



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. 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 OCEAN SPRINGS, MISSISSIPPI
FINANCIAL REPORT
SEPTEMBER 30, 2020



CITY OF OCEAN SPRINGS, MISSISSIPPI
TABLE OF CONTENTS
SEPTEMBER 30, 2020

	<u>Page (s)</u>
INTRODUCTORY SECTION	
Listing of City Officials	1
INDEPENDENT AUDITORS' REPORT	2 – 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-10
FINANCIAL SECTION	
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Exhibit A Statement of Net Position	11
Exhibit B Statement of Activities	12
Fund Financial Statements:	
Governmental Funds Financial Statements:	
Exhibit C Balance Sheet	13
Exhibit C-1 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Exhibit D Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Exhibit D-1 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds Financial Statements:	
Exhibit E Statement of Net Position	17
Exhibit F Statement of Revenues, Expenditures, and Changes in Fund Net Position	18
Exhibit G Statement of Cash Flows	19
NOTES TO FINANCIAL STATEMENTS	20 – 45
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule 1 Budgetary Comparison Schedule (Non-GAAP basis) General Fund	46 – 47
Schedule 2 Schedule of City's Proportionate Share of Net Pension Liability	48
Schedule 3 Schedule of City's Contributions	49
Notes to Required Supplementary Information	50 – 51
COMBINING FINANCIAL STATEMENTS	
Non-Major Governmental Funds	
Balance Sheet	52
Statement of Revenues, Expenditures, and Changes in Fund Balances	53

CITY OF OCEAN SPRINGS, MISSISSIPPI
TABLE OF CONTENTS (Continued)
SEPTEMBER 30, 2020

	<u>Page(s)</u>
 OTHER SUPPLEMENTARY INFORMATION	
Schedule of Surety Bonds for City Officials	54
 REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55 – 56
Independent Auditors' Report on Compliance with Mississippi State Laws and Regulations	57

INTRODUCTORY SECTION

**CITY OF OCEAN SPRINGS, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2020**

ELECTED OFFICIALS

Mayor	Shea Dobson
Alderman – Ward 1	John Gill
Alderman – Ward 2	Rickey Authement
Alderman – Ward 3	Joseph Bellman Jr.
Alderman – Ward 4	Ken Papania
Alderman – Ward 5	Robert Blackman
Alderman – Ward 6	Michael Impey
Alderman – At Large	Robert Cox

APPOINTED DEPARTMENT HEADS

City Clerk	Patty Gaston
City Attorney	Douglas Tynes
Police Department	Mark Dunston
Fire Department	Derek McCoy
Public Works	Allan Ladnier
Parks and Recreation	Stephen Glorioso
Human Resources	Melinda McDowell

INDEPENDENT AUDITORS' REPORT



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

June 29, 2021

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ocean Springs, Mississippi (City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Ocean Springs, Mississippi's 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 auditors consider 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.

9490 Three Rivers Road | Gulfport, MS 39503 | (228) 863-0411 | Fax: (228) 863-1165 | E-Mail: info@avlcpa.com | www.avlcpa.com
304 N. Vardaman Street | P.O. Box 749 | Wiggins, MS 39577 | (601) 928-4416 | Fax: (601) 928-4417 | E-Mail: info@avlcpa.com | www.avlcpa.com
831 Hwy. 90 | Bay St. Louis, MS 39520 | (228) 467-1402 | Fax: (228) 467-2594 | E-Mail: info@avlcpa.com | www.avlcpa.com

Members: American Institute of CPA's. Mississippi Society of CPA's. The AICPA Alliance for CPA Firms-
Partnering for CPA Practice Success, National Association of Certified Valuation Analysts

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Ocean 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 management's discussion and analysis, budgetary comparison information, and net pension liability and contributions on pages 5-10, 46-47 and 48-49, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ocean Springs, Mississippi's basic primary government financial statements. The introductory section on page 1, the combining nonmajor fund financial statements on pages 52-53, and schedule of surety bonds for city officials on page 54, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section, combining nonmajor fund financial statements, and schedule of surety bonds for city officials is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, combining nonmajor fund financial statements, and schedule of surety bonds of city 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.

Honorable Mayor and Members of the
Board of Aldermen
City of Ocean Springs
June 29, 2021

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the City of Ocean Springs, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ocean Springs, Mississippi's internal control over financial reporting and compliance.

Alexander, Van Loon, Sloan, Levens & Favre, PLLC
ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS



P.O. Box 1800
Ocean Springs, MS
39566-1800

1018 Porter Avenue
Ocean Springs, MS 39564

PH 228.875.4236
FX 228.875.7249

Shea Dobson
Mayor

Bobby Cox
Alderman at Large

John Gill
Alderman Ward 1

Rickey Authement
Alderman Ward 2

Joseph Bellman, Jr.
Alderman Ward 3

Ken Papania
Alderman Ward 4

Robert Blackman
Alderman Ward 5

Michael (Mike) Impey, II
Alderman Ward 6

City Clerk
228.875.4236

Police Chief
228.875.2211

Fire Chief
228.872.4407

Public Works
228.875.3955

**Community
Development and
Planning**
228.875.4415

**Human Resources
and Risk Management**
228.872.3338

**Parks and
Leisure Services**
228.875.8665



City of Ocean Springs

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Introduction

The following Management's Discussion and Analysis of the City of Ocean Springs, Mississippi's (the "City") activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2020. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)

The MD&A introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2020 by \$43,575,830.
- The total net position increased by \$ 2,740,031. Of this amount, an increase of \$1,340,964 was associated with governmental activities and an increase of \$1,399,067 was from business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,975,487 an increase of \$1,695,628.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$4,037,508

Overview of the Financial Statements

The City's basic financial statements comprise the following elements:

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Continued)

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include capital projects, general government, public safety, public works, solid waste, urban and economic development, and culture and recreation. The business-type activities of the City are comprised of water and sewer operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories:

- **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

The City maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, food and beverage fund, general obligation fund, and nonmajor funds.

- **Proprietary Funds**

The City maintains one proprietary fund for water and sewer operations. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information for this fund is presented in the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Overview of the Financial Statements (Continued)

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

Government-wide Financial Analysis

Table 1 below presents the City's condensed statement of net position as of September 30, 2020 and 2019, derived from the government-wide Statement of Net Position.

Table 1: Condensed Statement of Net Position
As of September 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 9,798,639	\$ 7,690,888	\$ 4,052,738	\$ 3,200,002	\$ 13,851,377	\$ 10,890,890
Capital assets	48,033,267	48,748,692	21,429,862	21,027,441	69,463,129	69,776,133
Total assets	57,831,906	56,439,580	25,482,600	24,227,443	83,314,506	80,667,023
Deferred outflows for pensions	1,318,365	455,155	197,791	84,519	1,516,156	539,674
Long-term debt outstanding	13,924,309	15,067,962	3,436,620	3,669,178	17,360,929	18,737,140
Net pension liability	18,526,259	16,808,159	2,768,462	2,543,010	21,294,721	19,351,169
Other liabilities	1,580,599	1,078,955	949,837	952,174	2,530,436	2,031,129
Total liabilities	34,031,167	32,955,076	7,154,919	7,164,362	41,186,086	40,119,438
Deferred inflows for pensions	48,364	209,883	20,382	41,577	68,746	251,460
Net position:						
Investment in capital assets, net of related debt	34,804,328	34,323,601	18,062,950	17,435,884	52,867,278	51,759,485
Restricted	228,214	563,281	-	-	228,214	563,281
Unrestricted	(9,961,802)	(11,157,106)	442,140	(329,861)	(9,519,662)	(11,486,967)
Total net position	\$ 25,070,740	\$ 23,729,776	\$ 18,505,090	\$ 17,106,023	\$ 43,575,830	\$ 40,835,799

At September 30, 2020 and 2019, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$43,575,830 and \$40,835,799, respectively. By far, the largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net positions are not available for future spending. A portion of the net position is restricted for capital improvements. The remaining portion of net position is unrestricted, which can be used to finance government operations.

Total assets increased by \$2,647,483 due largely to an increase in cash and cash equivalents. Total liabilities increased by \$1,066,648 due primarily to the \$1,943,552 increase in net pension liability related to the City's proportionate share of the increase in PERS pension liability. Deferred outflows for pensions increased by \$976,482 and deferred inflows for pensions decreased by (\$182,714) during the current fiscal year.

Governmental activities reflect a negative fund balance in unrestricted net position of (\$9,961,802) at September 30, 2020. This is an increase of \$1,195,304 from prior year's fund balance in unrestricted net position of (\$11,157,106). The increase in unrestricted net position is primarily due to a larger proportional increase in revenues than in expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Government-wide Financial Analysis (Continued)

Business-type activities reflect an unrestricted net position of \$442,140 at September 30, 2020, an increase of \$772,001 over prior year's unrestricted net position of (\$329,861). The increase in unrestricted net position is primarily due to a larger proportional increase in revenues than in expenditures.

Table 2 below presents the City's condensed statement of activities for the fiscal years ended September 30, 2020 and 2019, as derived from the government-wide Statement of Activities.

Table 2: Condensed Statement of Activities
For the years ended September 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 1,154,786	\$ 1,409,473	\$ 8,084,674	\$ 7,299,297	\$ 9,239,460	\$ 8,708,770
Operating grants	738,204	678,015	-	-	738,204	678,015
Capital grants and contributions	367,328	652,352	22,294	102,205	389,622	754,557
General revenues						
Property taxes	5,640,856	5,340,021	-	-	5,640,856	5,340,021
Sales taxes	7,150,241	6,938,318	-	-	7,150,241	6,938,318
Franchise taxes	882,968	909,351	-	-	882,968	909,351
Other taxes	1,100,268	957,402	-	-	1,100,268	957,402
Other general revenues	838,250	546,046	(1,842)	-	836,408	546,046
Total revenues	17,872,901	17,430,978	8,105,126	7,401,502	25,978,027	24,832,480
Expenses						
General government	4,916,446	4,774,905	-	-	4,916,446	4,774,905
Public safety	6,356,021	6,413,960	-	-	6,356,021	6,413,960
Public works	2,828,109	2,645,416	-	-	2,828,109	2,645,416
Culture and recreation	2,075,671	2,117,902	-	-	2,075,671	2,117,902
Urban & economic development	160,101	95,169	-	-	160,101	95,169
Debt service - interest	481,654	757,625	-	-	481,654	757,625
Water, sewer & gas	-	-	6,419,994	6,105,511	6,419,994	6,105,511
Total expenses	16,818,002	16,804,977	6,419,994	6,105,511	23,237,996	22,910,488
Increase (decrease) in net assets before transfers	1,054,899	626,001	1,685,132	1,295,991	2,740,031	1,921,992
Transfers	36,256	499,515	(36,256)	(499,515)	-	-
Net increase (decrease) in net position	1,091,155	1,125,516	1,648,876	796,476	2,740,031	1,921,992
Net position, beginning of year	23,729,776	22,604,260	17,106,023	16,309,547	40,835,799	38,913,807
Prior period adjustment	249,809	-	(249,809)	-	-	-
Net position, beginning - restated	23,979,585	22,604,260	16,856,214	16,309,547	40,835,799	38,913,807
Net position, end of year	\$ 25,070,740	\$ 23,729,776	\$ 18,505,090	\$ 17,106,023	\$ 43,575,830	\$ 40,835,799

Governmental Activities

Governmental activities increased the City's net position by \$1,091,155, which is a slight decrease from the change in net position in the prior year. The key element of this decrease is a smaller balance of transfers from other funds.

Business-type Activities

Business-type activities increased the City's net position by \$1,648,876, a significant increase from the change in net position in the prior year. Key elements of this increase include a larger proportional increase in revenues than in expenses, as well as a smaller balance of transfers out to other funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Financial Analysis of the City's Funds

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$7,975,487.

General Fund

Fund balance at September 30, 2020 totaled \$5,144,949, an increase of \$1,115,904 during the fiscal year in comparison to the \$4,029,045 balance in fiscal year 2019. Significant changes in revenues and expenses in comparison to fiscal year 2019 are as follows:

- Property taxes increased by \$67,775
- Licenses and permits increased by \$39,935
- Grants decreased by \$501,269
- Public safety expenditures increased by \$237,867
- General government expenditures decreased by \$7,865
- Public works expenditures decreased by \$56,041
- Health and welfare expenditures decreased by \$5,868
- Cultural and recreation expenditures decreased by \$27,817
- Capital outlay expenditures decreased by \$201,592

Food and Beverage Fund

The food and beverage fund had a fund balance of \$1,726,703 at September 30, 2020, which is an increase of \$50,915 from prior year. This is primarily due to a decrease in expenditures.

General Obligation Fund

The general obligation fund had a balance of \$457,693 at September 30, 2020, which is an increase of \$231,959 from prior year due primarily to an increase in revenue.

Budget Variances in the General Fund

All significant differences in the original budget and the final amended budget are summarized as follows:

- \$25,400 (10%) decrease in intergovernmental revenue
- \$134,500 (28%) decrease in revenue from charges for services
- \$34,502 (12%) decrease in judicial expenditures
- \$51,886 (6%) increase in supervision and finance expenditures
- \$41,750 (6%) increase in executive and legislative expenditures
- \$115,008 (6%) decrease in parks and recreation expenditures

The City ended the year with an overall unfavorable variance between the original and final budget of \$57,479 primarily due to decreased revenues and increased expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Capital Asset and Long-Term Debt Activity

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,648,304	\$ 3,648,304	\$ 29,413	\$ 29,413	\$ 3,677,717	\$ 3,677,717
Donated artwork	5,734,541	5,732,494	-	-	5,734,541	5,732,494
Construction in progress	260,863	1,138,501	11,600	169,868	272,463	1,308,369
Buildings and improvements	14,026,638	14,026,638	35,390	35,390	14,062,028	14,062,028
Equipment	2,426,822	2,312,260	1,225,551	837,277	3,652,373	3,149,537
Other improvements	20,562,317	20,355,921	-	-	20,562,317	20,355,921
Infrastructure	18,678,834	17,254,679	42,093,230	41,553,628	60,772,064	58,808,307
Vehicles	5,692,266	5,541,443	901,733	840,759	6,593,999	6,382,202
Accumulated depreciation	(22,997,318)	(21,261,548)	(22,867,055)	(22,438,894)	(45,864,373)	(43,700,442)
Total	<u>\$ 48,033,267</u>	<u>\$ 48,748,692</u>	<u>\$ 21,429,862</u>	<u>\$ 21,027,441</u>	<u>\$ 69,463,129</u>	<u>\$ 69,776,133</u>

Capital Asset Activity

At September 30, 2020, the City reported \$48,033,267 in net capital assets for governmental activities and \$21,429,862 in capital assets for business-type activities. Major capital asset events during the year included the following:

- The City incurred governmental capital asset additions of \$1,579,134 primarily related to purchases of machinery and equipment and completion of construction in progress.
- The City incurred governmental expenditures construction in progress of \$450,686 primarily related to street/sidewalk improvements.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-Term Liabilities Activity

At the end of the current fiscal year, the City had \$3,436,620 in outstanding proprietary debt and \$13,806,243 in outstanding governmental debt. See Note 6 to the financial statements for further information.

Pursuant to the provisions of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the City of Ocean Springs recorded approximately \$21.3 million in pension liabilities for the defined benefit plans administered by the State of Mississippi's Public Employees' Retirement System for the fiscal year ended September 30, 2020. The \$21.3 million is the City's proportionate share of the total net pension liability of the State of Mississippi's Public Employees' Retirement System. See Note 8 to the financial statements for further information.

Economic Conditions and Outlook

Due to the Coronavirus pandemic, the City adopted a conservative budget mainly consisting of operating expenses in order to mitigate potential revenue shortages in sales taxes, recreational programs, and facility rentals. Although the City did see initial shortfalls in revenues, recent sales tax revenues have been higher than expected. Additionally, the City is pursuing all reimbursable funds offered thru the Federal/State Government.

The City is actively pursuing grant funding and other funding sources which will be used to fund City projects as allowable by the grantors.

Contact the City's Financial Management

This financial report is designed to provide a general overview of the City of Ocean Springs for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk at 1018 Porter Avenue, Ocean Springs, Mississippi, 39564.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,543,988	\$ 2,317,598	\$ 6,861,586
Receivables, net	498,556	834,898	1,333,454
Internal balances	(7,208)	7,208	-
Due from other governmental agencies	1,381,023	124,499	1,505,522
Advance to other funds	-	50,400	50,400
Prepaid expenses	273,330	-	273,330
Restricted assets:			
Cash and cash equivalents	2,372,456	718,135	3,090,591
Investments, bond reserve	736,494	-	736,494
Capital assets			
Nondepreciable assets	9,643,708	41,013	9,684,721
Depreciable assets, net of depreciation	38,389,559	21,388,849	59,778,408
Total capital assets	48,033,267	21,429,862	69,463,129
Total assets	57,831,906	25,482,600	83,314,506
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pension liability	1,318,365	197,791	1,516,156
LIABILITIES			
Accounts payable	408,969	194,964	603,933
Advance from enterprise fund	50,400	-	50,400
Accrued liabilities	204,530	36,738	241,268
Deferred revenues	916,700	-	916,700
Customer deposits	-	718,135	718,135
Long-term liabilities:			
Due within one year			
Bonds, notes payable, and capital leases	1,210,272	464,977	1,675,249
Premium on bonds payable	31,316	-	31,316
Accrued interest	118,066	-	118,066
Compensated absences	397,139	47,954	445,093
Due in more than one year			
Bonds, notes payable, and capital leases	11,736,819	2,901,935	14,638,754
Premium on bonds payable	250,532	-	250,532
Proportionate share of collective net pension liability	18,526,259	2,768,462	21,294,721
Compensated absences	180,165	21,754	201,919
Total liabilities	34,031,167	7,154,919	41,186,086
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension liability	48,364	20,382	68,746
NET POSITION			
Invested in capital assets, net of related debt	34,804,328	18,062,950	52,867,278
Restricted for:			
Specific Grant Programs	169,848	-	169,848
Capital improvements	58,366	-	58,366
Unrestricted	(9,961,802)	442,140	(9,519,662)
Total net position	\$ 25,070,740	\$ 18,505,090	\$ 43,575,830

The accompanying notes are an integral part of these financial statements.

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Exhibit B

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 4,916,446	\$ 2,580	\$ 464,875	\$ -	\$ (4,448,991)	\$ -	\$ (4,448,991)
Culture and recreation	2,075,671	471,696	15,559	12,861	(1,575,555)	-	(1,575,555)
Public safety	6,356,021	341,878	235,770	-	(5,778,373)	-	(5,778,373)
Public works	2,828,109	-	22,000	252,291	(2,553,818)	-	(2,553,818)
Economic development	160,101	338,632	-	102,176	280,707	-	280,707
Interest on long-term debt	481,654	-	-	-	(481,654)	-	(481,654)
Total governmental activities	16,818,002	1,154,786	738,204	367,328	(14,557,684)	-	(14,557,684)
Business-type activities							
Water and Sewer	6,419,994	8,084,674	-	22,294	-	1,686,974	1,686,974
Total primary government	\$ 23,237,996	\$ 9,239,460	\$ 738,204	\$ 389,622	(14,557,684)	1,686,974	(12,870,710)
General revenues:							
Property taxes, levied for general purposes					5,640,856	-	5,640,856
Sales, restaurant, and hotel taxes					7,150,241	-	7,150,241
Franchise and utility taxes					882,968	-	882,968
Other taxes					1,100,268	-	1,100,268
Interest earnings					217,183	-	217,183
Miscellaneous					205,009	-	205,009
Donated assets					407,650	-	407,650
Sale of assets					8,408	(1,842)	6,566
Transfers					36,256	(36,256)	-
Total general revenues and transfers					15,648,839	(38,098)	15,610,741
Change in net position					1,091,155	1,648,876	2,740,031
Net position - beginning, as previously stated					23,729,776	17,106,023	40,835,799
Prior period adjustments					249,809	(249,809)	-
Net position - beginning, as restated					23,979,585	16,856,214	40,835,799
Net position - ending					\$ 25,070,740	\$ 18,505,090	\$ 43,575,830

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF OCEAN SPRINGS, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General Fund	Food and Beverage	General Obligation	Other Non-Major Government Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,148,120	\$ -	\$ -	\$ 395,868	\$ 4,543,988
Restricted Assets:					
Cash and cash equivalents	516,700	790,851	436,691	628,214	2,372,456
Investments-bond reserve	-	736,494	-	-	736,494
Receivables, net					
Taxes	318,519	-	21,002	10,921	350,442
Other	56,227	-	-	-	56,227
Due from other governments	1,050,615	252,968	-	77,440	1,381,023
Due from other City funds	124,094	-	-	-	124,094
Prepaid expenses	273,330	-	-	-	273,330
Total assets	<u>\$ 6,487,605</u>	<u>\$ 1,780,313</u>	<u>\$ 457,693</u>	<u>\$ 1,112,443</u>	<u>\$ 9,838,054</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued liabilities	\$ 533,818	\$ 53,610	\$ -	\$ 26,071	\$ 613,499
Due to other funds	131,302	-	-	-	131,302
Deferred revenue	627,136	-	-	440,230	1,067,366
Advance from other fund	50,400	-	-	-	50,400
Total liabilities	<u>1,342,656</u>	<u>53,610</u>	<u>-</u>	<u>466,301</u>	<u>1,862,567</u>
Fund balances:					
Nonspendable for prepaids					
Prepaids	273,330	-	-	-	273,330
Restricted					
Debt service	-	1,527,345	457,693	-	1,985,038
Capital Improvements	-	-	-	169,848	169,848
Committed					
Capital improvements	516,700	-	-	217,196	733,896
Other	-	199,358	-	294,476	493,834
Assigned					
Other purposes	282,033	-	-	-	282,033
Unassigned	4,072,886	-	-	(35,378)	4,037,508
Total fund balances	<u>5,144,949</u>	<u>1,726,703</u>	<u>457,693</u>	<u>646,142</u>	<u>7,975,487</u>
Total liabilities and fund balances	<u>\$ 6,487,605</u>	<u>\$ 1,780,313</u>	<u>\$ 457,693</u>	<u>\$ 1,112,443</u>	<u>\$ 9,838,054</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total fund balance, governmental funds	\$ 7,975,487
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	48,033,267
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the funds	91,887
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,806,243)
Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest must be reported as a liability in the government-wide financial statements.	(118,066)
Unavailable revenues that provide current financial resources for governmental activities.	150,666
Net pension liability is not due and payable in the current period; deferred outflows related to pensions are not current assets or financial resources; and deferred inflows related to pensions are not due and payable in the current period and are therefore not reported in the governmental funds.	(17,256,258)
Net Position of Governmental Activities in the Statement of Net Position (Exhibit A)	<u>\$ 25,070,740</u>

The accompanying notes are an integral part of these financial statements.

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Food and Beverage	General Obligation	Other Non- Major Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes					
Property taxes	\$ 4,187,426	\$ -	\$ 921,897	\$ 212,808	\$ 5,322,131
Sales and miscellaneous taxes	5,649,612	-	-	-	5,649,612
Licenses and permits	338,632	-	-	-	338,632
Fees and fines	429,662	-	-	1,440	431,102
Intergovernmental	1,717,116	1,459,382	-	281,632	3,458,130
Charges for services	1,354,688	-	-	-	1,354,688
Grants	126,531	-	-	578,982	705,513
Investment earnings	28,933	-	-	-	28,933
Miscellaneous - other	342,943	27,623	-	5,019	375,585
Total revenues	<u>14,175,543</u>	<u>1,487,005</u>	<u>921,897</u>	<u>1,079,881</u>	<u>17,664,326</u>
EXPENDITURES					
Current:					
General government	3,215,316	-	-	269,498	3,484,814
Public safety	6,498,963	-	-	65,653	6,564,616
Public works	1,796,109	-	-	36,880	1,832,989
Health and welfare	18,498	-	-	-	18,498
Cultural and recreation	1,633,034	150,869	-	201,296	1,985,199
Economic development	30,056	219,386	-	52,125	301,567
Capital outlay					
General government	113,284	-	-	-	113,284
Public safety	96,265	-	-	96,873	193,138
Public works	214,426	-	-	-	214,426
Culture and recreation	368	228,185	-	-	228,553
Debt service:					
Principal retirement	-	491,000	613,108	82,233	1,186,341
Interest and agent fees	-	257,570	76,830	20,373	354,773
Total expenditures	<u>13,616,319</u>	<u>1,347,010</u>	<u>689,938</u>	<u>824,931</u>	<u>16,478,198</u>
Excess of revenues over expenditures	<u>559,224</u>	<u>139,995</u>	<u>231,959</u>	<u>254,950</u>	<u>1,186,128</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds	-	-	2,983,164	-	2,983,164
Payment to refunded bond escrow agent	-	-	(2,983,164)	-	(2,983,164)
Proceeds from capital leases	-	-	-	-	-
Proceeds from sale of assets	9,500	-	-	-	9,500
Insurance Proceeds	-	-	-	-	-
Bond issuance cost	-	-	-	-	-
Transfers in	547,180	-	-	41,900	589,080
Transfers out	-	(89,080)	-	-	(89,080)
Total other financing sources (uses)	<u>556,680</u>	<u>(89,080)</u>	<u>-</u>	<u>41,900</u>	<u>509,500</u>
Net change in fund balances	<u>1,115,904</u>	<u>50,915</u>	<u>231,959</u>	<u>296,850</u>	<u>1,695,628</u>
Fund balances - beginning	<u>4,029,045</u>	<u>1,675,788</u>	<u>225,734</u>	<u>349,292</u>	<u>6,279,859</u>
Fund balances - ending	<u>\$ 5,144,949</u>	<u>\$ 1,726,703</u>	<u>\$ 457,693</u>	<u>\$ 646,142</u>	<u>\$ 7,975,487</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds: \$ 1,695,628

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; however, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,801,898) exceeds capital outlay (\$922,664) in the current period. (879,234)

Governmental funds do not report capital assets on the balance sheet, therefore when a capital asset is transferred to an enterprise fund it is reflected as a transfer. (463,741)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (1,092)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 292,028

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces the liabilities in the Statement of Net Position. Proceeds from long-term debt are reported as current financial resources in governmental funds, but are treated as a liability in the Statement of Activities. This is the amount by which repayments (\$4,124,101) exceed proceeds (\$2,983,164). 1,140,937

Pension expense recorded in the Statement of Activities does not require the use of current financial resources. (693,371)

Change in net position of governmental activities (Exhibit B) \$ 1,091,155

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,317,598
Accounts receivable, net	
Customer accounts	834,898
Due from other City funds	7,208
Due from other governments	124,499
Advance to other funds	50,400
Total current assets	<u>3,334,603</u>
Non-current assets:	
Restricted Assets:	
Cash and cash equivalents	718,135
Capital Assets:	
Land and construction in progress	41,013
Infrastructure	39,643,684
Utility system	2,449,545
Buildings and improvements	35,390
Machinery and equipment	2,127,285
Less: accumulated depreciation	<u>(22,867,055)</u>
Total non-current assets	<u>22,147,997</u>
Deferred outflows of resources	
Deferred outflows on pension liability	<u>197,791</u>
Total assets	<u><u>\$ 25,680,391</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 231,702
Compensated absences	47,954
Bonds, capital leases, and notes payable	464,977
Payable from restricted assets:	
Customer deposits payable from restricted assets	<u>718,135</u>
Total current liabilities	<u>1,462,768</u>
Non-current liabilities:	
Compensated absences	21,754
Net pension obligation	2,768,462
Bonds, capital leases, and notes payable, non-current	<u>2,901,935</u>
Total non-current liabilities	<u>5,692,151</u>
Deferred inflows of resources	
Deferred inflows on pension liability	<u>20,382</u>
Total liabilities	<u>7,175,301</u>
NET POSITION	
Invested in capital assets, net of related debt	18,062,950
Unrestricted	<u>442,140</u>
Total net position	<u><u>\$ 18,505,090</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

REVENUES	Water and Sewer
Charges for services	<u>\$ 8,084,674</u>
Total operating revenues	<u>8,084,674</u>
OPERATING EXPENSES	
Personnel services	1,313,518
Supplies and materials	609,839
Contractual services	3,660,922
Other services, charges, supplies and expenses	309,547
Depreciation expense	<u>444,746</u>
Total operating expenses	<u>6,338,572</u>
Operating Income	<u>1,746,102</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	<u>(81,422)</u>
Total non-operating revenue (expenses)	<u>(81,422)</u>
INCOME BEFORE TRANSFERS AND SPECIAL ITEM	1,664,680
Capital contribution - grant	22,294
Capital contribution - general fund	463,744
Transfers out	(500,000)
Special item - gain (loss) on sale of land	<u>(1,842)</u>
CHANGE IN NET POSITION	1,648,876
TOTAL NET POSITION - BEGINNING, as previously stated	17,106,023
PRIOR PERIOD ADJUSTMENTS	<u>(249,809)</u>
TOTAL NET POSITION - BEGINNING, as restated	<u>16,856,214</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 18,505,090</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,066,747
Payments to suppliers	(4,681,112)
Payments to employees	(1,230,446)
Net cash provided by operating activities	<u>2,155,189</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from other funds	(500,000)
Net cash used in noncapital financing activities	<u>(500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets	(382,887)
Proceeds from capital grants	22,294
Principal paid on capital debt	(474,454)
Interest paid on capital debt	(81,422)
Net cash used in capital and related financing activities	<u>(916,469)</u>
Net increase in cash and cash equivalents	738,720
Balances-beginning of the year	<u>2,297,013</u>
Balances-end of the year	<u>\$ 3,035,733</u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Unrestricted:	
Cash and cash equivalents	\$ 2,317,598
Restricted:	
Cash and cash equivalents	718,135
	<u>\$ 3,035,733</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,746,102
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	444,746
Bad debt expense	10,924
Loss on disposal of asset	1,842
Decrease (increase) in assets	
Accounts receivable	(69,441)
Due from other funds	(7,208)
Advance to other funds	(50,400)
Deferred outflows	(239,368)
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	(53,854)
Due to other funds	(2,108)
Compensated absences	(7,913)
Customer deposits	51,514
Pension liabilities and deferred inflows	330,353
Net cash provided by operating activities	<u>\$ 2,155,189</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Ocean Springs, Mississippi, (the “City”) was incorporated on September 10, 1892, under the laws of the State of Mississippi. The City operates under a Mayor-Aldermen form of government. The following services are provided by the City: public safety (police and fire), public works (highways, streets, and sanitation), culture and recreation, community development, planning and zoning, public utilities (water, sewage, and garbage), and general administrative services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ended September 30, 2020.

II. Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consist of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units. However, see Note 12 for information describing a joint venture of the City and another governmental entity and a jointly governed organization.

III. Basis of Accounting, Measurement Focus, and Presentation

The City’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

GASB standards require that the accounts of the City be organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Financial reporting standards established by GASB require that the financial statements described below be presented.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Accordingly, all of the City’s current and long-term assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position as of September 30. The statement of activities presents changes in net position since October 1, the beginning of the fiscal year.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

III. Basis of Accounting, Measurement Focus, and Presentation, (Continued)

Government-wide Financial Statements, (Continued)

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Shared revenues are recognized when the provider recognizes the liability to the City. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and items not properly included as program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in financial position as presented in these statements to the financial position presented in the government-wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting.

The City reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the City. 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. Revenues are received primarily from a separate property tax levy. The general fund is always reported as a major fund in the governmental fund statements.

Food and Beverage Tax Special Revenue Fund – This fund is used to account for a special 2% sales tax on local food and beverage sales. This money will be used for economic development projects and will repay the debt on \$11.7 million in bond issues. This fund was selected to be classified as a major fund due to the type of revenues.

General Obligation 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. Revenues are received primarily from a separate property tax levy. This fund was selected to be classified as a major fund due to the type of expenditures.

In addition to the major governmental funds listed above, the City also reports two additional fund types in this category that are considered nonmajor.

The *special revenue funds* account for revenue sources that are legally restricted or committed to expenditure for specific purposes (not including permanent funds or major capital projects).

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

III. Basis of Accounting, Measurement Focus, and Presentation, (Continued)

Governmental Fund Financial Statements, (Continued)

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not financed by other funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, sales taxes, and licenses, associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales tax collected and held by vendors at year end on behalf of the City is also recognized as revenue if collected within 30 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. In general, all other revenue items are considered to be measurable and available only when cash is received by the City.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, as appropriate, then the unrestricted resources as needed.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows for each major proprietary fund. These fund types are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance. The City reports one major utility fund where the intent of the governing body is that the costs of providing utility services to the general public on a continuing basis be financed or recovered through user charges:

The City reports the following major enterprise fund:

Water and Sewer Fund – The water and sewer fund account for the activities of the City's water, sewer, and garbage collections.

Operating revenue reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include personnel costs, contractual services costs, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

III. Basis of Accounting, Measurement Focus, and Presentation, (Continued)

IV. Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Accordingly, actual results could differ from those estimates.

V. Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are primarily considered to be cash on hand, amounts held in demand deposits, and certificates of deposit. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

The City maintains and controls a major cash pool in which the majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet as cash and cash equivalents, some of which are restricted assets.

Investments

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral, and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. Investments, if any, are recorded at cost, which approximates fair value.

Receivables

Property taxes are recognized as a receivable at the time they are levied, and the current taxes receivable represent the 2020 levy and prior levies still uncollected, if any.

Accounts receivable held by the City's governmental and business-type activities are stated net of allowances for estimated uncollectibles as of September 30, 2020. The allowance is based on historical collection, experience, and other relevant circumstances.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. The City reported \$7,208 due to business-type funds from governmental funds at September 30, 2020.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Position or Fund Balance (Continued)

Receivables (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Unbilled Services Receivable

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2020, are recorded as prepaid items. In governmental funds, reported prepaid items are equally offset by nonspendable fund balance amounts, which indicate they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in nonspendable fund balances is not presented because the combined statement of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the spendable and nonspendable fund balances.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are externally imposed by creditors, contributors, grantors, or laws. Restricted assets in governmental activities represent capital asset purchases, reserve for debt service and bond payment reserves. Restricted assets in business type activities represent utility customer deposits subject to refund. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

Capital Assets

Capital assets, which include property, plant, equipment, and current infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's capitalization levels are as follows: purchased assets costing more than \$5,000 are capitalized; building renovations are capitalized when their cost exceeds 25% of the building's previously capitalized cost and if the repair extends the building's estimated useful life; contributed capital assets are capitalized and recorded at the estimated market value at the time of the contribution. Salvage values range from 10% to 30% of cost. Assets acquired using capital lease obligations are treated in the same manner as purchased capital assets. Donated capital assets are recorded at acquisition value at the date of donation. Those assets received that will be capitalized are recorded as capital outlay in the fund statements and capital grant and contribution revenues in the statement of activities.

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.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Position or Fund Balance (Continued)

Capital Assets (Continued)

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

	<u>Lives</u>
Buildings	40-50 years
Improvements	40-50 years
Infrastructure	20-60 years
Machinery and equipment	3-15 years

Deferred Outflows and 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 or periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category related to the City's participation in the pension plan, the unamortized changes in investments actual performance, expectations, projections, and changes in plan assumptions. See Note 8.

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 or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category related to the City's participation in the pension plan and the difference between projected and actual plan investment earnings. See Note 8.

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 (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, the 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.

Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Position or Fund Balance (Continued)

Compensated Absences

The City accrues accumulated unpaid vacation and comp time and associated employee-related costs when earned (or estimated to be earned) by the employee. Employees are paid for up to 6 weeks of unused vacation and all unused comp time upon retirement or resignation with two weeks' written notice, while excess vacation and all accumulated sick leave remaining are counted as creditable service toward retirement.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2020. The resulting liability is then increased to include social security and retirement that the City is required to pay upon liquidation of the liability.

Fund Equity

As of September 30, 2020, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The City currently has only prepaid insurance reported as non-spendable fund balance.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the highest level of decision making authority, the Board of Aldermen (the Board), and does not lapse at year end. The City currently has amounts committed for capital projects.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's policy, only the Board or an official or body to which the Board delegates the authority may assign amounts for specific purposes. Currently, the Board has not delegated the authority to assign fund balances. The City currently has amounts assigned for employee health insurance deductibles.

Unassigned – All amounts not included in other spendable classifications. Any residual fund balance in the General Fund and any deficit fund balance of any other governmental fund is reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board or an official or body to which the Board delegates the authority, as applicable, has provided otherwise in its commitment or assignment actions.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Position or Fund Balance (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding payables and balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

VI. Stewardship, Compliance, and Accountability

The procedures used by the City in establishing the 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 September 1, the Mayor submits to the Board 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 the governmental funds. The Board may amend the budget during the fiscal year, by resolution, to reallocate resources.
5. Budgets for the governmental 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.

Budgetary – GAAP Reporting Reconciliations

Budgetary comparison is required to be presented for the general fund and each major special revenue fund, if any, with a legally adopted budget. The City adopts annual operating budgets for the general fund and all special revenue funds. Budgetary comparisons, presented in the required supplementary information section of this report, are on the budgetary basis. Certain adjustments are necessary to compare actual data on a GAAP versus budget basis. These reconciling adjustments can be found in the Budgetary Comparison Schedule.

NOTE 2: CASH

The City deposits funds in financial institutions selected by the City's Board of Aldermen in accordance with Mississippi statutes. Furthermore, the City invests excess funds in various investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. The City awarded Hancock Bank the designated depository for calendar year 2019-2020.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2: CASH (Continued)

A summary of cash (including restricted cash) at September 30, 2020 is as follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
Governmental Activities				
General Fund	\$ 1,540	\$ 297,996	\$ 4,365,284	\$ 4,664,820
Food and Beverage	-	-	790,851	790,851
General Obligation	-	-	436,691	436,691
Other Nonmajor Gov't Funds	-	-	1,024,082	1,024,082
Total governmental activities	1,540	297,996	6,616,908	6,916,444
Business-type Activities				
Water and Sewer	200	-	3,035,533	3,035,733
Total business-type activities	200	-	3,035,533	3,035,733
Total cash and cash equivalents	\$ 1,740	\$ 297,996	\$ 9,652,441	\$ 9,952,177

The City maintained the following restricted assets as of September 30, 2020:

Governmental Activities

Cash and cash equivalents

Restricted for capital projects	\$ 975,066
Restricted for debt service	1,227,542
Restricted for other special projects	169,848

Investments

Restricted for debt service	736,494
Total restricted assets - governmental activities	3,108,950

Business-type Activities

Cash and cash equivalents

Restricted for utility customer deposits	718,135
Total restricted assets - business-type activities	718,135
Total restricted assets - government-wide	\$ 3,827,085

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. The collateral is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Miss. Code Ann. (1972), §27-105-5.

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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2: CASH (Continued)

Custodial Credit Risk - Deposits (Continued)

At September 30, 2020, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Pooled deposits:		
Cash and cash equivalents	\$ 8,795,750	\$ 8,730,722
Non-pooled deposits:		
Cash and cash equivalents	1,411,267	1,221,455
Total	<u>\$10,207,017</u>	<u>\$ 9,952,177</u>

Investments

The debt service reserve of \$736,494 is invested in the Hancock Horizon Government Mutual fund, which is uninsured and unregistered and is not backed by the full faith and credit of the federal government; however it is exclusively made up of short-term U.S. Government Securities.

NOTE 3: RECEIVABLES

Receivables at September 30, 2020, consist of the following:

	Governmental Activities	Business-type Activities	
	General Fund	Water and Sewer	Total
Property taxes	\$ 63,889	\$ -	\$ 63,889
Franchise taxes	286,553	-	286,553
Court	3,838,642	-	3,838,642
NSF checks	43,044	-	43,044
Utility charges	-	1,071,088	1,071,088
Other receivables	13,183	-	13,183
Total receivables, gross	4,245,311	1,071,088	5,316,399
Less allowance for doubtful receivables	(3,746,755)	(236,190)	(3,982,945)
Total receivables, net	<u>\$ 498,556</u>	<u>\$ 834,898</u>	<u>\$ 1,333,454</u>

Property Taxes

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Jackson County Tax Assessor. The taxes on real and personal property attach as an enforceable lien on the property as of January 1 of each year. Taxes on real and personal property are levied by the Board of Aldermen at the first regular meeting in September. Through an inter-local agreement, all of the property taxes of the City of Ocean Springs are collected by the Jackson County Tax Collector and remitted as tax settlements (less an appropriate collection fee) to the City on a monthly basis. Taxes for the Ocean Springs Municipal Separate School District are also billed and collected by the county and remitted to the schools through the county.

Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. In accordance with the Mississippi Code of 1972, as amended, the Board of Aldermen may levy taxes in any amount for general revenue purposes and general improvements.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 3: RECEIVABLES (Continued)

Property Taxes (Continued)

However, taxes for any assessment year may not exceed one hundred ten percent (110%) of the taxes collected for the prior assessment year. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation. In addition, the Board of Aldermen may levy additional taxes for specific purposes, such as culture and recreation, as authorized by law.

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 when received. Personal property taxes are recognized as revenue when received because most delinquent personal property taxes are collected by selling the property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of personal property not sold for taxes at the tax sale is recorded as delinquent taxes receivable.

The tax levies for the City for the fiscal years ended September 30, 2020, 2019, and 2018 are as follows:

	2020	2019	2018
City Funds			
General Fund	21.05	21.05	21.05
Library maintenance	1.10	1.01	1.01
Debt service	4.77	3.77	3.77
Total City administered funds	26.92	25.83	25.83
School Funds			
District maintenance	55.00	55.00	52.68
School debt	11.59	11.97	14.28
Total School administered funds	66.59	66.97	66.96
Total levy	93.51	92.80	92.79

NOTE 4: DUE FROM OTHER GOVERNMENTS

Sales Tax

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Ocean Springs) back to the City monthly. The City levies an additional 2% sales tax on local food and beverage sales; the State remits 100% of the amount collected back to the City. Sales tax revenue was \$5,569,833 general sales tax and \$1,459,382 food and beverage tax, for the year ended September 30, 2020. Sales tax receivable is included in due from other governments on the statement of net position and balance sheet – governmental funds and consists of taxes collected by the State for August and September 2020 and not received by the City until October and November 2020.

Due from other governments at September 30, 2020, consists of the following:

	Governmental Activities	Business-Type Activities	Total
	General Fund	Water and Sewer	
Grants	\$ 137,936	\$ 124,499	\$ 262,435
County road tax	29,939	-	29,939
State of Mississippi, sales tax diversion	1,213,148	-	1,213,148
Total due from other governments	\$ 1,381,023	\$ 124,499	\$ 1,505,522

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5: CAPITAL ASSETS

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

	Balance October 1, 2019	Additions	Disposals	Transfers/ Adjustments	Balance September 30, 2020
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,648,304	\$ -	\$ -	\$ -	\$ 3,648,304
Donated artwork	5,732,494	-	-	2,047	5,734,541
Construction in progress	1,138,501	450,686	(27,825)	(1,300,499)	260,863
Total capital assets, not being depreciated	10,519,299	450,686	(27,825)	(1,298,452)	9,643,708
Capital assets, being depreciated:					
Buildings and improvements	14,026,638	-	-	-	14,026,638
Machinery and equipment	2,312,260	438,256	(10,920)	(312,774)	2,426,822
Other improvements	20,355,921	91,709	-	114,687	20,562,317
Infrastructure	17,254,679	447,660	-	976,495	18,678,834
Vehicles	5,541,443	150,823	-	-	5,692,266
Total capital assets, being depreciated	59,490,941	1,128,448	(10,920)	778,408	61,386,877
Less accumulated depreciation for:					
Buildings and improvements	(3,808,161)	(220,981)	-	-	(4,029,142)
Machinery and equipment	(1,200,155)	(235,182)	9,828	56,300	(1,369,209)
Other improvements	(3,460,697)	(596,788)	-	-	(4,057,485)
Infrastructure	(8,914,212)	(467,418)	-	-	(9,381,630)
Vehicles	(3,878,323)	(281,529)	-	-	(4,159,852)
Total accumulated depreciation	(21,261,548)	(1,801,898)	9,828	56,300	(22,997,318)
Total capital assets, being depreciated, net	38,229,393	(673,450)	(1,092)	834,708	38,389,559
Total governmental activities capital assets, net	\$ 48,748,692	\$ (222,764)	\$ (28,917)	\$ (463,744)	\$ 48,033,267

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2019	Additions	Disposals	Transfers/ Adjustments	Balance September 30, 2020
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 29,413	\$ -	\$ -	\$ -	\$ 29,413
Construction in progress	169,868	44,274	-	(202,542)	11,600
Total capital assets, not being depreciated	199,281	44,274	-	(202,542)	41,013
Capital assets, being depreciated:					
Buildings	35,390	-	-	-	35,390
Machinery and equipment	837,277	131,800	-	256,474	1,225,551
Infrastructure	41,553,628	129,790	-	409,812	42,093,230
Vehicles	840,759	79,402	(18,428)	-	901,733
Total capital assets, being depreciated	43,267,054	340,992	(18,428)	666,286	44,255,904
Less accumulated depreciation for:					
Buildings	(32,198)	-	-	-	(32,198)
Machinery and equipment	(685,455)	(57,815)	-	-	(743,270)
Infrastructure	(20,969,495)	(370,159)	-	-	(21,339,654)
Vehicles	(751,746)	(16,772)	16,585	-	(751,933)
Total accumulated depreciation	(22,438,894)	(444,746)	16,585	-	(22,867,055)
Total capital assets, being depreciated, net	20,828,160	(103,754)	(1,843)	666,286	21,388,849
Total business-type activities capital assets, net	\$ 21,027,441	\$ (59,480)	\$ (1,843)	\$ 463,744	\$ 21,429,862
 Primary Government					
Total capital assets, net	\$ 69,776,133	\$ (282,244)	\$ (30,760)	\$ -	\$ 69,463,129

Assets under capital leases include equipment that was acquired through capital leases financing with financial institutions (see Note 6 for additional information). As of September 30, 2020, these capitalized assets and the related accumulated depreciation are as follows:

Asset	Capitalized Amount	Accumulated Depreciation	Net
Governmental Activities			
Police radios	\$ 220,994	\$ (39,779)	\$ 181,215
Business-type Activities			
Heavy equipment	256,475	(23,083)	233,392
Total	\$ 477,469	\$ (62,862)	\$ 414,607

Depreciation expense associated with the assets under capital leases in fiscal year 2020 totaled \$62,862 and is included in the statement of activities as general government.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

Governmental Activities	
General government	<u>\$ 1,801,898</u>
Business-type Activities	
Water and Sewer	<u>444,746</u>
Total depreciation expense	<u><u>\$ 2,246,644</u></u>

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended September 30, 2020 are as follows:

	Balance October 1, 2019	Additions	Principal Payments/ Reductions	Balance September 30, 2020	Due within One Year
Governmental Activities					
General and Special					
Obligation Bonds	\$ 11,962,000	\$ 2,670,000	\$ (3,556,000)	\$ 11,076,000	\$ 719,000
Premium on bonds payable	-	313,164	(31,316)	281,848	31,316
Notes payable	2,176,049	-	(525,952)	1,650,097	417,607
Capital lease payable	287,042	220,994	(287,042)	220,994	73,665
Compensated absences	551,205	410,730	(384,631)	577,304	397,139
Total governmental activities	<u>\$ 14,976,296</u>	<u>\$ 3,614,888</u>	<u>\$ (4,784,941)</u>	<u>\$ 13,806,243</u>	<u>\$ 1,638,727</u>
Business-type Activities					
Water and Sewer notes payable	\$ 998,211	\$ -	\$ (119,690)	\$ 878,521	\$ 100,784
Drinking water loan	2,593,347	-	(294,370)	2,298,977	301,531
Capital lease payable	-	249,809	(60,395)	189,414	62,662
Compensated absences	77,621	38,530	(46,443)	69,708	47,954
Total business-type activities	<u>\$ 3,669,179</u>	<u>\$ 288,339</u>	<u>\$ (520,898)</u>	<u>\$ 3,436,620</u>	<u>\$ 512,931</u>

The General and Water and Sewer Funds provide the resources for the retirement of compensated absences. For the year ended September 30, 2020, interest incurred and charged to expense totaled \$481,654 in the governmental activities and \$81,422 in the business-type activities.

Bonds Payable

The City is responsible for the repayment of specific General Obligations Bonds of the State of Mississippi relative to the City's capital projects. The bonds are backed by the full faith and credit of the State of Mississippi, but are being retired from the resources of the City and are presented as debt of the City. General obligation bonds issued in 2017 and 2019 are collateralized by a pledge of the proceeds of a food and beverage tax in an amount not to exceed two percent (2%) of the gross proceeds of the sales of prepared foods and beverages from every person, firm or corporation or other entity operating a restaurant or bar, or both.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 6: LONG-TERM LIABILITIES (Continued)

Bonds Payable (Continued)

At September 30, 2020, the City had the following outstanding bonds payable:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2020
Governmental Activities:					
General obligation bonds:					
General obligation bonds Series 2017	1/11/2017	6/1/2034	2.75%	\$ 8,987,000	\$ 8,436,000
General obligation bonds Series 2019	10/31/2019	12/1/2029	Variable	2,670,000	2,640,000
Total governmental activities				<u>\$ 11,657,000</u>	<u>\$ 11,076,000</u>

The City's future principal and interest requirements related to the bonds payable are as follows:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2021	\$ 719,000	\$ 319,915	\$ 1,038,915
2022	747,000	299,380	1,046,380
2023	764,000	278,188	1,042,188
2024	789,000	256,440	1,045,440
2025	815,000	233,980	1,048,980
2026-2030	4,495,000	1,164,808	5,659,808
2031-2035	2,747,000	191,483	2,938,483
	<u>\$ 11,076,000</u>	<u>\$ 2,744,194</u>	<u>\$ 13,820,194</u>

Interest accrued on bonds payable totaled \$84,398 for the fiscal year ended September 30, 2020.

The Board of Aldermen annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2020, was 4.77 mills or \$4.77 per \$1,000 of assessed value.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6: LONG-TERM LIABILITIES (Continued)

Notes Payable

At September 30, 2020, the City's outstanding notes payable are described as follows:

	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance September 30, 2020</u>
Governmental Activities:					
Notes payable:					
MDA capital improvements loan -					
Mary C O'Keefe	6/1/2003	5/1/2023	3.00%	\$ 500,000	\$ 82,687
Community Bank general obligation note	1/24/2017	11/1/2021	1.78%	300,000	185
MDA energy investment program loan -					
Building lighting	1/1/2017	1/1/2021	1.50%	110,500	28,245
Musco Finance - Sunplex lighting	10/2/2010	12/1/2024	6.50%	1,489,000	607,323
Regions Bank general obligation note	1/26/2018	11/1/2022	1.99%	180,000	108,000
Community Bank general obligation note	4/18/2018	5/1/2023	2.39%	200,000	120,000
Community Bank general obligation note	4/18/2018	5/1/2023	2.39%	400,000	240,000
Community Bank general obligation note	4/16/2019	4/15/2022	2.89%	109,000	58,657
BancorpSouth general obligation note	10/31/2018	10/31/2028	4.11%	450,000	405,000
Total governmental activities				<u>3,738,500</u>	<u>1,650,097</u>
Business-type Activities:					
Notes payable:					
State of MS Revolving Fund Loan	2/25/2013	1/1/2033	1.75%	1,059,133	699,316
State of MS Revolving Fund Loan	9/1/2010	12/1/2027	2.00%	328,752	149,670
State of MS Revolving Fund Loan	4/1/2001	3/1/2021	3.00%	500,000	12,978
State of MS Revolving Fund Loan	10/1/2001	9/1/2021	3.00%	273,115	16,557
State of MS Drinking Water					
Improvement Loan	11/10/2006	9/30/2029	1.95%	1,943,294	998,544
State of MS Drinking Water					
Improvement Loan	9/3/2008	5/1/2028	1.95%	835,711	365,566
State of MS Drinking Water					
Improvement Loan	8/10/2002	4/1/2026	3.50%	1,054,818	375,073
State of MS Drinking Water					
Improvement Loan	6/15/2001	2/1/2023	3.00%	522,924	99,160
State of MS Drinking Water					
Improvement Loan	11/18/2008	8/1/2028	1.95%	1,029,345	460,634
Total business-type activities				<u>7,547,092</u>	<u>3,177,498</u>
Total notes payable				<u>\$ 11,285,592</u>	<u>\$ 4,827,595</u>

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6: LONG-TERM LIABILITIES (Continued)

Notes Payable (continued)

Principal and interest maturities will be as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2021	\$ 417,607	\$ 68,354	\$ 402,315	\$ 63,530	\$ 951,806
2022	383,205	52,609	381,434	54,393	871,641
2023	357,139	37,557	365,273	45,575	805,544
2024	190,716	23,206	355,462	36,786	606,170
2025	121,430	11,732	363,444	29,115	525,721
2026-2030	180,000	18,495	1,169,645	55,925	1,424,065
2031-2035	-	-	139,925	2,875	142,800
	<u>\$ 1,650,097</u>	<u>\$ 211,953</u>	<u>\$ 3,177,498</u>	<u>\$ 288,199</u>	<u>\$ 5,327,747</u>

Capital Leases

The City has entered into several capital leases to finance the purchase of a fire truck, a cat tractor, and mini hex excavator. The purchases were financed at a fixed, simple interest rate. Title to the equipment and fire truck shall vest subject to the right of the lessors, the lessors are granted a first priority security interest in the equipment.

The capital lease obligations outstanding as of September 30, 2020, are as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2020
Governmental Activities:					
Capital leases:					
Motorola - Police radios	2/1/2020	2/1/2023	N/A	\$ 220,994	\$ 220,994
Total governmental activities				<u>220,994</u>	<u>220,994</u>
Business-type Activities:					
Capital leases:					
Hancock Bank - Cat tractor	8/29/2018	8/29/2023	3.69%	153,756	116,583
Hancock Bank - Hex excavator	8/29/2018	8/29/2023	3.69%	96,053	72,831
Total business-type activities				<u>249,809</u>	<u>189,414</u>
Total capital lease obligations				<u>\$ 470,803</u>	<u>\$ 410,408</u>

The following is a schedule of future minimum lease payments under capital leases and the net present value of these minimum lease payments as of September 30, 2020:

Year Ending September 30,	Governmental Activities		Business -Type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2021	\$ 73,665	\$ -	\$ 62,662	\$ 5,937	\$ 142,264
2022	73,665	-	65,014	3,584	142,263
2023	73,664	-	61,738	1,145	136,547
	<u>\$ 220,994</u>	<u>\$ -</u>	<u>\$ 189,414</u>	<u>\$ 10,666</u>	<u>\$ 421,074</u>

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 6: LONG-TERM LIABILITIES (Continued)

Bond Refunding

On December 1, 2019, the City issued \$2,670,000 in Series 2019 general obligation bonds with an interest rate of 2% on the refunding date. The City issued the bonds to provide for the advance refunding of outstanding series 2009 general obligation bonds, with an outstanding balance of \$2,869,490 at 3.5% interest rate on the refunding date. The advance refunding is expected to reduce total debt service payments over the next 10 years by \$251,770. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$255,244.

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 last completed assessment for taxation. In no case shall the total indebtedness exceed 20% of the assessed value of the property.

The City's legal debt limit for general obligation bond was \$40,728,571 and the legal debt margin was \$27,781,480 at September 30, 2020.

NOTE 7: INTERFUND TRANSACTIONS

Interfund Receivables and Payables

Generally, outstanding balances between funds reported as "due to/due from other funds" include outstanding charges by one fund to another for services or goods (such as utility services) and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/due from other funds."

Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

At year end September 30, 2020 there was \$7,208 due from governmental activities to business-type activities.

Interfund Transfers

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, grant matching requirements, subsidies of various City operations and re-allocations of special revenues.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns.

Interfund transfers between funds during the year ended September 30, 2020 consist of the following:

	Fund Level		Government-Wide Level	
	General Fund	Water and Sewer	Governmental	Water and Sewer
Transfers In	\$ (500,000)	\$ -	\$ (500,000)	\$ (463,744)
Transfers Out	-	500,000	463,744	500,000
Total	<u>\$ (500,000)</u>	<u>\$ 500,000</u>	<u>\$ (36,256)</u>	<u>\$ 36,256</u>

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 7: INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (continued)

In the current year the City transferred \$463,744 of capital assets from the governmental funds to the water and sewer funds. As the fund-level financial statements are maintained on a modified accrual basis, there is no asset to transfer at governmental fund level. As such, at the fund-level the water and sewer fund recognized a capital contribution of \$463,744.

NOTE 8: EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

All full-time City employees hired after June 30, 1987, participate in the Public Employees' Retirement System of Mississippi (PERS). Other City employees hired prior to July 1, 1987 may elect to participate in the retirement system under an option offered by PERS.

Plan Description

The City of Ocean Springs contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Mississippi's Public Employees' Retirement System's Board of Trustees. 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 from its website, www.PERS.ms.gov, by writing to Public Employee Retirement System, PERS Building, 429 Mississippi, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 services (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 percent of their average compensation for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) 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 percent compounded for each fiscal year thereafter.

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2020 was 17.40% of annual covered payroll. The City's contributions to PERS for the fiscal years ending September 30, 2020, 2019, and 2018 total \$1,212,340, \$1,092,334, and \$1,122,862, respectively, which equal the required contributions for each year.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

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

At September 30, 2020, the City reported a liability of \$21,294,721 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's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At September 30, 2020, the City's proportion was .11 percent, which was the same as its proportionate share measured as of September 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$1,996,523. 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
Governmental Activities:		
Differences between expected and actual experience	\$ 160,728	\$ -
Changes in assumptions	103,583	-
Net difference between projected and actual earnings on pension plan investments	760,595	-
Difference between employer contributions and share of contributions	-	48,364
City contributions subsequent to the measurement date	293,459	-
Totals	<u>\$ 1,318,365</u>	<u>\$ 48,364</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-Type Activities		
Differences between expected and actual experience	\$ 24,114	\$ -
Changes in assumptions	15,540	-
Net difference between projected and actual earnings on pension plan investments	114,110	-
Difference between employer contributions and share of contributions	-	20,382
City contributions subsequent to the measurement date	44,027	-
Totals	<u>\$ 197,791</u>	<u>\$ 20,382</u>

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

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

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$337,486 are recognized as a reduction to the net pension liability in the year ending 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:

<u>Year</u>	<u>Amount</u>
2021	\$ 48,561
2022	378,597
2023	400,903
2024	281,862
Total	<u>\$ 1,109,923</u>

Actuarial assumptions

The collective total pension liability in the June 30, 2020 actuarial valuation was determined by an actuarial valuation as of June 30, 2019 and a measurement date determined of June 30, 2020 using standard rollforward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four-year period ending June 1, 2014 to July 30, 2018. The experience report is dated April 2, 2019. 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 are 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Actuarial assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	27.00%	4.90%
International equity	22.00%	4.75%
Global equity	12.00%	5.00%
Fixed income	20.00%	0.50%
Real estate	10.00%	4.00%
Private equity	8.00%	6.25%
Cash	1.00%	0.00%
Total	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be made at the current 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's proportionate share of the net pension liability to changes in the discount rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% decrease	6.75%	\$ 27,563,401
Current discount rate	7.75%	\$ 21,294,721
1% increase	8.75%	\$ 14,327,217

Pension plan fiduciary net position

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Deferred Compensation Plan

PERS offers the City's employees voluntary participation in a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participants self-direct investment of their savings through selections from a group of funds managed by Great West Life and Annuity Insurance Company, a third-party administrator. All plan assets are held in trust by the third-party administrator for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors.

Other Postemployment Benefits

Through PERS, retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the State incurs no expense for postretirement health benefits. However, since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Section Po50 as a single employer defined benefit healthcare plan. Effective July 1, 2007, the State implemented GASB Section Po50 prospectively, which requires reporting on an accrual basis, the liability associated with other postemployment benefits. The State does not issue a publicly available financial report on the plan. However, the required reporting is included in the State's financial statements disclosures available on the State of Mississippi's website at www.dfa.ms.us.

NOTE 9: DEFICIT FUND BALANCE

At September 30, 2020, the Ocean Springs Road Phase I (a capital projects fund) has a negative net position of \$35,378. The negative net position was caused by the difference in timing between expenses related to project engineering and the budgeted revenue related to this project.

NOTE 10: TAX ABATEMENTS

The Mississippi Code of 1972 Annotated §17-21-5, authorizes municipal governing authorities, in their discretion, to grant exemptions from ad valorem taxation, except ad valorem taxation for school district purposes, for new structures, or improvements to or renovations of existing structures located in the central business district of the municipality, for a period of not more than seven (7) years from the date of completion of the new structure or the improvement to or renovation of the existing structure for which the exemption is granted. The City adopted such an ordinance in 2011, 2012, and in 2017, which exempts eligible properties from up to 80% of municipal ad valorem taxes. Per the City ordinance, the City has granted tax abatements to four restaurants, a motor vehicle dealer, a car wash, a hotel, and a real estate company. For the year ended September 30, 2020, the City abated the following taxes:

<u>Taxes Abated</u>	<u>% of Abatement</u>	<u>Total Amount Abated</u>
Real property	80%	<u>\$ 823,457</u>

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 11: COMMITMENTS AND CONTINGENCIES

Litigation

The City is party to legal proceedings, many of which occur in the normal course of governmental operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Federal Grants

In the normal course of operations and as a result of the destruction from natural disasters, the City has received grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

Capital Project Commitment

In connection with the Capital Projects, the City budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources.

The following is a summary of the budgeted commitment for future capital projects:

	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Remaining Contract</u>
Tidelands Living Shoreline	\$ 229,284	\$ 60,000	\$ 169,284
Parktown improvements	122,600	65,720	56,880
Ft. Bayou improvements	111,000	49,000	62,000
East Beach Drive sidewalk	26,250	12,600	13,650
Ocean Springs Road	219,057	35,378	183,679
Wayfinding study	32,007	10,660	21,347
Seven lift stations	38,000	11,600	26,400
	<u>\$ 778,198</u>	<u>\$ 244,958</u>	<u>\$ 533,240</u>

NOTE 12: RELATED PARTY COMMITMENTS

Joint Venture

The City of Ocean Springs is a member of the Jackson County Utility Authority (Authority) which was established by an act of the Mississippi Legislature and operates under MS Code 49-17-701 to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Jackson County, Mississippi. The Authority is responsible for the operations and maintenance of wastewater treatment plants for the Cities of Pascagoula, Moss Point, Ocean Springs, and Gautier, Mississippi. The Authority is considered to be a joint venture of all the above-named primary governments. The governing body of the Authority is comprised of members appointed by the governing bodies of the primary governments named above.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12: RELATED PARTY COMMITMENTS (Continued)

The governing board is comprised of one member from each of the cities and two members from each of the counties who are members of the Authority. Through a fifty-year contract, the City of Ocean Springs is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City of Ocean Springs and the other members. A copy of the Authority's financial statements as of and for the year ended September 30, 2020 can be found online at <http://www.jcua-ms.us/all-forms-and-reports>. A complete copy is on file at the administrative offices of the Authority.

The following financial information concerning transactions with the Authority has been included in the City of Ocean Springs' proprietary fund financial statements under the following captions:

Statement of revenues, expenses and changes in fund balance:

Contractual Services	<u>\$ 2,197,813</u>
----------------------	---------------------

Jointly Governed Organization

On November 2, 1970, the City entered into an agreement with the Cities of Moss Point, Pascagoula, Gautier, and Lucedale, and the Board of Supervisors of Jackson and George Counties to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Jackson George Regional Library System. There are no specific monetary terms in the agreement and the City of Ocean Springs has no equity interest in the organization.

The City of Ocean Springs contributed \$147,000 for the year ended September 30, 2020 through proceeds of a specific tax levy authorized by MS Code 39-3-13. This agreement is cancelable upon 90 days written notice prior to the end of the fiscal year; therefore, the City of Ocean Springs does not have an ongoing financial responsibility.

NOTE 13: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disasters for which the City carries commercial insurance.

COVID-19

A novel strain of coronavirus (COVID-19) spread across the world and was declared a pandemic by the World Health Organization on March 11, 2020. As a result of the spread of COVID-19, economic uncertainties have arisen. The extent of the impact of COVID-19 on operational and financial performance will depend on the duration and spread of the outbreak. As of the date of this report, the effects are uncertain and cannot be reasonably estimated.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14: PRIOR PERIOD ADJUSTMENT

The following prior period adjustments have been made in order to restate the ending balances for the year ended September 30, 2019.

Government-wide Financial Statements

The following adjustments were made to the prior year financial statements ending balances:

Government-Wide Financial Statements

Governmental Activities

Beginning net position, as previously reported	\$ 23,729,776
Adjustment to transfer balance of capital lease	<u>249,809</u>
Beginning net position, as restated	<u><u>\$ 23,979,585</u></u>

Business-Type Activities

Beginning net position, as previously reported	\$ 17,106,023
Adjustment to transfer balance of capital lease	<u>(249,809)</u>
Beginning net position, as restated	<u><u>\$ 16,856,214</u></u>

NOTE 15: SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through June 29, 2021, which is the date the financial statements were available to be issued. The following events were identified:

On October 28, 2020 Hurricane Zeta swept through the Mississippi Gulf Coast. The extent of the impact of Hurricane Zeta on operational and functional performance will depend on damages and duration of recovery efforts. As of the date of this report, the effects are uncertain and cannot be reasonably estimated.

On March 17, 2021, the City executed a funding grant agreement with the Mississippi Department of Finance and Administration to receive up to \$1,000,000 water and sewer systems improvements, as specified in Section 83 of House Bill 1730 Regular Legislative Session, Laws of 2020. The received the funds on April 13, 2021.

On June 1, 2021, the City passed a resolution to issue bonds or utilize other available financing, not to exceed \$1,500,000, for infrastructure and buildings repairs, improvements, construction, and equipment and land purchases. No such obligations were executed as of the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON
SCHEDULE (NON-GAAP BASIS)
GENERAL FUND**

CITY OF OCEAN SPRINGS, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes				
Property taxes	\$ 4,398,958	\$ 4,398,958	\$ 4,467,031	\$ 68,073
Sales taxes	5,400,000	5,400,000	5,501,569	101,569
Franchise taxes	860,000	860,000	897,585	37,585
Miscellaneous taxes	981,200	981,200	1,040,797	59,597
Licenses and permits	263,900	263,900	341,212	77,312
Intergovernmental	261,347	235,947	518,347	282,400
Fines and forfeitures	457,500	457,500	431,881	(25,619)
Charges for services	475,000	340,500	457,518	117,018
Interest	75,000	75,000	195,096	120,096
Miscellaneous	140,000	140,000	241,384	101,384
Total revenues	<u>13,312,905</u>	<u>13,153,005</u>	<u>14,092,420</u>	<u>939,415</u>
EXPENDITURES				
Executive and legislative				
Personnel services	370,676	376,976	376,154	822
Supplies	8,200	7,800	6,320	1,480
Other services and charges	268,837	294,187	282,817	11,370
Capital outlay	29,500	40,000	22,965	17,035
Total executive and legislative	<u>677,213</u>	<u>718,963</u>	<u>688,256</u>	<u>30,707</u>
Supervision and finance				
Personnel services	344,597	309,597	306,869	2,728
Supplies	9,550	9,550	9,358	192
Other services and charges	448,429	535,315	495,270	40,045
Total supervision and finance	<u>802,576</u>	<u>854,462</u>	<u>811,497</u>	<u>42,965</u>
Police department				
Personnel services	3,196,022	3,089,022	3,035,037	53,985
Supplies	301,780	336,680	301,574	35,106
Other services and charges	371,220	349,220	298,325	50,895
Capital outlay	5,000	65,184	56,924	8,260
Total police department	<u>3,874,022</u>	<u>3,840,106</u>	<u>3,691,860</u>	<u>148,246</u>
Fire department				
Personnel services	2,334,865	2,266,865	2,238,250	28,615
Supplies	82,200	77,200	49,187	28,013
Other services and charges	160,380	168,180	152,942	15,238
Total fire department	<u>2,577,445</u>	<u>2,512,245</u>	<u>2,440,379</u>	<u>71,866</u>
Judicial department				
Personnel services	248,663	227,663	219,183	8,480
Supplies	6,200	6,200	5,622	578
Other services and charges	23,420	9,920	5,523	4,397
Total judicial department	<u>278,283</u>	<u>243,783</u>	<u>230,328</u>	<u>13,455</u>
Inspections department				
Personnel services	253,689	256,689	246,152	10,537
Supplies	5,000	5,000	1,719	3,281
Other services and charges	90,300	84,000	57,738	26,262
Capital outlay	4,000	3,200	14,778	(11,578)
Total inspections department	<u>352,989</u>	<u>348,889</u>	<u>320,387</u>	<u>28,502</u>

See independent auditors' report and notes to required supplementary information.

CITY OF OCEAN SPRINGS, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES, Continued				
Street department				
Personnel services	1,351,715	1,356,797	1,328,022	28,775
Supplies	310,074	299,457	245,769	53,688
Other services and charges	731,312	727,712	683,037	44,675
Capital outlay	420,000	493,148	441,556	51,592
Total street department	<u>2,813,101</u>	<u>2,877,114</u>	<u>2,698,384</u>	<u>178,730</u>
Safety and human resources				
Personnel services	125,518	125,518	124,847	671
Supplies	700	700	200	500
Other services and charges	520,142	509,597	493,574	16,023
Total safety and human resources	<u>646,360</u>	<u>635,815</u>	<u>618,621</u>	<u>17,194</u>
Parks and recreation				
Personnel services	1,105,803	1,045,803	1,002,305	43,498
Supplies	207,400	201,120	151,535	49,585
Other services and charges	559,308	531,200	439,480	91,720
Capital outlay	82,500	61,880	39,746	22,134
Total parks and recreation	<u>1,955,011</u>	<u>1,840,003</u>	<u>1,633,066</u>	<u>206,937</u>
Community development				
Personnel services	184,715	186,415	185,841	574
Supplies	2,000	2,000	1,984	16
Other services and charges	235,961	234,862	223,513	11,349
Capital Outlay	3,000	5,600	4,534	1,066
Total community development	<u>425,676</u>	<u>428,877</u>	<u>415,872</u>	<u>13,005</u>
Total expenditures	<u>14,402,676</u>	<u>14,300,257</u>	<u>13,548,650</u>	<u>751,607</u>
Deficiency of revenues over expenditures	<u>(1,089,771)</u>	<u>(1,147,252)</u>	<u>543,770</u>	<u>1,691,022</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	5,000	-	-	-
Sale of assets	5,000	-	-	-
Grants proceeds	-	243,806	133,995	(109,811)
Grants expenditures	-	(243,806)	(120,460)	123,346
Transfers out	-	(301,147)	(301,147)	-
Transfers in	89,080	848,327	848,327	-
Total other financing sources (uses)	<u>99,080</u>	<u>547,180</u>	<u>560,715</u>	<u>13,535</u>
Net change in fund balance	<u>(990,691)</u>	<u>(600,072)</u>	<u>1,104,485</u>	<u>\$ 1,704,557</u>
Fund balance-beginning, budget basis	<u>745,844</u>	<u>791,844</u>	<u>3,438,451</u>	
Fund balance-ending, budget basis	<u>\$ (244,847)</u>	<u>\$ 191,772</u>	<u>\$ 4,542,936</u>	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis at beginning of the year.			580,994	
Change in receivables			41,213	
Change in prepaid expenses			53,718	
Change in accounts payable and accrued liabilities			(65,266)	
Change in deferred revenue			(8,646)	
Fund balance-ending, GAAP basis			<u>\$ 5,144,949</u>	

See independent auditors' report and notes to required supplementary information.

CITY OF OCEAN SPRINGS, MISSISSIPPI
 SCHEDULE OF PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
 LAST SIX FISCAL YEARS

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
City's proportionate share of the net pension liability	\$ 21,294,721	\$ 19,351,169	\$ 18,296,268	\$ 18,285,733	\$ 19,648,746	\$ 17,003,831
City's covered employee payroll	\$ 6,960,573	\$ 6,916,779	\$ 7,161,065	\$ 7,069,178	\$ 7,315,767	\$ 6,844,479
City's proportionate share of the net pension liability as a percentage of covered employee payroll	305.93%	279.77%	255.50%	258.67%	268.58%	248.43%
Plan fiduciary net position as a percentage of total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

See independent auditors' report and notes to required supplementary information.

CITY OF OCEAN SPRINGS, MISSISSIPPI
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST SIX FISCAL YEARS

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,211,140	\$ 1,121,509	\$ 1,127,868	\$ 1,113,396	\$ 1,152,233	\$ 1,078,005
Contributions in relation to contractually required contribution	1,211,140	1,121,509	1,127,868	1,113,396	1,152,233	1,078,005
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 6,960,573	\$ 6,916,779	\$ 7,161,065	\$ 7,069,178	\$ 7,315,767	\$ 6,844,479
Contributions as a percentage of covered employee payroll	17.40%	16.21%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

See independent auditors' report and notes to required supplementary information.

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2020

NOTE 1: CHANGES IN ASSUMPTIONS

- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 80 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 males rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
- 2017
 - The expectation of retire life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rate were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2020**

NOTE 2: 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 maximum rate of five percent.

NOTE 3: METHOD 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:

Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF OCEAN SPRINGS, MISSISSIPPI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

		Special Revenue				
	Tourism	Library	Special Paid		Task Force	Fire Protection
			Fines and Forfeitures	Modernization Use Tax		
ASSETS						
Cash and cash equivalents	\$ 53,910	\$ 128,999	\$ 1,440	\$ -	\$ 33,384	\$ 56,624
Restricted assets:						
Cash and cash equivalents	-	-	-	169,848	-	-
Receivable, net	-	10,921	-	-	-	-
Taxes	10,042	-	-	-	-	-
Due from other governments						
Total assets	\$ 63,952	\$ 139,920	\$ 1,440	\$ 169,848	\$ 33,384	\$ 56,624
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 844	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	844	-	-	-	-
Fund balances:						
Restricted	-	-	-	169,848	-	-
Capital improvements						
Committed	-	-	-	-	-	-
Capital improvements	63,952	139,076	1,440	-	33,384	56,624
Other	-	-	-	-	-	-
Unassigned						
Total fund balances	63,952	139,076	1,440	169,848	33,384	56,624
Total liabilities and fund balances	\$ 63,952	\$ 139,920	\$ 1,440	\$ 169,848	\$ 33,384	\$ 56,624

CITY OF OCEAN SPRINGS, MISSISSIPPI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS, Continued
SEPTEMBER 30, 2020

	Capital Projects										Total Non-Major Governmental Funds
	Colonial Estates	Wayfinding	East Beach Sidewalk	Ocean Springs Road Phase I	Government Street Sidewalks	Senate Bond 3065	Porter Ave Sidewalks	Monster Ditch Drainage	KCDBG Projects		
ASSETS											
Cash and cash equivalents	\$ -	\$ 2,328	\$ 109,650	\$ (35,378)	\$ -	\$ -	\$ -	\$ 40,398	\$ 4,513	\$	\$ 395,868
Restricted assets:											
Cash and cash equivalents	-	-	-	-	46,603	405,019	6,744	-	-	-	628,214
Receivable, net	-	-	-	-	-	-	-	-	-	-	-
taxes	-	8,528	-	-	40,230	-	-	-	-	-	10,921
Due from other governments	-	-	-	-	-	-	-	-	-	-	77,440
Total assets	\$ -	\$ 10,856	\$ 109,650	\$ (35,378)	\$ 86,833	\$ 405,019	\$ 6,744	\$ 40,398	\$ 23,153	\$	\$ 1,112,443
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued liabilities	\$ -	\$ 6,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,640	\$	\$ 26,071
Deferred revenue	-	-	-	-	40,230	400,000	-	-	-	-	440,230
Total liabilities	-	6,587	-	-	40,230	400,000	-	-	18,640	-	466,301
Fund balances:											
Restricted	-	-	-	-	-	-	-	-	-	-	169,848
Capital improvements	-	-	-	-	-	-	-	-	-	-	-
Committed	-	4,269	109,650	-	46,603	5,019	6,744	40,398	4,513	-	217,196
Capital improvements	-	-	-	-	-	-	-	-	-	-	294,476
Other	-	-	-	-	-	-	-	-	-	-	(35,378)
Unassigned	-	-	-	(35,378)	-	-	-	-	-	-	-
Total fund balances	-	4,269	109,650	(35,378)	46,603	5,019	6,744	40,398	4,513	-	646,142
Total liabilities and fund balances	\$ -	\$ 10,856	\$ 109,650	\$ (35,378)	\$ 86,833	\$ 405,019	\$ 6,744	\$ 40,398	\$ 23,153	\$	\$ 1,112,443

See independent auditors' report.

CITY OF OCEAN SPRINGS, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Special Revenue						
	Tourism	Library	Special Paid Fines and Forfeitures	Task Force	Modernization Use Tax	Fire Protection
REVENUES						
Property taxes	\$ -	\$ 212,808	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	1,440	-	-	-
Intergovernmental	55,301	-	-	114,705	-	105,225
Grant	-	-	-	-	169,848	-
Miscellaneous - other	-	-	-	-	-	-
Total revenues	55,301	212,808	1,440	114,705	169,848	105,225
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	64,128	-	1,525
Public works	-	-	-	-	-	-
Cultural and recreation	-	178,036	-	-	-	-
Urban and economic development	52,125	-	-	-	-	-
Capital outlay	-	-	-	96,873	-	-
Public Safety	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	82,233
Interest and other charges	-	-	-	-	-	20,373
Total expenditures	52,125	178,036	-	161,001	-	104,131
Excess (deficiency) of revenues over expenditures	3,176	34,772	1,440	(46,296)	169,848	1,094
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-
Net change in fund balances	3,176	34,772	1,440	(46,296)	169,848	1,094
Fund balances - beginning	60,776	104,304	-	79,680	-	55,530
Fund balances - ending	\$ 63,952	\$ 139,076	\$ 1,440	\$ 33,384	\$ 169,848	\$ 56,624

CITY OF OCEAN SPRINGS, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Capital Projects										
	Colonial Estates	Wayfinding	East Beach Sidewalk	Ocean Springs Road Phase I	Government Street Sidewalks	Senate Bond 3065	Porter Ave Sidewalks	Monster Ditch Drainage	KCDBG Projects	Total Non-Major Governmental Funds
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,808
Fees and fines	-	-	-	-	-	-	-	-	-	1,440
Intergovernmental	-	6,401	-	-	-	-	-	-	-	281,632
Grants	11,601	8,528	122,250	-	14,464	-	-	-	252,291	578,982
Miscellaneous - other	-	-	-	-	-	5,019	-	-	-	5,019
Total revenues	11,601	14,929	122,250	-	14,464	5,019	-	-	252,291	1,079,881
EXPENDITURES										
Current:										
General government	9,141	-	-	-	17,367	-	-	-	242,990	269,498
Public safety	-	-	-	-	-	-	-	-	-	65,653
Public works	-	-	-	35,378	-	-	-	1,502	-	36,880
Cultural and recreation	-	10,660	12,600	-	-	-	-	-	-	201,296
Urban and economic development	-	-	-	-	-	-	-	-	-	52,125
Capital outlay	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	96,873
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	82,233
Interest and other charges	-	-	-	-	-	-	-	-	-	20,373
Total expenditures	9,141	10,660	12,600	35,378	17,367	-	-	1,502	242,990	\$24,931
Excess (deficiency) of revenues over expenditures	2,460	4,269	109,650	(35,378)	(2,903)	5,019	-	(1,502)	9,301	254,950
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	41,900	-	41,900
Total other financing sources and uses	-	-	-	-	-	-	-	41,900	-	41,900
Net change in fund balances	2,460	4,269	109,650	(35,378)	(2,903)	5,019	-	40,398	9,301	296,850
Fund balances - beginning	(2,460)	-	-	-	49,506	-	6,744	-	(4,788)	349,292
Fund balances - ending	\$ -	\$ 4,269	\$ 109,650	\$ (35,378)	\$ 46,603	\$ 5,019	\$ 6,744	\$ 40,398	\$ 4,513	\$ 646,142

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF OCEAN SPRINGS, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
SEPTEMBER 30, 2020**

Position	Surety Company	Bond Amount
Mayor	Scott Insurance	\$100,000
Alderpersons (7)	Scott Insurance	\$100,000
City Clerk	Scott Insurance	\$100,000
Police Chief	Scott Insurance	\$50,000
Court Clerk	Scott Insurance	\$50,000
Deputy Court Clerk	Scott Insurance	\$50,000
Records Clerks (2)	Scott Insurance	\$50,000
Deputy City Clerk	Scott Insurance	\$50,000
Payroll Clerk	Scott Insurance	\$50,000
Purchasing Agent	Scott Insurance	\$50,000
Accountant	Scott Insurance	\$50,000
General Administrative Clerk	Scott Insurance	\$50,000
Utility Billing Supervisor	Scott Insurance	\$50,000
Utility Clerk	Scott Insurance	\$50,000
Water Technician	Scott Insurance	\$50,000
Building Office Administrator	Scott Insurance	\$50,000
Building Clerk	Scott Insurance	\$50,000
Camp Special Events Coordinator	Scott Insurance	\$50,000
Parks Receptionist (2)	Scott Insurance	\$50,000
Parks Administrative Assistant	Scott Insurance	\$50,000
Parks Coordinator	Scott Insurance	\$50,000
Parks Director	Scott Insurance	\$50,000
Public Employee Blanket	Scott Insurance	\$50,000
Unemployment Bond	Scott Insurance	\$27,600

See independent auditors' report.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

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

June 29, 2021

Honorable Mayor and Members of the
Board of Aldermen
City of Ocean Springs
Ocean Springs, 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 Ocean 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 of Ocean Springs, Mississippi's basic financial statements and have issued our report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ocean Springs, Mississippi's internal control over financial reporting (internal control) as a basis for designing 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 Ocean Springs, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ocean Springs, 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.

To the Board of Aldermen
City of Ocean Springs
Ocean Springs, Mississippi
June 29, 2021


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 Ocean Springs, Mississippi's financial statements are free of 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 financial statements. 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

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


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC

Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC

Wealth Management

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH MISSISSIPPI STATE LAWS AND REGULATIONS**

June 29, 2021

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

We have audited the basic financial statements of the City of Ocean Springs, Mississippi, as of and for the year ended September 30, 2020 and have issued our report dated June 29, 2021. We have 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 basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information of the City's 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.

Alexander, Van Loon, Sloan, Levens & Favre, PLLC

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC

Certified Public Accountants

Gulfport, Mississippi

9490 Three Rivers Road | Gulfport, MS 39503 | (228) 863-0411 | Fax (228) 863-1165 | E-Mail: info@avlcpa.com | www.avlcpa.com
304 N. Vardaman Street | P.O. Box 749 | Wiggins, MS 39577 | (601) 928-4416 | Fax (601) 928-4417 | E-Mail: info@avlcpa.com | www.avlcpa.com
831 Hwy. 90 | Bay St. Louis, MS 39520 | (228) 467-1402 | Fax (228) 467-2594 | E-Mail: info@avlcpa.com | www.avlcpa.com

Members: American Institute of CPA's. Mississippi Society of CPA's. The AICPA Alliance for CPA Firms-
Partnering for CPA Practice Success, National Association of Certified Valuation Analysts