

CITY OF BAY ST. LOUIS, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2020

CITY OF BAY ST. LOUIS, MISSISSIPPI
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INTRODUCTORY SECTION

CITY OF BAY ST. LOUIS, MISSISSIPPI
Elected Officials and Appointed Department Heads
For the Year Ended September 30, 2020
UNAUDITED

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 Ward At-Large	Gary Knoblock

APPOINTED DEPARTMENT HEADS

City Clerk	Sissy Gonzales
City Attorney	Heather Smith
Police Department	Gary Ponthieux
Fire Department	Monty Strong
Public Works	Kim "Pots" Favre

FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA
CHARLENE KERKOW, CPA
SHARI L. BREEDEN, CPA
ROBERT D. FOREMAN, CPA

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-8501
FAX NUMBER (228) 863-8544
EMAIL: OFFICE@WWHGCPA.COM

INDEPENDENT AUDITOR'S REPORT

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

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, 2020, 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.

Auditors' 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 City of Bay St. Louis, Mississippi, as of September 30, 2020, and the respective changes in financial position, 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 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 August 12, 2021, 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 August 12, 2021, 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, Mississippi
August 12, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2020
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, 2020 and 2019. 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, 2020, is 15,066. The median household income is \$39,721 with over 90.6% of persons 25 years or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position decreased \$3,042,757 or 3% from 2019 primarily due to increased grant and bond revenues expended in the current year and utility depreciation expense.
- General revenues amounted to \$8,232,508 or 53% of total revenues. This amount decreased \$259,069 from 2019. Program revenues amounted to \$7,311,946 or 47% of total revenues, which increased \$1,318,947 from 2019. This increase was mostly due to an increase in charges for services.
- Capital assets, net of accumulated depreciation, decreased by \$1,458,698 in the governmental activities and decreased \$2,384,748 in the business-type activities during 2019. The decrease in stems primarily from annual depreciation.
- Long-term debt increased by \$93,860 in the governmental activities primarily due to new capital leased assets. This amount also includes a \$15,114 decrease in compensated absences which represents amounts that would be due to an employee from the City upon termination of employment. Long-term debt decreased by \$7,530 in the business-type activities. The City's total debt outstanding at September 30, 2020 is \$5,115,283 which the liability for compensated absences is \$266,287.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$9,392,067 in revenues, which shows a decrease of \$81,301 from 2019 and \$8,171,580 in expenditures, an increase of \$508,046 from 2019, in the current year. The General Fund's fund balance increased by \$920,731.

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2020
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 2020?" 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 takes 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 2020 compared to 2019.

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2020
UNAUDITED

TABLE 1
Condensed Statement of Net Position
September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 10,239,077	8,132,437	1,871,048	2,287,301	12,110,125	10,419,738
Capital assets	48,956,125	50,414,823	57,508,283	59,893,031	106,464,408	110,307,854
Total Assets	59,195,202	58,547,260	59,379,331	62,180,332	118,574,533	120,727,592
Deferred Outflows	884,101	377,724	109,270	51,508	993,371	429,232
Liabilities						
Current liabilities	621,542	456,201	561,522	471,754	1,183,064	927,955
Non-current liabilities	15,661,512	14,410,828	1,364,102	1,349,228	17,025,614	15,760,056
Total Liabilities	16,283,054	14,867,029	1,925,624	1,820,982	18,208,678	16,688,011
Deferred Inflows	4,021,401	4,071,306	879	17,804	4,022,280	4,089,110
Net Position						
Investment in capital assets, net of related debt	44,115,820	45,683,492	57,499,592	59,880,788	101,615,412	105,564,280
Restricted net assets	579,739	403,765	107,873	-	687,612	403,765
Unrestricted	(4,920,711)	(6,100,608)	(45,367)	512,266	(4,966,078)	(5,588,342)
Total Net Position	\$ 39,774,848	39,986,649	57,562,098	60,393,054	97,336,946	100,379,703

TABLE 2
Condensed Statement of Activities
September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues	\$ 2,573,882	1,631,846	4,738,064	4,361,153	7,311,946	5,992,999
General revenues	8,197,312	8,464,143	35,196	27,434	8,232,508	8,491,577
Total revenues	10,771,194	10,095,989	4,773,260	4,388,587	15,544,454	14,484,576
Expenses:						
General government	2,643,653	2,967,571	-	-	2,643,653	2,967,571
Public safety	4,026,879	3,845,345	-	-	4,026,879	3,845,345
Public works	4,206,026	4,083,324	-	-	4,206,026	4,083,324
Interest on long-term debt	126,719	84,898	-	-	126,719	84,898
Utility	-	-	6,435,015	6,491,449	6,435,015	6,491,449
Harbor	-	-	1,148,919	1,213,975	1,148,919	1,213,975
Total expenses	11,003,277	10,981,138	7,583,934	7,705,424	18,587,211	18,686,562
Transfers	20,282	18,287	(20,282)	(18,287)	-	-
Increase (Decrease) in net assets	(211,801)	(866,862)	(2,830,956)	(3,335,124)	(3,042,757)	(4,201,986)
Net Position - beginning, restated	39,986,649	40,853,511	60,393,054	63,728,178	100,379,703	104,581,689
Net Position - ending	\$ 39,774,848	39,986,649	57,562,098	60,393,054	97,336,946	100,379,703

CITY OF BAY ST. LOUIS, MISSISSIPPI
 Management's Discussion and Analysis
 For the Year Ended September 30, 2020
 UNAUDITED

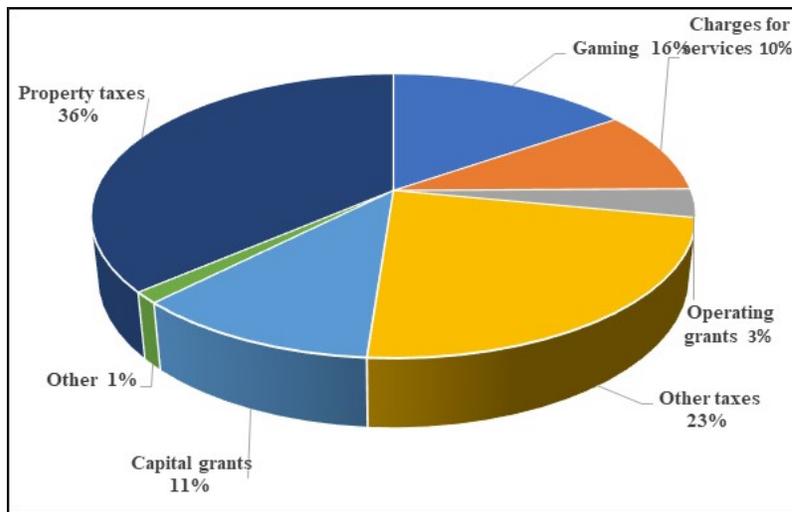
Governmental Activities

Total net position in the governmental activities decreased \$211,801 up from a \$866,862 decrease in 2019.

Under the accrual basis of accounting, general revenues amounted to \$8,197,312 or 76% of total revenues. This amount decreased \$266,831 from 2019. Program revenues amounted to \$2,573,882 or 24% of total revenues, which increased \$942,036 from 2019.

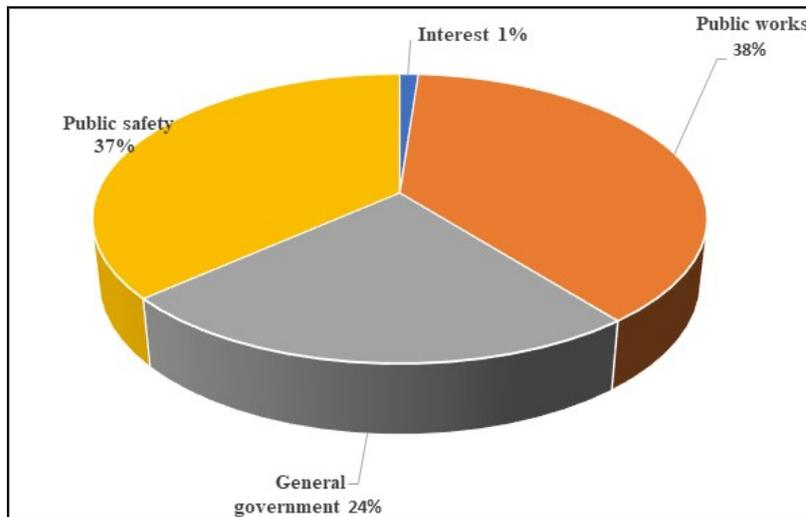
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

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
For the Year Ended September 30, 2020
UNAUDITED

Business-type activities

Net position for the business-type activities was \$57,562,098 a decrease of \$2,830,956. Charges for services decreased approximately \$262,677.

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 funds are the General and Road & Bridge funds.

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 recognized 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
For the Year Ended September 30, 2020
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 2020, 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 over spending by individual departments.

Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2020 and 2019.

TABLE 3
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,186,282	858,233	-	-	1,186,282	858,233
Construction in progress	92,568	200,845	1,016,489	71,104	1,109,057	271,949
Buildings and Improvements	23,670,833	24,281,124	35,975	36,975	23,706,808	24,318,099
Infrastructure	22,013,754	23,381,400	56,114,571	59,574,359	78,128,325	82,955,759
Machinery & equipment	346,920	381,065	178,606	184,788	525,526	565,853
Mobile equipment	386,563	338,507	149,153	10,703	535,716	349,210
Leased equipment	1,259,205	973,649	13,489	15,102	1,272,694	988,751
Total	\$ 48,956,125	50,414,823	57,508,283	59,893,031	106,464,408	110,307,854

The primary decrease in capital assets occurred due to depreciation.

General Long-term Obligations

At September 30, 2020, the City had \$5,115,283 outstanding debt obligations, which included \$226,827 of compensated absences payable.

TABLE 4
Schedule of Long-term Debt
September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 3,390,000	3,657,500	-	-	3,390,000	3,657,500
Capital Leases	1,450,305	1,073,831	8,691	12,243	1,458,996	1,086,074
Compensated Absences	221,012	236,126	45,275	49,253	266,287	285,379
Total	\$ 5,061,317	4,967,457	53,966	61,496	5,115,283	5,028,953

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid over time 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.

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2020
UNAUDITED

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 (Continued)
September 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 3,840,768	1,840,526	5,681,294
Taxes receivables	4,662,254	-	4,662,254
Customer accounts receivable (net of allowance)	-	583,466	583,466
Fines receivable (net of allowance)	233,938	-	233,938
Intergovernmental receivables	764,464	3,135	767,599
Internal balances	663,952	(663,952)	-
Prepaid items	73,701	41,536	115,237
Inventory for resale	-	66,337	66,337
Total Current Assets	<u>10,239,077</u>	<u>1,871,048</u>	<u>12,110,125</u>
Capital assets			
Land and construction in progress	1,278,850	1,016,489	2,295,339
Other capital assets (net of depreciation):			
Buildings and improvements	23,670,833	35,975	23,706,808
Infrastructure	22,013,754	56,114,571	78,128,325
Machinery and equipment	346,920	178,606	525,526
Mobile equipment	386,563	149,153	535,716
Equipment under capital leases	1,259,205	13,489	1,272,694
Total Capital Assets	<u>48,956,125</u>	<u>57,508,283</u>	<u>106,464,408</u>
Total Assets	<u>59,195,202</u>	<u>59,379,331</u>	<u>118,574,533</u>
Deferred Outflow of Resources			
Deferred amounts on pension	884,101	109,270	993,371
Total Deferred Outflow of Resources	<u>884,101</u>	<u>109,270</u>	<u>993,371</u>
Liabilities			
Current liabilities:			
Claims and wages payable	428,828	129,696	558,524
Accrued interest payable	64,630	-	64,630
Revenue not earned	18,065	46,568	64,633
Payable to other governments	88,019	-	88,019
Payable from restricted assets - Customer deposits	22,000	385,258	407,258
Noncurrent Liabilities:			
Net pension liability	10,600,195	1,310,136	11,910,331
Due within one year			
Capital debt	426,481	3,552	430,033
Noncapital debt	52,370	11,471	63,841
Due in more than one year			
Capital debt	4,413,824	5,139	4,418,963
Noncapital debt	168,642	33,804	202,446
Total Liabilities	<u>16,283,054</u>	<u>1,925,624</u>	<u>18,208,678</u>
Deferred Inflows of Resources			
Property tax for future reporting period	4,014,285	-	4,014,285
Deferred amount on pension	7,116	879	7,995
Total Deferred Inflows of Resources	<u>4,021,401</u>	<u>879</u>	<u>4,022,280</u>
Net Position			
Investment in capital assets, net of related debt	44,115,820	57,499,592	101,615,412
Restricted Net Position:			
Non-expendable	73,701	107,873	181,574
Expendable:			
Restricted for debt service	221,010	-	221,010
Restricted for grant/bond purposes	285,028	-	285,028
Unrestricted	(4,920,711)	(45,367)	(4,966,078)
Total Net Position	<u>\$ 39,774,848</u>	<u>57,562,098</u>	<u>97,336,946</u>

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

City of Bay St. Louis, Mississippi
Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 2,643,653	806,045	-	-	\$ (1,837,608)		(1,837,608)
Public safety	4,026,879	211,140	350,250	166,045	(3,299,444)		(3,299,444)
Public works	4,206,026	-	-	1,040,402	(3,165,624)		(3,165,624)
Interest on long-term debt	126,719	-	-	-	(126,719)		(126,719)
Total governmental activities	<u>11,003,277</u>	<u>1,017,185</u>	<u>350,250</u>	<u>1,206,447</u>	<u>(8,429,395)</u>		<u>(8,429,395)</u>
Business-type activities:							
Utility fund	6,435,015	3,831,463	-	-		(2,603,552)	(2,603,552)
Harbor fund	1,148,919	721,557	-	185,044		(242,318)	(242,318)
Total business-type activities	<u>7,583,934</u>	<u>4,553,020</u>	<u>-</u>	<u>185,044</u>		<u>(2,845,870)</u>	<u>(2,845,870)</u>
Total government	<u>\$ 18,587,211</u>	<u>5,570,205</u>	<u>350,250</u>	<u>1,391,491</u>		<u>(2,845,870)</u>	<u>(11,275,265)</u>
General Revenues:							
Taxes:							
Property taxes, general					3,645,322	-	3,645,322
Property taxes, debt service					103,238	-	103,238
Property taxes, community support					166,069	-	166,069
General sales and use taxes					1,759,740	-	1,759,740
Road and bridge privilege taxes					315,762	-	315,762
Franchise taxes					414,335	-	414,335
Gaming fees and taxes					1,654,373	-	1,654,373
Grants and contributions not restricted to a special purpose					61,934	-	61,934
Unrestricted investment earnings					25,589	11,019	36,608
Miscellaneous					50,950	24,177	75,127
Total general revenues					<u>8,197,312</u>	<u>35,196</u>	<u>8,232,508</u>
Transfers					20,282	(20,282)	-
Total general revenues and transfers					<u>8,217,594</u>	<u>14,914</u>	<u>8,232,508</u>
Changes in net position					(211,801)	(2,830,956)	(3,042,757)
Net position - beginning					<u>39,986,649</u>	<u>60,393,054</u>	<u>100,379,703</u>
Net position - ending					<u>\$ 39,774,848</u>	<u>57,562,098</u>	<u>97,336,946</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, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,699,190	1,141,578	3,840,768
Receivables:			
Property taxes	4,093,851	-	4,093,851
General sales taxes	291,800	-	291,800
Franchise taxes	123,529	-	123,529
Gaming fees and taxes	153,074	-	153,074
Intergovernmental	377,514	386,950	764,464
Court fines & fees	233,938	-	233,938
Other	-	-	-
Due from other funds	31,371	707,491	738,862
Prepaid items	73,701	-	73,701
Total Assets	<u>8,077,968</u>	<u>2,236,019</u>	<u>10,313,987</u>
LIABILITIES			
Liabilities:			
Claims payable	113,568	69,356	182,924
Wages and payroll taxes payable	245,904	-	245,904
Payable to other governments	88,019	-	88,019
Due to other funds	53,586	21,324	74,910
Customer deposits	22,000	-	22,000
Grant revenue unearned	18,065	-	18,065
Total Liabilities	<u>541,142</u>	<u>90,680</u>	<u>631,822</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes for future reporting period	4,014,285	-	4,014,285
Unavailable revenue - fines	233,938	-	233,938
Total Deferred Inflows of Resources	<u>4,248,223</u>	<u>-</u>	<u>4,248,223</u>
FUND BALANCES			
Non-spendable			
Prepaid items	73,701	-	73,701
Assigned:			
Municipal reserve	-	1,385,862	1,385,862
Road & bridges	-	188,809	188,809
Restricted:			
Unemployment reserves	46,434	-	46,434
Grant purposes	-	285,027	285,027
Debt service	-	285,641	285,641
Unassigned	3,168,468	-	3,168,468
Total Fund Balances	<u>3,288,603</u>	<u>2,145,339</u>	<u>5,433,942</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,077,968</u>	<u>2,236,019</u>	<u>10,313,987</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, 2020

Total governmental funds balance		\$ 5,433,942
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	\$ 77,770,903	
Less: accumulated depreciation	<u>(28,814,778)</u>	48,956,125
Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.		
Bonds payable	\$ (3,390,000)	
Capital leases payable	(1,450,305)	
Compensated absences	<u>(221,012)</u>	(5,061,317)
Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.		
Court fines receivable	<u>\$ 233,938</u>	233,938
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		(10,600,195)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the		
Deferred outflows of resources related to pensions	\$ 884,101	
Deferred inflows of resources related to pensions	<u>(7,116)</u>	876,985
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(64,630)</u>
Net position of governmental activities		<u><u>\$ 39,774,848</u></u>

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 Balance – Governmental Funds
For the Fiscal Year Ended September 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,914,629	-	3,914,629
General sales and use taxes	1,675,991	83,749	1,759,740
Franchise fees	414,335	-	414,335
Gaming fees and taxes	1,654,373	-	1,654,373
Licenses and permit fees	505,395	-	505,395
Intergovernmental	670,532	1,263,861	1,934,393
Charges for services/rentals	60,650	-	60,650
Fines and forfeitures	195,160	-	195,160
Investment earnings	17,076	8,513	25,589
Administrative fees	240,000	-	240,000
Miscellaneous	43,926	-	43,926
Total Revenues	9,392,067	1,356,123	10,748,190
Expenditures:			
General government	2,131,118	8,917	2,140,035
Public safety	3,258,764	-	3,258,764
Public works	2,135,289	293,009	2,428,298
Capital outlay	646,409	432,467	1,078,876
Debt service:			
Principal	-	517,186	517,186
Interest and other fiscal charges	-	124,353	124,353
Total Expenditures	8,171,580	1,375,932	9,547,512
Excess (Deficiency) of Revenues Over Expenditures	1,220,487	(19,809)	1,200,678
Other Financing Sources (Uses):			
Proceeds from capital leases	626,160	-	626,160
Insurance proceeds	7,024	-	7,024
Transfers in	-	1,023,222	1,023,222
Transfers out	(932,940)	(70,000)	(1,002,940)
Total Other Financing Sources (Uses)	(299,756)	953,222	653,466
Net change in fund balances	920,731	933,413	1,854,144
Fund balances - beginning	2,367,872	1,211,926	3,579,798
Fund balances - ending	\$ 3,288,603	2,145,339	5,433,942

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
 For the Fiscal Year Ended September 30, 2020

Net Change in Fund Balances - total governmental funds **\$ 1,854,144**

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	\$ 1,078,876	
Depreciation	<u>(2,537,574)</u>	(1,458,698)

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

Debt retirement	\$ 517,186	
Debt issuance	<u>(626,160)</u>	(108,974)

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 accou

15,980

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 measurement date		(527,001)
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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		(2,366)
Compensated absences		<u>15,114</u>

Change in net position of governmental activities **\$ (211,801)**

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, 2020

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Assets			
Current assets:			
Cash	\$ 1,424,072	416,454	1,840,526
Intergovernmental receivables	-	3,135	3,135
Customer accounts receivable, net	571,813	11,653	583,466
Interfund receivable	21,670	724	22,394
Prepaid insurance	36,179	5,357	41,536
Inventory for resale	31,370	34,967	66,337
Total current assets	<u>2,085,104</u>	<u>472,290</u>	<u>2,557,394</u>
Non-current assets			
Capital assets:			
Construction in progress	-	1,016,489	1,016,489
Buildings	118,603	-	118,603
Infrastructure	75,601,623	21,766,381	97,368,004
Mobile equipment	245,501	-	245,501
Machinery and equipment	693,085	34,834	727,919
Less accumulated depreciation	(38,573,525)	(3,394,708)	(41,968,233)
Total non-current assets	<u>38,085,287</u>	<u>19,422,996</u>	<u>57,508,283</u>
Total Assets	<u>40,170,391</u>	<u>19,895,286</u>	<u>60,065,677</u>
Deferred outflow of resources			
Deferred outflow - pension liability	73,211	36,059	109,270
Total deferred outflow of resources	<u>73,211</u>	<u>36,059</u>	<u>109,270</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	31,122	76,666	107,788
Accrued wages	15,670	6,238	21,908
Interfund payables	11,023	675,323	686,346
Unearned revenue	12,965	33,603	46,568
Notes payable	3,552	-	3,552
Customer deposits	385,258	-	385,258
Total current liabilities	<u>459,590</u>	<u>791,830</u>	<u>1,251,420</u>
Non-current liabilities:			
Net pension liability	877,791	432,345	1,310,136
Notes payable	5,139	-	5,139
Compensated absences	30,605	14,670	45,275
Total non-current liabilities	<u>913,535</u>	<u>447,015</u>	<u>1,360,550</u>
Total liabilities	<u>1,373,125</u>	<u>1,238,845</u>	<u>2,611,970</u>
Deferred inflow of resources			
Deferred inflow - pension liability	589	290	879
Total deferred inflow of resources	<u>589</u>	<u>290</u>	<u>879</u>
Net position			
Investment in capital assets, net of related debt	38,076,596	19,422,996	57,499,592
Restricted - Nonexpendable	67,549	40,324	107,873
Unrestricted	725,743	(771,110)	(45,367)
Total net position	<u>\$ 38,869,888</u>	<u>18,692,210</u>	<u>57,562,098</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
For the Fiscal Year Ended September 30, 2020

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Revenues:			
Charges for services	\$ 3,831,463	-	3,831,463
Slip rental fees	-	438,446	438,446
Fuel sales	-	283,111	283,111
Miscellaneous operating revenues	3,678	16,097	19,775
Total operating revenues	3,835,141	737,654	4,572,795
Operating expenses:			
Personal services	666,685	255,110	921,795
Natural gas and fuel purchases	219,206	180,010	399,216
Waste collection and disposal	542,058	2,698	544,756
Wastewater treatment	1,116,149	-	1,116,149
Other supplies and expenses	227,983	-	227,983
Other contractual	712,302	160,695	872,997
Depreciation	2,950,322	550,406	3,500,728
Total operating expenses	6,434,705	1,148,919	7,583,624
Operating income (loss)	(2,599,564)	(411,265)	(3,010,829)
Non-operating revenues (expenses)			
Interest and investment revenue	9,468	1,551	11,019
Interest expense	(310)	-	(310)
Insurance proceeds	4,402	-	4,402
Capital grant income	-	185,044	185,044
Transfers out	(20,282)	-	(20,282)
Total non-operating revenues (expenses)	(6,722)	186,595	179,873
Change in net position	(2,606,286)	(224,670)	(2,830,956)
Net Position - beginning	41,476,174	18,916,880	60,393,054
Total net position - ending	\$ 38,869,888	18,692,210	57,562,098

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

City of Bay St. Louis, Mississippi
Statement Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2020

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 3,733,119	760,092	4,493,211
Cash paid to employees	(689,200)	(283,034)	(972,234)
Cash paid to suppliers	(421,153)	(149,399)	(570,552)
Cash paid to contractors	(2,404,659)	(163,393)	(2,568,052)
Net cash provided by (used in) operating activities	<u>218,107</u>	<u>164,266</u>	<u>382,373</u>
Cash Flows From Non-Capital Financing Activities			
Advances from (to) other funds	<u>(116,748)</u>	<u>655,583</u>	<u>538,835</u>
Net cash flows from non-capital financing activities	<u>(116,748)</u>	<u>655,583</u>	<u>538,835</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	(170,591)	(945,389)	(1,115,980)
Non-operating receipts for capital expenditures	4,402	185,044	189,446
Repayment of notes payable	(3,552)	-	(3,552)
Interest and amortization on debt	(310)	-	(310)
Net cash used in capital and related financing activities	<u>(170,051)</u>	<u>(760,345)</u>	<u>(930,396)</u>
Cash Flows From Investing Activities			
Interest received	<u>9,468</u>	<u>1,551</u>	<u>11,019</u>
Net cash flows from investing activities	<u>9,468</u>	<u>1,551</u>	<u>11,019</u>
Net increase (decrease) in cash	(59,224)	61,055	1,831
Cash - October 1	<u>1,483,296</u>	<u>355,399</u>	<u>1,838,695</u>
Cash - September 30	<u>\$ 1,424,072</u>	<u>416,454</u>	<u>1,840,526</u>

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

City of Bay St. Louis, Mississippi
Statement Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended September 30, 2020

	Utility Fund	Harbor Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used In) Operating Activities:			
Operating income (loss)	\$ (2,599,564)	(411,265)	(3,010,829)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,950,322	550,406	3,500,728
(Increase) decrease in assets:			
Accounts receivable	(134,416)	13,663	(120,753)
Intergovernmental receivable		(3,135)	(3,135)
Inventory		(9,374)	(9,374)
Prepaid expenses	(5,226)	(2,545)	(7,771)
Pension related assets	(38,787)	(18,975)	(57,762)
Increase (decrease) in liabilities:			
Claims and wages payable	1,951	43,513	45,464
Customer deposits payable	33,815	-	33,815
Unearned revenue	(1,421)	11,910	10,489
Pension related liabilities	7,807	(2,328)	5,479
Compensated absences	3,626	(7,604)	(3,978)
Net cash provided by (used in) operating activities	\$ 218,107	164,266	382,373

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, 2020

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 ventures 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, 2020

Note 1 - Summary of Significant Accounting Policies (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, 2020

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.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2020

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, 2020

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, 2020, 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, 2020

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 or 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, 2020

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 without limitation, however, cash payments upon employee termination or retirement are limited to a maximum of 30 days of a 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 vacation and 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

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.

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.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

S. Reporting Changes and New Accounting Pronouncements for Future Implementation

Reporting Changes

Effective for fiscal year 2020 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*. Effective for reporting periods beginning after June 15, 2019.
- Statement No. 84, *Fiduciary Activities*. Effective for reporting periods beginning after December 15, 2019.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Effective for reporting periods beginning after June 15, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for reporting periods beginning after December 15, 2020.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*. Effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

Note 2 – Deposits

The carrying amount of the city's total deposits with financial institutions at September 30, 2020, was \$5,681,294 and the bank balance was \$5,736,746. 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).

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, 2020

Note 3 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2020, consisted of the following:

Taxes Receivables	
Property taxes	
Current	\$ 34,200
For future reporting period	4,059,651
	4,093,851
Property taxes receivable	4,093,851
Sales taxes	291,800
Franchise taxes	123,529
Gaming fees and taxes	153,074
Total taxes receivable	4,662,254
Court fines receivable	935,755
Less: allowance for doubtful accounts	(701,817)
Total court fines receivable, net	233,938
Intergovernmental receivables	
Federal grants	708,548
State grants and contributions	55,916
Total other taxes and grants	764,464
Total receivable - governmental activities	\$ 5,660,656

B. Business-type Activities

Receivable in the business-type activities at September 30, 2020, consisted of the following:

Customer accounts receivable:	
Customer utility charges (billed)	\$ 1,842,523
Customer slip rental charges (billed)	39,158
Customer accounts, earned but unbilled	170,561
Less: allowance for doubtful accounts	(1,468,776)
Total customer accounts receivable, net	583,466
Intergovernmental receivable	3,135
Total receivable - business-type activities	\$ 586,601

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of 1,441,271 at September 30, 2020, has been provided in the Utility fund and \$27,505 in the Harbor fund for estimated uncollectible utility and slip charges.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 4 – Interfund Transactions and Balances

Government-wide Financial Statements

A. Internal Balances

At September 30, 2020, the City had the following interfund loans:

Receivable Fund	Payable Fund	Amount
Business-type Activities	Governmental Activities	\$ 663,952

Fund Financial Statements

A. Interfund Receivables/Payables (Due to/Due from)

During the course of the year, certain expenditures were paid on a reimbursement basis requiring the City to borrow monies at year-end from the general fund in order to prevent a deficit cash balance in certain funds. Allocation percentages of federal reimbursement for construction projects caused expenditures to be paid from the wrong fund requiring many “due to/due from” transactions requiring cash transfer after year end.

Receivable Fund	Payable Fund	Amount
General Fund	Municipal Reserve	\$ 21,324
General Fund	Harbor Fund	10,047
Municipal Reserve Fund	Harbor Fund	665,276
Municipal Reserve Fund	Utility Fund	3,862
Debt Service Fund	General Fund	20,571
Debt Service Fund	Utility Fund	6,437
Road & Bridge Fund	General Fund	11,345
Utility Fund	General Fund	21,670
Harbor Fund	Utility Fund	724
Total		\$ 761,256

B. Transfers In/Out:

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

Transfers In	Transfers Out	Amount
Fire Rebate Fund	General Fund	\$ 39,262
1/4 Mil Fund	General Fund	32,670
Municipal Reserve Fund	General Fund	215,000
Debt Service Fund	General Fund	267,360
Debt Service Fund	Road & Bridge Fund	70,000
Debt Service Fund	Utility Fund	20,282
Road & Bridge Fund	General Fund	378,648
Total		\$ 1,023,222

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 5 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2020:

	Balance 9/30/2019	Additions	Adjustments/ Disposals	Balance 9/30/2020
Capital assets not being depreciated:				
Land	\$ 858,233	328,049	-	1,186,282
Construction in Progress	200,845	422,564	(530,841)	92,568
Total capital assets not being depreciated	<u>1,059,078</u>	<u>750,613</u>	<u>(530,841)</u>	<u>1,278,850</u>
Capital assets being depreciated:				
Buildings & Improvements	29,540,179	-	-	29,540,179
Infrastructure	39,105,406	202,792	-	39,308,198
Machinery & Equipment	2,439,325	6,178	16,175	2,461,678
Mobile Equipment	2,576,580	23,974	419,638	3,020,192
Equipment under Capital Leases	1,971,460	626,160	(435,814)	2,161,806
Total capital assets being depreciated	<u>75,632,950</u>	<u>859,104</u>	<u>(1)</u>	<u>76,492,053</u>
Less accumulated depreciation for:				
Buildings & improvements	5,259,055	610,291	-	5,869,346
Infrastructure	15,724,006	1,570,436	2	17,294,444
Machinery & Equipment	2,058,260	39,956	16,542	2,114,758
Mobile Equipment	2,238,073	85,054	310,502	2,633,629
Equipment under Capital Leases	997,811	231,837	(327,047)	902,601
Total accumulated depreciation	<u>26,277,205</u>	<u>2,537,574</u>	<u>(1)</u>	<u>28,814,778</u>
Total Capital assets being depreciated, net	<u>49,355,745</u>	<u>(1,678,470)</u>	<u>-</u>	<u>47,677,275</u>
Total governmental activities capital assets, net	<u>\$ 50,414,823</u>	<u>(927,857)</u>	<u>(530,841)</u>	<u>48,956,125</u>

Depreciation expense was charged to the following governmental functions:

General Government	\$ 388,716
Public Safety	432,451
Public Works	1,716,407
	<u>\$ 2,537,574</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

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, 2020:

	Balance 10/1/2019	Additions	Adjustments/ Sales	Balance 9/30/2020
Capital assets not being Depreciated:				
Construction in Progress	\$ 71,104	945,385	-	1,016,489
Total capital assets not being depreciated	<u>71,104</u>	<u>945,385</u>	<u>-</u>	<u>1,016,489</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	677,849	32,145	-	709,994
Mobile Equipment	107,051	138,450	-	245,501
Equipment under Capital Leases	17,925	-	-	17,925
Total capital assets being depreciated	<u>98,289,432</u>	<u>170,595</u>	<u>-</u>	<u>98,460,027</u>
Less accumulated depreciation for:				
Building and Improvements	81,628	1,000	-	82,628
Water, Sewer & Gas Systems	34,962,947	2,915,629	-	37,878,576
Harbor Infrastructure	2,830,698	544,159	-	3,374,857
Machinery & Equipment	493,061	38,327	-	531,388
Mobile Equipment	96,348	-	-	96,348
Equipment under Capital Leases	2,823	1,613	-	4,436
Total accumulated depreciation	<u>38,467,505</u>	<u>3,500,728</u>	<u>-</u>	<u>41,968,233</u>
Total Capital assets being depreciated, net	<u>59,821,927</u>	<u>(3,330,133)</u>	<u>-</u>	<u>56,491,794</u>
Total business-type activities capital assets, net	<u>\$ 59,893,031</u>	<u>(2,384,748)</u>	<u>-</u>	<u>57,508,283</u>

Depreciation expense was charged to the following governmental functions:

Utility Fund	\$ 2,950,322
Harbor Fund	550,406
Total depreciation - business-type activities	<u>\$ 3,500,728</u>

C. Net Investment in Capital Assets/Net Position

	Governmental Activities	Business-type Activities
Land	\$ 1,186,282	-
Construction in progress	92,568	1,016,489
Other capital assets, net of accumulated depreciation	47,677,275	56,491,794
Less: related long-term debt outstanding - spent	(4,840,305)	(8,691)
	<u>\$ 44,115,820</u>	<u>57,499,592</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 6 – Capital Leases

The City has obtained lease financing for the purchase of mobile equipment and other machinery. Title to the assets is held in the name of the City and the various 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, 2020:

Issuer	Leased Equipment	Matures	Original Issue	Stated Interest Rate	Present Value of Remaining Payments as of 09/30/2020
Governmental Activities					
Wells Fargo	2016 Ferrara Pumper	April 2026	495,516	2.31%	308,761
BancorpSouth	2017 Kubota King Cutter M-511	August 2022	75,898	2.41%	30,179
Suntrust Leasing	Ferrera Fire Ladder Truck	November 2023	579,947	2.82%	251,263
The First Bank	2018 Kuboa Excavator	February 2023	24,706	2.85%	11,978
The First Bank	2 Zero Turn Mowers/ Duraspray Patcher	April 2023	63,610	3.50%	39,583
The First Bank	2018 Cat Backhoe/Loader	June 2023	66,134	2.85%	40,727
The First Bank	Silverado -Police Chief/ Silverado-Mayor	March 2023	56,872	2.85%	29,452
The First Bank	Street Sweeper	December	136,963	4.25%	90,173
Bancorp South	2018 Ford F350 Dump Truck	March 2024	36,210	3.89%	26,075
The First Bank	2019 Ford F150 Police	November 2024	43,789	3.50%	22,134
REV Financial	Ferrara Rescue Pumper	July 2030	44,019	2.24%	599,980
Total Governmental Activities					<u>1,450,305</u>
Business-type Activities					
The First Bank	Mini Excavator	February 2023	17,945	2.85%	8,691
Total Business-type Activities					<u>8,691</u>

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

	Governmental Activities	Business-type Activities	Total
Equipment under capital leases	\$ 2,161,806	17,925	2,179,731
Less: accumulated amortization	(902,601)	(4,436)	(907,037)
Net value of equipment under capital leases	<u>\$ 1,259,205</u>	<u>13,489</u>	<u>1,272,694</u>

The following is a schedule by years of the total payments due as of September 30, 2020:

September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 261,481	33,627	295,108	\$ 3,656	208	3,864
2022	267,311	26,469	293,780	3,763	101	3,864
2023	247,783	20,692	268,475	1,272	10	1,282
2024	189,314	15,136	204,450	-	-	-
2025	113,381	10,914	124,295	-	-	-
2026-2030	371,035	22,848	393,883	-	-	-
	<u>\$ 1,450,305</u>	<u>129,686</u>	<u>1,579,991</u>	<u>\$ 8,691</u>	<u>319</u>	<u>9,010</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

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, 2020, were \$935,755, of which an allowance of \$701,817 has been determined as uncollectible with \$179,582 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.

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, 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).

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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 and the Board's authority to determine contribution rates are established by Miss. Code Ann. §25-11-1 et seq., (1972, as amended) and may be amended only by the 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 as of September 30, 2020, 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.

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

At September 30, 2020, the City reported a liability of \$10,600,195 in the governmental activities and \$1,310,136 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, 2020, 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, 2020, the City's proportion was .062%. For the year ended September 30, 2020, the City recognized \$1,064,137 of PERS pension expense for governmental activities and \$131,522 for the business-type activities.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 92,011	11,372	103,383
Changes of assumptions	59,298	7,329	66,627
Net difference between projected and actual earnings on pension plan investments	435,416	53,815	489,231
Differences between City contributions and proportionate share on contributions	130,378	16,114	146,492
City's contributions subsequent to the measurement date	166,998	20,640	187,638
Total	<u>\$ 884,101</u>	<u>109,270</u>	<u>993,371</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

At September 30, 2020, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between City contributions and proportionate share on contributions	7,116	879	7,995
Total	\$ 7,116	879	7,995

Within the deferred outflows, a net amount of \$187,638 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 \$805,733 and deferred inflows of resources related to pensions of \$(7,995) netting to 797,738 will be recognized in pension expense as follows:

Year Ending September 30,	
2021	\$ 109,316
2022	283,631
2023	247,145
2024	157,646
	\$ 797,738

Actuarial assumptions

The total pension liabilities in the June 30, 2020, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 - 18.5 percent, including inflation
Investment rate of return	7.75 percent (net of pension plan investment expense, including inflation)

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	N/A
Total	<u>100.00 %</u>	

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 at the current contribution rate (17.4%). 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.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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	\$ 15,416,461	\$ 11,910,331	\$ 9,016,366

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 Ending	Employer Contributions
2020	\$ 702,782
2019	654,681
2018	623,273

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, 2020

Note 9 – Long-term Debt

Bonds, notes and other long-term debt payable at September 30, 2020, are comprised of the following:

	Matures	Original Issue	Interest Rate	Amount Outstanding
Governmental Activities:				
General Obligation Bonds				
GO Road and Construction Bonds, Series 2016	March 2036	4,000,000	2.50%	3,390,000
Total General Obligation Bonds				3,390,000
Capital Leases Payable - <i>See Note 6</i>	Various	1,623,664	Various	1,450,305
Total Bonds and Capital Leases Payable				4,840,305
Compensated Absences Payable				221,012
Total Governmental Activities				<u>\$ 5,061,317</u>
Business-type Activities:				
Capital Leases Payable - <i>See Note 6</i>	Various	17,945	Various	8,691
Compensated Absences Payable				45,275
Total Business-type Activities				<u>\$ 53,966</u>
Total Government-wide Outstanding Debt				<u>\$ 5,115,283</u>

A. Governmental Activities

Transactions for the year ended September 30, 2020, are summarized as follows:

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020	Within one Year
General Obligation Bonds	\$ 3,657,500	-	(267,500)	3,390,000	165,000
Capital Leases Payable	1,073,831	626,160	(249,686)	1,450,305	261,481
Compensated Absences	236,126	177,993	(193,107)	221,012	52,370
	<u>\$ 4,967,457</u>	<u>804,153</u>	<u>(710,293)</u>	<u>5,061,317</u>	<u>478,851</u>

General Obligation Bonds, Series 2016 – In 2016, 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.

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

September 30,	Principal	Interest	Total
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	190,000	65,125	255,125
2026-2030	1,035,000	250,684	1,285,684
2031-2035	1,210,000	110,875	1,320,875
2036	265,000	3,312	268,312
	<u>\$ 3,390,000</u>	<u>735,120</u>	<u>4,125,120</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 9 – Long-term Debt (continued)

B. Business-type Activities

Transactions for the year ended September 30, 2020, are summarized as follows:

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020	Due Within one Year
Capital Leases Payable	\$ 12,243	-	(3,552)	8,691	3,552
Compensated Absences	49,253	37,014	(40,992)	45,275	11,471
Total business-type activities	<u>\$ 61,496</u>	<u>37,014</u>	<u>(44,544)</u>	<u>53,966</u>	<u>15,023</u>

C. Compensated Absences

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

D. 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, 2020, the amount of outstanding debt was equal to 3.3% of the latest property assessments.

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.

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, 2020, was 82.75 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.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2020

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

A. Property Tax Revenues (continued)

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 \$1,675,991.

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 \$1,479,795 and 95,300 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, 2020, the City collected \$79,278 in boarding fees.

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.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2020

Note 11 – Risk Management and Contingencies (continued)

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 have not exceeded commercial insurance coverage in any of the past three fiscal years.

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. No liability has been recorded for this contingency, in that an amount is indeterminable.

Note 12 – Commitments and Contingencies

A. Joint Ventures

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.

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.

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2020

Note 12 – Commitments and Contingencies (continued)

A. Joint Ventures (continued)

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 \$542,058 for the year.

A complete copy of the 2020 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

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 \$1,116,149 for the year.

A complete copy of the 2020 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, 2020

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 August 12, 2021, (the date the financial statements were available to be issued), and determined that the no significant subsequent events have occurred requiring disclosure in the notes to the financial statement.

Note 14 – Worldwide Pandemic

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 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)
For the Fiscal Year Ended September 30, 2020
(UNAUDITED)

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Original	Final
	Original	Final			
Revenues:					
Taxes	5,867,464	5,886,881	5,936,243	19,417	49,362
Licenses and permits	487,000	501,000	503,649	14,000	2,649
Fines and Fees	159,000	194,000	195,890	35,000	1,890
Gaming	2,033,500	1,636,948	1,648,206	(396,552)	11,258
Grants	211,463	157,961	98,102	(53,502)	(59,859)
Interest	750	17,000	17,076	16,250	76
Other	538,840	479,075	557,122	(59,765)	78,047
Total Revenues	9,298,017	8,872,865	8,956,288	(425,152)	83,423
Expenditures:					
General government:					
Personnel services	1,289,778	1,152,895	1,136,916	136,883	15,979
Supplies	1,760,696	1,838,338	926,895	(77,642)	911,443
Other services and charges	41,700	40,525	34,431	1,175	6,094
Capital outlay	100,645	14,257	6,747	86,388	7,510
Total general government	3,192,819	3,046,015	2,104,989	146,804	941,026
Public safety:					
Personnel services	3,113,031	2,912,100	2,911,040	200,931	1,060
Supplies	198,831	209,977	180,983	(11,146)	28,994
Other services and charges	93,400	93,400	87,043	-	6,357
Capital outlay	796,000	90,995	8,522	705,005	82,473
Total public safety	4,201,262	3,306,472	3,187,588	894,790	118,884
Public works:					
Personnel services	1,191,158	1,017,129	971,974	174,029	45,155
Supplies	1,190,249	1,109,449	1,015,096	80,800	94,353
Other services and charges	199,700	233,700	171,048	(34,000)	62,652
Capital outlay	64,750	115,329	25,263	(50,579)	90,066
Total public works	2,645,857	2,475,607	2,183,381	170,250	292,226
Debt service	197,943	146,714	-	51,229	146,714
Total Expenditures	10,237,881	8,974,808	7,475,958	1,263,073	1,498,850
Excess (Deficiency) of Revenues					
Over Expenditures	(939,864)	(101,943)	1,480,330	837,921	1,582,273
Other Financing Sources (Uses):					
Transfers	32,670	115,450	(932,940)	(82,780)	(1,048,390)
Total Other Financing Sources (Uses)	32,670	115,450	(932,940)	(82,780)	(1,048,390)
Net Change in fund balance -					
Budget-Cash Basis	(907,194)	13,507	547,390	920,701	533,883

The accompanying 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 Schedules
For the Fiscal Year Ended September 30, 2020
(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		\$ 547,390
Revenues/Transfers per Cash-basis Budget	\$ 9,071,738	
Additional accrued revenues	953,513	953,513
Revenues/Transfers per Fund Financial Statements	\$ 10,025,251	
Expenditures/Transfers per Cash-basis Budget	\$ 8,524,348	
Additional accrued expenses	580,172	(580,172)
Expenditures/Transfers per Fund Financial Statement	\$ 9,104,520	
Net Change in fund balance - Fund Financials		\$ 920,731

City of Bay St. Louis, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedules
For the Fiscal Year Ended September 30, 2020
(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 Years*
For the Fiscal Year Ended September 30, 2020
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.062%	0.061%	0.060%	0.060%	0.061%	0.064%
City's proportionate share of the net pension liability (asset) \$	11,910,331	10,731,103	9,979,782	9,974,036	10,896,124	9,893,138
City's covered payroll \$	4,525,949	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	263.16%	242.29%	250.17%	258.40%	277.46%	250.50%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

* 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.

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

City of Bay St. Louis, Mississippi
Schedule of the City's Contributions
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2020
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 702,782	654,681	623,273	618,402	571,586	614,636
Contributions in relation to the actuarially determined contribution	<u>702,782</u>	<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>
City's covered payroll	\$ 4,038,977	4,051,244	3,957,289	3,926,362	3,629,117	3,902,451
Contributions as a percentage of covered payroll	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

* 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.

The accompanying 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 – Pension Schedules
For the Fiscal Year Ended September 30, 2020

Pension Schedules

Changes of 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%.

➤ 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.

City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2020

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, 2018 valuation for the June 30, 2020 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	30.9 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 Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

<u>Federal Grantor/ Passed-through Grantor/ Program Title or Cluster</u>	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures
<u>U.S. Department of the Interior</u>			
Office of Natural Resources Revenue <i>Passed through Hancock County</i> Pier 5 Improvements	15.435	N/A	\$ 677,959
<i>Passed through the Mississippi Department of Marine Resources</i> Spotfishing and Boating Safety Act	15.622	MS-Y-F18AP00531	94,890
Total U.S. Department of Agriculture			<u>772,849</u>
<u>U.S. Department of Justice</u>			
Equitable Sharing*	16.922	MS0240800	40,732
Total U.S. Department of Justice			<u>40,732</u>
<u>U.S. Department of Transportation</u>			
<i>Passed through the Mississippi Department of Transportation</i>			
Safe Routes to School	20.200	STP-0068-00(034)LPA/106939-401000	13,393
Washington Street Sidewalk Improvements	20.205	STP-9357-00(001)LPA/107955-701000	13,951
Beyer Drive Sidewalk Improvements	20.205	STP-0030-00(042)LPA/107961-701000	9,709
<i>Passed through the Mississippi Department of Public Safety</i>			
Police Traffic Services	20.600	PT-2020-PT-20-21	1,551
MOHS-Impaired Driving	20.607	154-AL-ST-2020-ST-20-21	21,457
Total U. S. Department of Transportation			<u>60,061</u>
<u>U.S. Department of Treasury</u>			
<i>Passed through the Mississippi Emergency Management Agency</i>			
Coronavirus Relief Fund	21.019	N/A	293,771
Total U.S. Department of Treasury			<u>293,771</u>
<u>Executive Office of the President</u>			
High Intensity Drug Trafficking Area	95.001	G18-GC0003A	15,006
High Intensity Drug Trafficking Area	95.001	G19-GC0003A	51,114
Total Executive Office of the President			<u>66,120</u>
Total Expenditures of Federal Awards			<u>\$ 1,233,533</u>

Notes to the Schedule:

Note 1 – Basis of Presentation

This schedule includes the federal award activity of the City of Bay St. Louis, Mississippi under programs of the federal government of the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of City of Bay St. Louis, Mississippi, it is not intended to and does not present the financial position, or changes in net assets of City of Bay St. Louis, Mississippi.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on same basis of accounting and significant accounting policies, as applicable, used for the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – Indirect Cost Rate

The City of Bay St. Louis, Mississippi has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Subrecipients

No awards were passed through to subrecipients.

City of Bay St. Louis, Mississippi
Schedule of Surety Bonds
(Required by State of Mississippi)
For the Fiscal Year Ended September 30, 2020
(UNAUDITED)

Position	Name	Bond
Mayor	Michael Favre	\$ 100,000
Councilman at Large	Gary Knoblock	100,000
Councilmember	Phillip D Seal Jr	100,000
Councilmember	Joshua Martin DeSalvo	100,000
Councilmember	William Zimmerman	100,000
Councilmember	Larry Smith	100,000
Councilmember	Eugene Hoffman	100,000
Councilmember	Jeffery Reed	100,000
City Clerk/Comptroller	Sissy Gonzales	100,000
Deputy City Clerk	Dana Feuerstein	50,000
Accounts Receivable/Payable Clerk	Katie Stewart	50,000
Deputy Harbor Master	Duane Caughlin	50,000
Harbor/Finance Clerk	Julie Draper	50,000
Clerk of Council	Caitlin Bourgeois	50,000
Deputy Clerk of Council/Utility Clerk	Caitlin Bourgeois	50,000
Human Resources Officer	Jamie Favre	50,000
Court Clerk	Clementine Sheppard	50,000
Deputy Court Clerk	Sandy Reynolds	50,000
Deputy Court Clerk	Tammy Brady	50,000
Utility Supervisor	Patricia Tice	50,000
Utility Clerk	Linda Garcia	50,000
NTF Officer	E J Taylor Jr	50,000
Harbor Security	Derek White	50,000
Harbor Security	Josh Mossey	50,000
Police Chief	Gary Ponthieux	50,000
Deputy Police Chief	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)

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SHARI L. BREEDEN, CPA
ROBERT D. FOREMAN, CPA

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-8501
FAX NUMBER (228) 863-8544
EMAIL: OFFICE@WWHGCPA.COM

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 (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 12, 2021.

Internal Control over Financial Reporting

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

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 questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in the Limited Internal Control and Compliance Review Management Report dated August 12, 2021, included within this document.

City’s Response to Findings

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

Purpose of this Report

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

Wright, Ward, Hatten & Guel
Gulfport, Mississippi
August 12, 2021

WRIGHT, WARD, HATTEN & GUEL

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FAX NUMBER (228) 863-6544
EMAIL: OFFICE@WWHGCPA.COM

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

To the Mayor and City Council
City of D'Iberville, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Bay St. Louis, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bay St. Louis, Mississippi's major federal programs for the year ended September 30, 2020. City of Bay St. Louis, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bay St. Louis, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bay St. Louis, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Bay St. Louis, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Wright, Ward, Hatten & Guel
Gulfport, Mississippi
August 12, 2021

WRIGHT, WARD, HATTEN & GUEL

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EMAIL: OFFICE@WWHGCPA.COM

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, 2020, we considered the City'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 County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 12, 2021, 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.

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 |
| Criteria | Assets meeting the criteria as outlined in the MS Municipal Fixed Assets Management Manual should be physically tagged. |
| Condition | Assets were not being physically tagged as required. |
| Cause | Employee turnover and lack of training for employees assuming the duties of the 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.
View of Responsible Official	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 the situation by the completion of the next audit.

The City of Bay St. Louis, Mississippi responses to the findings included with 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.

Wright, Ward Hatten & Guel, CPAs
August 12, 2021

City of Bay St. Louis, Mississippi
Schedule of Findings and Questioned Cost
For the Year Ended September 30, 2020

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Business-type activities | Unmodified |
| | General and other major funds | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | None |
| 7. | Federal programs identified as major: | |
| | <u>CFDA Number(s)</u> <u>Name of Federal Program or Cluster</u> | |
| | 15.435 U.S. Department of Interior/Office of Natural Resources Revenue
Pier 5 Improvements | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.526(b)? | No |

City of Bay St. Louis, Mississippi
Schedule of Findings and Questioned Cost
For the Year Ended September 30, 2020

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2020-001 Utility Billing and Consumption

Repeat Finding Yes, 2018-002, 2019-001

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.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

AUDITEE'S CORRECTIVE ACTION PLAN



**Corrective Action Plan
For the Year Ended September 30, 2020**

2020-001

Utility Fund

Response:

Since April 2020, when the previous utility supervisor retired, these bills have been corrected before they were generated and mailed. Incode supplies prompts to warn you of these bills.

Previously if bills were generated and mailed out with these errors (rollover bills), the previous utility supervisor/administrator would correct these bills after they were mailed. The corrections were in the form of an adjustment back to the account.

Since the retirement of the previous utility supervisor, the department has begun consistently archiving all monthly billing calculations, monthly bills, monthly penalty registry, and monthly cutoffs. In addition to archiving all of these reports, adjustment sheets have been completed properly and the city clerk signs off on any adjustments. These adjustments are filed in the homeowners file in the utility department.

These new processes were brought to the auditor's attention when the department was being questioned about reports and adjustments. The department brought the rollover billing issue to the auditor's attention and the department also stated that they have been correcting this problem for the past few months before bills are generated and mailed.