690	\$ 690	\$ 338	\$ (352)
Interest income	20	20	10	(10)
Total Revenues	<u>710</u>	<u>710</u>	<u>348</u>	<u>(362)</u>
Expenditures:				
Public Safety:				
Miscellaneous	700	900	499	401
Total Expenditures	<u>700</u>	<u>900</u>	<u>499</u>	<u>401</u>
Excess (Deficiency) of Revenues over Expenditures	<u>10</u>	<u>(190)</u>	<u>(151)</u>	<u>39</u>
Fund Balance at Beginning of Year	<u>3,610</u>	<u>3,610</u>	<u>3,610</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,620</u>	<u>\$ 3,420</u>	<u>\$ 3,459</u>	<u>\$ 39</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAYNESBORO, TENNESSEE
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services:				
Collection charges	\$ 194,900	\$ 194,900	\$ 197,026	\$ 2,126
Other revenues:				
Interest income	450	450	345	(105)
TOTAL REVENUES	<u>195,350</u>	<u>195,350</u>	<u>197,371</u>	<u>2,021</u>
Expenditures				
Public Works:				
Landfill services	174,000	174,000	191,507	(17,507)
Total expenditures	<u>174,000</u>	<u>174,000</u>	<u>191,507</u>	<u>(17,507)</u>
Revenues over (under) expenditures	21,350	21,350	5,864	(15,486)
Fund balance at beginning of year	<u>87,277</u>	<u>87,277</u>	<u>87,277</u>	<u>-</u>
Fund balance at end of year	<u>\$ 108,627</u>	<u>\$ 108,627</u>	<u>\$ 93,141</u>	<u>\$ (15,486)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
 AWWA FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - "UNAUDITED"
 JUNE 30, 2015

AWWA Free Water Audit Software: Reporting Worksheet		WAS v5.0 <small>American Water Works Association</small>
Water Audit Report for: Waynesboro Water System (0000736) Reporting Year: 2015 7/2014 - 6/2015		
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the All volumes to be entered as: MILLION GALLONS (US) PER YEAR		
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below		
WATER SUPPLIED		Master Meter and Supply Error Adjustments
← Enter grading in column 'E' and 'J' →		Pcnt: Value:
Volume from own sources:	<input type="text" value="9"/> <input type="text" value="195.608"/> MG/Yr	<input type="text" value="7"/> <input type="text" value="-0.30%"/> <input type="radio"/> <input type="radio"/> MG/Yr
Water imported:	<input type="text" value="n/a"/> <input type="text" value="0.000"/> MG/Yr	<input type="text" value="7"/> <input type="text" value=""/> <input type="radio"/> <input type="radio"/> MG/Yr
Water exported:	<input type="text" value="7"/> <input type="text" value="3.802"/> MG/Yr	<input type="text" value="7"/> <input type="text" value="-1.00%"/> <input type="radio"/> <input type="radio"/> MG/Yr
WATER SUPPLIED:		
192.356 MG/Yr		Enter negative % or value for under-registration Enter positive % or value for over-registration
AUTHORIZED CONSUMPTION		
Billed metered:	<input type="text" value="9"/> <input type="text" value="90.433"/> MG/Yr	Click here: <input type="text" value="7"/> for help using option buttons below Pcnt: Value: <input type="text" value="1.25%"/> <input type="radio"/> <input type="radio"/> MG/Yr Use buttons to select percentage of water supplied OR value
Billed unmetered:	<input type="text" value="7"/> <input type="text" value="0.037"/> MG/Yr	
Unbilled metered:	<input type="text" value="9"/> <input type="text" value="7.007"/> MG/Yr	
Unbilled unmetered:	<input type="text" value="7"/> <input type="text" value="2.404"/> MG/Yr	
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed		
AUTHORIZED CONSUMPTION:		
99.881 MG/Yr		
WATER LOSSES (Water Supplied - Authorized Consumption)		
92.475 MG/Yr		
Apparent Losses		
Unauthorized consumption:	<input type="text" value="7"/> <input type="text" value="0.481"/> MG/Yr	Pcnt: Value: <input type="text" value="0.25%"/> <input type="radio"/> <input type="radio"/> MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed		
Customer metering inaccuracies:	<input type="text" value="7"/> <input type="text" value="1.989"/> MG/Yr	<input type="text" value="2.00%"/> <input type="radio"/> <input type="radio"/> MG/Yr
Systematic data handling errors:	<input type="text" value="7"/> <input type="text" value="0.226"/> MG/Yr	<input type="text" value="0.25%"/> <input type="radio"/> <input type="radio"/> MG/Yr
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed		
Apparent Losses:		
2.696 MG/Yr		
Real Losses (Current Annual Real Losses or CARL)		
Real Losses = Water Losses - Apparent Losses:	<input type="text" value="7"/> <input type="text" value="89.779"/> MG/Yr	
WATER LOSSES:		
92.475 MG/Yr		
NON-REVENUE WATER		
NON-REVENUE WATER:		
101.886 MG/Yr		
= Water Losses + Unbilled Metered + Unbilled Unmetered		
SYSTEM DATA		
Length of mains:	<input type="text" value="7"/> <input type="text" value="70.0"/> miles	
Number of active AND inactive service connections:	<input type="text" value="7"/> <input type="text" value="1,592"/>	
Service connection density:	<input type="text" value="7"/> <input type="text" value="23"/> conn./mile main	
Are customer meters typically located at the curbside or property line?	<input type="text" value="7"/> <input type="text" value="Yes"/>	(length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line:	<input type="text" value="7"/> <input type="text" value=""/>	
Average length of customer service line has been set to zero and a data grading score of 10 has been applied		
Average operating pressure:	<input type="text" value="7"/> <input type="text" value="67.0"/> psi	
COST DATA		
Total annual cost of operating water system:	<input type="text" value="9"/> <input type="text" value="\$1,012,550"/> \$/Year	
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="7"/> <input type="text" value="\$13.02"/> \$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	<input type="text" value="9"/> <input type="text" value="\$761.10"/> \$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to	
WATER AUDIT DATA VALIDITY SCORE:		
*** YOUR SCORE IS: 81 out of 100 ***		
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score		
PRIORITY AREAS FOR ATTENTION:		
Based on the information provided, audit accuracy can be improved by addressing the following components:		
<input type="text" value="1: Volume from own sources"/>		
<input type="text" value="2: Unauthorized consumption"/>		
<input type="text" value="3: Systematic data handling errors"/>		

CITY OF WAYNESBORO, TENNESSEE
 AWWA FREE WATER AUDIT SOFTWARE: SYSTEM ATTRIBUTES AND PERFORMANCE INDICATORS - 'UNAUDITED'
 JUNE 30, 2015

AWWA Free Water Audit Software:		WAS
Water Audit Report for: <input type="text" value="Waynesboro Water System (0000736)"/>		
Reporting Year: <input type="text" value="2015"/> <input type="text" value="7/2014 - 6/2015"/>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 ***		
System Attributes:		
	Apparent Losses:	<input type="text" value="2.696"/> MG/Yr
	+ Real Losses:	<input type="text" value="89.779"/> MG/Yr
	= Water Losses:	<input type="text" value="92.475"/> MG/Yr
	<input type="text" value="?"/> Unavoidable Annual Real Losses (UARL):	<input type="text" value="15.10"/> MG/Yr
	Annual cost of Apparent Losses:	\$ <input type="text" value="35,096"/>
	Annual cost of Real Losses:	\$ <input type="text" value="68,331"/> Valued at Variable Production Cost
		Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	{	Non-revenue water as percent by volume of Water Supplied: <input type="text" value="53.0%"/>
		Non-revenue water as percent by cost of operating system: <input type="text" value="10.9%"/> Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day: <input type="text" value="4.64"/> gallons/connection/day
		Real Losses per service connection per day: <input type="text" value="N/A"/> gallons/connection/day
		Real Losses per length of main per day*: <input type="text" value="3,513.86"/> gallons/mile/day
		Real Losses per service connection per day per psi pressure: <input type="text" value="N/A"/> gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL): <input type="text" value="89.78"/> million gallons/year
	<input type="text" value="?"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="5.95"/>
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
JUNE 30, 2015

<u>Tax Year</u>	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Ending Balance</u>
2015	\$ 34,974,359	\$ 1.45	\$ 507,130	\$ -	\$ 507,130	\$ -	\$ -	\$ 507,130
2014	37,774,756	1.45	547,736	494,863	52,873	516,784	(602)	30,350
2013	36,949,782	1.45	535,774	36,216	-	24,392	(211)	11,613
2012	36,623,173	1.45	531,039	8,454	-	7,291	-	1,163
2011	36,110,854	1.45	479,910	629	-	-	-	629
2010	35,794,999	1.24	442,877	-	-	-	-	-
2009	31,005,249	1.55	480,583	2	-	-	-	2
2008	31,580,310	1.55	450,160	15	-	-	-	15
2007	26,786,676	1.55	415,209	189	-	-	-	189
2006	26,559,134	1.55	411,668	51	-	-	-	51
2005	29,651,247	1.55	417,197	6,351	-	-	-	6,351
2004	25,624,072	1.55	397,175	6,347	-	-	-	6,347
2003	21,354,092	1.42	303,228	-	-	-	-	-
				<u>\$ 553,117</u>	<u>\$ 560,003</u>	<u>\$ 548,467</u>	<u>\$ (813)</u>	<u>\$ 563,840</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
 SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
 GENERAL FUND
 JUNE 30, 2015

Year Ended June 30,	Capital Lease						Totals	
	Police Car		Police Car		Parks Truck		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 36,063	\$ 4,205	\$ 8,665	\$ 1,025	\$ 6,739	\$ 797	\$ 51,467	\$ 6,027
2017	-	-	9,215	527	7,195	410	16,410	937
	<u>\$ 36,063</u>	<u>\$ 4,205</u>	<u>\$ 17,880</u>	<u>\$ 1,552</u>	<u>\$ 13,934</u>	<u>\$ 1,207</u>	<u>\$ 67,877</u>	<u>\$ 6,964</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
WATER AND SEWER FUND
JUNE 30, 2015

Year Ended June 30,	Notes Payable		Bonds Payable		Bonds Payable		Capital Lease		Total	
	USDA RUS #02		USDA, Water & Sewer Revenue & Tax Bond Series 2011		USDA, Water & Sewer Revenue & Tax Bond Series 2014		Trucks		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2016	\$ 2,982	\$ 8,718	\$ 39,339	\$ 41,633	\$ 3,902	\$ 4,162	\$ 16,473	\$ 1,949	\$ 62,696	\$ 56,462
2017	3,115	8,585	40,133	40,838	3,976	4,088	-	-	64,565	54,513
2018	3,254	8,446	40,943	40,028	4,051	4,013	17,341	1,002	48,248	52,487
2019	3,399	8,301	41,770	39,202	4,128	3,936	-	-	49,297	51,439
2020	3,551	8,149	42,612	38,359	4,212	3,852	-	-	50,375	50,360
2021	3,710	7,990	43,472	37,499	4,292	3,772	-	-	51,474	49,261
2022	3,875	7,825	44,350	36,621	4,373	3,691	-	-	52,598	48,137
2023	4,048	7,652	45,245	35,726	4,456	3,608	-	-	53,749	46,986
2024	4,229	7,471	46,159	34,813	4,540	3,524	-	-	54,928	45,808
2025	4,418	7,282	47,090	33,881	4,626	3,438	-	-	56,134	44,601
2026	4,615	7,085	48,041	32,931	4,714	3,350	-	-	57,370	43,366
2027	4,821	6,879	49,010	31,961	4,803	3,261	-	-	58,634	42,101
2028	5,036	6,664	50,000	30,972	4,894	3,170	-	-	59,930	40,806
2029	5,261	6,439	51,009	29,963	4,986	3,078	-	-	61,256	39,480
2030	5,496	6,204	52,038	28,933	5,080	2,984	-	-	62,614	38,121
2031	5,741	5,959	53,089	27,883	5,176	2,888	-	-	64,006	36,730
2032	5,997	5,703	54,160	26,811	5,274	2,790	-	-	65,431	35,304
2033	6,265	5,435	55,253	25,718	5,374	2,690	-	-	66,892	33,843
2034	6,545	5,155	56,369	24,603	5,476	2,588	-	-	68,390	32,346
2035	6,837	4,863	57,506	23,465	5,579	2,485	-	-	69,922	30,813
2036	7,142	4,558	58,667	22,304	5,685	2,379	-	-	71,494	29,241
2037	7,461	4,239	59,851	21,120	5,792	2,272	-	-	73,104	27,631
2038	7,794	3,906	61,060	19,912	5,902	2,162	-	-	74,756	25,980
2039	8,142	3,558	62,292	18,680	6,013	2,050	-	-	76,447	24,288
2040	8,505	3,195	63,549	17,422	6,127	1,937	-	-	78,181	22,554
2041	8,885	2,815	64,832	16,139	6,243	1,821	-	-	79,960	20,775
2042	9,282	2,418	66,141	14,831	6,361	1,703	-	-	81,784	18,952
2043	9,696	2,004	67,476	13,496	6,481	1,583	-	-	83,653	17,083
2044	10,129	1,571	68,838	12,134	6,604	1,460	-	-	85,571	15,165
2045	10,581	1,119	70,227	10,744	6,729	1,335	-	-	87,537	13,198
2046	11,053	646	71,644	9,327	6,856	1,208	-	-	89,553	11,181
2047	8,732	162	73,091	7,880	6,986	1,078	-	-	88,809	9,120
2048	-	-	74,566	6,405	7,118	946	-	-	81,684	7,351
2049	-	-	76,071	4,901	7,253	811	-	-	83,324	5,712
2050	-	-	77,607	3,365	7,390	674	-	-	84,997	4,039
2051	-	-	79,173	1,799	7,529	534	-	-	86,702	2,333
2052	-	-	46,514	313	7,672	392	-	-	54,186	705
2053	-	-	-	-	7,817	247	-	-	7,817	247
2054	-	-	-	-	7,965	99	-	-	7,965	99
2055	-	-	-	-	1,312	2	-	-	1,312	2
	<u>\$ 200,597</u>	<u>\$ 170,996</u>	<u>\$ 2,099,187</u>	<u>\$ 862,612</u>	<u>\$ 223,747</u>	<u>\$ 92,061</u>	<u>\$ 33,814</u>	<u>\$ 2,951</u>	<u>\$ 2,557,345</u>	<u>\$ 1,128,620</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GAS FUND
JUNE 30, 2015**

Year Ended June 30,	2013 Capital Lease		2014 Capital Lease		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 23,869	\$ 1,432	\$21,608	\$ 2,783	\$45,477	\$ 4,215
2017	-	-	22,810	1,432	22,810	1,432
	<u>\$ 23,869</u>	<u>\$ 1,432</u>	<u>\$44,418</u>	<u>\$ 4,215</u>	<u>\$68,287</u>	<u>\$ 5,647</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT
JUNE 30, 2015

Tax Year	Outstanding Balance
2013	\$ 11,613
2012	1,163
2011	629
2010	-
2009	2
2008	15
2007	189
2006	51
2005	6,351
2004	6,347
Total	<u>\$ 26,360</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2015**

WATER AND SEWER RATES

INSIDE CITY LIMITS	<u>Water</u>	<u>Sewer Residential</u>
0-2000 gallons	\$ 24.08 minimum	\$ 18.49 minimum
Next 3,000 gallons	\$ 5.05 per 1,000	\$ 4.16 per 1,000
Next 5,000 gallons	\$ 4.33 per 1,000	\$ 3.79 per 1,000
Next 10,000 gallons	\$ 3.30 per 1,000	\$ 3.79 per 1,000
Next 80,000 gallons	\$ 3.09 per 1,000	\$ 3.79 per 1,000
Next 100,000 gallons	\$ 2.58 per 1,000	\$ 3.79 per 1,000

INSIDE CITY LIMITS	<u>Sewer Nonresidential</u>
0-2000 gallons	\$ 22.80 minimum
Next 3,000 gallons	\$ 5.49 per 1,000
Next 5,000 gallons	\$ 5.00 per 1,000
Next 10,000 gallons	\$ 5.00 per 1,000
Next 80,000 gallons	\$ 5.00 per 1,000
Next 100,000 gallons	\$ 5.00 per 1,000

Rates outside City are 2 times City rate.

NUMBER OF CUSTOMERS AT YEAR END	1,400	787
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NATURAL GAS RATES

INSIDE CITY LIMITS	
0 - 500 Cubic Feet	\$11.82 Minimum
All over 500 Cubic Feet @ \$ 10.66 per MCF	
OUTSIDE CITY LIMITS	
0 - 500 Cubic Feet	\$ 16.14 Minimum
All over 500 Cubic Feet @ \$12.36 per MCF	
INDUSTRIAL	
First 5,000 Cubic Feet @ 13.22 per MCF	\$ 60.10 Minimum
All over 5,000 Cubic Feet @ \$ 10.50 per MCF	
NUMBER OF CUSTOMERS AT YEAR END	682

SANITATION RATES

Residential	\$6.38
Commercial	\$12.48
NUMBER OF CUSTOMERS AT YEAR END	1,059

The accompanying notes are an integral part of these financial statements.

CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's or Contract Number	Expenditures
Federal Awards			
Department of Transportation			
Highway Safety Cluster			
State and Community Highway Safety -High Visibility Enforcement	20.600	Z14GHS421	\$ 809
State and Community Highway Safety -High Visibility Enforcement	20.600	Z15GHS436	5,000
Pedestrian Driver Reduction Grant	N/A	STP-EN-9100(38)	42,216
Total Department of Transportation			<u>48,025</u>
Department of Economic and Community Development			
Community Development Block Grants			
2010 Disaster Recovery	14.228	n/a	\$ 219,425
Wastewater Treatment Plant Expansion Project	14.228	GG-11-37944-00	42,614
Total Department of Economic and Community Development			<u>262,039</u>
Department of Economic and Community Development			
JAG Police Equipment Grant	16.738	25309	15,000
Bullet Proof Vest Partnership Program	16.607	n/a	275
			<u>15,275</u>
Department of Agriculture			
Rural Utilities Service			
(Water and Waste Disposal Systems for Rural Communities)	10.760	Grant #8	196,730
(Water and Waste Disposal Systems for Rural Communities)	10.760	Grant #16	147,065
(Water and Waste Disposal Systems for Rural Communities)	10.760	Loant #7	226,000
Total Department of Agriculture			<u>569,795</u>
Total Federal Awards			<u>895,134</u>
State Awards			
State Law Enforcement Supplement	n/a	-	3,000
Arts Build Communities	n/a	-	1,120
Total State Awards			<u>4,120</u>
Total Federal and State Awards			<u>\$ 899,254</u>

Basis of Presentation

Note 1: The accompany schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

The accompanying notes are an integral part of these financial statements.



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

Mayor and City Council
Waynesboro, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Waynesboro, Tennessee (the City), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-002 thru 2015-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-005.

City's Response to Findings

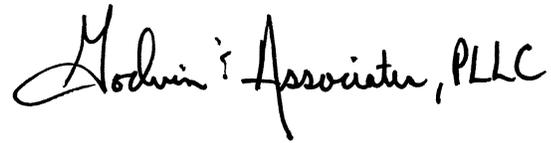
The City's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

PRIOR YEAR DISPOSITIONS

NONE

A handwritten signature in black ink that reads "Modrin Associates, PLLC". The signature is written in a cursive, flowing style.

January 5, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Mayor and City Council
Waynesboro, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Waynesboro, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hoelmin : Associates, PLLC

January 5, 2016

**CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Financial Statement Findings

Finding Number	Finding Title	Status
2000-06	Inadequate Segregation of Duties	Repeated
2005-03	Capital Assets Accounting	Repeated
2006-01	Purchase Orders	Repeated
2003-01	Inter-fund Receivables	Repeated

Federal Award Findings and Questioned Costs

There were no prior findings reported.

**CITY OF WAYNESBORO, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SECTION I – Summary of Auditor’s Results

- (a) Type of report issued on the financial statements:
Unqualified
- (b) The audit of the financial statements did disclose weaknesses in internal control one of which was considered a material weakness and three of which were considered significant deficiencies.
- (c) The audit of the financial statements disclosed one instance of noncompliance which was material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weaknesses in internal control over major programs.
- (e) Type of report issued on compliance for major programs:
Unqualified
- (f) The audit did not disclose any findings required to be reported under Circular A-133, Section 510(a).
- (g) Major programs:
CFDA 10.760 – Water and Waste Disposal Systems for Rural Communities
- (h) Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000
- (i) The auditee did not qualify as a low-risk auditee.

SECTION II – Financial Statement Findings

2015-001 INADEQUATE SEGREGATION OF DUTIES (original finding No. 2000-06)

The operating structure of the City does not provide adequate segregation of duties between persons with access to assets and those responsible for reconciling records and recording transactions. This was also a finding in the prior year.

Recommendation: Adequate systems of internal control require segregation between individuals with access to assets from those who maintain accounting controls over the assets. The Board and/or the City Manager should review and document their review of each month’s transactions and reconciliations in appropriate detail.

2015-002 CAPITAL ASSETS ACCOUNTING (original finding No. 2005-03)

The City did not take a physical inventory of its capital assets.

Recommendation: We recommend the City should take an annual physical inventory of all its capital assets and reconcile it to the City’s subsidiary ledger of capital assets.

FINDING 2015-003 PURCHASE ORDERS (original finding No. 2006-01)

Purchase orders were not issued properly. Some purchase orders had no approval while some had no amounts and some expenditures has no purchase order.

Recommendation: We recommend that all purchase orders be complete as to date, amount, and description of purchase before being issued and signed by appropriate personnel.

FINDING 2015-004 LACK OF SUPPORT FOR VARIOUS REVENUES

The City had various revenues recorded in other revenues which had no support.

Recommendation: We recommend that the City retain proper support for all revenues.

FINDING 2015-005 INTER-FUND RECEIVABLES (original finding No. 2003-01)

Inter-fund receivables were not eliminated within one year of origination.

Recommendation: The City should eliminate all inter-fund receivables within one year of origination.

SECTION III – Federal Award Findings and Questioned Costs

NONE

**CITY OF WAYNESBORO, TENNESSEE
CORRECTIVE ACTION PLAN
JUNE 30, 2015**

2015-001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned: The Board and City Manager will review and document its monthly review of the transactions incurred by the City as well as reconciliations of the assets to the general ledger.

Anticipated completion date: The City will begin immediately.

2015-002 CAPITAL ASSETS ACCOUNTING

Corrective action planned: The Town will take an inventory of capital assets and reconcile it to the subsidiary capital asset ledger.

Anticipated completion date: Should be fully implemented prior to end of fiscal year ending June 30, 2016.

2015-003 PURCHASE ORDERS

Corrective action planned: With approval of the Board of Commission, we will implement a more efficient purchasing policy so the purchasing function will operate more effectively.

Anticipated completion date: Should be fully implemented prior to end of fiscal year ending June 30, 2016.

2015-004 LACK OF SUPPORT OR VARIOUS REVENUES

Corrective action planned: The finance officer/bookkeeper will actively be more diligent in recognizing and recording revenues, ensuring proper documentation for each is obtained. Management will review with finance officer/bookkeeper on a monthly basis to verify this is being completed.

Anticipated completion date: Should be fully implemented prior to end of fiscal year ending June 30, 2016.

2015-005 INTER-FUND RECEIVABLES

Corrective action planned: The finance officer/bookkeeper will actively be more diligent in recognizing deposits and expense coding. Management will review with finance officer/bookkeeper on a monthly basis to verify this is being completed.

Anticipated completion date: Should be fully implemented prior to end of fiscal year ending June 30, 2016.