

CITY OF BAY ST. LOUIS, MISSISSIPPI

Audited Financial Statements and Special Reports

Year Ended September 30, 2019

CITY OF BAY ST. LOUIS, MISSISSIPPI
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INTRODUCTORY SECTION



ELECTED OFFICIALS

| | |
|---------------------|-----------------|
| Mayor | Michael Favre |
| Councilman Ward 1 | Doug Seal |
| Councilman Ward 2 | Gene Hoffman |
| Councilman Ward 3 | Jeffery Reed |
| Councilman Ward 4 | Larry Smith |
| Councilman Ward 5 | Buddy Zimmerman |
| Councilman Ward 6 | Josh Desalvo |
| Councilman At Large | Gary Knoblock |

APPOINTED DEPARTMENT HEADS

| | |
|------------------------|------------------|
| City Clerk/Comptroller | Sissy Gonzales |
| City Attorney | Heather Smith |
| Police Department | Gary Ponthieux |
| Fire Department | Monty Strong |
| Public Works | Kim "Pots" Favre |
| Harbormaster | Chuck Fortin |

FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council of
City of Bay St. Louis, Mississippi

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 City of Bay St. Louis, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in 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.

Supplementary and Other Information

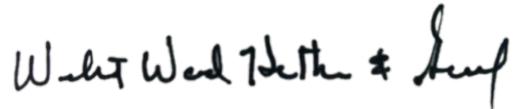
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bay St. Louis, Mississippi's basic financial statements. The Introductory Section and the Schedule of Surety Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statement and has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of City of Bay St. Louis, Mississippi'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 City of Bay St. Louis, Mississippi's internal control over financial reporting and compliance.

Other Reporting Required by *State of Mississippi*

In accordance with the State of Mississippi, we have also issued our report dated September 17, 2020, on our consideration of the City of Bay St. Louis's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Bay St. Louis's internal control over financial reporting and compliance.



Wright, Ward, Hatten & Guel
Gulfport, MS
September 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Bay St. Louis, Mississippi
Management's Discussion and Analysis
Year Ended September 30, 2019
(UNAUDITED)



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bay St. Louis, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Bay St. Louis is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of City of Bay St. Louis as of July 1, 2019, is 14,034. The median household income is \$38,618 with over 90% of persons 25 years or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position decreased \$4,201,986 or 4% from 2018 due to two major items: (1) the increase in governmental activity expenses and (2) the increase in business-type expenses.
- General revenues amounted to \$8,491,577 or 59% of total revenues. This amount increased \$598,312 from 2018. Program revenues amounted to \$5,992,999 or 41% of total revenues, which increased \$722,270 from 2018. This increase was mostly due to an increase in charges for services and grant revenues.
- Capital assets, net of accumulated depreciation, decreased by \$2,282,350 in the governmental activities and decreased \$3,387,194 in the business-type activities during 2019. These decreases stem primarily from annual depreciation.
- Long-term debt decreased by \$395,783 in the governmental activities primarily due to annual debt repayments. This amount also includes a \$17,905 increase in compensated absences which represents amounts that would be due to an employee from the City upon termination of employment. Long-term debt increased by \$6,148 in the business-type activities. The City's total debt outstanding at September 30, 2019 is \$5,028,953 which the liability for compensated absences is \$285,379.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$9,473,368 in revenues, which shows an increase of \$604,269 from 2018 and \$7,663,534 in expenditures, an increase of \$156,031 from 2018, in the current year. The General Fund's fund balance increased by \$1,099,532 in 2019.

City of Bay St. Louis, Mississippi
Management's Discussion and Analysis
Year Ended September 30, 2019
(UNAUDITED)

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Bay St. Louis as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Bay St. Louis as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the City's activities are reported as governmental and business-type activities, which include all of the City's services including general government, police, fire, public works, community services, water, gas, sewer and solid waste. The City of Bay St. Louis has no component units.

Table 1 and Table 2 provide a summary of the City's net position and changes in net position for 2019 compared to 2018.

City of Bay St. Louis, Mississippi
Management's Discussion and Analysis
Year Ended September 30, 2019
(UNAUDITED)

TABLE 1
Condensed Statement of Net Position
September 30, 2019 and 2018

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|-------------------|--------------------------|-------------------|--------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Assets: | | | | | | |
| Current assets | \$ 8,132,437 | 6,642,769 | 2,287,301 | 2,287,792 | 10,419,738 | 8,930,561 |
| Capital assets | 50,414,823 | 52,697,173 | 59,893,031 | 63,280,225 | 110,307,854 | 115,977,398 |
| Total Assets | 58,547,260 | 59,339,942 | 62,180,332 | 65,568,017 | 120,727,592 | 124,907,959 |
| Deferred Outflows | 377,724 | 189,579 | 51,508 | 25,851 | 429,232 | 215,430 |
| Liabilities: | | | | | | |
| Current liabilities | 456,201 | 672,049 | 471,754 | 569,225 | 927,955 | 1,241,274 |
| Non-current liabilities | 14,410,828 | 14,145,448 | 1,349,228 | 1,252,922 | 15,760,056 | 15,398,370 |
| Total Liabilities | 14,867,029 | 14,817,497 | 1,820,982 | 1,822,147 | 16,688,011 | 16,639,644 |
| Deferred Inflows | 4,071,306 | 3,858,513 | 17,804 | 43,543 | 4,089,110 | 3,902,056 |
| Net Position: | | | | | | |
| Investment in capital assets, net of related debt | 45,683,492 | 47,552,154 | 59,880,788 | 63,264,525 | 105,564,280 | 110,816,679 |
| Restricted net assets | 403,765 | 502,317 | - | - | 403,765 | 502,317 |
| Unrestricted | (6,100,608) | (7,200,960) | 512,266 | 463,653 | (5,588,342) | (6,737,307) |
| Total Net Position | \$ 39,986,649 | 40,853,511 | 60,393,054 | 63,728,178 | 100,379,703 | 104,581,689 |

TABLE 2
Condensed Statement of Activities
September 30, 2019 and 2018

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|-------------------|--------------------------|-------------------|--------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues | \$ 1,631,846 | 1,288,302 | 4,361,153 | 3,982,427 | 5,992,999 | 5,270,729 |
| General revenues | 8,464,143 | 7,857,565 | 27,434 | 35,700 | 8,491,577 | 7,893,265 |
| Total revenues | 10,095,989 | 9,145,867 | 4,388,587 | 4,018,127 | 14,484,576 | 13,163,994 |
| Expenses: | | | | | | |
| General government | 2,967,571 | 2,770,972 | - | - | 2,967,571 | 2,770,972 |
| Public safety | 3,845,345 | 3,533,418 | - | - | 3,845,345 | 3,533,418 |
| Public works | 4,083,324 | 3,552,419 | - | - | 4,083,324 | 3,552,419 |
| Interest on long-term debt | 84,898 | 122,355 | - | - | 84,898 | 122,355 |
| Utility fund | - | - | 6,491,449 | 6,002,602 | 6,491,449 | 6,002,602 |
| Harbor fund | - | - | 1,213,975 | 1,229,754 | 1,213,975 | 1,229,754 |
| Total expenses | 10,981,138 | 9,979,164 | 7,705,424 | 7,232,356 | 18,686,562 | 17,211,520 |
| Transfers | 18,287 | 127,361 | (18,287) | (127,361) | - | - |
| Increase (decrease) in net assets | (866,862) | (705,936) | (3,335,124) | (3,341,590) | (4,201,986) | (4,047,526) |
| Net Position—beginning | 40,853,511 | 41,559,447 | 63,728,178 | 67,069,768 | 104,581,689 | 108,629,215 |
| Net Position—ending | \$ 39,986,649 | 40,853,511 | 60,393,054 | 63,728,178 | 100,379,703 | 104,581,689 |

City of Bay St. Louis, Mississippi
 Management's Discussion and Analysis
 Year Ended September 30, 2019
 (UNAUDITED)

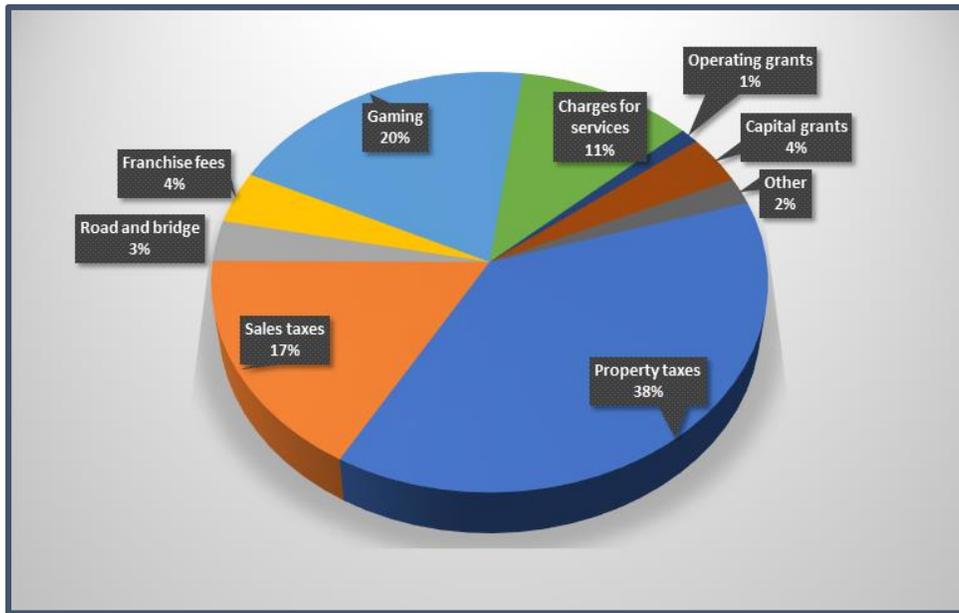
Governmental Activities

Total net position decreased \$866,862 primarily due to an increase in governmental activity expenses.

Under the accrual basis of accounting, general revenues amounted to \$8,464,143 or 84% of total revenues. This amount increased \$606,578 from 2018. The increase in governmental activities general revenues is due primarily to the rise in property taxes levied. Program revenues amounted to \$1,631,846 or 16% of total revenues, which increased \$343,544 from 2018.

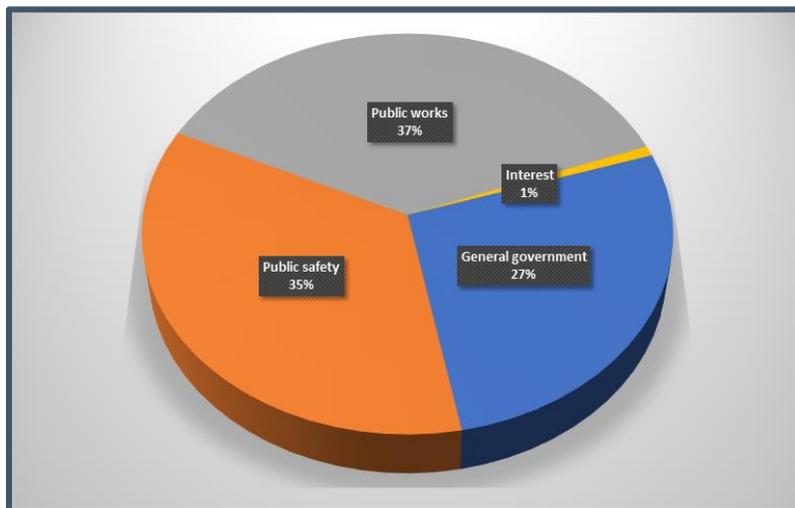
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

Chart 1 – Governmental Revenue Sources



Major governmental expense activities are shown in the following chart.

Chart 2 – Governmental Activities



City of Bay St. Louis, Mississippi
Management's Discussion and Analysis
Year Ended September 30, 2019
(UNAUDITED)

Business-type activities

Net position for the business-type activities was \$60,393,054 a decrease of \$3,335,124. The decrease in business-type net position is due to one major item: depreciation expense (\$3,502,564). Charges for services increased approximately \$380,034 while expenses increased approximately \$363,994.

Reporting the City of Bay St. Louis's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Bay St. Louis, the City's major fund is the General fund.

Governmental Funds

The City's governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The City's proprietary funds focus on business-type activities conducted by the City. These funds are reported using the accrual method of accounting, which uses an "economic resources" measurement focus. Under the accrual basis of accounting revenues are recognized in the period in which they are earned regardless of when cash flows occur. Expenses are recorded when the service is performed, or the goods are received regardless of when the invoice is paid. Proprietary Fund information helps you to determine whether business-type activities are self-maintaining or if they are being subsidized by general government revenues. The proprietary funds show operating revenues and expenses that support the primary operations of the fund.

The City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and nonspendable resources. Such information may be useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

City of Bay St. Louis, Mississippi
Management's Discussion and Analysis
Year Ended September 30, 2019
(UNAUDITED)

General Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Governmental auditing standards require that cities present budgetary comparison schedules as required supplementary information to the financial statements. The most significant budgeted fund is the General Fund.

During the course of 2019, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Council for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2019 and 2018.

TABLE 3
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2019 and 2018

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|--------------------|--------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Land | \$ 858,233 | 858,233 | - | - | 858,233 | 858,233 |
| Construction in progress | 200,845 | 154,501 | 71,104 | - | 271,949 | 154,501 |
| Buildings and Improvements | 24,281,125 | 24,909,899 | 36,975 | 37,976 | 24,318,100 | 24,947,875 |
| Infrastructure | 23,381,400 | 25,015,150 | 59,574,359 | 63,047,701 | 82,955,759 | 88,062,851 |
| Machinery & equipment | 381,064 | 352,550 | 184,788 | 167,130 | 565,852 | 519,680 |
| Mobile equipment | 338,507 | 304,203 | 10,703 | 10,703 | 349,210 | 314,906 |
| Leased equipment | 973,649 | 1,102,637 | 15,102 | 16,715 | 988,751 | 1,119,352 |
| Total | \$ <u>50,414,823</u> | <u>52,697,173</u> | <u>59,893,031</u> | <u>63,280,225</u> | <u>110,307,854</u> | <u>115,977,398</u> |

The primary decrease in capital assets occurred due to depreciation.

General Long-term Obligations

At September 30, 2019, the City had \$5,028,953 outstanding debt obligations, which included \$285,379 of compensated absences payable.

TABLE 4
Schedule of Long-term Debt
September 30, 2019 and 2018

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------|--------------------------------|------------------|---------------------------------|---------------|------------------|------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| General Obligation Bonds | \$ 3,657,500 | 3,920,000 | - | - | 3,657,500 | 3,920,000 |
| Capital Leases | 1,073,831 | 1,225,019 | 12,243 | 15,700 | 1,086,074 | 1,240,719 |
| Compensated Absences | 236,126 | 218,221 | 49,253 | 39,648 | 285,379 | 257,869 |
| Total | \$ <u>4,967,457</u> | <u>5,363,240</u> | <u>61,496</u> | <u>55,348</u> | <u>5,028,953</u> | <u>5,418,588</u> |

City of Bay St. Louis, Mississippi
Management's Discussion and Analysis
Year Ended September 30, 2019
(UNAUDITED)

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid as people leave or retire. This liability refers to vacation pay for employees of the city. See Note 1 to the financial statements for more details.

Contact the City's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Sissy Gonzales, City Clerk
City of Bay St. Louis, Mississippi
688 Highway 90
Bay St. Louis, MS 39520
(228) 466-8951

FINANCIAL STATEMENTS

City of Bay St. Louis, Mississippi

Statement of Net Position

September 30, 2019

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 2,705,526 | \$ 1,434,108 | \$ 4,139,634 |
| Taxes receivable | 4,499,485 | - | 4,499,485 |
| Customer accounts receivable (net of allowance) | - | 462,713 | 462,713 |
| Fines receivable (net of allowance) | 217,958 | - | 217,958 |
| Intergovernmental receivables | 32,021 | - | 32,021 |
| Other receivables | 235 | - | 235 |
| Interfund | 104,835 | (104,835) | - |
| Prepaid items | 83,400 | 33,765 | 117,165 |
| Inventory for resale | - | 56,963 | 56,963 |
| Restricted current assets - cash | 488,977 | 404,587 | 893,564 |
| Total current assets | <u>8,132,437</u> | <u>2,287,301</u> | <u>10,419,738</u> |
| Capital assets: | | | |
| Land and construction in progress | 1,059,078 | 71,104 | 1,130,182 |
| Other capital assets (net of depreciation): | | | |
| Buildings and improvements | 24,281,125 | 36,975 | 24,318,100 |
| Infrastructure | 23,381,400 | 59,574,359 | 82,955,759 |
| Machinery and equipment | 381,064 | 184,788 | 565,852 |
| Mobile equipment | 338,507 | 10,703 | 349,210 |
| Equipment under capital leases | 973,649 | 15,102 | 988,751 |
| Total capital assets | <u>50,414,823</u> | <u>59,893,031</u> | <u>110,307,854</u> |
| Total assets | <u>58,547,260</u> | <u>62,180,332</u> | <u>120,727,592</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred amount on pension | 377,724 | 51,508 | 429,232 |
| Total deferred outflows of resources | <u>377,724</u> | <u>51,508</u> | <u>429,232</u> |
| Total assets and deferred outflows of resources | <u>\$ 58,924,984</u> | <u>\$ 62,231,840</u> | <u>\$ 121,156,824</u> |

Continued on next page

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

City of Bay St. Louis, Mississippi
Statement of Net Position (continued)
September 30, 2019

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Claims payable | \$ 86,624 | \$ 68,146 | \$ 154,770 |
| Wages payable | 195,336 | 16,086 | 211,422 |
| Accrued interest payable | 62,264 | - | 62,264 |
| Revenue not earned | 11,940 | 36,079 | 48,019 |
| Payable to other governments | 72,737 | - | 72,737 |
| Payable from restricted assets - Customer deposits | 27,300 | 351,443 | 378,743 |
| Total current liabilities | 456,201 | 471,754 | 927,955 |
| Noncurrent liabilities: | | | |
| Net pension liability | 9,443,371 | 1,287,732 | 10,731,103 |
| Due within one year | | | |
| Capital debt | 518,768 | 3,552 | 522,320 |
| Noncapital debt | 61,069 | 12,685 | 73,754 |
| Due in more than one year | | | |
| Capital debt | 4,212,563 | 8,691 | 4,221,254 |
| Noncapital debt | 175,057 | 36,568 | 211,625 |
| Total noncurrent liabilities | 14,410,828 | 1,349,228 | 15,760,056 |
| Total Liabilities | 14,867,029 | 1,820,982 | 16,688,011 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property tax for future reporting period | 3,940,743 | - | 3,940,743 |
| Deferred amount on pension | 130,563 | 17,804 | 148,367 |
| Total deferred inflows of resources | 4,071,306 | 17,804 | 4,089,110 |
| NET POSITION | | | |
| Investment in capital assets, net of related debt | 45,683,492 | 59,880,788 | 105,564,280 |
| Restricted Net Position: | | | |
| Restricted for debt service | 236,141 | - | 236,141 |
| Restricted for grant/bond purposes | 167,624 | - | 167,624 |
| Unrestricted (deficit) | (6,100,608) | 512,266 | (5,588,342) |
| Total net position | 39,986,649 | 60,393,054 | 100,379,703 |
| Total liabilities, deferred inflows of resources, and net position | \$ 58,924,984 | \$ 62,231,840 | \$ 121,156,824 |

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

City of Bay St. Louis, Mississippi
Statement of Activities
Year Ended September 30, 2019

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---|----------------------|----------------------------|--|--|--|---------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- Type Activities | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,967,571 | \$ 939,279 | \$ - | \$ - | \$ (2,028,292) | \$ - | \$ (2,028,292) |
| Public safety | 3,845,345 | 190,975 | 120,561 | 54,654 | (3,479,155) | - | (3,479,155) |
| Public works | 4,083,324 | - | - | 326,377 | (3,756,947) | - | (3,756,947) |
| Interest on long-term debt | 84,898 | - | - | - | (84,898) | - | (84,898) |
| Total governmental activities | <u>10,981,138</u> | <u>1,130,254</u> | <u>120,561</u> | <u>381,031</u> | <u>(9,349,292)</u> | <u>-</u> | <u>(9,349,292)</u> |
| Business-type activities: | | | | | | | |
| Utility fund | 6,491,449 | 3,578,543 | - | - | | (2,912,906) | (2,912,906) |
| Municipal harbor fund | <u>1,213,975</u> | <u>711,800</u> | <u>-</u> | <u>70,810</u> | | <u>(431,365)</u> | <u>(431,365)</u> |
| Total business-type activities | <u>7,705,424</u> | <u>4,290,343</u> | <u>-</u> | <u>70,810</u> | | <u>(3,344,271)</u> | <u>(3,344,271)</u> |
| Total primary government | <u>\$ 18,686,562</u> | <u>\$ 5,420,597</u> | <u>\$ 120,561</u> | <u>\$ 451,841</u> | | <u>(3,344,271)</u> | <u>(12,693,563)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 3,536,608 | - | 3,536,608 |
| Property taxes, levied for debt service | | | | | 130,597 | - | 130,597 |
| Property taxes, community support | | | | | 167,800 | - | 167,800 |
| General sales taxes | | | | | 1,698,472 | - | 1,698,472 |
| Road and bridge privilege taxes | | | | | 315,038 | - | 315,038 |
| Franchise taxes | | | | | 402,639 | - | 402,639 |
| Gaming fees and taxes | | | | | 2,009,906 | - | 2,009,906 |
| Grants and contributions not restricted to a special purpose | | | | | 57,268 | - | 57,268 |
| Unrestricted investment earnings | | | | | 5,029 | 2,345 | 7,374 |
| Miscellaneous | | | | | 140,786 | 25,089 | 165,875 |
| Total general revenues | | | | | <u>8,464,143</u> | <u>27,434</u> | <u>8,491,577</u> |
| Change in net position before transfers | | | | | (885,149) | (3,316,837) | (4,201,986) |
| Transfers | | | | | 18,287 | (18,287) | - |
| Change in net position | | | | | (866,862) | (3,335,124) | (4,201,986) |
| Net position—beginning | | | | | 40,853,511 | 63,728,178 | 104,581,689 |
| Net position—ending | | | | | <u>\$ 39,986,649</u> | <u>\$ 60,393,054</u> | <u>\$ 100,379,703</u> |

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

City of Bay St. Louis, Mississippi

Balance Sheet

Governmental Funds

September 30, 2019

| | General Fund | Non-major Governmental Funds | Total Governmental Funds |
|--|-------------------------|------------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash | \$ 1,891,464 | \$ 814,062 | \$ 2,705,526 |
| Receivables: | | | |
| Property taxes | 3,968,511 | - | 3,968,511 |
| General sales taxes | 275,528 | - | 275,528 |
| Franchise taxes | 107,895 | - | 107,895 |
| Gaming fees and taxes | 147,551 | - | 147,551 |
| Intergovernmental | 30,222 | 1,799 | 32,021 |
| Court fines and fees | 217,958 | - | 217,958 |
| Other | 235 | - | 235 |
| Due from other funds | 98,468 | 48,886 | 147,354 |
| Prepaid items | 83,400 | - | 83,400 |
| Restricted assets - Cash | 141,798 | 347,179 | 488,977 |
| Total assets | <u>6,963,030</u> | <u>1,211,926</u> | <u>8,174,956</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities: | | | |
| Claims payable | 86,624 | - | 86,624 |
| Wages and payroll taxes payable | 195,336 | - | 195,336 |
| Payable to other governments | 72,737 | - | 72,737 |
| Due to other funds | 42,519 | - | 42,519 |
| Customer deposits | 27,300 | - | 27,300 |
| Grant revenue unearned | 11,940 | - | 11,940 |
| Total liabilities | <u>436,456</u> | <u>-</u> | <u>436,456</u> |
| Deferred inflows of resources: | | | |
| Property taxes for future reporting period | 3,940,743 | - | 3,940,743 |
| Unavailable revenue - fines | 217,959 | - | 217,959 |
| Total deferred inflows of resources | <u>4,158,702</u> | <u>-</u> | <u>4,158,702</u> |
| Fund balances: | | | |
| Non-spendable | | | |
| Prepaid items | 83,400 | - | 83,400 |
| Assigned for | | | |
| Capital projects | - | 797,893 | 797,893 |
| Restricted for: | | | |
| Unemployment insurance reserve | 46,110 | - | 46,110 |
| Community hall | 39,102 | - | 39,102 |
| Grant/Bond purposes | 56,586 | 111,038 | 167,624 |
| Debt service | - | 236,141 | 236,141 |
| Unassigned | 2,142,674 | 66,854 | 2,209,528 |
| Total fund balances | <u>2,367,872</u> | <u>1,211,926</u> | <u>3,579,798</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 6,963,030</u> | <u>\$ 1,211,926</u> | <u>\$ 8,174,956</u> |

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

City of Bay St. Louis, Mississippi
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Position
 September 30, 2019

Total governmental funds balance **\$ 3,579,798**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--------------------------------|---------------------|------------|
| Governmental capital assets | \$ 76,692,028 | |
| Less: accumulated depreciation | <u>(26,277,205)</u> | 50,414,823 |

Long-term liabilities are not due and payable in the current period expenditures and, therefore, are not reported in the governmental funds:

| | | |
|------------------------|------------------|-------------|
| Bonds payable | \$ (3,657,500) | |
| Capital leases payable | (1,073,831) | |
| Compensated absences | <u>(236,126)</u> | (4,967,457) |

Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.

| | | |
|------------------------|--|---------|
| Court fines receivable | | 217,959 |
|------------------------|--|---------|

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

| | | |
|-----------------------|--|-------------|
| Net pension liability | | (9,443,371) |
|-----------------------|--|-------------|

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

| | | |
|--|------------------|---------|
| Deferred outflows of resources related to pensions | \$ 377,724 | |
| Deferred inflows of resources related to pensions | <u>(130,563)</u> | 247,161 |

| | | |
|--|--|----------|
| Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds. | | (62,264) |
|--|--|----------|

Net position of governmental activities **\$ 39,986,649**

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

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2019

| | General Fund | Non-major Governmental Funds | Total Governmental Funds |
|--|-----------------|------------------------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 3,835,005 | \$ - | \$ 3,835,005 |
| General sales taxes | 1,698,472 | - | 1,698,472 |
| Franchise fees | 402,639 | - | 402,639 |
| Gaming fees and taxes | 2,009,906 | - | 2,009,906 |
| Licenses and permit fees | 602,167 | - | 602,167 |
| Intergovernmental | 377,369 | 496,529 | 873,898 |
| Charges for services/rentals | 97,105 | - | 97,105 |
| Fines and forfeitures | 163,039 | - | 163,039 |
| Investment earnings | 4,020 | 1,009 | 5,029 |
| Administrative fees | 240,007 | - | 240,007 |
| Miscellaneous | 43,639 | 70,395 | 114,034 |
| Total revenues | 9,473,368 | 567,933 | 10,041,301 |
| EXPENDITURES | | | |
| General government | 2,123,708 | 90,423 | 2,214,131 |
| Public safety | 3,112,885 | 2,000 | 3,114,885 |
| Public works | 2,422,515 | 41,782 | 2,464,297 |
| Capital outlay | 4,426 | 521,356 | 525,782 |
| Debt service: | | | |
| Principal | - | 586,861 | 586,861 |
| Interest and other fiscal charges | - | 141,910 | 141,910 |
| Total expenditures | 7,663,534 | 1,384,332 | 9,047,866 |
| Excess (deficiency) of revenues over expenditures | 1,809,834 | (816,399) | 993,435 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from capital leases | 173,173 | - | 173,173 |
| Insurance proceeds | 77,454 | - | 77,454 |
| Transfers in | 127,051 | 1,176,267 | 1,303,318 |
| Transfers out | (1,087,980) | (197,051) | (1,285,031) |
| Total other financing sources and uses | (710,302) | 979,216 | 268,914 |
| Net change in fund balances | 1,099,532 | 162,817 | 1,262,349 |
| Fund balances—beginning | 1,268,340 | 1,049,109 | 2,317,449 |
| Fund balances—ending | \$ 2,367,872 | \$ 1,211,926 | \$ 3,579,798 |

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

City of Bay St. Louis, Mississippi
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance to the Statement of Activities
 Year Ended September 30, 2019

Net change in fund balances - total governmental funds **\$ 1,262,349**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

| | | | |
|----------------|----|--------------------|-------------|
| Capital outlay | \$ | 525,782 | |
| Depreciation | | <u>(2,596,102)</u> | (2,070,320) |

Proceeds from the sale of capital assets and adjustments are recorded as other sources of income in the Statement of Revenues, Expenditures and Changes in Fund Balances, however, these proceeds are offset by disposal of assets to show gains or losses from the sale of capital assets.

Net gain (loss) on sale/disposition of capital assets (212,030)

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

| | | | |
|-----------------|----|------------------|---------|
| Debt retirement | \$ | 586,861 | |
| Debt issuance | | <u>(173,173)</u> | 413,688 |

Fine revenue and community rental income recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting. 27,936

Pension expense and other related activity do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Pension expense and contributions made after the measurement date (284,265)

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

| | | | |
|--------------------------|----|-----------------|---------|
| Accrued interest payable | \$ | 13,685 | |
| Compensated absences | | <u>(17,905)</u> | (4,220) |

Change in net position of governmental activities **\$ (866,862)**

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

City of Bay St. Louis, Mississippi

Statement of Net Position

Proprietary Funds

September 30, 2019

| | <u>Water & Sewer Fund</u> | <u>Municipal Harbor Fund</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 1,078,709 | \$ 355,399 | \$ 1,434,108 |
| Customer accounts receivable, net | 437,397 | 25,316 | 462,713 |
| Due from other funds | 920 | - | 920 |
| Prepaid insurance | 30,953 | 2,812 | 33,765 |
| Inventory for resale | 31,370 | 25,593 | 56,963 |
| Restricted current asset - cash | 404,587 | - | 404,587 |
| Total current assets | <u>1,983,936</u> | <u>409,120</u> | <u>2,393,056</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Construction in progress | - | 71,104 | 71,104 |
| Buildings | 118,603 | - | 118,603 |
| Infrastructure | 75,601,623 | 21,766,381 | 97,368,004 |
| Machinery and equipment | 643,019 | 34,830 | 677,849 |
| Mobile equipment | 107,051 | - | 107,051 |
| Equipment under capital leases | 17,925 | - | 17,925 |
| Less accumulated depreciation | <u>(35,623,203)</u> | <u>(2,844,302)</u> | <u>(38,467,505)</u> |
| Total noncurrent assets | <u>40,865,018</u> | <u>19,028,013</u> | <u>59,893,031</u> |
| Total assets | <u>42,848,954</u> | <u>19,437,133</u> | <u>62,286,087</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflow - pension liability | <u>34,424</u> | <u>17,084</u> | <u>51,508</u> |
| Total deferred outflows of resources | <u>34,424</u> | <u>17,084</u> | <u>51,508</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 34,010 | 34,136 | 68,146 |
| Accrued wages | 10,831 | 5,255 | 16,086 |
| Due to other funds | 86,739 | 19,016 | 105,755 |
| Unearned revenue | 14,386 | 21,693 | 36,079 |
| Notes payable | 3,552 | - | 3,552 |
| Compensated absences | 9,232 | 3,453 | 12,685 |
| Customer deposits | 351,443 | - | 351,443 |
| Total current liabilities | <u>510,193</u> | <u>83,553</u> | <u>593,746</u> |
| Noncurrent Liabilities: | | | |
| Net pension liability | 858,789 | 428,943 | 1,287,732 |
| Notes payable | 8,691 | - | 8,691 |
| Compensated absences | 17,747 | 18,821 | 36,568 |
| Total noncurrent liabilities | <u>885,227</u> | <u>447,764</u> | <u>1,332,991</u> |
| Total liabilities | <u>1,395,420</u> | <u>531,317</u> | <u>1,926,737</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflow - pension liability | <u>11,784</u> | <u>6,020</u> | <u>17,804</u> |
| Total deferred inflows of resources | <u>11,784</u> | <u>6,020</u> | <u>17,804</u> |
| NET POSITION | | | |
| Investment in capital assets, net of related debt | 40,852,775 | 19,028,013 | 59,880,788 |
| Unrestricted | 623,399 | (111,133) | 512,266 |
| Total net position | <u>\$ 41,476,174</u> | <u>\$ 18,916,880</u> | <u>\$ 60,393,054</u> |

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

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2019

| | Water & Sewer Fund | Municipal Harbor Fund | Total |
|---|-----------------------|--------------------------|----------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 3,470,878 | \$ - | \$ 3,470,878 |
| Slip rental fees | - | 448,300 | 448,300 |
| Fuel sales | - | 263,500 | 263,500 |
| Tap and connection fees | 33,765 | - | 33,765 |
| Late payment penalties | 73,900 | - | 73,900 |
| Miscellaneous operating revenues | 12,145 | 12,944 | 25,089 |
| Total operating revenues | <u>3,590,688</u> | <u>724,744</u> | <u>4,315,432</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 688,799 | 277,729 | 966,528 |
| Natural gas and fuel purchases | 309,479 | 210,064 | 519,543 |
| Waste collection and disposal | 530,583 | 1,431 | 532,014 |
| Wastewater treatment | 1,037,944 | - | 1,037,944 |
| Other supplies and expenses | 201,947 | 6,649 | 208,596 |
| Other contractual | 770,133 | 167,530 | 937,663 |
| Depreciation | 2,952,159 | 550,405 | 3,502,564 |
| Total operating expenses | <u>6,491,044</u> | <u>1,213,808</u> | <u>7,704,852</u> |
| Operating income (loss) | <u>(2,900,356)</u> | <u>(489,064)</u> | <u>(3,389,420)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | 2,034 | 311 | 2,345 |
| Interest expense | (405) | (167) | (572) |
| Capital grant income | - | 70,810 | 70,810 |
| Total nonoperating revenues (expenses) | <u>1,629</u> | <u>70,954</u> | <u>72,583</u> |
| TRANSFERS OUT | <u>(18,287)</u> | <u>-</u> | <u>(18,287)</u> |
| Change in net position | (2,917,014) | (418,110) | (3,335,124) |
| Total net position—beginning | <u>44,393,188</u> | <u>19,334,990</u> | <u>63,728,178</u> |
| Total net position—ending | <u>\$ 41,476,174</u> | <u>\$ 18,916,880</u> | <u>\$ 60,393,054</u> |

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

City of Bay St. Louis, Mississippi
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2019

| | Water & Sewer Fund | Municipal Harbor Fund | Total |
|---|-----------------------|--------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 3,573,760 | \$ 690,859 | \$ 4,264,619 |
| Payments to employees | (665,991) | (261,834) | (927,825) |
| Payments to suppliers | (504,464) | (219,188) | (723,652) |
| Payments to contractors | (2,429,197) | (172,059) | (2,601,256) |
| Other receipts (payments) | 17,670 | 16,093 | 33,763 |
| Net cash provided (used) by operating activities | (8,222) | 53,871 | 45,649 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Grant revenue | - | 70,810 | 70,810 |
| Payments for internal services | 37,910 | (425) | 37,485 |
| Transfers to other funds | (18,287) | - | (18,287) |
| Net cash provided by noncapital financing activities | 19,623 | 70,385 | 90,008 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of capital assets | (44,267) | (71,104) | (115,371) |
| Principal paid on debt | (3,457) | - | (3,457) |
| Interest and amortization on debt | (405) | (167) | (572) |
| Net cash (used) by capital and related financing activities | (48,129) | (71,271) | (119,400) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends | 2,034 | 311 | 2,345 |
| Net cash provided by investing activities | 2,034 | 311 | 2,345 |
| Net increase (decrease) in cash and cash equivalents | (34,694) | 53,296 | 18,602 |
| Balances—beginning of the year | 1,517,990 | 302,103 | 1,820,093 |
| Balances—end of the year | \$ 1,483,296 | \$ 355,399 | \$ 1,838,695 |

Continued on next page

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

City of Bay St. Louis, Mississippi
Statement of Cash Flows (continued)
Proprietary Funds
Year Ended September 30, 2019

| | <u>Water & Sewer Fund</u> | <u>Municipal Harbor Fund</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------------|------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (2,900,356) | \$ (489,064) | \$ (3,389,420) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Cash flows reported in other categories | | | |
| Depreciation expense | 2,952,159 | 550,405 | 3,502,564 |
| Pension liabilities and deferrals | 25,971 | 12,791 | 38,762 |
| (Increase) decrease in assets: | | | |
| Accounts receivable | (4,783) | (20,941) | (25,724) |
| Inventories | 6,962 | (2,475) | 4,487 |
| Prepaid expenses | 1,134 | 1,711 | 2,845 |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | (90,537) | (3,098) | (93,635) |
| Wages payable | (6,632) | (3,032) | (9,664) |
| Accrued expenses | (250) | 3,611 | 3,361 |
| Customer deposits payable | 19,743 | - | 19,743 |
| Unearned revenue | (15,102) | (2,173) | (17,275) |
| Compensated absences | 3,469 | 6,136 | 9,605 |
| Net cash provided (used) by operating activities | <u>\$ (8,222)</u> | <u>\$ 53,871</u> | <u>\$ 45,649</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 1 – Summary of Significant Accounting Policies

The City of Bay St. Louis, Mississippi, (the “City”) was incorporated January 21, 1818, under the laws of the State of Mississippi. The City operates under a Mayor-Council form of government, which provides for an elected mayor and a seven-member council. The following services are authorized by the City’s charter: Public Safety (Police, Fire, Civil Defense and Protection Inspection), Street Maintenance and Sanitation, Garbage Collection, Water, Sewer and Gas Services, Public Improvements, Planning and Zoning, and General Administrative Services. The accounting and reporting policies of the City relating to the funds and accounts groups included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City’s governing board. As defined by accounting principles generally accepted in the United States of America, the City is considered a “primary government.” The City is governed by a seven-member council in which six members were elected by the citizens of each defined ward and one member elected at-large.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in Accounting Principles Generally Accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government’s reporting entity. Based upon the application of these criteria, the City has no component units.

Hancock County Utility Authority and Hancock County Solid Waste Authority

These potential component units were established by State Code and their governing boards are appointed jointly by the area governments’ governing bodies. These are independent units that select management staff, set user charges, establish budgets, and controls all aspects of their daily activities. These Authorities have been determined to be a joint venture of the participating agencies. See Note 12 for details.

B. Basis of Presentation

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

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the City as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus but use the accrual basis of accounting.

The City's proprietary funds apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of the proprietary funds are classified as operating and non-operating. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's primary operations. All other revenue and expenses are reported as non-operating.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major Governmental Funds:

General Fund - This is the City's primary operating fund. It is used to account for all activities of the general government for which a separate fund has not been established.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other assets.

PROPRIETARY FUNDS

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

It is the intent of the City Council that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and that periodic determination of revenues earned, expenses incurred, and net income be identified for capital maintenance, public policy, management control, account ability, or other purposes.

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers' Association.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City had an investment that included governmental bonds during the fiscal year.

F. Receivables

All trade receivables are shown net of an allowance for uncollectibles. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by customers of the water and sewer department since the City started providing these services to citizens. The allowances are based on trade receivables in excess of 120 days outstanding.

G. Inter-Fund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Noncurrent portions of inter-fund receivables and payables are reported as “advances to/from other funds.” Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned.

Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Any outstanding balances between fiduciary funds and the government-wide activities of the government are reported as Intra-entity balances and included in intergovernmental receivables on the Statement of Net Position.

H. Inventories

Governmental and proprietary fund inventories are valued at the lower of cost (first in, first out) or market. Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

I. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. However, as of September 30, 2019, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

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

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

The following schedule details those thresholds, estimated useful lives and salvage value percentage of cost:

| | Capitalization Threshold | Estimated Useful Life | Salvage Value (% of Cost) |
|-------------------------------|-----------------------------|--------------------------|------------------------------|
| Land | \$ - | N/A | N/A |
| Infrastructure | - | 20-60 years | 30% |
| Buildings | 50,000 | 40-50 years | 20% |
| Improvements | 25,000 | 40-50 years | 20% |
| Machinery & equipment | 5,000 | 3-15 years | 10% |
| Property under capital leases | * | * | * |

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

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources

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

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

Deferred amounts on pensions – Deferred outflows and inflows of resources should be reported when to show the City's proportionate share of amounts of the effects of actuarial differences and changes in assumptions to economic or demographic factors and differences between actual and projected earnings of multi-employer pension plan. In addition, a deferred inflow should be reported for employer contributions to the pension plan made subsequent to the measurement date.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements, but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

K. Pensions

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

L. Long-term Liabilities

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

In the government-wide financial statements and the Proprietary Fund financial information, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business activities Statement of Net Position.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

M. Compensated Absences

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured.

An employee may accumulate unused vacation leave hours and personal leave hours with limitation, however, cash payments upon employee termination or retirement are limited to a maximum of 30 days of an accumulated leave of pay. Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided in the financial statements. Unused sick leave balances may be credited to the Public Employee's Retirement System (PERS) as time worked.

N. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. The following are descriptions of fund classifications used by the City:

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is an order of the City Council as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as non-spendable and is neither restricted nor committed. Assignments of fund balance are created by management pursuant to authorization established by the Council.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

N. Fund Balance Policies (continued)

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

O. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

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

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

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

P. Intergovernmental Revenues in Governmental Funds

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

Q. Property Tax Revenues

Numerous statutes exist under which the City Council may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

S. Change in Accounting Standard

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current year as required: GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this standard have been incorporated into the financial statement and notes.

Note 2 – Cash

The carrying amount of the city’s total deposits with financial institutions at September 30, 2019, was \$5,033,198 and the bank balance was \$5,085,601. Of this amount \$893,564 is restricted for unemployment trust, debt service, grant funds, and utility customer’s deposits. The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

A summary of cash at September 30, 2019, is as follows:

| | Deposits with Financial | | Cash on | Total |
|-------------------------------------|-------------------------|----------------|------------|------------------|
| | Unrestricted | Restricted | | |
| Governmental-type activities | | | | |
| General Fund | \$ 1,891,264 | 141,798 | 200 | 2,033,262 |
| Other Governmental Funds | 814,062 | 347,179 | - | 1,161,241 |
| Total governmental activities | <u>2,705,326</u> | <u>488,977</u> | <u>200</u> | <u>3,194,503</u> |
| Business-type activities | | | | |
| Utility Fund | 1,078,509 | 404,587 | 200 | 1,483,296 |
| Harbor Fund | 355,199 | - | 200 | 355,399 |
| Total business-type activities | <u>1,433,708</u> | <u>404,587</u> | <u>400</u> | <u>1,838,695</u> |
| Total cash | <u>\$ 4,139,034</u> | <u>893,564</u> | <u>600</u> | <u>5,033,198</u> |

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 3 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2019, consisted of the following:

| | |
|--|---------------------|
| Taxes Receivables | |
| Property taxes: | |
| Current | \$ 27,768 |
| For future reporting period | 3,940,743 |
| Property taxes receivable | <u>3,968,511</u> |
| General sales taxes | 275,528 |
| Franchise taxes | 107,895 |
| Gaming fees and taxes | <u>147,551</u> |
| Total taxes receivable | <u>4,499,485</u> |
| | |
| Court fines receivable | 871,832 |
| Less: allowance for doubtful accounts | <u>(653,874)</u> |
| Total court fines receivable, net | <u>217,958</u> |
| | |
| Intergovernmental receivables | |
| Federal grants | 19,922 |
| State grants and contributions | <u>12,099</u> |
| Total other taxes and grants | <u>32,021</u> |
| | |
| Other receivables | <u>235</u> |
| | |
| Total receivable - governmental activities | <u>\$ 4,749,699</u> |

B. Business-type Activities

Receivable in the business-type activities at September 30, 2019, consisted of the following:

| | |
|---|--------------------|
| Intergovernmental receivable | \$ <u>3,190</u> |
| Customer accounts receivable | |
| Customer utility charges | 1,707,468 |
| Customer slip rentals | 41,951 |
| Customer accounts, earned but unbilled | 219,679 |
| Less: allowance for doubtful accounts | <u>(1,509,575)</u> |
| Total customer accounts receivable, net | <u>459,523</u> |
| | |
| Total receivable - business-type activities | <u>\$ 462,713</u> |

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of \$1,489,750 at September 30, 2019, has been provided in the Utility fund and \$19,825 in the Harbor fund for estimated uncollectible utility and slip charges.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 4 – Interfund Transactions and Balances

Government-wide Financial Statements

A. Internal Balances

At September 30, 2019, the City had the following interfund loans:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------|--------------------------|-------------------|
| Governmental Activities | Business-type Activities | \$ <u>104,835</u> |

These amounts represent residual monies loaned from the governmental activities to the business-type activities.

B. Transfers In/Out:

Transfers were made in the course of the year between the governmental and business-type activities for debt service.

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|-------------------------|--------------------------|------------------|
| Governmental Activities | Business-type Activities | \$ <u>18,287</u> |

Fund Financial Statements

A. Due From/To Other Funds:

During the course of the year, the utility and harbor funds allow the general fund to pay certain expenditures i.e. payroll and debt service expenses on a reimbursement basis. This reimbursement can lag the payment by the general fund causing a payable to the general fund.

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u> |
|-----------------------|-----------------------------------|-------------------|
| General Fund | Debt Service Fund | \$ 9,284 |
| General Fund | Sinking Fund - 2016 Road & Bridge | 18,186 |
| General Fund | County Road & Bridge Fund | 14,979 |
| General Fund | Utility Fund | 70 |
| Utility Fund | General Fund | 80,302 |
| Utility Fund | Debt Service Fund | 6,437 |
| Municipal Harbor Fund | General Fund | 18,166 |
| Municipal Harbor Fund | Utility Fund | 850 |
| Total | | \$ <u>148,274</u> |

B. Transfers In/Out:

Transfers were made in the course of the year primarily for debt service to various funds. Other transfers were made to reimburse the various funds for expenditures made on behalf of other fund purposes.

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> |
|---------------------------|-----------------------------------|---------------------|
| General Fund | Debt Service Fund | \$ 420,225 |
| General Fund | Municipal Reserve Fund | 265,000 |
| General Fund | Sinking Fund - 2016 Road & Bridge | 254,803 |
| General Fund | County Road & Bridge Fund | 147,952 |
| Katrina Recovery Fund | General Fund | 127,051 |
| County Road & Bridge Fund | Debt Service Fund | 70,000 |
| Utility Fund | Debt Service Fund | 18,287 |
| Total | | \$ <u>1,303,318</u> |

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 5 – Capital Assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2019:

| | <u>Balance</u> 10/1/2018 | <u>Additions</u> | <u>Adjustments/ Disposals</u> | <u>Balance</u> 9/30/2019 |
|---|-----------------------------|--------------------|-----------------------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 858,233 | - | - | 858,233 |
| Construction in Progress | 154,501 | 189,172 | (142,828) | 200,845 |
| Total capital assets not being depreciated | <u>1,012,734</u> | <u>189,172</u> | <u>(142,828)</u> | <u>1,059,078</u> |
| Capital assets being depreciated: | | | | |
| Buildings & Improvements | 29,578,279 | - | (38,099) | 29,540,180 |
| Infrastructure | 39,105,406 | - | - | 39,105,406 |
| Machinery & Equipment | 2,334,622 | 104,703 | (1) | 2,439,324 |
| Mobile Equipment | 2,517,846 | 58,734 | - | 2,576,580 |
| Equipment under Capital Leases | 1,863,102 | 173,173 | (64,815) | 1,971,460 |
| Total capital assets being depreciated | <u>75,399,255</u> | <u>336,610</u> | <u>(102,915)</u> | <u>75,632,950</u> |
| Less accumulated depreciation for: | | | | |
| Buildings & improvements | 4,668,380 | 610,292 | (19,617) | 5,259,055 |
| Infrastructure | 14,090,256 | 1,633,752 | (2) | 15,724,006 |
| Machinery & Equipment | 1,982,072 | 76,189 | (1) | 2,058,260 |
| Mobile Equipment | 2,213,643 | 24,430 | - | 2,238,073 |
| Equipment under Capital Leases | 760,465 | 251,439 | (14,093) | 997,811 |
| Total accumulated depreciation | <u>23,714,816</u> | <u>2,596,102</u> | <u>(33,713)</u> | <u>26,277,205</u> |
| Total capital assets being depreciated, net | <u>51,684,439</u> | <u>(2,259,492)</u> | <u>(69,202)</u> | <u>49,355,745</u> |
| Total governmental activities capital assets, net | <u>\$ 52,697,173</u> | <u>(2,070,320)</u> | <u>(212,030)</u> | <u>50,414,823</u> |

Depreciation expense was charged to the following governmental functions:

| | |
|--|---------------------|
| General Government | \$ 394,208 |
| Public Safety | 416,227 |
| Public Works | <u>1,785,667</u> |
| Total depreciation – governmental activities | <u>\$ 2,596,102</u> |

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 5 – Capital Assets (continued)

B. Business-type Activities

The following is a summary of business-type capital assets activity for the year ended September 30, 2019:

| | Balance 10/1/2018 | Additions | Adjustments/ Disposals | Balance 9/30/2019 |
|--|----------------------|--------------------|---------------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Construction in Progress | \$ - | 71,104 | - | 71,104 |
| Total capital assets not being depreciated | <u>-</u> | <u>71,104</u> | <u>-</u> | <u>71,104</u> |
| Capital assets being depreciated: | | | | |
| Building and Improvements | 118,603 | - | - | 118,603 |
| Water, Sewer & Gas Systems | 75,601,623 | - | - | 75,601,623 |
| Harbor Infrastructure | 21,766,381 | - | - | 21,766,381 |
| Machinery & Equipment | 633,582 | 44,267 | - | 677,849 |
| Mobile Equipment | 107,051 | - | - | 107,051 |
| Equipment under Capital Leases | 17,925 | - | - | 17,925 |
| Total capital assets being depreciated | <u>98,245,165</u> | <u>44,267</u> | <u>-</u> | <u>98,289,432</u> |
| Less accumulated depreciation for: | | | | |
| Building and Improvements | 80,627 | 1,000 | 1 | 81,628 |
| Water, Sewer & Gas Systems | 32,033,764 | 2,929,183 | - | 34,962,947 |
| Harbor Infrastructure | 2,286,539 | 544,159 | - | 2,830,698 |
| Machinery & Equipment | 466,452 | 26,609 | - | 493,061 |
| Mobile Equipment | 96,348 | - | - | 96,348 |
| Equipment under Capital Leases | 1,210 | 1,613 | - | 2,823 |
| Total accumulated depreciation | <u>34,964,940</u> | <u>3,502,564</u> | <u>1</u> | <u>38,467,505</u> |
| Total capital assets being depreciated, net | <u>63,280,225</u> | <u>(3,458,297)</u> | <u>(1)</u> | <u>59,821,927</u> |
| Total business-type activities capital assets, net | <u>\$ 63,280,225</u> | <u>(3,387,193)</u> | <u>(1)</u> | <u>59,893,031</u> |

Depreciation expense was charged to the following business-type functions:

| | |
|---|---------------------|
| Utility Fund | \$ 2,952,159 |
| Harbor Fund | <u>550,405</u> |
| Total depreciation – business-type activities | <u>\$ 3,502,564</u> |

C. Net Investment in Capital Assets/Net Position

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| Land | \$ 858,233 | - |
| Construction in progress | 200,845 | 71,104 |
| Other capital assets, net of accumulated depreciation | 49,355,745 | 59,821,927 |
| Less: related long-term debt outstanding - spent | <u>(4,731,331)</u> | <u>(12,243)</u> |
| Investment in capital assets, net of related debt | <u>\$ 45,683,492</u> | <u>59,880,788</u> |

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 5 – Capital Assets (continued)

D. Construction in Progress/Commitments

Construction work in progress for the governmental and business-type activities of the City is composed of the following:

| | <u>Money Spent to Date</u> | <u>Remaining Commitment</u> |
|--|--------------------------------|---------------------------------|
| Safe Routes to Schools | \$ 164,106 | 16,861 |
| 7 th Street Park | 36,236 | - |
| Total governmental activities | <u>200,342</u> | <u>16,861</u> |
| Pier 5 Harbor Improvements | <u>71,104</u> | <u>2,553,474</u> |
| Total business-type activities | <u>71,104</u> | <u>2,553,474</u> |
| Total construction in progress/commitments | \$ <u>271,446</u> | <u>2,570,335</u> |

Note 6 – Capital Leases

In prior fiscal years, the City has obtained lease financing for the purchase of mobile equipment and other machinery and equipment in the amounts of \$1,782,321. In the current year, the City obtained lease financing for the purchase of vehicles and machinery and equipment in the amount of \$173,173. These capital assets are listed on the schedules of capital assets as “Equipment under Capital Leases.” Title to the assets is held in the name of the City and the banks as lien holder. The City insures the assets and accounts for the leasing arrangements. Amortization of leased equipment under capital assets is included with depreciation expense. The following is a schedule of the City’s capital leases as of September 30, 2019:

| | <u>Matures</u> | <u>Original Issue</u> | <u>Stated Interest Rate</u> | <u>Present Value of Remaining Payments as of 09/30/2019</u> |
|--|----------------|---------------------------|---------------------------------|---|
| Governmental Activities | | | | |
| Kansas State Bank (11 Dodge Chargers) | August 2020 | \$ 419,638 | 2.71% | \$ 55,767 |
| Wells Fargo (Ferrara Pumper) | April 2026 | 495,516 | 2.31% | 356,224 |
| BancorpSouth (Kubota Tractor) | August 2022 | 75,898 | 2.41% | 45,380 |
| Suntrust Bank (Ferrara Fire Ladder Truck) | November 2023 | 579,947 | 2.82% | 307,857 |
| The First Bank (Kubota Excavator) | February 2023 | 24,706 | 2.85% | 16,857 |
| The First Bank (Public Works Equipment) | April 2023 | 63,610 | 3.50% | 48,665 |
| The First Bank (Backhoe Loader) | June 2023 | 66,134 | 2.85% | 53,346 |
| The First Bank (Vehicles) | March 2023 | 56,872 | 2.85% | 40,654 |
| The First Bank (Street Sweeper) | December 2023 | 136,963 | 4.25% | 116,184 |
| BancorpSouth (Dumptruck) | March 2024 | 36,210 | 3.89% | 32,897 |
| Total Governmental Activities | | | | <u>1,073,831</u> |
| Business-type Activities | | | | |
| The First Bank (Mini Excavator - Utility Fund) | February 2023 | 17,945 | 2.85% | 12,243 |
| Total PV of capital lease obligations | | | | \$ <u>1,086,074</u> |

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 6 – Capital Leases (continued)

The following is a schedule by years of the total payments due as of September 30, 2019:

| September 30, | Governmental Activities | | | Business-type Activities | | |
|---------------|-------------------------|---------------|------------------|--------------------------|------------|---------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | \$ 251,268 | 27,771 | 279,039 | \$ 3,552 | 312 | 3,864 |
| 2021 | 201,071 | 20,678 | 221,749 | 3,656 | 208 | 3,864 |
| 2022 | 205,451 | 14,968 | 220,419 | 3,763 | 101 | 3,864 |
| 2023 | 182,070 | 9,371 | 191,441 | 1,272 | 10 | 1,282 |
| 2024 | 126,310 | 5,278 | 131,588 | - | - | - |
| 2025-2026 | 107,661 | 3,750 | 111,411 | - | - | - |
| | <u>\$ 1,073,831</u> | <u>81,816</u> | <u>1,155,647</u> | <u>\$ 12,243</u> | <u>631</u> | <u>12,874</u> |

Equipment and related accumulated amortization under capital lease are as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| Equipment under capital leases | \$ 1,971,460 |
| Less: accumulated amortization | <u>(997,811)</u> |
| Total governmental activities | <u>973,649</u> |
| Business-type activities: | |
| Equipment under capital leases | 17,925 |
| Less: accumulated amortization | <u>(2,823)</u> |
| Total business-type activities | <u>15,102</u> |
| Net value of equipment under capital leases | <u>\$ 988,751</u> |

Note 7 – Court Fines Receivable/Deferred Inflows of Resources

Court fines receivables are recorded as deferred inflow of sources in the fund financial statements due to the funds using modified accrual basis. However, revenues received during the year are recorded in the government-wide financial statements on the full-accrual basis of accounting. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by citizens to the municipal courts since the City started providing court services. Court fines receivable at September 30, 2019, were \$871,832, of which an allowance of \$653,874 has been determined as uncollectible with \$217,958 deemed collectible.

Note 8 – Retirement Plans

A. Defined Benefit Pension Plan

The City contributes to the Public Employees’ Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public cities. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate for the period of October 1, 2018 through June 30, 2019 was 15.75% of annual covered payroll. The employer's rate for the period of July 1, 2019 through September 30, 2019, was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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

At September 30, 2019, the City reported a liability of \$9,443,371 in the governmental activities and \$1,287,732 in the business-type activities for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was .061%. For the year ended September 30, 2019, the City recognized \$838,031 of PERS pension expense for governmental activities and \$141,481 for the business-type activities.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | |
|---|--------------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | Total |
| Differences between expected and actual experience | \$ 5,586 | 762 | 6,348 |
| Changes in assumptions | 92,584 | 12,625 | 105,209 |
| Changes in proportion and differences between City contributions and proportionate share on contributions | 109,556 | 14,939 | 124,495 |
| City's contributions subsequent to the measurement date | 169,998 | 23,182 | 193,180 |
| Total | <u>\$ 377,724</u> | <u>51,508</u> | <u>429,232</u> |

At September 30, 2019, the City reported deferred inflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Inflows of Resources | | |
|--|-------------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | Total |
| Differences between expected and actual experience | \$ 10,165 | 1,386 | 11,551 |
| Net difference between projected and actual earnings on pension plan investments | 103,316 | 14,088 | 117,404 |
| Differences between City contributions and proportionate share on contributions | 17,082 | 2,330 | 19,412 |
| Total | <u>\$ 130,563</u> | <u>17,804</u> | <u>148,367</u> |

Deferred liabilities and assets, with the exception of differences between projected and actual investment earnings, are amortized over the average of expected remaining service lives. Differences between projected and actual investment earnings are amortized over 5 years.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

Within the deferred outflows, a net amount of \$193,180 of deferred outflows of resources is related to pensions resulting from the City’s contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2020.

The remaining amounts reported as deferred outflows of resources related to pensions of \$236,052 and deferred inflows of resources related to pensions of (\$148,367) netting to \$87,685 will be recognized in pension expense as follows:

| Year Ending | |
|----------------------|------------------|
| <u>September 30,</u> | |
| 2020 | \$ 81,485 |
| 2021 | (107,765) |
| 2022 | 64,971 |
| 2023 | <u>48,994</u> |
| | <u>\$ 87,685</u> |

Actuarial assumptions

The total pension liabilities in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75 percent |
| Salary increases | 3.00 - 18.25 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019; valuation was based on the results of an actuarial experience study for the four-year period ending June 30, 2018. The experience report is dated April 2, 2019.

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

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 27.00 % | 4.90 % |
| International Equity | 22.00 | 4.75 |
| Global Equity | 12.00 | 5.00 |
| Fixed Income | 20.00 | 1.50 |
| Real Assets | 10.00 | 4.00 |
| Private Equity | 8.00 | 6.25 |
| Cash | 1.00 | 0.25 |
| Total | 100.00 % | |

Discount rate

The discount rate used to measure the total pension liability for PERS was 7.75 percent, which was based on the future long-term expected rate of return of 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.0%) and that employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.4%) thereafter. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine each plan’s total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|------------------------------------|------------------------|-------------------------------------|------------------------|
| City’s Proportionate share of PERS | \$ 14,106,407 | \$ 10,731,103 | \$ 7,945,093 |

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report which can be obtained at www.pers.ms.gov.

Three-year Trend Information

The following table provides the employer contribution to PERS for the last three fiscal years:

| Fiscal Years | Employer |
|---------------|----------------------|
| <u>Ending</u> | <u>Contributions</u> |
| 2019 | \$ 654,681 |
| 2018 | 623,273 |
| 2017 | 618,402 |

B. Deferred Compensation Plan

The City offers employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Great-West Life & Annuity Insurance Company, permits employees to defer a portion of their salary until future years. All plan assets are held by Great West Life & Annuity Insurance Company for the exclusive benefit of the participants and their beneficiaries and are not subject to the claims of the City’s general creditors.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 9 – Long-term Debt

Bonds, notes and other long-term debt payable at September 30, 2019, are comprised of the following:

| | <u>Matures</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Amount Outstanding</u> |
|--|----------------|---------------------------|--------------------------|-----------------------------------|
| Governmental Activities: | | | | |
| General Obligation Bonds | | | | |
| GO Katrina Loan Refunding Bonds, Series 2010 | March 2020 | \$ 1,075,000 | 2.47% | \$ 107,500 |
| GO Road and Construction Bonds, Series 2016 | March 2036 | 4,000,000 | 2.50% | <u>3,550,000</u> |
| Total General Obligation Bonds | | | | 3,657,500 |
| Total Capital Leases Payable - <i>See Note 6</i> | Various | 1,955,415 | Various | <u>1,073,831</u> |
| Total Bonds and Capital Leases Payable | | | | 4,731,331 |
| Compensated Absences Payable | | | | <u>236,126</u> |
| Total Governmental Activities Debt | | | | <u><u>4,967,457</u></u> |
| Business-type Activities: | | | | |
| Total Capital Leases Payable - <i>See Note 6</i> | February 2023 | 17,945 | 2.85% | 12,243 |
| Compensated Absences Payable | | | | <u>49,253</u> |
| Total Business-type Activities Outstanding Debt | | | | <u><u>61,496</u></u> |
| Total Government-wide Outstanding Debt | | | | \$ <u><u>5,028,953</u></u> |

A. Governmental Activities

Transactions for the year ended September 30, 2019, are summarized as follows:

| | <u>Balance 10/1/2018</u> | <u>Additions</u> | <u>Principal Reductions</u> | <u>Balance 9/30/2019</u> | <u>Due Within one Year</u> |
|------------------------|------------------------------|-----------------------|---------------------------------|------------------------------|--------------------------------|
| Bonds Payable | \$ 3,920,000 | - | (262,500) | 3,657,500 | 267,500 |
| Capital Leases Payable | 1,225,019 | 173,173 | (324,361) | 1,073,831 | 251,268 |
| Compensated Absences | <u>218,221</u> | <u>198,540</u> | <u>(180,635)</u> | <u>236,126</u> | <u>61,069</u> |
| | \$ <u><u>5,363,240</u></u> | <u><u>371,713</u></u> | <u><u>(767,496)</u></u> | <u><u>4,967,457</u></u> | <u><u>579,837</u></u> |

General Obligation Bonds, Series 2017 – In 2017, the City issued \$4,000,000 in general obligation bonds to be used for road and construction improvements in the City. The bond is to be repaid over 20 years, maturing in March 2036 and carries an interest rate of 2.5%. Payment on this bond will be made from general ad valorem tax collections.

General Obligation – Katrina Loan Refunding Bond, Series 2010 – In 2010, the City issued \$1,075,000 in general obligation refunding bonds to be used to cover the costs associated with Hurricane Katrina for public improvements and repairs in the City. The bond is to be repaid over 10 years, maturing in 2020, and carries a fixed interest rate of 2.47%. Payment on this bond will be made from general ad valorem tax collections.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 9 – Long-term Debt (continued)

A. Governmental Activities (continued)

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

| <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-----------------|------------------|
| 2020 | \$ 267,500 | 88,078 | 355,578 |
| 2021 | 165,000 | 82,687 | 247,687 |
| 2022 | 170,000 | 78,500 | 248,500 |
| 2023 | 175,000 | 74,187 | 249,187 |
| 2024 | 180,000 | 69,750 | 249,750 |
| 2025-2029 | 1,005,000 | 276,185 | 1,281,185 |
| 2030-2034 | 1,170,000 | 140,624 | 1,310,624 |
| 2035-2036 | 525,000 | 13,187 | 538,187 |
| | <u>\$ 3,657,500</u> | <u>823,198</u> | <u>4,480,698</u> |

B. Business-type Activities

Transactions for the year ended September 30, 2019, are summarized as follows:

| | <u>Balance</u> | | <u>Principal</u> | <u>Balance</u> | <u>Due Within</u> |
|------------------------------------|------------------|------------------|-------------------|------------------|-------------------|
| | <u>10/1/2018</u> | <u>Additions</u> | <u>Reductions</u> | <u>9/30/2019</u> | <u>one Year</u> |
| Capital Leases - <i>See Note 6</i> | \$ 15,700 | - | (3,457) | 12,243 | 3,552 |
| Compensated Absences | 39,648 | 44,642 | (35,037) | 49,253 | 12,685 |
| Total business-type activities | <u>\$ 55,348</u> | <u>44,642</u> | <u>(38,494)</u> | <u>61,496</u> | <u>16,237</u> |

C. Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2019, the amount of outstanding debt was equal to 3.3% of the latest property assessments.

D. Compensated Absences

Compensated absences will be paid from the funds from which the employees' salaries were paid.

Note 10 – Property, Sales and Gaming Taxes Revenue

A. Property Tax Revenues

The City levies a tax on real and personal property based on the assessed value of property as compiled by the information extracted from the City assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as of January 1. Taxes on real and personal property are levied by the City Council at the first regular meeting in September.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 10 – Property, Sales and Gaming Taxes Revenue (continued)

A. Property Tax Revenues (continued)

In accordance with the Mississippi Code of 1972, as amended, the City Council may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding ten years or a minimum of 20 mills. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2019, was 28.75 mills or \$28.75 per \$1,000 of assessed valuation.

Property taxes at the fund level are recorded as receivables and deferred inflow of resources at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

B. General Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Bay St. Louis) back to the City monthly. General sales tax revenue reported in the General Fund was \$1,698,472.

C. Gaming Fees and Taxes Revenue

The City receives gain revenues from a casino located within the corporate City limits as follows:

Gross Revenue Gaming Tax and Gaming Device Tax

The gross revenue gaming tax is imposed and collected by the State of Mississippi which is similar to sales tax and is remitted to the City. The gaming device tax is similar to a personal property tax and is assessed on all gaming devices maintained by the casino; this tax is also collected by the State of Mississippi. The amount of tax recognized as gaming revenue and gaming devices is \$1,804,095 and \$98,500 respectively.

Boarding Fees

The City has negotiated a contractual amount of boarding fees to be paid directly to the City on a monthly basis and is based on gross gaming revenues. In the year ended September 30, 2019, the City collected \$107,311 in boarding fees.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 11 – Risk Management and Contingencies

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through, public entity risk pools.

Worker's Compensation Fund – The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Mississippi Municipal Liability Plan – The City pays premiums to the pool for its liability and tort claims. The plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$500,000 and \$50,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums, and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

Claims and Judgments – The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks exceeded commercial insurance coverage in the amount of \$100,000 in 2019.

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

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel has advised us that the possibility exists of a liability resulting from these lawsuits. These lawsuits may have a material adverse effect on the financial condition of the City in the future. A liability, in the amount of \$100,000 has been recorded for this contingency in the current year ended September 30, 2019.

Note 12 – Commitments and Contingencies

A joint venture is a legal entity or other organization that results from contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or on ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2019

Note 12 – Commitments and Contingencies (continued)

A jointly governed organization is similar in nature to a joint venture in that they provide goods and services to the citizenry of two or more governments. However, they do not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments.

Hancock County Regional Solid Waste Management Authority

The Hancock County Regional Solid Waste Management Authority (the Authority) is a governmental entity originally formed by an agreement between the City of Bay St. Louis, Mississippi, the City of Waveland, Mississippi and Hancock County, Mississippi pursuant to the Interlocal Cooperation Act of 1974. The Authority was officially incorporated in March 1998 pursuant to incorporation agreement entered into in December 1997. The Authority is to function for purposes of solid waste management for the participating units of local government, the Cities of Bay St. Louis, Waveland, Diamondhead and Hancock County, Mississippi, in fulfilling their obligations to establish, operate and maintain a garbage collections and disposal system.

The Authority is governed by a Board of Commissioners composed of eight commissioners two appointed by Hancock County Board of Supervisors and the remaining appointed by the member units of local government pursuant to the Act.

Pursuant to the terms of the agreement with the Authority, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$530,583 for the year.

A complete copy of the 2019 financial statements should be on file at the administrative offices of the Authority which are located at 854 US Highway 90, Bay St. Louis, MS 39520 or may be obtained by calling (228) 549-2052.

Hancock County Utility Authority

The City of Bay St. Louis contracts with the Hancock County Utility Authority (the “Utility Authority”), whereby the Utility Authority disposes of the City’s wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control law and the Federal Water Pollution Control Act.

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$1,037,944 for the year.

A complete copy of the 2019 financial statements should be on file at the administrative offices of the Authority which are located at 401 Gulfside Street, Waveland, MS 39576 or may be obtained by calling (228) 467-3702.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2019

Note 13 – Subsequent Events

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through September 17, 2020, the date the financial statements were available to be issued, and determined the following noteworthy subsequent event:

In December of 2019, the City executed contracts in the amount of \$2,553,474 for the construction of Pier 5 in the City's harbor.

In May of 2020, the City purchased land in the amount of \$328,000 for the construction of a boat launch in the northwestern part of the City.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state, and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the City is not reasonably estimable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget to Actual - (Prepared on the Budgetary Basis)
Year Ended September 30, 2019
(UNAUDITED)

| | Budgeted Amounts | | Actual Budgetary Basis | Variances | |
|--|------------------|------------------|------------------------------|-------------------------|--------------------|
| | | | | Favorable (Unfavorable) | |
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Taxes | \$ 5,763,695 | \$ 5,768,497 | \$ 5,906,931 | \$ 4,802 | \$ 138,434 |
| Licenses and permits | 446,000 | 465,000 | 601,629 | 19,000 | 136,629 |
| Fines and Fees | 166,500 | 125,000 | 163,046 | (41,500) | 38,046 |
| Gaming | 2,041,100 | 2,033,500 | 2,004,833 | (7,600) | (28,667) |
| Grants | 99,500 | 216,324 | 178,671 | 116,824 | (37,653) |
| Donations | - | - | 52,650 | - | 52,650 |
| Interest | 750 | 750 | 4,020 | - | 3,270 |
| Other | 660,726 | 571,035 | 619,966 | (89,691) | 48,931 |
| Total revenues | <u>9,178,271</u> | <u>9,180,106</u> | <u>9,531,746</u> | <u>1,835</u> | <u>351,640</u> |
| Expenditures: | | | | | |
| General government: | | | | | |
| Personnel services | 1,160,983 | 1,127,035 | 1,110,687 | 33,948 | 16,348 |
| Supplies | 1,029,522 | 1,274,545 | 1,135,412 | (245,023) | 139,133 |
| Other services and charges | 41,634 | 42,814 | 35,035 | (1,180) | 7,779 |
| Capital outlay | 26,000 | 29,870 | 22,835 | (3,870) | 7,035 |
| Total general government | <u>2,258,139</u> | <u>2,474,264</u> | <u>2,303,969</u> | <u>(216,125)</u> | <u>170,295</u> |
| Public safety: | | | | | |
| Personnel services | 3,061,471 | 2,984,489 | 2,851,130 | 76,982 | 133,359 |
| Supplies | 179,361 | 181,361 | 148,657 | (2,000) | 32,704 |
| Other services and charges | 119,400 | 99,400 | 93,780 | 20,000 | 5,620 |
| Capital outlay | 111,051 | 71,087 | 42,337 | 39,964 | 28,750 |
| Total public safety | <u>3,471,283</u> | <u>3,336,337</u> | <u>3,135,904</u> | <u>134,946</u> | <u>200,433</u> |
| Public works: | | | | | |
| Personnel services | 1,173,319 | 1,064,615 | 961,392 | 108,704 | 103,223 |
| Supplies | 1,097,167 | 1,103,117 | 1,050,444 | (5,950) | 52,673 |
| Other services and charges | 89,700 | 138,700 | 118,035 | (49,000) | 20,665 |
| Capital outlay | 70,300 | 71,000 | 55,299 | (700) | 15,701 |
| Total public works | <u>2,430,486</u> | <u>2,377,432</u> | <u>2,185,170</u> | <u>53,054</u> | <u>192,262</u> |
| Debt service | <u>580,087</u> | <u>345,888</u> | <u>394,565</u> | <u>234,199</u> | <u>(48,677)</u> |
| Total expenditures | <u>8,739,995</u> | <u>8,533,921</u> | <u>8,019,608</u> | <u>206,074</u> | <u>514,313</u> |
| Excess (deficiency) of revenues over expenditures | <u>438,276</u> | <u>646,185</u> | <u>1,512,138</u> | <u>207,909</u> | <u>865,953</u> |
| Other Financing Sources (Uses) : | | | | | |
| Transfers in | - | 100,000 | 100,000 | 100,000 | - |
| Transfers out | (386,740) | (744,740) | (752,755) | (358,000) | (8,015) |
| Total other financing sources and uses | <u>(386,740)</u> | <u>(644,740)</u> | <u>(652,755)</u> | <u>(258,000)</u> | <u>(8,015)</u> |
| Net Change in Fund Balance | <u>\$ 51,536</u> | <u>\$ 1,445</u> | <u>\$ 859,383</u> | <u>\$ (50,091)</u> | <u>\$ 857,938</u> |

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

City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information
Budgetary Schedule
Year Ended September 30, 2019
(UNAUDITED)

A. Budgetary Information.

State statutes authorize the State Auditor to regulate the municipal budget process. Expenditures must be defined to the minimum level prescribed by the State Auditor. The State Auditor has set this level at the purpose level. Municipalities are prohibited from spending in excess of the lowest level adopted in the budget except for capital outlay, election expense and emergency warrants.

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

| | | |
|---|------------------|-------------------------|
| Net Change in fund balance - Budget-Cash Basis | \$ | 859,383 |
| Revenues/Transfers per Cash-basis Budget | \$ 9,631,746 | |
| Accrued revenues | <u>(141,846)</u> | 141,846 |
| Revenues/Transfers per Fund Financial Statements | <u>9,773,592</u> | |
| Expenditures/Transfers per Cash-basis Budget | 8,772,363 | |
| Accrued expenses | <u>(20,849)</u> | 20,849 |
| Expenditures/Transfers per Fund Financial Statement | <u>8,751,514</u> | |
| Lease/Insurance proceeds not budgeted | <u>77,454</u> | <u>77,454</u> |
| Net Change in fund balance - Fund Financials | \$ | <u><u>1,099,532</u></u> |

City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information
Budgetary Schedule
Year Ended September 30, 2019
(UNAUDITED)

D. Budgetary Data

The procedures used by the City in establishing budget are mandated by Mississippi State law. A brief summary of the City's policies for recording budgetary data in the financial statements are as follows:

- 1) Prior to August 1, the Mayor submits to the Council a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) No later than September 15, the budget is legally enacted through passage of a resolution.
- 4) Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.
- 5) Budgets for the governmental and proprietary funds are adopted on a cash basis except for expenditures which include those paid within 30 days of the fiscal year end as required by state statute.

City of Bay St. Louis, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years¹
Year Ended September 30, 2019
(UNAUDITED)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|-------------|-------------|-------------|-------------|
| City's proportion of the net pension liability (asset) | 0.061% | 0.062% | 0.060% | 0.061% | 0.064% |
| City's proportionate share of the net pension liability (asset) | \$ 10,731,103 | 9,979,782 | 9,974,036 | 10,896,124 | 9,893,138 |
| City's covered payroll | \$ 4,429,013 | 3,989,181 | 3,859,956 | 3,927,149 | 3,949,302 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 242.29% | 250.17% | 258.40% | 277.46% | 250.50% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% |

¹ The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10-years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

City of Bay St. Louis, Mississippi
Schedule of the City's Contributions
Last 10 Fiscal Years¹
Year Ended September 30, 2019
(UNAUDITED)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|
| Actuarially determined contribution | \$ 654,681 | 623,273 | 618,402 | 571,586 | 614,636 |
| Contributions in relation to the actuarially determined contribution | <u>654,681</u> | <u>623,273</u> | <u>618,402</u> | <u>571,586</u> | <u>614,636</u> |
| Contribution deficiency (excess) | \$ <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| City's covered payroll | \$ 4,051,244 | 3,957,289 | 3,926,362 | 3,629,117 | 3,902,451 |
| Contributions as a percentage of covered payroll | 16.16% | 15.75% | 15.75% | 15.75% | 15.75% |

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information
Pension Schedules
Year Ended September 30, 2019
(UNAUDITED)

Pension Schedules

A. Changes in assumptions

➤ 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

➤ 2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

➤ 2016

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

City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information
Pension Schedules
Year Ended September 30, 2019
(UNAUDITED)

Pension Schedules

A. Changes in assumptions (continued)

➤ 2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

B. Changes in benefit provisions

➤ 2016

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

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 36.6 years |
| Asset valuation method | 5-year smoothed market |
| Price inflation | 3.00 percent |
| Salary increase | 3.25 percent to 18.50 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

SUPPLEMENTAL INFORMATION

City of Bay St. Louis, Mississippi
Schedule of Surety Bonds
(Required by State of Mississippi)
Year Ended September 30, 2019
(UNAUDITED)

| Position | Name | Bond |
|---------------------------------------|-----------------------|-------------|
| Mayor | Michael Favre | \$ 100,000 |
| Councilman at Large | Gary Knoblock | 100,000 |
| Councilman at Large | Phillip D. Seal, Jr. | 100,000 |
| Councilman at Large | Joshua Martin Desalvo | 100,000 |
| Councilman at Large | William Zimmerman | 100,000 |
| Councilman at Large | Larry Smith | 100,000 |
| Councilman at Large | Eugene Hoffman | 100,000 |
| Councilman at Large | Jeffrey Read | 100,000 |
| City Clerk/Comptroller | Sissy Gonzales | 100,000 |
| Deputy City Clerk | Dana Feuerstein | 50,000 |
| Harbor Master | Charles Fortin | 50,000 |
| Deputy Harbor Master | Duane Caughlin | 50,000 |
| Clerk of Council | Lisa Tilley | 50,000 |
| Deputy Clerk of Council/Utility Clerk | Caitlin Bourgeois | 50,000 |
| Accounting Clerk | Kimberly Dobraska | 50,000 |
| Human Resources Officer | Jamie Faver | 50,000 |
| Court Clerk | Clementine Sheppard | 50,000 |
| Deputy Court Clerk | Rachael Smith | 50,000 |
| Deputy Court Clerk | Susan Kihneman | 50,000 |
| Utility Supervisor | Patricia Tice | 50,000 |
| Utility Clerk | Mary Ann Bremer | 50,000 |
| Utility Clerk | Linda Garcia | 50,000 |
| NTF Officer | E J Taylor, Jr | 50,000 |
| Harbor Security | Derek White | 50,000 |
| Chief of Police | Gary Ponthieux | 50,000 |
| Deputy Chief of Police | Alvin Kingston | 50,000 |
| Police Clerk | Tammy Brady | 50,000 |
| Police Clerk | Chenea Cardinale | 50,000 |
| Departmental | Police Department | 25,000 |

SPECIAL REPORTS

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

Honorable Mayor and City Council of the
City of Bay St. Louis, Mississippi

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 the City of Bay St. Louis, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Bay St. Louis, Mississippi's basic financial statements and have issued our report thereon dated September 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bay St. Louis, Mississippi'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 of Bay St. Louis, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bay St. Louis, Mississippi's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-01 that we consider to be a significant deficiency.

Compliance and Other Matters

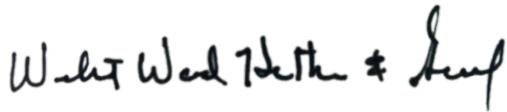
As part of obtaining reasonable assurance about whether the City of Bay St. Louis, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City of Bay St. Louis, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Bay St. Louis, Mississippi'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. However, this report is a matter of public record and its distribution is not limited.



Wright, Ward, Hatten & Guel
Gulfport, MS
September 17, 2020

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Honorable Mayor and City Council of
City of Bay St. Louis, Mississippi

In planning and performing our audit of the financial statements of the City of Bay St. Louis, Mississippi for the year ended September 30, 2019, we considered the City of Bay St. Louis, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Bay St. Louis, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 17, 2020, on the financial statements of the City of Bay St. Louis, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

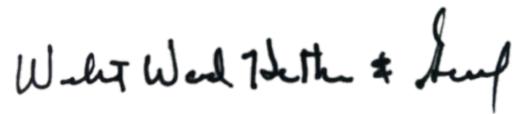
The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

| | |
|----------------|--|
| 1. | Inventory Asset Tags |
| Repeat Finding | Yes -1 |
| Criteria | Assets meeting the criteria as outlined in Mississippi Municipal Fixed Assets Management Manual should be physically tagged. |
| Condition | Assets were not physically tagged as required. |
| Cause | Continued employee turnover, budget restraints and lack of training of an employee to assume the duties of Fixed Assets Control Clerk. |

| | |
|----------------------------------|--|
| Effect | Failure to properly tag assets can lead to the inability to identify lost or stolen assets in a timely manner. The lack of an asset tag can also allow for easier theft of the asset. |
| Recommendation | We recommend the city follow the requirement for asset tagging as outlined in the MS Municipal Fixed Assets Management Manual. |
| Views of Responsible Official(s) | The city has assigned asset inventory to a new employee in the finance department and is currently training the employee on the proper procedures to comply with the state fixed assets guide. The city hopes to improve this situation by the completion of the next audit. |
| 2. | Publication of 10% Budgetary Changes |
| Repeat Finding | No |
| Criteria | When a budgetary change of 10% or more is made to a department's budget, legal publication of the change must be made. (Section 21-35-25) |
| Condition | Budgetary changes to three department's budgets exceeded 10% or more. |
| Cause | Incomplete publication was made of the budgetary changes. |
| Effect | Noncompliance with state law. (Section 21-35-23) |
| Recommendation | We recommend the city review budget changes and, in the event, the 10% is exceeded to promptly make legal publication of the change. |
| Views of Responsible Official(s) | The city has changed the way budget amendments that exceed 10% are published to include a description of each amendment. |
| 3. | Commodity purchase contracts |
| Repeat Finding | No |
| Criteria | Purchases in excess of \$5,000 but less than \$50,000 should have at least two quotes or competitive bid, term contracts in place. |
| Condition | One vendor had four purchases between \$5,000 and \$8,000 that did not have two bids or term contracts in place. |
| Cause | Improper review of purchases between \$5,000 and \$50,000. |
| Effect | Noncompliance with state law. (Section 31-7-13) |
| Recommendation | We recommend the city obtain competitive bids for repetitive purchasing lessening the need for constantly must get two quotes for repetitive purchases or obtain two bids for all purchases between \$5,000 and \$50,000. |
| Views of Responsible Official(s) | The city has hired a new purchase clerk and it has been stressed to this individual the need for two bids on purchases between \$5,000 and \$50,000. |

The City of Bay St. Louis's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Wright, Ward, Hatten & Guel". The signature is written in a cursive, slightly slanted style.

Wright, Ward, Hatten & Guel
Gulfport, MS
September 17, 2020

**CITY OF BAY ST. LOUIS, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2019**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Section 1: Summary of Auditor’s Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor’s report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified? | Yes |
| 3. | Noncompliance material related to the financial statement noted? | No |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

| | |
|----------------|---|
| 2019-001 | Utility Billing and Consumption |
| Repeat Finding | Yes 2018-002 |
| Criteria | Customer billings should be reviewed each month, prior to printing and mailing, for incorrectly calculated account balances and for excessive amounts of unbilled consumption. In-Code consumption meter readings must be updated along with the adjustments to the customer’s account in order to verify that the amount of water being billed each month is the true amount of water that has been used for each customer’s account. |
| Condition | The In-Code system is not properly setup to register and record new utility customers first bill if there has been consumption at the property after the last final bill has been paid by the previous tenant. This results in large “roll over” bills which require manual entry to adjust the customer’s account balance to the true amount of consumption on the account. This must be done manually before mailing. |
| Cause | There is no regular review process by utility personnel of the “roll-over” bills to correct the bill and the related consumption. |
| Effect | The consumption amounts on the monthly billing reports are not accurate and relevant to determine true unbilled consumption. |
| Recommendation | We recommend that the Utility department carefully monitor system prompts for accounts that need attention as well as review consumption summary reports and compare them with monthly billings to determine if account adjustments need to be made. It is also recommended that the department contact In-Code customer service and determine if there are any system adjustments that can be made to stop “Roll-Over” bills from occurring in the first place. If this error cannot be resolved, it is recommended that the department develop a formal review process for handling this situation. |

AUDITEE'S CORRECTIVE ACTION PLAN



**Corrective Action Plan
Year Ended September 30, 2019**

2019-001 Utility Billing and Consumption

 (Prior Year Audit Finding)

Response: Due to repeat findings and staffing issues, in June of 2020 both the meter reading function and billing function were outsourced to an outside contractor. These tasks will be performed by the contractor for the foreseeable future to help resolve billing issues and incorrect reads to get a more accurate billing each month.