

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF BAY SPRINGS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**CITY OF BAY SPRINGS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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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, 2020, 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, 2020, 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 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 March 10, 2022, 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* and should be considered in assessing the results of our audit.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
March 10, 2022

BASIC FINANCIAL STATEMENTS

City of Bay Springs, Mississippi
Statement of Net Position
September 30, 2020

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,196,634	\$ 3,153,241	\$ 4,349,875
Restricted assets - cash	-	116,676	116,676
Property tax receivable	907,750	-	907,750
Fines receivable (net of allowance for uncollectibles of \$513,015)	57,002	-	57,002
Receivables (net of uncollectibles):			
Accounts	44,778	278,171	322,949
Sales tax	115,104	-	115,104
Due from other funds	139,692	4,353	144,045
Prepaid expenses	5,882	-	5,882
Capital assets (net of accumulated depreciation):			
Land	257,243	453,918	711,161
Buildings	703,000	-	703,000
Improvements other than buildings	1,443,301	697	1,443,998
Mobile equipment	400,983	123,074	524,057
Other furniture and equipment	36,607	107,565	144,172
Infrastructure	860,212	-	860,212
Utility systems	-	6,199,992	6,199,992
Total Assets	6,168,188	10,437,687	16,605,875
Deferred Outflows of Resources			
Deferred outflows related to pension	139,536	125,891	265,427
Total Deferred Outflows of Resources	139,536	125,891	265,427
Total Assets and Deferred Outflows of Resources	\$ 6,307,724	\$ 10,563,578	\$ 16,871,302

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

City of Bay Springs, Mississippi
Statement of Net Position
September 30, 2020

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EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 245,094	\$ 123,025	\$ 368,119
Accrued payroll	11,238	10,089	21,327
Due to other funds	133,275	10,770	144,045
Customer deposits	-	116,676	116,676
Other accrued liabilities	21,294	-	21,294
Non-current Liabilities:			
Due within one year	119,154	54,924	174,078
Due in more than one year	200,301	546,894	747,195
Long-term compensated absences	38,998	24,627	63,625
Net pension liability	1,706,680	1,539,798	3,246,478
Total Liabilities	2,476,034	2,426,803	4,902,837
Deferred Inflows of Resources			
Property tax for future reporting period	907,750	-	907,750
Total Deferred Inflows of Resources	907,750	-	907,750
Net Position			
Net investment in capital assets	3,381,891	6,283,428	9,665,319
Restricted for debt service	78,475	-	78,475
Unrestricted	(536,426)	1,853,347	1,316,921
Total Net Position	2,923,940	8,136,775	11,060,715
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,307,724	\$ 10,563,578	\$ 16,871,302

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

City of Bay Springs, Mississippi
Statement of Activities
For the Year Ended September 30, 2020

EXHIBIT 2

Function/Programs:	Program Revenues			Business-Type Activities	
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Governmental Activities:					
General government	\$ (752,313)	\$ -	\$ -	-	\$ (752,313)
Public safety	(594,720)	-	-	-	(594,720)
Public works	(536,215)	141,288	-	544,333	149,406
Culture and recreation	(106,429)	-	-	-	(106,429)
Economic development	(9,800)	-	-	-	(9,800)
Interest on long-term debt	(18,084)	-	-	-	(18,084)
Pension expense	(142,581)	-	-	-	(142,581)
Total governmental activities	<u>(2,160,142)</u>	<u>141,288</u>	<u>-</u>	<u>544,333</u>	<u>(1,474,521)</u>
Business-type Activities:					
Water	(449,511)	488,769	-	-	39,258
Sewer	(313,910)	202,045	-	-	(111,865)
Gas	(1,498,811)	1,505,702	-	-	6,891
Industrial park	(566,160)	1,331,150	-	-	764,990
Total business-type activities	<u>(2,828,392)</u>	<u>3,527,666</u>	<u>-</u>	<u>-</u>	<u>699,274</u>
Total functions/programs	<u>\$ (4,988,534)</u>	<u>\$ 3,668,954</u>	<u>\$ -</u>	<u>\$ 544,333</u>	<u>\$ (1,474,521)</u>
General revenues:					
Property tax					\$ 846,866
Franchise tax					114,820
Sales tax					734,129
Licenses and permits					12,132
Fines and forfeitures					12,939
Intergovernmental, not restricted to					
Specific functions/programs					59,092
Other					28,898
Transfers in (out)					238,079
Total general revenues and transfers					<u>1,808,876</u>
Change in Net Position					<u>1,033,629</u>
Net Position - Beginning					<u>7,199,422</u>
Net Position - End of year					<u>\$ 8,136,775</u>
					<u>\$ 11,060,715</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, 2020

EXHIBIT 3

	Governmental Funds				Total
	General Fund	Debt Service Fund	Other Governmental Funds	Governmental Funds	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,082,615	\$ 76,439	\$ 37,580	\$ 1,196,634	
Accounts receivable	44,778	-	-	44,778	
Property tax receivable	859,250	48,500	-	907,750	
Fines receivable (net of allowance for uncollectibles of \$513,015)	57,002	-	-	57,002	
Due from other governments	115,104	-	-	115,104	
Due from other funds	136,220	2,036	1,436	139,692	
Prepaid expenses	5,882	-	-	5,882	
Total Assets	\$ 2,300,851	\$ 126,975	\$ 39,016	\$ 2,466,842	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 175,889	\$ -	\$ 69,205	\$ 245,094	
Accrued payroll	11,238	-	-	11,238	
Due to other funds	133,275	-	-	133,275	
Other accrued liabilities	21,294	-	-	21,294	
Total liabilities	341,696	-	69,205	410,901	
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue-property taxes	859,250	48,500	-	907,750	
Unavailable Revenue-fines	57,002	-	-	57,002	
Total deferred inflows of resources	916,252	48,500	-	964,752	
Fund Balances:					
Restricted for debt service	-	78,475	-	78,475	
Unassigned	1,042,903	-	(30,189)	1,012,714	
Total fund balances	1,042,903	78,475	(30,189)	1,091,189	
Total liabilities, deferred inflows of resources and fund balances	\$ 2,300,851	\$ 126,975	\$ 39,016	\$ 2,466,842	

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, 2020

EXHIBIT 3.1

Fund balances - Total Governmental Funds	\$ 1,091,189
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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	7,829,888	
Less: Accumulated depreciation	<u>(4,128,542)</u>	3,701,346

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	57,002
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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	(319,455)	
Compensated absences	<u>(38,998)</u>	(358,453)

Deferred Outflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.	139,536
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Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,706,680)</u>
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Net Position of Governmental Activities	<u>\$ 2,923,940</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, 2020

EXHIBIT 4

	Governmental Funds			
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 808,434	\$ 40,513	\$ -	\$ 848,947
Licenses and permits	126,952	-	-	126,952
Intergovernmental revenue	758,687	-	578,867	1,337,554
Charges for services	141,288	-	-	141,288
Fines and forfeitures	11,127	-	-	11,127
Other revenues	26,711	93	15	26,819
Total Revenues	1,873,199	40,606	578,882	2,492,687
EXPENDITURES				
Current:				
General government	472,190	-	1,218	473,408
Public safety	682,961	-	-	682,961
Public works	821,430	-	-	821,430
Culture and recreation	106,429	-	-	106,429
Economic development	9,800	-	-	9,800
Debt service:				
Principal retirement	129,152	23,231	-	152,383
Interest and fiscal charges	18,084	1,702	-	19,786
Total Expenditures	2,240,046	24,933	1,218	2,266,197
(Deficiency) of Revenues Over Expenditures	(366,847)	15,673	577,664	226,490
OTHER FINANCING SOURCES AND (USES)				
Transfers in	427,819	25,187	145,886	598,892
Transfers out	(30,602)	(48,469)	(757,900)	(836,971)
Total Other Financing Sources and (Uses)	397,217	(23,282)	(612,014)	(238,079)
Net Change in Fund Balances	30,370	(7,609)	(34,350)	(11,589)
Fund Balance -Beginning	1,012,533	86,084	4,161	1,102,778
Fund Balances-Ending	\$ 1,042,903	\$ 78,475	\$ (30,189)	\$ 1,091,189

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

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, 2020

EXHIBIT 4.1

Net Changes in Fund Balances - Total Governmental Funds	\$	(11,589)
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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	265,894	
Less: Current year depreciation	(310,667)	(44,773)

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

1,812

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	152,383
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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	(2,182)
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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	(142,581)	
Recording of contributions made subsequent to measurement date	(48,946)	
Recording of reduction in pension expense for amounts included in net pension liability	192,152	625

Change in Net Position of Governmental Activities	\$	96,276
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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, 2020

EXHIBIT 5

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Gas	Industrial Park	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 244,219	\$ 8,796	\$ 1,420,929	\$ 1,479,297	\$ 3,153,241
Cash-restricted for meter deposits	83,963	-	32,713	-	116,676
Accounts receivable	143,858	74,414	59,899	-	278,171
Due from other funds	780	-	1,492	2,081	4,353
Total current assets	<u>472,820</u>	<u>83,210</u>	<u>1,515,033</u>	<u>1,481,378</u>	<u>3,552,441</u>
Noncurrent assets:					
Capital assets:					
Land	258	38,517	-	415,143	453,918
Improvements	18,718	-	-	3,450	22,168
Systems	3,695,642	3,971,620	579,000	2,994,962	11,241,224
Mobile equipment	145,411	125,321	290,333	149,257	710,322
Other furniture and equipment	74,769	132,622	225,353	203,822	636,566
Less accumulated depreciation	<u>(1,801,516)</u>	<u>(1,860,612)</u>	<u>(933,390)</u>	<u>(1,583,434)</u>	<u>(6,178,952)</u>
Total noncurrent assets	<u>2,133,282</u>	<u>2,407,468</u>	<u>161,296</u>	<u>2,183,200</u>	<u>6,885,246</u>
Total Assets	<u>2,606,102</u>	<u>2,490,678</u>	<u>1,676,329</u>	<u>3,664,578</u>	<u>10,437,687</u>
Deferred Outflows of Resources:					
Deferred outflows related to pension	28,069	14,234	67,761	15,827	125,891
Total Deferred Outflows of Resources	<u>28,069</u>	<u>14,234</u>	<u>67,761</u>	<u>15,827</u>	<u>125,891</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,634,171</u>	<u>\$ 2,504,912</u>	<u>\$ 1,744,090</u>	<u>\$ 3,680,405</u>	<u>\$ 10,563,578</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, 2020

Page 2
EXHIBIT 5

	Enterprise Funds				
	Water	Sewer	Gas	Industrial Park	Total Enterprise Funds
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 6,270	\$ 572	\$ 90,909	\$ 25,274	\$ 123,025
Accrued payroll	2,199	1,170	5,693	1,027	10,089
Due to other funds	50	2,010	8,710	-	10,770
Customer deposits	83,963	-	32,713	-	116,676
Current portion of long-term debt	29,236	11,977	-	13,711	54,924
Total current liabilities	121,718	15,729	138,025	40,012	315,484
Noncurrent liabilities:					
Compensated absences payable	5,244	-	13,849	5,534	24,627
Long-term debt	302,616	165,056	-	79,222	546,894
Net pension liability	343,318	174,103	828,796	193,581	1,539,798
Total noncurrent liabilities	651,178	339,159	842,645	278,337	2,111,319
Total Liabilities	772,896	354,888	980,670	318,349	2,426,803
NET POSITION					
Net investment in capital assets	1,801,430	2,230,435	161,296	2,090,267	6,283,428
Unrestricted	59,845	(80,411)	602,124	1,271,789	1,853,347
Total net position	1,861,275	2,150,024	763,420	3,362,056	8,136,775
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,634,171	\$ 2,504,912	\$ 1,744,090	\$ 3,680,405	\$ 10,563,578

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, 2020

EXHIBIT 6

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Gas	Industrial Park	
Operating revenues:					
Sales	\$ 478,801	\$ 201,713	\$ 1,503,121	\$ 1,317,827	\$ 3,501,462
Other revenue	9,968	332	2,581	13,323	26,204
Total operating revenues	488,769	202,045	1,505,702	1,331,150	3,527,666
Operating expenses:					
Personnel services	176,766	93,092	483,923	98,094	851,875
Contractual services, materials, and supplies	103,495	46,095	70,272	113,737	333,599
Utilities	8,296	26,265	17,648	204,590	256,799
Other services and charges	46,182	29,578	891,075	39,760	1,006,595
Depreciation	107,983	115,670	35,893	107,974	367,520
Total operating expenses	442,722	310,700	1,498,811	564,155	2,816,388
Operating income (loss)	46,047	(108,655)	6,891	766,995	711,278
Nonoperating expense:					
Interest Expense	(6,789)	(3,210)	-	(2,005)	(12,004)
Income (loss) before transfers	39,258	(111,865)	6,891	764,990	699,274
Transfers in	499,779	39,980	-	-	539,759
Transfers out	(14,980)	-	(150,000)	(136,700)	(301,680)
Change in net position	524,057	(71,885)	(143,109)	628,290	937,353
Total net position- beginning	1,337,218	2,221,909	906,529	2,733,766	7,199,422
Total net position - ending	\$ 1,861,275	\$ 2,150,024	\$ 763,420	\$ 3,362,056	\$ 8,136,775

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

City of Bay Springs, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2020

EXHIBIT 7

	Enterprise Funds				Total
	Water	Sewer	Gas	Industrial Park	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 457,041	\$ 202,317	\$ 1,684,595	\$1,331,150	\$3,675,103
Cash payments to suppliers	(161,041)	(108,199)	(967,905)	(392,536)	(1,629,681)
Cash payments to employees	(177,537)	(93,318)	(428,810)	(104,322)	(803,987)
Operating transfers	484,799	39,980	(150,000)	(136,700)	238,079
Net cash provided by operating activities	603,262	40,780	137,880	697,592	1,479,514
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases of capital assets	(488,845)	(99,075)	(1,788)	(91,505)	(681,213)
Principal payments	(31,893)	(11,770)	-	(13,439)	(57,102)
Net cash (used by) capital and related financing activities	(520,738)	(110,845)	(1,788)	(104,944)	(738,315)
Net increase (decrease) in cash and cash equivalents	82,524	(70,065)	136,092	592,648	741,199
Cash and cash equivalents, beginning of year	245,658	78,861	1,317,550	886,649	2,528,718
Cash and cash equivalents, end of year	\$ 328,182	\$ 8,796	\$ 1,453,642	\$1,479,297	\$3,269,917
Reconciliation of change in net position to net cash provided by (used by) operating activities:					
Change in net position	\$ 524,057	\$ (71,885)	\$ (143,109)	\$ 628,290	\$ 937,353
Adjustments not affecting cash:					
Depreciation expense	107,983	115,670	35,893	107,974	367,520
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(31,728)	272	178,893	-	147,437
(Increase) in due from other funds	(780)	-	(1,492)	-	(2,272)
(Increase) in deferred outflows related to pension	(11,855)	(6,184)	(30,704)	(6,305)	(55,048)
Increase (decrease) in accounts payable	(3,068)	(6,261)	11,090	(34,449)	(32,688)
Increase (decrease) in customer deposits	3,469	-	(595)	-	2,874
Increase in payroll related liabilities	1,625	910	4,265	702	7,502
Increase (decrease) in compensated absences payable	(349)	(4,566)	(30)	276	(4,669)
Increase (decrease) in due to other funds	(1,660)	1,437	3,931	-	3,708
Increase in net pension liability	23,722	15,435	98,373	5,892	143,422
(Decrease) in deferred inflows related to pension	(8,154)	(4,048)	(18,635)	(4,788)	(35,625)
Total adjustments	79,205	112,665	280,989	69,302	542,161
Net cash provided by operating activities	\$ 603,262	\$ 40,780	\$ 137,880	\$ 697,592	\$1,479,514

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, 2020

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.

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.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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).

Depreciation has been provided using the straight-line method 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.

Accounts Receivable

No allowance account is used by the City as of September 30, 2020. All accounts receivable balances reflect amounts due from customers.

Surety Bonds

Surety bond coverage meets the legal requirements for the year ended September 30, 2020.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

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.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 2020. 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 Deposit Insurance Corporation.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 2 – CASH AND INVESTMENTS – Continued

The City's deposits, which include all cash accounts and certificates of deposits, with a carrying value of \$4,466,551 and a bank balance of \$4,561,799 at September 30, 2020, are covered by federal deposit insurance and by deposits held in banks that are members of the State of Mississippi's Collateral Pool.

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</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	<u>257,243</u>	<u>-</u>	<u>-</u>	<u>\$ 257,243</u>
<i><u>Capital assets being depreciated:</u></i>				
Buildings	1,438,671	-	-	1,438,671
Improvements other than buildings	2,624,115	145,798	-	2,769,913
Mobile equipment	1,607,141	13,915	-	1,621,056
Other furniture and equipment	513,700	-	-	513,700
Infrastructure	1,123,124	106,181	-	1,229,305
Total capital assets being depreciated	<u>\$ 7,306,751</u>	<u>\$ 265,894</u>	<u>\$ -</u>	<u>\$ 7,572,645</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i><u>Less accumulated depreciation for:</u></i>				
Buildings	\$ 699,704	\$ 35,967	\$ -	\$ 735,671
Improvements other than buildings	1,207,647	118,965	-	1,326,612
Mobile equipment	1,127,927	92,146	-	1,220,073
Other furniture and equipment	464,844	12,249	-	477,093
Infrastructure	317,753	51,340	-	369,093
Total accumulated depreciation	<u>3,817,875</u>	<u>310,667</u>	<u>-</u>	<u>4,128,542</u>
Total capital assets being depreciated, net	<u>3,488,876</u>	<u>(44,773)</u>	<u>-</u>	<u>3,444,103</u>
Governmental activities capital assets, net	<u>\$ 3,746,119</u>	<u>\$ (44,773)</u>	<u>\$ -</u>	<u>\$ 3,701,346</u>

Depreciation expense was charged to the following functions as follows:

Governmental Activities:	
General government	\$ 310,667
Total Depreciation Expense	<u>\$ 310,667</u>

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 3 – CAPITAL ASSETS – Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	10,678,300	562,924	-	11,241,224
Improvements other than buildings	22,168	-	-	22,168
Machinery and equipment	685,322	25,000	-	710,322
Other furniture and equipment	543,277	93,289	-	636,566
Total capital assets being depreciated	\$ 11,929,067	\$ 681,213	\$ -	\$ 12,610,280

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Less accumulated depreciation for:</u>				
Utility systems	\$ 4,754,900	\$ 286,332	\$ -	\$ 5,041,232
Improvements other than buildings	21,182	289	-	21,471
Machinery and equipment	522,971	64,277	-	587,248
Other furniture and equipment	512,379	16,622	-	529,001
Total accumulated depreciation	5,811,432	367,520	-	6,178,952
Total capital assets being depreciated, net	6,117,635	313,693	-	6,431,328
Business-type activities capital assets, net	\$ 6,571,553	\$ 313,693	\$ -	\$ 6,885,246

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 4 – NON-CURRENT LIABILITIES

Loans payable at September 30, 2020, are comprised of the following issues:

<u>Purpose</u>	<u>Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Balances</u>
Maintenance and storage facility	\$ 260,000	2021	4.85%	\$ 12,045
Water tank	498,100	2028	2.00%	219,984
Water tank	200,000	2027	2.00%	92,932
Water pollution control-01-2	249,098	2034	1.75%	177,033
Water pollution control-02-2	139,917	2036	1.75%	111,869
Total				<u>\$ 613,863</u>

Capital Leases

<u>Purpose</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
4-2017 Ford Explorers	\$ 130,000	2022	1.83%	\$ 36,165
Fire Truck	379,692	2024	3.19%	271,245
Total				<u>\$ 307,410</u>

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 4 – NON-CURRENT LIABILITIES – Continued

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

DEFINITION AND PURPOSE	Balance	Transactions		Balance	Due
	Outstanding	During Fiscal Year		Outstanding	Within One
	Oct 1, 2019	Additions	Reductions	Sept 30, 2020	Year
<i>Governmental Activities:</i>					
Accrued Compensated Absences	\$ 36,816	\$ 2,182	\$ -	\$ 38,998	\$ -
CAP Loan - Maintenance and storage facility	35,276	-	(23,231)	12,045	12,045
Capital Lease - 2-2017 Ford Explorers	16,364	-	(16,364)	-	-
Capital Lease - 2016 Crew cab Truck	6,919	-	(6,919)	-	-
Capital Lease - 4-2017 Ford Explorers	68,907	-	(32,742)	36,165	33,357
Capital Lease - Fire truck	344,372	-	(73,127)	271,245	73,752
Total governmental activities	<u>508,654</u>	<u>2,182</u>	<u>(152,383)</u>	<u>358,453</u>	<u>119,154</u>
Net Pension Liability	<u>1,608,332</u>	<u>98,348</u>	<u>-</u>	<u>1,706,680</u>	<u>-</u>
DEFINITION AND PURPOSE	Balance	Transactions		Balance	Due
	Outstanding	During Fiscal Year		Outstanding	Within One
	Oct 1, 2019	Additions	Reductions	Sept 30, 2020	Year
<i>Business-type Activities:</i>					
Accrued Compensated Absences	\$ 29,296	\$ -	\$ (4,669)	\$ 24,627	\$ -
CAP loan - Water pollution control-01-2	188,803	-	(11,770)	177,033	11,977
CAP loan - Water tank	245,452	-	(25,468)	219,984	22,697
CAP loan - Water tank	106,372	-	(13,440)	92,932	13,711
CAP loan - Water pollution control-02-2	118,293	-	(6,424)	111,869	6,539
Total business-type activities	<u>688,216</u>	<u>-</u>	<u>(61,771)</u>	<u>626,445</u>	<u>54,924</u>
Net Pension Liability	<u>1,396,376</u>	<u>143,422</u>	<u>-</u>	<u>1,539,798</u>	<u>-</u>
Total government-wide long-term debt	<u>\$ 4,201,578</u>	<u>\$ 243,952</u>	<u>\$ (214,154)</u>	<u>\$ 4,231,376</u>	<u>\$ 174,078</u>

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 4 – NON-CURRENT LIABILITIES – 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, 2020, the amount of outstanding debt was equal to 2.20 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>	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2021	\$ 119,155	\$ 8,260	\$ 54,924	\$ 10,870
2022	79,897	5,257	59,363	9,743
2023	79,620	2,722	60,513	8,592
2024	40,783	388	61,686	7,419
2025	-	-	62,881	6,224
2026-2030	-	-	214,120	15,516
2031-2035	-	-	87,627	3,275
2036	-	-	704	1
Total	<u>\$ 319,455</u>	<u>\$ 16,627</u>	<u>\$ 601,818</u>	<u>\$ 61,640</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, 2020

NOTE 6 – PENSION PLAN OBLIGATIONS

General Information about the Pension plan

Plan Description

The City of Bay Springs, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et. seq., (1972, as amended) 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 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-school districts. 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 and 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 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

At September 30, 2020, PERS members were required to contributed 9% of their annual covered salary, and the City of Bay Springs is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2020, was 17.40% of annual covered payroll. This rate increased as of July 1, 2020 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City of Bay Springs' contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$191,169, \$182,680 and \$176,258, respectively, equal to the required contributions for each year.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 6 – PENSION PLAN OBLIGATIONS - Continued

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

At September 30, 2020, the City of Bay Springs reported a liability of \$3,246,478 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Bay Springs' proportion of the net pension liability was based on a projection of the City of Bay Springs' long-term share of contribution to the pension plan relative to projected contributions for all participating entities, actuarially determined. The City of Bay Springs' proportionate share used to calculate the September 30, 2020, net pension liability was 0.016770 percent, which was based on a measurement date of June 30, 2020. This was a decrease of .000310 percent from its proportionate share used to calculate the September 30, 2019, net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the City of Bay Springs recognized pension expense of \$271,220. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,537	\$ -
Net difference between projected and actual earnings on pension plan investments	149,518	-
Changes of assumptions	18,497	-
Changes in the proportion and differences between the City's Contributions and Proportionate Share of Contributions	27,929	-
City's contributions subsequent to the measurement date	48,946	-
	<u>\$ 265,427</u>	<u>\$ -</u>

\$48,946 reported 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 September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2021	\$ 55,750
2022	60,256
2023	60,455
2024	40,020
	<u>\$ 216,481</u>

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 6 – PENSION PLAN OBLIGATIONS – Continued

Actuarial Assumptions

The total pension liability used in the September 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.75%
Salary increases	3.00%-18.25%, average, including inflation
Investment rate of return	7.75%, 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 the 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 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 are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity	27.00 %	4.90 %
International equity	22.00	4.75
Global equity	12.00	5.00
Debt securities	20.00	0.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash equivalents	1.00	-
	<u>100.00 %</u>	

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 6 – PENSION PLAN OBLIGATIONS – Continued

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 (17.40%). 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.

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

The City of Bay Springs' 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' 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	\$ 4,202,166	\$ 3,246,477	\$ 2,457,650

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Payable to the Pension Plan

At September 30, 2020, the City of Bay Springs has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2020.

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.

**City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020**

NOTE 8 – INTERFUND TRANSFERS

Interfund transfers were made in the amount of \$238,079.

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 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of \$(536,426) 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 \$25,941 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, 2020. The \$113,595 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years.

The business activities' unrestricted net position amount of \$1,853,347 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 \$23,005 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, 2020. The \$102,886 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years.

NOTE 11 – 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 March 10, 2022, (the date the financial statements were available to be issued) and determined that the following subsequent events required disclosure in the notes to the financial statements:

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus has continued to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

On December 15, 2020, the Board approved bid from local company for Phase II of SRF Water Improvements in the amount of \$388,147.

On January 5, 2021, the Board approved purchase of 2021 Chevrolet Silverado in the amount of \$41,766.

City of Bay Springs, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 11 – SUBSEQUENT EVENTS – Continued

On January 19, 2021, the Board approved purchase of 2021 GMC Sierra 1500 Crew Cab in the amount of \$44,186.

On May 4, 2021, the Board approved purchase of Mission Scada System in the amount of \$34,850.

On May 4, 2021, the Board approved sale of ½ ownership of Goat Barn Building to Jasper County in the amount of \$150,000.

On August 3, 2021, the Board approved new tractor on state contract in amount of \$32,635.

On November 16, 2021, the Board approved bid from local company for Phase III of SRF Water Improvements in the amount of \$657,820.

On December 7, 2021, the Board approved to execute the final drinking water system revolving loan fund agreement DWL-L310002-01-1.

On December 21, 2021, the Board approved the emergency repairs to road in the amount of \$18,000.

On January 4, 2022, the Board approved a bid from a local company for the overlay project in the amount of \$25,980.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bay Springs, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
General Fund - Unaudited
For the Year Ended September 30, 2020

	General Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Property taxes	\$ 916,510	\$ 808,434	\$ 808,434	\$ -
Licenses and permits	171,200	130,036	130,036	-
Intergovernmental revenues	690,770	735,866	735,866	-
Charges for services	139,000	141,296	141,296	-
Fines and forfeitures	13,500	11,128	11,128	-
Other revenue	48,635	25,040	25,270	230
Total Revenues	1,979,615	1,851,800	1,852,030	230
EXPENDITURES				
Current:				
General government	703,515	479,015	479,015	-
Public safety	878,360	813,996	811,663	2,333
Public works	711,654	577,813	577,813	-
Culture and recreation	265,150	106,412	106,412	-
Total expenditures	2,558,679	1,977,236	1,974,903	2,333
(Deficiency) of revenues over Expenditures	(579,064)	(125,436)	(122,873)	2,563
OTHER FINANCING SOURCES				
Transfers in	598,056	251,562	251,562	-
Total Other Financing Sources	598,056	251,562	251,562	-
Net Change in Fund Balance	18,992	126,126	128,689	2,563
Fund Balances - beginning	-	(97,893)	698,375	796,268
Fund Balances - ending	\$ 18,992	\$ 28,233	\$ 827,064	\$ 798,831

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-Unaudited
For the Years Ended September 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.016770%	0.01708%	.017928%	.018%	.018%	.017%	.016%
Employer's proportionate share of the net pension liability (asset)	\$ 3,246,477	\$ 3,004,708	\$ 2,981,959	\$2,992,211	\$ 3,215,249	\$ 2,627,865	\$ 1,942,107
Employer's covered payroll	\$ 1,098,672	\$ 1,128,521	\$ 1,119,097	\$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 payroll	295.49%	266.25%	266.46%	262.17%	270.87%	249.35%	191.01%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 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-Unaudited
For the Years Ended September 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 191,169	\$ 182,680	\$ 176,258	\$ 179,755	\$ 186,951	\$ 165,989	\$ 160,138
Contributions in relation to the contractually required contributions	(191,169)	(182,680)	(176,258)	(179,755)	(186,951)	(165,989)	(160,138)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 1,098,672	\$ 1,128,521	\$ 1,119,097	\$ 1,141,302	\$ 1,186,990	\$ 1,053,897	\$ 1,016,752
Contributions as a percentage of covered payroll	17.40%	16.19%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 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, 2020

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)	\$	128,689
Increase (Decrease)		
Net adjustments for revenue accruals		(26,073)
Net adjustments for expenditures accruals		(72,246)
GAAP Basis	\$	<u>30,370</u>

City of Bay Springs, Mississippi
Notes to Required Supplementary Information-Unaudited
For the Year Ended September 30, 2020

d. Pension Schedules.

(1) 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 proceeding 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, 2020 fiscal year end).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 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

(2) Changes of Assumptions

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.

2016

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

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

City of Bay Springs, Mississippi
Notes to Required Supplementary Information-Unaudited
For the Year Ended September 30, 2020

d. Pension Schedules. (continued)

- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and services 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%.

2019

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

OTHER INFORMATION

City of Bay Springs, Mississippi
Schedule of Surety Bonds for Municipal Officials - Unaudited
September 30, 2020

<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 Knotts	Alderman	RLI Surety	50,000
Ronald Keyes	Alderman	RLI Surety	50,000
Bob Cook	Alderman	RLI Surety	50,000
Richard Mays, Jr.	Police Chief	RLI Surety	50,000
Vickie Cargile	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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2022.

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.

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. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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
Hattiesburg, Mississippi
March 10, 2022

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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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 Bay Springs, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon March 10, 2022. 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.

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. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year finding has been corrected.

This report is intended solely for the information and use of management and the Office of the State Auditor 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

Hattiesburg, Mississippi

March 10, 2022

SCHEDULE OF FINDING AND RESPONSES

City of Bay Springs, Mississippi
Schedule of Finding and Responses
For the Year Ended September 30, 2020

Section 1: Summary of Auditors' Results

Financial Statements:

1. Type of Auditors' report issued on the primary government financial statements:

Governmental Activities	Unmodified
Business-Type 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? No

 - 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 Finding and Responses
For the Year Ended September 30, 2020**

Section 2: Financial Statements Findings

There were no financial statements findings.