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City of Bay Springs

J. E. Smith

Mayor

Vickie Cargile

City Clerk

Joseph Sims

Attorney

Cynthia Johnson

Deputy Clerk/Court Clerk

Rhonda Dyess

Utility Clerk

Yetta Strong

Purchasing Clerk

Aldermen

Steve Breland, Ward 1

Mike Lucas, Ward 2

James Knotts, Ward 3

Ronald Keyes, Ward 4

Bob Cook, Ward 5

February 20, 2019

Office of State Auditor
Post Office Box 956
Jackson, MS 39205-0956

RE: Audited Financial Statements for Year Ended September 30, 2017

Dear Ladies and Gentlemen:

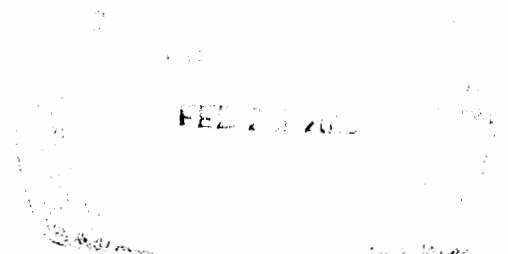
Enclosed please find the City of Bay Springs, Mississippi's Audited Financial Statements for the Year Ended September 30, 2017, as provided by Herzog CPA Company, PLLC.

Should you have questions, please do not hesitate to contact me.

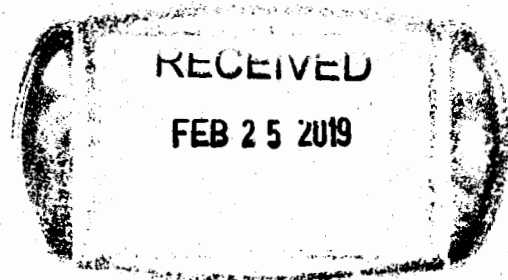
Sincerely,

Vickie Cargile,
Municipal Clerk

Enclosure



CITY OF BAY SPRINGS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017



**CITY OF BAY SPRINGS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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Phone 601-271-8860 • Fax 601-271-8921

145 Republic Street • Suite 211 • Madison, Mississippi, 39157

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the
Board of Aldermen, and City Clerk
City of Bay Springs, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Springs, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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 auditors' 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bay Springs, Mississippi, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions, and corresponding notes 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 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 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

The City of Bay Springs, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of the City of Bay Springs, 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 the City of Bay Springs, Mississippi's internal control over financial reporting and compliance.

Herzog CPA Company, PLLC
Herzog CPA Company, PLLC
January 18, 2019

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BASIC FINANCIAL STATEMENTS

City of Bay Springs, Mississippi
Statement of Net Position
September 30, 2017

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 715,093	\$ 1,824,921	\$ 2,540,014
Restricted assets - cash	53,616	112,672	166,288
Property tax receivable	888,686	-	888,686
Fines receivable (net of allowance for uncollectibles of \$406,657)	47,776	-	47,776
Receivables (net of uncollectibles):			
Accounts	14,492	289,684	304,176
Sales tax	55,569	-	55,569
Other	28,986	-	28,986
Due from other funds	42,840	4,646	47,486
Prepaid expenses	6,669	-	6,669
Capital assets (net of accumulated depreciation):			
Land	257,243	453,918	711,161
Buildings	810,901	-	810,901
Improvements other than buildings	1,337,942	1,564	1,339,506
Mobile equipment	78,115	237,351	315,466
Other furniture and equipment	55,159	58,207	113,366
Infrastructure	908,051	-	908,051
Utility systems	-	5,846,670	5,846,670
Total Assets	5,301,138	8,829,633	14,130,771
Deferred Outflows of Resources			
Deferred outflows related to pension	78,971	37,867	116,838
Total Deferred Outflows of Resources	78,971	37,867	116,838
Total Assets and Deferred Outflows of Resources	\$ 5,380,109	\$ 8,867,500	\$ 14,247,609

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

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City of Bay Springs, Mississippi
Statement of Net Position
September 30, 2017

Page 2
EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 29,397	\$ 176,539	\$ 205,936
Accrued payroll	9,702	6,670	16,372
Due to other funds	47,198	288	47,486
Customer deposits	-	112,672	112,672
Other accrued liabilities	18,756	-	18,756
Non-current Liabilities:			
Due within one year	43,800	62,094	105,894
Due in more than one year	105,878	725,295	831,173
Long-term compensated absences	38,493	28,748	67,241
Net pension liability	2,022,435	969,776	2,992,211
Total Liabilities	2,315,659	2,082,082	4,397,741
Deferred Inflows of Resources			
Deferred inflows related to pension	32,031	15,359	47,390
Property tax for future reporting period	888,686	-	888,686
Total Deferred Inflows of Resources	920,717	15,359	936,076
Net Position			
Net investment in capital assets	3,297,733	5,810,321	9,108,054
Restricted for debt service	34,041	-	34,041
Unrestricted	(1,188,041)	959,738	(228,303)
Total Net Position	2,143,733	6,770,059	8,913,792
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 5,380,109	\$ 8,867,500	\$ 14,247,609

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

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City of Bay Springs, Mississippi
Statement of Activities
For the Year Ended September 30, 2017

EXHIBIT 2

Function/Programs:	Expenses	Program Revenues			Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants	Capital Grants			
Governmental Activities:							
General government	\$ (742,509)	\$ -	\$ -	\$ -	\$ (742,509)	\$ -	\$ (742,509)
Public safety	(654,582)	-	-	-	(654,582)	-	(654,582)
Public works	(526,135)	131,241	-	-	(394,894)	-	(394,894)
Culture and recreation	(152,529)	-	-	-	(152,529)	-	(152,529)
Economic development	(84,873)	-	-	-	(84,873)	-	(84,873)
Interest on long-term debt	(4,289)	-	-	-	(4,289)	-	(4,289)
Pension expense	(258,750)	-	-	-	(258,750)	\$ -	(258,750)
Total governmental activities	<u>(2,423,667)</u>	<u>131,241</u>	<u>-</u>	<u>-</u>	<u>(2,292,426)</u>	<u>-</u>	<u>(2,292,426)</u>
Business-type Activities:							
Water	(467,583)	415,403	-	-	-	(52,180)	(52,180)
Sewer	(260,763)	201,391	-	-	-	(59,372)	(59,372)
Gas	(1,344,337)	1,629,670	-	-	-	285,333	285,333
Industrial park	(402,199)	979,027	-	-	-	576,828	576,828
Total business-type activities	<u>(2,474,882)</u>	<u>3,225,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,609</u>	<u>750,609</u>
Total functions/programs	<u>\$ (4,898,549)</u>	<u>\$ 3,356,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,292,426)</u>	<u>\$ 750,609</u>	<u>\$ (1,541,817)</u>
General revenues:							
Property tax					\$ 817,052	\$ -	\$ 817,052
Franchise tax					116,878	-	116,878
Sales tax					674,777	-	674,777
Licenses and permits					12,734	-	12,734
Fines and forfeitures					69,704	-	69,704
Intergovernmental, not restricted to							
Specific functions/programs					19,954	-	19,954
Other					41,600	-	41,600
Transfers in (out)					290,556	(290,556)	-
Total general revenues and transfers					<u>2,043,255</u>	<u>(290,556)</u>	<u>1,752,699</u>
Change in Net Position					<u>(249,171)</u>	<u>460,053</u>	<u>210,882</u>
Net Position - Beginning					<u>2,392,904</u>	<u>6,310,006</u>	<u>8,702,910</u>
Net Position - End of year					<u>\$ 2,143,733</u>	<u>\$ 6,770,059</u>	<u>\$ 8,913,792</u>

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

City of Bay Springs, Mississippi
Balance Sheet
Governmental Funds
September 30, 2017

EXHIBIT 3

	Governmental Funds			
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 630,962	\$ 84,131	\$ -	\$ 715,093
Restricted cash	36,328	-	17,288	53,616
Accounts receivable	14,492	-	-	14,492
Property tax receivable	844,252	44,434	-	888,686
Fines receivable (net of allowance for uncollectibles of \$406,687)	47,776	-	-	47,776
Due from other governments	55,569	-	-	55,569
Due from other funds	40,804	-	2,036	42,840
Other receivables	28,986	-	-	28,986
Prepaid expenses	6,669	-	-	6,669
Total Assets	\$ 1,705,838	\$ 128,565	\$ 19,324	\$ 1,853,727
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,962	\$ -	\$ 8,435	\$ 29,397
Accrued payroll	9,702	-	-	9,702
Due to other funds	47,198	-	-	47,198
Other accrued liabilities	18,756	-	-	18,756
Total liabilities	96,618	-	8,435	105,053
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-property taxes	844,252	44,434	-	888,686
Unavailable Revenue-fines	47,776	-	-	47,776
Total deferred inflows of resources	892,028	44,434	-	936,462
Fund Balances:				
Restricted for debt service	-	84,131	-	84,131
Unassigned	717,192	-	10,889	728,081
Total fund balances	717,192	84,131	10,889	812,212
Total liabilities, deferred inflows of and fund balances	\$ 1,705,838	\$ 128,565	\$ 19,324	\$ 1,853,727

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

City of Bay Springs, Mississippi
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2017

EXHIBIT 3.1

Fund balances - Total Governmental Funds	\$	812,212
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources,
and therefore, are not reported in the funds.

Governmental Capital Assets	6,674,189	
Less: Accumulated depreciation	<u>(3,226,778)</u>	3,447,411

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	47,776
--	--------

Long-term liabilities, including bonds payable, are not due and payable
in the current period, and therefore, are not reported in the funds.

Notes payable	(149,678)	
Compensated absences	<u>(38,493)</u>	(188,171)

Deferred Outflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.	78,971
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Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(2,022,435)
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Deferred Inflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.	<u>(32,031)</u>
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Net Position of Governmental Activities	\$	<u>2,143,733</u>
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The notes to the financial statements are an integral part of this statement.

City of Bay Springs, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

EXHIBIT 4

	Governmental Funds			
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 777,601	\$ 39,451	\$ -	\$ 817,052
Licenses and permits	129,612	-	-	129,612
Intergovernmental revenue	694,731	-	-	694,731
Charges for services	131,241	-	-	131,241
Fines and forfeitures	21,929	-	-	21,929
Other revenues	41,349	112	139	41,600
Total Revenues	1,796,463	39,563	139	1,836,165
EXPENDITURES				
Current:				
General government	604,964	-	41,387	646,351
Public safety	654,582	-	-	654,582
Public works	526,135	-	-	526,135
Culture and recreation	152,529	-	-	152,529
Economic development	72,397	-	12,476	84,873
Debt service:				
Principal retirement	-	46,461	-	46,461
Interest and fiscal charges	-	4,289	-	4,289
Total Expenditures	2,010,607	50,750	53,863	2,115,220
(Deficiency) of Revenues Over Expenditures	(214,144)	(11,187)	(53,724)	(279,055)
OTHER FINANCING SOURCES AND (USES)				
Transfers in	372,061	-	30,296	402,357
Transfers out	(28,261)	(570)	(82,970)	(111,801)
Total Other Financing Sources and (Uses)	343,800	(570)	(52,674)	290,556
Net Change in Fund Balances	129,656	(11,757)	(106,398)	11,501
Fund Balance -Beginning	587,536	95,888	117,287	800,711
Fund Balances-Ending	\$ 717,192	\$ 84,131	\$ 10,889	\$ 812,212

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

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City of Bay Springs, Mississippi
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

EXHIBIT 4.1

Net Changes in Fund Balances - Total Governmental Funds	\$ 11,501
--	------------------

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 these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	119,786	
Less: Current year depreciation	<u>(228,063)</u>	(108,277)

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required in the Statement of Activities using the full accrual basis of accounting

47,776

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

Principal payments	46,461
--------------------	--------

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

Change in long-term compensated absences	(1,066)
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Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the government funds. These activities include:

Recording of pension expense for the current period	(258,750)	
Recording of contributions made subsequent to measurement date	(32,888)	
Recording of reduction in pension expense for amounts included in net pension liability	<u>46,072</u>	<u>(245,566)</u>

Change in Net Position of Governmental Activities	\$ <u>(249,171)</u>
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The notes to the financial statements are an integral part of this statement.

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City of Bay Springs, Mississippi
Statement of Net Position
Proprietary Funds
September 30, 2017

EXHIBIT 5

ASSETS	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Gas	Industrial Park	
Current assets:					
Cash and cash equivalents	\$ 188,437	\$ 15,298	\$ 1,366,234	\$ 254,952	\$ 1,824,921
Cash-restricted for meter deposits	77,559	-	35,113	-	112,672
Accounts receivable	95,292	75,870	118,522	-	289,684
Due from other funds	-	1,233	2,385	1,028	4,646
Total current assets	<u>361,288</u>	<u>92,401</u>	<u>1,522,254</u>	<u>255,980</u>	<u>2,231,923</u>
Noncurrent assets:					
Capital assets:					
Land	258	38,517	-	415,143	453,918
Improvements	18,718	-	-	3,450	22,168
Systems	3,153,922	3,335,779	579,000	2,994,962	10,063,663
Mobile equipment	132,911	112,821	271,520	106,934	624,186
Other furniture and equipment	74,769	132,622	209,916	112,321	529,628
Less accumulated depreciation	(1,489,703)	(1,528,225)	(797,894)	(1,280,031)	(5,095,853)
Total noncurrent assets	<u>1,890,875</u>	<u>2,091,514</u>	<u>262,542</u>	<u>2,352,779</u>	<u>6,597,710</u>
Total Assets	<u>2,252,163</u>	<u>2,183,915</u>	<u>1,784,796</u>	<u>2,608,759</u>	<u>8,829,633</u>
Deferred Outflows of Resources:					
Deferred outflows related to pension	9,690	3,719	18,581	5,877	37,867
Total Deferred Outflows of Resources	<u>9,690</u>	<u>3,719</u>	<u>18,581</u>	<u>5,877</u>	<u>37,867</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,261,853</u>	<u>\$ 2,187,634</u>	<u>\$ 1,803,377</u>	<u>\$ 2,614,636</u>	<u>\$ 8,867,500</u>

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

City of Bay Springs, Mississippi
Statement of Net Position
Proprietary Funds
September 30, 2017

Page 2
EXHIBIT 5

	Enterprise Funds				
	Water	Sewer	Gas	Industrial Park	Total Enterprise Funds
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 12,900	\$ 3,350	\$ 149,051	\$ 11,238	\$ 176,539
Accrued payroll	1,793	892	2,994	991	6,670
Due to other funds	288	-	-	-	288
Customer deposits	77,559	-	35,113	-	112,672
Current portion of long-term debt	37,816	11,365	-	12,913	62,094
Total current liabilities	130,356	15,607	187,158	25,142	358,263
Noncurrent liabilities:					
Compensated absences payable	4,552	5,923	8,386	9,887	28,748
Long-term debt	405,381	200,369	-	119,545	725,295
Net pension liability	248,166	95,232	475,869	150,509	969,776
Total noncurrent liabilities	658,099	301,524	484,255	279,941	1,723,819
Total Liabilities	788,455	317,131	671,413	305,083	2,082,082
Deferred Inflows of Resources					
Deferred inflows related to pension	3,930	1,508	7,537	2,384	15,359
Total Deferred Inflows of Resources	3,930	1,508	7,537	2,384	15,359
Total Liabilities and Deferred Inflows of Resources	792,385	318,639	678,950	307,467	2,097,441
NET POSITION					
Net investment in capital assets	1,447,678	1,879,780	262,542	2,220,321	5,810,321
Unrestricted	21,790	(10,785)	861,885	86,848	959,738
Total net position	1,469,468	1,868,995	1,124,427	2,307,169	6,770,059
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,261,853	\$ 2,187,634	\$ 1,803,377	\$ 2,614,636	\$ 8,867,500

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

City of Bay Springs, Mississippi
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017

EXHIBIT 6

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Gas	Industrial Park	
Operating revenues:					
Sales	\$ 413,387	\$ 201,064	\$ 1,627,802	\$ 971,188	\$ 3,213,441
Other revenue	2,016	327	1,868	7,839	12,050
Total operating revenues	415,403	201,391	1,629,670	979,027	3,225,491
Operating expenses:					
Personnel services	168,131	22,434	298,458	19,698	508,721
Contractual services, materials, and supplies	118,874	72,979	105,956	124,144	421,953
Utilities	30,635	26,727	13,379	161,886	232,627
Other services and charges	39,539	40,525	882,045	-	962,109
Depreciation	101,522	94,287	44,499	89,571	329,879
Total operating expenses	458,701	256,952	1,344,337	395,299	2,455,289
Operating income (loss)	(43,298)	(55,561)	285,333	583,728	770,202
Nonoperating expense:					
Interest Expense	(8,882)	(3,811)	-	(6,900)	(19,593)
Income (loss) before transfers	(52,180)	(59,372)	285,333	576,828	750,609
Transfers in	293,444	24,979	-	1,214	319,637
Transfers out	-	(73,693)	(115,000)	(421,500)	(610,193)
Change in net position	241,264	(108,086)	170,333	156,542	460,053
Total net position- beginning	1,228,204	1,977,081	954,094	2,150,627	6,310,006
Total net position - ending	\$ 1,469,468	\$ 1,868,995	\$ 1,124,427	\$ 2,307,169	\$ 6,770,059

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

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City of Bay Springs, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

EXHIBIT 7

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Gas	Industrial Park	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 415,208	\$ 200,969	\$ 1,638,883	\$ 979,027	\$3,234,087
Cash payments to suppliers	(196,093)	(191,581)	(965,786)	(415,138)	(1,768,598)
Cash payments to employees	(171,323)	(20,324)	(291,461)	(19,303)	(502,411)
Operating transfers	293,444	(48,714)	(115,000)	(420,286)	(290,556)
Net cash provided by (used by) operating activities	341,236	(59,650)	266,636	124,300	672,522
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases of capital assets	(76,688)	(26,069)	(58,641)	(88,935)	(250,333)
Principal payments	(42,506)	(11,168)	-	(12,658)	(66,332)
Net cash (used by) capital and related financing activities	(119,194)	(37,237)	(58,641)	(101,593)	(316,665)
Net increase (decrease) in cash and cash equivalents	222,042	(96,887)	207,995	22,707	355,857
Cash and cash equivalents, beginning of year	43,954	112,185	1,193,352	232,245	1,581,736
Cash and cash equivalents, end of year	\$ 265,996	\$ 15,298	\$ 1,401,347	\$ 254,952	\$1,937,593
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:					
Change in net position	\$ 241,264	\$ (108,086)	\$ 170,333	\$ 156,542	\$ 460,053
Adjustments not affecting cash:					
Depreciation expense	101,522	94,287	44,498	89,571	329,878
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(195)	(422)	9,213	-	8,596
(Increase) in due from other funds	-	(1,233)	(508)	(1,028)	(2,769)
Decrease in deferred outflows related to pension	26,353	15,927	47,753	24,644	114,677
Increase (decrease) in accounts payable	4,500	679	53,041	(35,354)	22,866
Increase (decrease) in customer deposits	50	-	(1,241)	-	(1,191)
Increase in payroll related liabilities	621	319	893	257	2,090
Increase (decrease) in compensated absences payable	(3,813)	1,791	6,104	138	4,220
Increase to other funds	187	-	-	-	187
(Decrease) in net pension liability	(32,803)	(64,115)	(69,870)	(112,290)	(279,078)
Increase in deferred inflows related to pension	3,550	1,203	6,420	1,820	12,993
Total adjustments	99,972	48,436	96,303	(32,242)	212,469
Net cash provided by (used by) operating activities	\$ 341,236	\$ (59,650)	\$ 266,636	\$ 124,300	\$ 672,522

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

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Bay Springs, Mississippi (the "City") was incorporated in 1904. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and volunteer fire protection), highways and streets, sanitation, wastewater, water, natural gas, public libraries, parks, public improvements, planning and zoning, and general administrative services.

Basis of Presentation

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

Government-wide Financial Statements:

The statement of net position and the statement of activities display information concerning the City as a whole. The statements include no fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenue and other nonexchange 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the City.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements:

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

Measurement Focus and Basis of Accounting

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

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

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

Governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 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 in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The City reports the following major Governmental Funds:

General Fund - This fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

The other Governmental Funds of the City account for grants and other resources whose use is restricted to a particular purpose.

The City reports the following major Proprietary Funds:

Water Fund - This fund accounts for the revenues generated from the charges for distribution of water to the residential and commercial users in the City.

Sewer Fund - This fund accounts for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users in the City.

Gas Fund - This fund accounts for the revenues generated from the charges for providing natural gas service to the residential and commercial users in the City.

Industrial Park Fund - This fund accounts for the revenues generated from charges for sanitary sewer services provided to commercial entities located within the City's Industrial Park.

Capital Assets

Property and equipment purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB Statement 34, small governmental entities (less than \$10 million in annual revenue) are not required to retroactively state the values of infrastructure purchased or constructed in prior years. Therefore, infrastructure acquired prior to October 1, 2002 has not been recorded, unless the value was already included in the City's inventory of capital assets. GASB 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (October 1, 2002).

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City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation has been provided using the straight-line method which approximates methods used generally accepted accounting principles, over the following estimated useful lives:

Building	40 Years
Building improvements	20 Years
Improvements other than buildings	20 Years
Infrastructure	20-30 Years
Utility systems	40 Years
Equipment	3-10 Years
Library books	10 Years

Use of Estimates

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

Receivables

No allowance account is used by the City as of September 30, 2017. All accounts receivable balances reflect amounts due from customers.

Surety Bonds

Surety bond coverage meets the legal requirements for the year ended September 30, 2017.

Deferred Outflows 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The city has incurred deferred outflows that are related to pension reporting.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

The City maintains a personnel policy that permits employees to accumulate earned but unused vacation or sick pay benefits. The City records the vested portion of accumulated unused compensated absences at year-end based on each employee's accumulated unused hours and rate of pay, including the City's share of Social Security and Medicare taxes. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. Governmental funds record as an expenditure the amount accrued during the year that would normally be liquidated with available expendable resources.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting, fines receivable, and property tax receivable.

Cash and Cash Equivalents

For purposes of cash flows, the City considers all cash and restricted cash to be cash and cash equivalents.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, and natural gas utility services. Operating expenses are necessary costs that have been incurred in order to provide the service that is the primary activity of the fund.

**City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications

Government-wide Financial Statements:

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

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 improvements 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 or regulation 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 “net investment in capital assets.”

Fund Financial Statements:

The City has adopted the provisions of GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of October 1, 2010. These provisions require governmental fund balances to be reported in one of five classifications, replacing the previous classifications of reserved, unreserved, and designated. These five classifications are as follows:

Nonspendable Fund Balance is composed of items which are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balances are reported using the same criteria used in reporting government-wide net position as noted above.

Committed Fund Balances are amounts that can only be used for specific purposes as a result of constraints imposed for formal action of the individual government’s highest level of decision-making authority.

Assigned Fund Balance contains amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance is general fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City’s general policy to use restricted resources. When expenditures are incurred for purposes for which unrestricted (committed, assigned or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 2 – CASH AND INVESTMENTS

The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes.

Code Sec. 21-33-323 Miss Code Ann. (1972) allows municipalities to invest their surplus funds. The City may only invest in direct obligations of the United States, or the State of Mississippi, or certain local Mississippi governments. They may also invest in certificates of deposit from municipal depositories or State of Mississippi depositories located within the municipality. There is no authority to invest in mutual funds or brokerage firm accounts. All investments of the City throughout the year and at year-end were interest bearing time certificates of deposit which are recorded at cost plus interest earned at September 30, 2017. The market value equals the carrying amount of these investments.

The collateral for public entities' deposits in financial institutions are now 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 City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The City's deposits, which include all cash accounts and certificates of deposits, with a carrying value of \$2,706,302 and a bank balance of \$2,795,227 at September 30, 2017, are covered by federal depository insurance and by deposits held in banks that are members of the State of Mississippi's Collateral Pool.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
<i><u>Capital assets not being depreciated:</u></i>					
Land	\$ 257,243	\$ -	\$ -	\$ -	\$ 257,243
Total capital assets not being depreciated	257,243	-	-	-	257,243
<i><u>Capital assets being depreciated:</u></i>					
Buildings	1,438,671	-	-	-	1,438,671
Improvements other than buildings	2,202,052	119,786	-	-	2,321,838
Mobile equipment	1,062,087	-	-	-	1,062,087
Other furniture and equipment	471,226	-	-	-	471,226
Infrastructure	1,123,124	-	-	-	1,123,124
Total capital assets being depreciated	\$ 6,297,160	\$ 119,786	\$ -	\$ -	\$ 6,416,946
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<i><u>Less accumulated depreciation for:</u></i>					
Buildings	\$ 591,803	\$ 35,967	\$ -	\$ -	\$ 627,770
Improvements other than buildings	886,323	97,573	-	-	983,896
Mobile equipment	964,027	19,945	-	-	983,972
Other furniture and equipment	392,829	23,238	-	-	416,067
Infrastructure	163,733	51,340	-	-	215,073
Total accumulated depreciation	2,998,715	228,063	-	-	3,226,778
Total capital assets being depreciated, net	3,298,445	(108,277)	-	-	3,190,168
Governmental activities capital assets, net	\$ 3,555,688	\$ (108,277)	\$ -	\$ -	\$ 3,447,411

Depreciation expense was charged to the following functions as follows:

Governmental Activities:	
General government	\$ 228,063
Total Depreciation Expense	<u>\$ 228,063</u>

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City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 3 - CAPITAL ASSETS – Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 453,918	\$ -	\$ -	\$ 453,918
Total capital assets not being depreciated	453,918	-	-	453,918
<u>Capital assets being depreciated:</u>				
Utility systems	9,925,040	138,623	-	10,063,663
Improvements other than buildings	22,168	-	-	22,168
Machinery and equipment	512,476	111,710	-	624,186
Other furniture and equipment	529,628	-	-	529,628
Total capital assets being depreciated	\$ 10,989,312	\$ 250,333	\$ -	\$ 11,239,645

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Less accumulated depreciation for:</u>				
Utility systems	\$ 3,960,954	\$ 256,039	\$ -	\$ 4,216,993
Improvements other than buildings	20,315	289	-	20,604
Machinery and equipment	335,333	51,502	-	386,835
Other furniture and equipment	449,373	22,048	-	471,421
Total accumulated depreciation	4,765,975	329,878	-	5,095,853
Total capital assets being depreciated, net	6,223,337	(79,545)	-	6,143,792
Business-type activities capital assets, net	\$ 6,677,255	\$ (79,545)	\$ -	\$ 6,597,710

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City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 4 – LONG-TERM DEBT

Loans payable at September 30, 2017 are comprised of the following issues:

<u>Purpose</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
Maintenance and storage facility	\$ 260,000	2021	4.85%	\$ 76,460
Water Improvements	94,980	2019	2.00%	14,115
Water tank	498,100	2028	2.00%	298,271
Water tank	200,000	2027	2.00%	132,458
Water pollution control -01-2	249,098	2034	1.75%	211,734
Water pollution control -02-2	139,917	2036	1.75%	130,811
Total				<u>\$ 863,849</u>

Capital Leases

<u>Purpose</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2016 Chevy Crew cab Truck	\$ 35,883	2020	1.75%	\$ 24,937
2-2017 Ford Explorers	63,839	2020	1.75%	48,281
Total				<u>\$ 73,218</u>

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City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 4 – LONG-TERM DEBT – Continued

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

DEFINITION AND PURPOSE	Balance Outstanding Oct 1, 2016	Transactions During Fiscal Year		Balance Outstanding Sept 30, 2017	Due Within One Year
		Issued	Redeemed		
<u>Governmental Activities:</u>					
CAP Loan - Maintenance and storage facility	\$ 98,587	\$ -	\$ (22,127)	\$ 76,460	\$ 19,051
Capital Lease - 2-2017 Ford Explorers	63,839	-	(15,558)	48,281	15,819
Capital Lease - 2016 Crew cab Truck	33,713	-	(8,776)	24,937	8,930
Total governmental activities	<u>\$ 196,139</u>	<u>\$ -</u>	<u>\$ (46,461)</u>	<u>\$ 149,678</u>	<u>\$ 43,800</u>

DEFINITION AND PURPOSE	Balance Outstanding Oct 1, 2016	Transactions During Fiscal Year		Balance Outstanding Sept 30, 2017	Due Within One Year
		Issued	Redeemed		
<u>Business-type Activities:</u>					
CAP loan - Water pollution control -01-2	\$ 222,902	\$ -	\$ (11,168)	\$ 211,734	\$ 11,365
CAP loan - Water improvements	5,279	-	(5,279)	-	-
CAP loan - Water improvements	21,235	-	(7,120)	14,115	7,117
CAP loan - Water tank	322,281	-	(24,010)	298,271	24,494
CAP loan - Water tank	145,116	-	(12,658)	132,458	12,913
CAP loan - Water pollution control -02-2	136,908	-	(6,097)	130,811	6,205
Total business-type activities	<u>853,721</u>	<u>-</u>	<u>(66,332)</u>	<u>787,389</u>	<u>62,094</u>
Total government-wide long-term debt	\$ 1,049,860	\$ -	\$ (112,793)	\$ 937,067	\$ 105,894

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 4 – LONG-TERM DEBT – Continued

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 percent 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 percent 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, 2017, the amount of outstanding debt was equal to 2.28 percent of the latest property assessments.

Annual debt service requirements to maturity for the following debt reported in the statement of net position are as follows:

<u>Year</u>	<u>Governmental</u>		<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 43,800	\$ 4,425	\$ 62,094	\$ 14,345
2019	47,319	2,943	63,040	13,137
2020	46,514	1,405	57,128	11,978
2021	12,045	170	58,235	10,870
2022	-	-	59,364	9,743
2023-2027	-	-	305,468	31,050
2028-2032	-	-	138,229	9,053
2033-2036	-	-	43,831	925
Total	<u>\$ 149,678</u>	<u>\$ 8,943</u>	<u>\$ 787,389</u>	<u>\$ 101,101</u>

NOTE 5 – RISK MANAGEMENT

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 6 –PENSION PLAN OBLIGATIONS

General Information about the Pension plan

Plan Description

The City of Bay Springs is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the City. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided

For the cost-sharing plan, 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 annual retirement allowance payable monthly for life in an amount equal to 2.00% 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 2.50% 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefits are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 6 – PENSION PLAN OBLIGATIONS – Continued

Contributions

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended September 30, 2017, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the year ended September 30, 2017, 2016, and 2015 were \$179,755, \$186,951, and \$165,989 (employer share). The contributions for the year met the required contributions.

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

At September 30, 2017, the City of Bay Springs reported a liability of \$2,992,211 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, the City of Bay Springs's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2017, relative to the total employer contributions of participating employers to PERS. At June 30, 2017, the City of Bay Springs's proportion was .018% which was the same as its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City of Bay Springs, recognized pension expense of \$382,823. At September 30, 2017, the City of Bay Springs reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,635	\$ 13,022
Net difference between projected and actual earnings on pension plan investments	-	30,734
Changes in assumptions	47,394	3,634
Changes in the proportion and differences between the City's Contributions and Proportionate Share of Contributions	(9,849)	-
Contributions subsequent to the measurement date	48,658	-
	<u>\$ 116,838</u>	<u>\$ 47,390</u>

**City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017**

NOTE 6 – PENSION PLAN OBLIGATIONS – Continued

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

At September 30, 2017, the City of Bay Springs reported \$48,658 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2018	\$ 13,118
2019	7,672
	<u>\$ 20,790</u>

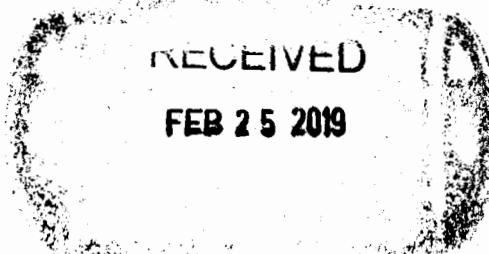
Actuarial Assumptions

The total pension liability used in the September 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.00%
Salary increases	3.75%-18.50%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022, set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016. The experience report is dated April 18, 2017.



City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 6 – PENSION PLAN OBLIGATIONS – Continued

Actuarial Assumptions (continued)

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 allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-term Expected Real Rate of Return</u>
U. S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	.75
Real estate	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	0.00
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (15.75%). 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 6 – PENSION PLAN OBLIGATIONS – Continued

Sensitivity of the City of Bay Springs's Proportionate share of the Net Pension Liability to changes in the Discount Rate

The City of Bay Springs's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the City of Bay Springs's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 3,924,484	\$ 2,992,211	\$ 2,218,221

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At September 30, 2017, the City of Bay Springs has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2017.

NOTE 7 – PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied before September 26, and are due before February 1. The City's property taxes are billed and collected by Jasper County and remitted to the City monthly. Jasper County also remits to the City automobile taxes and a pro-rata share of road and bridge taxes collected by them.

NOTE 8 – INTERFUND TRANSFERS

Funds are frequently transferred from the utility funds to the General Fund to finance the operations of the General Fund. Transfers of this nature were \$290,556 for the year.

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City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2017

NOTE 9 – JOINT VENTURE

In November 1996 the City and Jasper County, Mississippi entered into a joint venture to purchase and improve the Livestock Exhibition Building with each party holding one-half interest in the building. To date, all major renovations and improvements to the building have been completed. All repairs and expenditures related to this property are shared equally by the two parties.

NOTE 10 – DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The following funds reported deficits in fund balance at September 30, 2017:

<u>Fund</u>	<u>Deficit Amount</u>
Senior Citizens Fund	\$ (171)

NOTE 11 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of \$(1,188,041) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$48,658 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$68,180 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next two years. The \$47,390 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next two years.

NOTE 12 – 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 of Bay Springs, Mississippi evaluated the activity of the City through January 18, 2019, (the date the financial statements were available to be issued) and determined that the following subsequent event requires disclosure in the notes to the financial statements:

In 2018, the Office of the State Auditor initiated an investigation of the City's records. The outcome of the investigation is unknown as of the audit report date.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Bay Springs, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
General Fund - Unaudited
For the Year Ended September 30, 2017

	General Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Property taxes	\$ 735,818	\$ 735,818	\$ 777,601	\$ 41,783
Licenses and permits	148,300	148,300	129,010	(19,290)
Intergovernmental revenues	642,150	642,150	692,616	50,466
Charges for services	135,000	135,000	130,716	(4,284)
Fines and forfeitures	22,800	22,800	21,929	(871)
Other revenue	42,300	42,300	40,096	(2,204)
Total Revenues	<u>1,726,368</u>	<u>1,726,368</u>	<u>1,791,968</u>	<u>65,600</u>
EXPENDITURES				
Current:				
General government	532,140	532,140	685,610	(153,470)
Public safety	698,553	698,553	864,849	(166,296)
Public works	872,012	872,012	314,454	557,558
Culture and recreation	194,309	194,309	170,502	23,807
Economic development	50,500	50,500	72,397	(21,897)
Total expenditures	<u>2,347,514</u>	<u>2,347,514</u>	<u>2,107,812</u>	<u>239,702</u>
(Deficiency) of revenues over Expenditures	<u>(621,146)</u>	<u>(621,146)</u>	<u>(315,844)</u>	<u>305,302</u>
OTHER FINANCING SOURCES				
Transfers in	573,209	573,209	377,497	(195,712)
Total Other Financing Sources	<u>573,209</u>	<u>573,209</u>	<u>377,497</u>	<u>(195,712)</u>
Net Change in Fund Balance	(47,937)	(47,937)	61,653	109,590
Fund Balances - beginning	447,370	149,761	450,735	300,974
Fund Balances - ending	<u>\$ 399,433</u>	<u>\$ 101,824</u>	<u>\$ 512,388</u>	<u>\$ 410,564</u>

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

City of Bay Springs, Mississippi
Schedule of the City's Proportionate Share
of the Net Pension Liability
For the Years Ended September 30, 2017, 2016, 2015, and 2014

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	.018%	.018%	.017%	.016%
Employer's proportionate share of the net pension liability (asset)	\$ 2,992,211	\$ 3,215,249	\$ 2,627,865	\$ 1,942,107
Employer's covered-employee payroll	\$ 1,141,302	\$ 1,186,990	\$ 1,053,897	\$ 1,016,752
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	262.17%	270.87%	249.35%	191.01%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

Information above is presented as of the measurement date of June 30 of the fiscal year presented.

Information is not currently available for prior years; additional years will be displayed as they become available.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

City of Bay Springs, Mississippi
Schedule of the City's Contributions
For the Years Ended September 30, 2017, 2016, 2015, and 2014

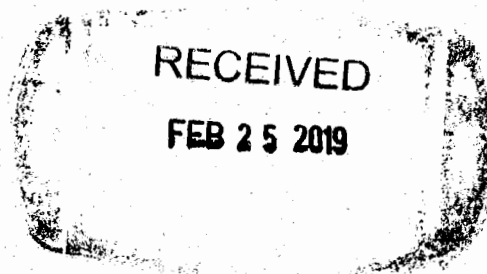
	2017	2016	2015	2014
Contractually required contribution	\$ 179,755	\$ 186,951	\$ 165,989	\$ 160,138
Contributions in relation to the contractually required	<u>(179,755)</u>	<u>(186,951)</u>	<u>(165,989)</u>	<u>(160,138)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 1,141,302	\$ 1,186,990	\$ 1,053,897	\$ 1,016,752
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%

Information above is presented as of the Employer's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.



City of Bay Springs, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ended September 30, 2017

a.) Budgetary Information

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

Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted at the City Hall to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. All budget amendments are approved by the board and are in compliance with the municipal law as determined by the Mississippi Code.

The Board of Aldermen has not taken any official action to authorize anyone to transfer budgeted amounts between departments within any fund. Formal budgetary integration is employed as a management control device during the year for all funds. Mississippi law requires that municipalities budget governmental funds on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle.

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.

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).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	
Budget (Cash Basis)	\$	109,590
Increase (Decrease)		
Net adjustments for revenue accruals		(2,074)
Net adjustments for expenditures accruals		22,140
GAAP Basis	\$	129,656

City of Bay Springs, Mississippi
Notes to Required Supplementary Information-Unaudited
For the Year Ended September 30, 2017

d.) Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.

Changes of Assumptions.

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

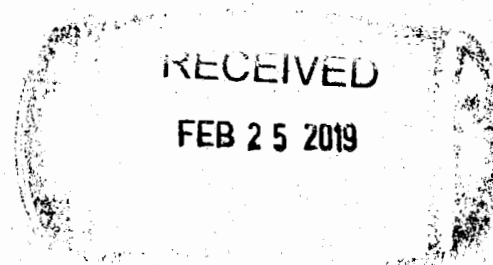
- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree 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.

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.

OTHER INFORMATION



City of Bay Springs, Mississippi
Schedule of Surety Bonds for Municipal Officials - Unaudited
September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
J. E. Smith	Mayor	RLI Surety	\$ 50,000
Steve Breland	Alderman	RLI Surety	50,000
Mike Lucas	Alderman	RLI Surety	50,000
James L. Nix	Alderman	RLI Surety	50,000
Ronald Keyes	Alderman	RLI Surety	50,000
Bob Cook	Alderman	RLI Surety	50,000
Raymond Delk	Police Chief	RLI Surety	50,000
Randy James	City Clerk	RLI Surety	50,000
Rhonda Dyess	Deputy Clerk	RLI Surety	50,000
Additional Deputy Clerks (2)	Deputy Clerk	RLI Surety	50,000 each
All Police Officers (7)	Police Officer	RLI Surety	50,000 each

SPECIAL REPORTS

HERZOG CPA COMPANY, PLLC

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

Honorable Mayor, Members of the
Board of Aldermen, and City Clerk
City of Bay Springs, Mississippi

We have audited, 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, 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 Springs, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2017-001, 2017-002, 2017-003, and 2017-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bay Springs, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Bay Springs, Mississippi's response to findings

The City of Bay Springs, Mississippi's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely for the information and use of management, the Board of Aldermen, federal awarding agencies, and passes through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC
Herzog CPA Company, PLLC
January 18, 2019

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor, Members of the
Board of Aldermen and City Clerk
City of Bay Springs, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Magee, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon September 18, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of non-compliance with state laws and regulations.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Herzog CPA Company, PLLC
Herzog CPA Company, PLLC
January 18, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Bay Springs, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of Auditors' report issued on the primary government financial statements: | |
| | Governmental Activities | Unmodified |
| | General Fund | Unmodified |
| | Debt Service Fund | Unmodified |
| | Water Fund | Unmodified |
| | Sewer Fund | Unmodified |
| | Gas Fund | Unmodified |
| | Industrial Park Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. A significant deficiency identified that is not considered to be a material weakness? | None reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

City of Bay Springs, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings

2017-001. Finding

Significant Deficiency- Material Weakness.

As reported in the prior year, the City had a deficit fund balance in the CDBG fund.

Recommendation:

The City should transfer monies to the funds, so that a deficit balance does not occur.

Response:

The City will comply in the future.

2017-002. Finding

Significant Deficiency- Material Weakness.

The City exceeded the budget in the general fund for general government, public safety, and economic development expenditures.

Recommendation:

The City should amend the budget to actual in October of each year.

Response:

The City will comply in the future.

2017-003. Finding

Significant Deficiency- Material Weakness.

The City had several unauthorized expenditures that were paid and not included in the claims docket for the month or approved in the minutes of the Board meetings.

Recommendation:

All expenditures should be approved by the Board.

Response:

The City has implemented procedures to correct this finding.

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City of Bay Springs, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings

2017-004. Finding

Significant Deficiency- Material Weakness.

The City could not locate two invoices that were paid.

Recommendation:

All invoices for expenditures should be maintained in the City's records.

Response:

The City will comply in the future.