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CITY OF BAY ST. LOUIS, MISSISSIPPI

Audited Financial Statements and Special Reports

Year Ended September 30, 2019

INTRODUCTORY SECTION

FINANCIAL SECTION

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of City of Bay St. Louis, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bay St. Louis, Mississippi's internal control over financial reporting and compliance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Using this Annual Financial Report

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

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

Reporting the City of Bay St. Louis as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

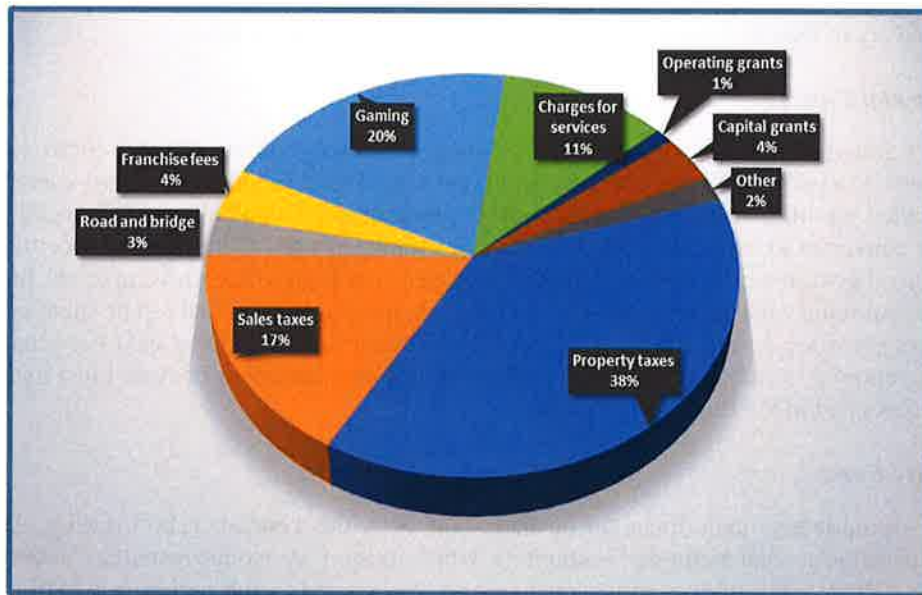
Governmental Activities

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

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

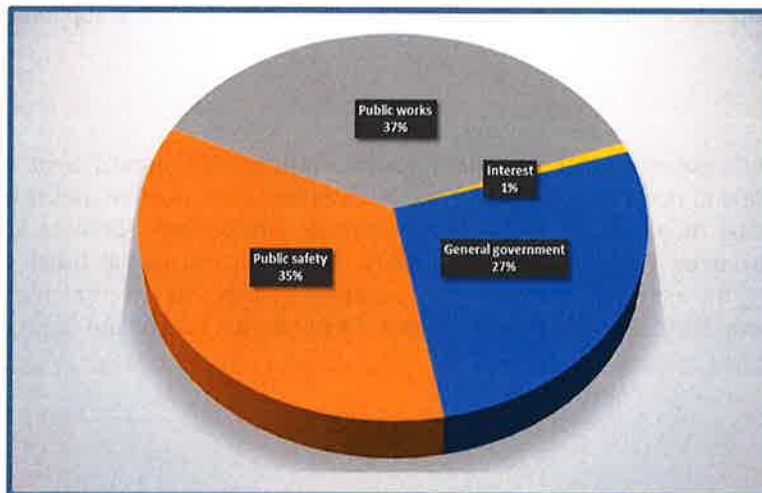
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

Chart 1 – Governmental Revenue Sources



Major governmental expense activities are shown in the following chart.

Chart 2 – Governmental Activities



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

General Fund Budgeting Highlights

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

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

Capital Assets

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

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

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

The primary decrease in capital assets occurred due to depreciation.

General Long-term Obligations

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

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

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

FINANCIAL STATEMENTS

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

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

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

City of Bay St. Louis, Mississippi
Balance Sheet
Governmental Funds
September 30, 2019

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

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

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

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

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

City of Bay St. Louis, Mississippi
Statement of Net Position
Proprietary Funds
September 30, 2019

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

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

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

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

Continued on next page

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

NOTES TO THE FINANCIAL STATEMENTS

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

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

E. Deposits and Investments

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

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

F. Receivables

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

G. Inter-Fund Transactions and Balances

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

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

H. Inventories

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources

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

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

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

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

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

K. Pensions

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

L. Long-term Liabilities

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

N. Fund Balance Policies (continued)

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

O. Net Position

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

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

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

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

P. Intergovernmental Revenues in Governmental Funds

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

Q. Property Tax Revenues

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

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

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

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

Note 3 – Receivables

A. Governmental Activities

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

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

B. Business-type Activities

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

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

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

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

Note 5 – Capital Assets

A. Governmental Activities

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

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

Depreciation expense was charged to the following governmental functions:

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

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

Note 5 – Capital Assets (continued)

D. Construction in Progress/Commitments

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

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

Note 6 – Capital Leases

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

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

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

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

Plan Description and Provisions

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

Benefits Provided

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

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

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

Contributions

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

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

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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

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

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

Actuarial assumptions

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

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

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

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

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

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

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

Pension plan fiduciary net position

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

Three-year Trend Information

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

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

B. Deferred Compensation Plan

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

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

Note 9 – Long-term Debt (continued)

A. Governmental Activities (continued)

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

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

B. Business-type Activities

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

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

C. Legal Debt Margin

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

D. Compensated Absences

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

Note 10 – Property, Sales and Gaming Taxes Revenue

A. Property Tax Revenues

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

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

Note 11 – Risk Management and Contingencies

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

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

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

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

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

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

Note 12 – Commitments and Contingencies

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

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

Note 13 – Subsequent Events

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

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

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

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

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

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

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

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

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 Contributions
Last 10 Fiscal Years¹
Year Ended September 30, 2019
(UNAUDITED)

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

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

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

Pension Schedules

A. Changes in assumptions (continued)

➤ 2015

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

B. Changes in benefit provisions

➤ 2016

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

Methods and assumptions used in calculations of actuarially determined contributions

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

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

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

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

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1928)

Certified Public Accountants

HANCOCK BANK BUILDING

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Bay St. Louis, Mississippi's basic financial statements and have issued our report thereon dated September 17, 2020.

Internal Control over Financial Reporting

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

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

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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

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

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

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

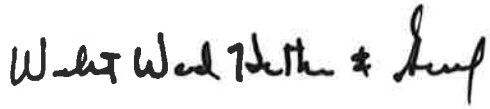
Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might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

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

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

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

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

A handwritten signature in black ink, appearing to read "Wright Ward Hatten & Guel".

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

AUDITEE'S CORRECTIVE ACTION PLAN
