

OFFICE OF THE STATE AUDITOR REPORT NOTE:

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

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

CITY OF BAY ST. LOUIS, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2021

CITY OF BAY ST. LOUIS, MISSISSIPPI
TABLE OF CONTENTS
For the Year Ended September 30, 2021

INTRODUCTORY SECTION

City Officials.....	i
---------------------	---

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT.....	1
-----------------------------------	---

MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4
---	---

FINANCIAL STATEMENTS

Statement of Net Position.....	11
Statement of Activities.....	12
Balance Sheet - Governmental Funds.....	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	16
Statement of Net Position - Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	18
Statement of Cash Flows - Proprietary Funds.....	19
Notes to Financial Statements.....	21

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund Budget to Actual.....	46
Federal Grant Fund Budget to Actual.....	47
Notes to the Required Supplementary Information- Budgetary Schedule.....	48
Schedule of the City’s Proportionate Share of Net Pension Liability.....	50
Schedule the of City’s Contributions.....	51
Notes to the Required Supplementary Information – Pension Schedules.....	52

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards.....	54
Schedule of Surety Bonds.....	55

SPECIAL REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	58
Limited Internal Control and Compliance Review Management Report.....	60
Schedule of Findings and Questioned Costs.....	62

INTRODUCTORY SECTION

CITY OF BAY ST. LOUIS, MISSISSIPPI
Elected Officials and Appointed Department Heads
For the Year Ended September 30, 2021
UNAUDITED

ELECTED OFFICIALS

Mayor	Michael Favre
Councilman Ward 1	Doug Seal
Councilman Ward 2	Gene Hoffman
Councilman Ward 3	Jeffery Reed
Councilman Ward 4	Kyle Lewis
Councilman Ward 5	Buddy Zimmerman
Councilman Ward 6	Josh Desalvo
Councilman Ward At-Large	Gary Knoblock

APPOINTED DEPARTMENT HEADS

City Clerk	Sissy Gonzales
City Attorney	Heather Smith
Police Department	Toby Schwartz
Fire Department	Monty Strong
Public Works	Ronnie Vanney

FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

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

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
FAX NUMBER (228) 863-6544
EMAIL: OFFICE@WWHGCPA.COM

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bay St. Louis, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bay St. Louis, Mississippi, as of September 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bay St. Louis, Mississippi's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

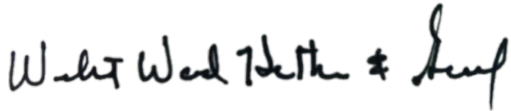
The Schedule of Surety Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statement and has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of City of Bay St. Louis, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bay St. Louis, Mississippi's internal control over financial reporting and compliance.

Other Reporting Required by *State of Mississippi*

In accordance with the State of Mississippi, we have also issued our report dated December 14, 2022, on our consideration of the City of Bay St. Louis's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Bay St. Louis's internal control over financial reporting and compliance.

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

Wright, Ward, Hatten & Guel
Gulfport, Mississippi
December 14, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021
UNAUDITED



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bay St. Louis, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2021 and 2020. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Bay St. Louis is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of City of Bay St. Louis as of July 1, 2021, is 10,009. The median household income is \$43,657 with over 95.1% of persons 25 years or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position increased \$455,175 or .5% from 2020 primarily due to increased grant and bond revenues.
- General revenues amounted to \$10,132,149 or 45% of total revenues. This amount increased \$1,899,641 from 2020. Program revenues amounted to \$12,147,355 or 55% of total revenues, which increased \$4,835,409 from 2020. This increase was mostly due to significant grant income from the American Rescue Act Program and COVID-19 related grants to cities and an increase in gaming fees and taxes.
- Capital assets, net of accumulated depreciation, increased by \$1,157,722 in the governmental activities and decreased \$1,696,276 in the business-type activities during 2021. The increase in the governmental activities stems primarily from new infrastructure and construction in progress from the Special Obligation Bond, Series 2020 issue. The decrease in the business-type activities stems primarily from annual depreciation.
- Long-term debt increased by \$6,021,569 in the governmental activities primarily due to new capital leased assets and special obligation bond issue. Long-term debt increased by \$80,164 in the business-type activities primarily due to new capital leased assets. The City's total debt outstanding at September 30, 2021 is \$10,907,505 which the liability for compensated absences is \$309,511.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$10,906,751 in revenues, which shows an increase of \$1,514,684 from 2020 and \$8,132,073 in expenditures, a decrease of \$39,507 from 2020. The General Fund's fund balance decreased by \$648,147 primarily due to transfers from the general fund to other funds.

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021
UNAUDITED

Using this Annual Financial Report

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

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

Reporting the City of Bay St. Louis as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

Table 1 and Table 2 provide a summary of the City's net position and changes in net position for 2021 compared to 2020.

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021
UNAUDITED

TABLE 1
Condensed Statement of Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020*	2021	2020	2021	2020
Assets						
Current assets*	\$ 13,234,639	9,446,834	2,271,082	1,871,048	15,505,721	11,317,882
Noncurrent and capital assets*	56,795,419	49,748,368	54,412,325	57,508,283	111,207,744	107,256,651
Total Assets	<u>70,030,058</u>	<u>59,195,202</u>	<u>56,683,407</u>	<u>59,379,331</u>	<u>126,713,465</u>	<u>118,574,533</u>
Deferred Outflows	<u>1,435,029</u>	<u>884,101</u>	<u>177,363</u>	<u>109,270</u>	<u>1,612,392</u>	<u>993,371</u>
Liabilities						
Current liabilities*	2,239,147	621,542	1,919,974	1,040,373	4,159,121	1,661,915
Non-current liabilities*	18,760,002	15,661,512	98,649	885,251	18,858,651	16,546,763
Total Liabilities	<u>20,999,149</u>	<u>16,283,054</u>	<u>2,018,623</u>	<u>1,925,624</u>	<u>23,017,772</u>	<u>18,208,678</u>
Deferred Inflows	<u>7,195,748</u>	<u>4,021,401</u>	<u>320,216</u>	<u>879</u>	<u>7,515,964</u>	<u>4,022,280</u>
Net Position						
Investment in capital assets, net of related debt	43,222,415	44,115,820	55,718,204	57,499,592	98,940,619	101,615,412
Restricted net assets	2,933,183	579,739	124,966	107,873	3,058,149	687,612
Unrestricted	(2,885,408)	(4,920,711)	(1,321,239)	(45,367)	(4,206,647)	(4,966,078)
Total Net Position	<u>\$ 43,270,190</u>	<u>39,774,848</u>	<u>54,521,931</u>	<u>57,562,098</u>	<u>97,792,121</u>	<u>97,336,946</u>

*FY 2020 reclassified for comparison purposes

TABLE 2
Condensed Statement of Activities
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues	\$ 6,769,753	2,573,882	5,377,602	4,738,064	12,147,355	7,311,946
General revenues	10,075,610	8,197,312	56,539	35,196	10,132,149	8,232,508
Total revenues	<u>16,845,363</u>	<u>10,771,194</u>	<u>5,434,141</u>	<u>4,773,260</u>	<u>22,279,504</u>	<u>15,544,454</u>
Expenses:						
General government	2,657,532	2,643,653	-	-	2,657,532	2,643,653
Public safety	3,899,461	4,026,879	-	-	3,899,461	4,026,879
Public works	6,660,100	4,206,026	-	-	6,660,100	4,206,026
Interest and issuance cost on debt	487,487	126,719	-	-	487,487	126,719
Utility	-	-	6,709,221	6,435,015	6,709,221	6,435,015
Harbor	-	-	1,410,528	1,148,919	1,410,528	1,148,919
Total expenses	<u>13,704,580</u>	<u>11,003,277</u>	<u>8,119,749</u>	<u>7,583,934</u>	<u>21,824,329</u>	<u>18,587,211</u>
Transfers	<u>342,581</u>	<u>20,282</u>	<u>(342,581)</u>	<u>(20,282)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	3,483,364	(211,801)	(3,028,189)	(2,830,956)	455,175	(3,042,757)
Net Position - beginning, restated	39,786,826	39,986,649	57,550,120	60,393,054	97,336,946	100,379,703
Net Position - ending	<u>\$ 43,270,190</u>	<u>39,774,848</u>	<u>54,521,931</u>	<u>57,562,098</u>	<u>97,792,121</u>	<u>97,336,946</u>

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021
UNAUDITED

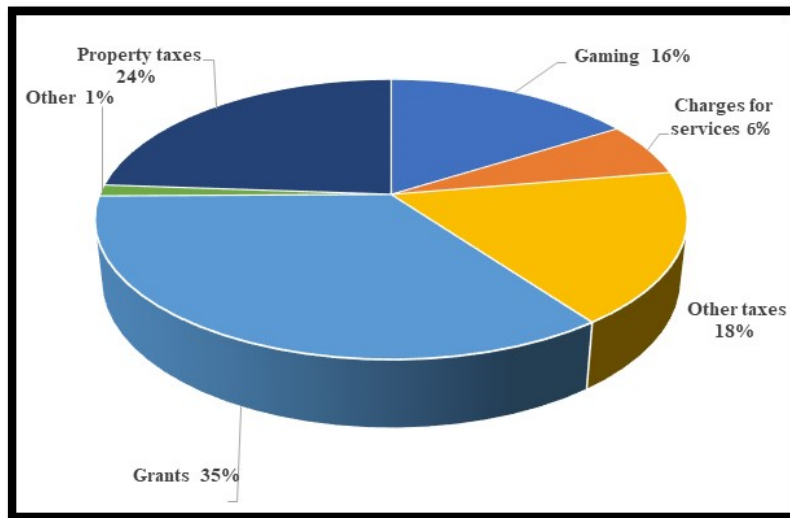
Governmental Activities

Total net position in the governmental activities increased \$3,483,364 up from a \$211,801 decrease in 2020. Much of this increase is due to an increase in gaming fees and revenues.

Under the accrual basis of accounting, general revenues amounted to \$10,075,610 or 60% of total revenues. This amount increased \$1,878,298 from 2020. Program revenues amounted to \$6,769,753 or 40% of total revenues, which increased \$4,195,871 from 2020 primarily due to an increase in grant revenues.

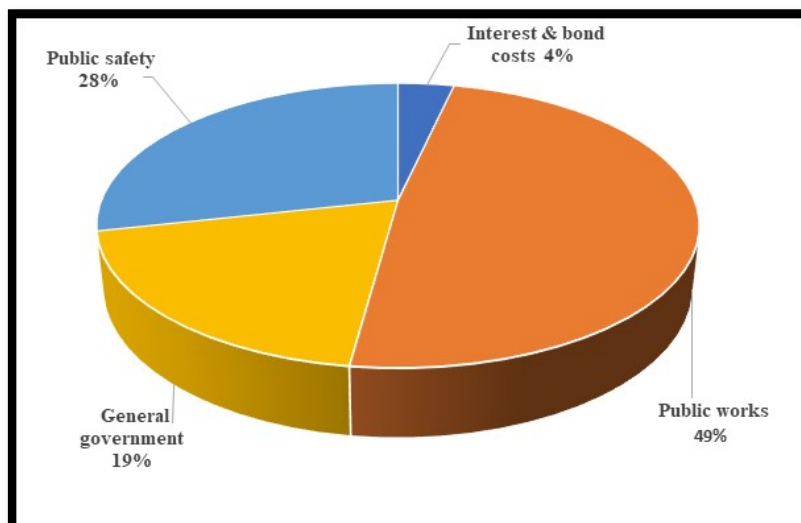
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

Chart 1 – Governmental Revenue Sources



Major governmental expense activities are shown in the following chart.

Chart 2 – Governmental Activities



CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021
UNAUDITED

Business-type activities

Net position for the business-type activities was \$54,521,931 a decrease of \$3,028,189. Charges for services increased approximately \$100,588.

Reporting the City of Bay St. Louis's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Bay St. Louis, the City's major funds are the General and Road & Bridge funds.

Governmental Funds

The City's governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The City's proprietary funds focus on business-type activities conducted by the City. These funds are reported using the accrual method of accounting, which uses an "economic resources" measurement focus. Under the accrual basis of accounting revenues are recognized in the period in which they are earned regardless of when cash flows occur. Expenses are recorded when the recognized when the service is performed, or the goods are received regardless of when the invoice is paid. Proprietary Fund information helps you to determine whether business-type activities are self-maintaining or if they are being subsidized by general government revenues. The proprietary funds show operating revenues and expenses that support the primary operations of the fund.

The City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and nonspendable resources. Such information may be useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021
UNAUDITED

General Fund Budgeting Highlights

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

During the course of 2021, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Council for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2021 and 2020.

TABLE 3
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,212,282	1,186,282	-	-	1,212,282	1,186,282
Construction in progress	2,744,516	92,568	2,111,960	1,016,489	4,856,476	1,109,057
Buildings and Improvements	22,761,034	23,670,833	34,975	35,975	22,796,009	23,706,808
Infrastructure	21,386,074	22,013,754	53,245,986	56,114,571	74,632,060	78,128,325
Machinery & equipment	282,836	346,920	157,179	178,606	440,015	525,526
Mobile equipment	355,861	386,563	149,153	149,153	505,014	535,716
Leased equipment	1,371,244	1,259,205	112,754	13,489	1,483,998	1,272,694
Total	<u>\$ 50,113,847</u>	<u>48,956,125</u>	<u>55,812,007</u>	<u>57,508,283</u>	<u>105,925,854</u>	<u>106,464,408</u>

The primary decrease in capital assets occurred due to depreciation; however the city had a significant increase in construction in progress due to the special obligation bond expenditures.

General Long-term Obligations

At September 30, 2021, the City had \$11,217,016 outstanding debt obligations, which included \$309,511 of compensated absences payable.

TABLE 4
Schedule of Long-term Debt
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 3,225,000	3,390,000	-	-	3,225,000	3,390,000
Special Obligation Bonds	6,155,000	-	-	-	6,155,000	-
Capital Leases	1,433,702	1,450,305	93,803	8,691	1,527,505	1,458,996
Compensated Absences	269,184	221,012	40,327	45,275	309,511	266,287
Total	<u>\$ 11,082,886</u>	<u>5,061,317</u>	<u>134,130</u>	<u>53,966</u>	<u>11,217,016</u>	<u>5,115,283</u>

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021
UNAUDITED

General Long-term Obligations (continued)

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid overtime as people leave or retire. This liability refers to vacation pay for employees of the city. See Note 1 to the financial statements for more details.

Contact the City's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Sissy Gonzales, City Clerk
City of Bay St. Louis, Mississippi
688 Highway 90
Bay St. Louis, MS 39520
(228) 466-8951

FINANCIAL STATEMENTS

City of Bay St. Louis, Mississippi
Statement of Net Position (Continued)
September 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 2,110,719	1,330,228	3,440,947
Taxes receivables	5,376,198	-	5,376,198
Customer accounts receivable (net of allowance)	-	484,591	484,591
Fines receivable (net of allowance)	240,086	-	240,086
Intergovernmental receivables	3,045,550	291,194	3,336,744
Internal balances	1,859,897	(1,859,897)	-
Prepaid items	402,189	50,209	452,398
Inventory for resale	-	74,757	74,757
Restricted and noncurrent cash	6,881,572	500,318	7,381,890
Capital assets			
Land and construction in progress	3,956,798	2,111,960	6,068,758
Other capital assets (net of depreciation):	46,157,049	53,700,047	99,857,096
Total Assets	70,030,058	56,683,407	126,713,465
Deferred Outflow of Resources			
Deferred amounts on pension	1,435,029	177,363	1,612,392
Total Deferred Outflow of Resources	1,435,029	177,363	1,612,392
Liabilities			
Claims and wages payable	1,247,737	358,027	1,605,764
Accrued interest payable	107,403	-	107,403
Revenue not earned	28,315	60,780	89,095
Payable from restricted assets - Customer deposits	33,100	415,160	448,260
Net pension liability	8,499,708	1,050,526	9,550,234
Long-term obligations:			
Due within one year			
Capital debt	764,558	26,147	790,705
Noncapital debt	58,034	9,334	67,368
Due in more than one year			
Capital debt	10,049,144	67,656	10,116,800
Noncapital debt	211,150	30,993	242,143
Total Liabilities	20,999,149	2,018,623	23,017,772
Deferred Inflows of Resources			
Property tax for future reporting period	4,604,907	-	4,604,907
Deferred amount on pension	2,590,841	320,216	2,911,057
Total Deferred Inflows of Resources	7,195,748	320,216	7,515,964
Net Position			
Investment in capital assets, net of related debt	43,222,415	55,718,204	98,940,619
Restricted Net Position:			
Non-expendable	402,189	124,966	527,155
Expendable:			
Restricted for debt service	488,969	-	488,969
Restricted for grant/bond purposes	2,042,025	-	2,042,025
Unrestricted	(2,885,408)	(1,321,239)	(4,206,647)
Total Net Position	\$ 43,270,190	54,521,931	97,792,121

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

City of Bay St. Louis, Mississippi
Statement of Activities
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 2,657,532	857,645	-	-	\$ (1,799,887)		(1,799,887)
Public safety	3,899,461	191,450	44,752	85,912	(3,577,347)		(3,577,347)
Public works	6,660,100	-	21,970	5,568,024	(1,070,106)		(1,070,106)
Interest and issuance costs on debt	487,487	-	-	-	(487,487)		(487,487)
Total governmental activities	<u>13,704,580</u>	<u>1,049,095</u>	<u>66,722</u>	<u>5,653,936</u>	<u>(6,934,827)</u>		<u>(6,934,827)</u>
Business-type activities:							
Utility fund	6,709,221	3,863,097	-	-		(2,846,124)	(2,846,124)
Harbor fund	1,410,528	790,511	-	723,994		103,977	103,977
Total business-type activities	<u>8,119,749</u>	<u>4,653,608</u>	<u>-</u>	<u>723,994</u>	<u>(2,742,147)</u>	<u>(2,742,147)</u>	<u>(2,742,147)</u>
Total government	<u>\$ 21,824,329</u>	<u>5,702,703</u>	<u>66,722</u>	<u>6,377,930</u>		<u>(2,742,147)</u>	<u>(9,676,974)</u>
General Revenues:							
Taxes:							
Property taxes, general					3,574,085	-	3,574,085
Property taxes, debt service					279,255	-	279,255
Property taxes, community support					168,736	-	168,736
General sales and use taxes					2,158,223	-	2,158,223
Road and bridge privilege taxes					316,729	-	316,729
Franchise taxes					492,956	-	492,956
Gaming fees and taxes					2,713,527	-	2,713,527
Grants and contributions not restricted to a special purpose					151,373	-	151,373
Unrestricted investment earnings					115,260	18,152	133,412
Miscellaneous					105,466	38,387	143,853
Total general revenues					<u>10,075,610</u>	<u>56,539</u>	<u>10,132,149</u>
Transfers					342,581	(342,581)	-
Total general revenues and transfers					<u>10,418,191</u>	<u>(286,042)</u>	<u>10,132,149</u>
Changes in net position					3,483,364	(3,028,189)	455,175
Net position - beginning, as restated					<u>39,786,826</u>	<u>57,550,120</u>	<u>97,336,946</u>
Net position - ending					<u>\$ 43,270,190</u>	<u>54,521,931</u>	<u>97,792,121</u>

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

City of Bay St. Louis, Mississippi
Balance Sheet – Governmental Funds
September 30, 2021

	Major Funds			Other	Total
	General Fund	Federal Grant Fund	2020 SO Bond Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash	\$ 1,465,111	-	-	645,608	2,110,719
Receivables:					
Property taxes	4,639,152	-	-	-	4,639,152
General sales taxes	353,616	-	-	-	353,616
Franchise taxes	156,994	-	-	-	156,994
Gaming fees and taxes	226,436	-	-	-	226,436
Intergovernmental	129,923	2,770,289	-	127,535	3,027,747
Court fines & fees	240,086	-	-	-	240,086
Other	17,803	-	-	-	17,803
Due from other funds	236,685	-	-	1,816,359	2,053,044
Prepaid items	340,447	-	-	61,742	402,189
Restricted cash	108,584	169,408	3,914,031	2,689,549	6,881,572
Total Assets	7,914,837	2,939,697	3,914,031	5,340,793	20,109,358
LIABILITIES					
Claims payable	200,550	37,139	861,730	1,974	1,101,393
Wages and payroll taxes payable	146,343	-	-	-	146,343
Payable to other governments	-	-	-	-	-
Due to other funds	21,079	109,453	7,393	55,222	193,147
Customer deposits	33,100	-	-	-	33,100
Grant revenue unearned	28,315	-	-	-	28,315
Total Liabilities	429,387	146,592	869,123	57,196	1,502,298
DEFERRED INFLOWS OF RESOURCES					
Property taxes for future reporting period	4,604,907	-	-	-	4,604,907
Unavailable revenue - fines	240,087	-	-	-	240,087
Total Deferred Inflows of Resources	4,844,994	-	-	-	4,844,994
FUND BALANCES					
Non-spendable					
Prepaid items	340,447	-	-	61,742	402,189
Assigned:					
Municipal reserve	-	-	-	2,515,291	2,515,291
Road & bridges	-	-	-	282,973	282,973
Restricted:					
Unemployment reserves	47,018	-	-	-	47,018
Grant/bond purposes	-	2,793,105	3,044,908	2,042,025	7,880,038
Debt service	-	-	-	381,566	381,566
Unassigned	2,252,991	-	-	-	2,252,991
Total Fund Balances	2,640,456	2,793,105	3,044,908	5,283,597	13,762,066
Total Liabilities, Deferred Inflows of					
Resources and Fund Balances	\$ 7,914,837	2,939,697	3,914,031	5,340,793	20,109,358

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

City of Bay St. Louis, Mississippi
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2021

Total governmental funds balance		\$ 13,762,066
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Governmental capital assets	\$ 80,678,957	
Less: accumulated depreciation	<u>(30,565,110)</u>	50,113,847
Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.		
Bonds payable	\$ (9,380,000)	
Capital leases payable	(1,433,702)	
Compensated absences	<u>(269,184)</u>	(11,082,886)
Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.		
Court fines receivable	<u>\$ 240,086</u>	240,086
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(8,499,708)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 1,435,029	
Deferred inflows of resources related to pensions	<u>(2,590,841)</u>	(1,155,812)
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(107,403)</u>
Net position of governmental activities		<u><u>\$ 43,270,190</u></u>

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

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
For the Fiscal Year Ended September 30, 2021

	Major Funds			Other	Total
	General Fund	Federal Grant Fund	2020 SO Bond Fund	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	\$ 4,022,076	-	-	-	4,022,076
General sales and use taxes	2,069,965	-	-	259,592	2,329,557
Franchise fees	492,956	-	-	-	492,956
Gaming fees and taxes	2,713,527	-	-	-	2,713,527
Licenses and permit fees	627,073	-	-	-	627,073
Intergovernmental	385,371	2,732,560	-	2,824,083	5,942,014
Charges for services/rentals	59,984	-	-	-	59,984
Fines and forfeitures	185,301	-	-	-	185,301
Investment earnings	27,802	6,025	65,261	16,172	115,260
Administrative fees	245,000	-	-	-	245,000
Miscellaneous	77,696	-	-	-	77,696
Total Revenues	10,906,751	2,738,585	65,261	3,099,847	16,810,444
Expenditures					
General government	2,150,167	19,835	-	1,400	2,171,402
Public safety	3,381,513	44,667	-	94,029	3,520,209
Public works	2,354,172	2,609,028	-	103,023	5,066,223
Capital outlay	246,221	103,664	3,230,508	325,726	3,906,119
Debt service:					
Principal	-	-	-	790,849	790,849
Interest and other fiscal charges	-	-	-	444,713	444,713
Total Expenditures	8,132,073	2,777,194	3,230,508	1,759,740	15,899,515
Excess (Deficiency) of Revenues Over Expenditures	2,774,678	(38,609)	(3,165,247)	1,340,107	910,929
Other Financing Sources (Uses)					
Proceeds from capital leases	-	-	-	276,224	276,224
Proceeds from bond issue	-	-	6,500,000	-	6,500,000
Proceeds from sale of assets	-	-	-	257,642	257,642
Insurance proceeds	18,470	10,300	-	-	28,770
Transfers in	2,652	2,821,414	-	1,754,959	4,579,025
Transfers out	(3,443,947)	-	(289,845)	(502,652)	(4,236,444)
Total Other Financing Sources (Uses)	(3,422,825)	2,831,714	6,210,155	1,786,173	7,405,217
Net change in fund balances	(648,147)	2,793,105	3,044,908	3,126,280	8,316,146
Fund balances - beginning	3,288,603	-	-	2,145,339	5,433,942
Reclassify fund balance	-	-	-	11,978	11,978
Fund balances - beginning, as restated	3,288,603	-	-	2,157,317	5,445,920
Fund balances - ending	\$ 2,640,456	2,793,105	3,044,908	5,283,597	13,762,066

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

City of Bay St. Louis, Mississippi
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended September 30, 2021

Net Change in Fund Balances - total governmental funds **\$ 8,316,146**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 3,906,119	
Depreciation	<u>(2,365,866)</u>	1,540,253

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold.

Net loss on sale/donation of capital assets	(382,531)
---	-----------

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

Debt retirement	\$ 802,827	
Debt issuance	<u>(6,776,224)</u>	(5,973,397)

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

6,148

Pension expense and other related activity do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Additional pension expense and contributions made after measurement date	67,690
--	--------

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

Accrued interest payable	(42,773)
Compensated absences	<u>(48,172)</u>

Change in net position of governmental activities **\$ 3,483,364**

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

City of Bay St. Louis, Mississippi

Statement of Net Position

Proprietary Funds

September 30, 2021

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Assets			
Current assets:			
Cash	\$ 984,582	345,646	1,330,228
Intergovernmental receivables	-	291,194	291,194
Customer accounts receivable, net	463,512	21,079	484,591
Due from other funds	-	30,552	30,552
Prepaid insurance	45,737	4,472	50,209
Inventory for resale	36,262	38,495	74,757
Total current assets	<u>1,530,093</u>	<u>731,438</u>	<u>2,261,531</u>
Non-current assets			
Restricted cash	500,318	-	500,318
Capital assets, net of accumulated depreciation	35,273,460	20,538,547	55,812,007
Total non-current assets	<u>35,773,778</u>	<u>20,538,547</u>	<u>56,312,325</u>
Total Assets	<u><u>37,303,871</u></u>	<u><u>21,269,985</u></u>	<u><u>58,573,856</u></u>
Deferred outflow of resources			
Deferred outflow - pension liability	118,833	58,530	177,363
Total deferred outflow of resources	<u>118,833</u>	<u>58,530</u>	<u>177,363</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	139,382	195,122	334,504
Accrued wages	14,781	8,742	23,523
Due to other funds	89,966	1,800,483	1,890,449
Unearned revenue	23,424	37,356	60,780
Notes payable-due in less than one year	26,147	-	26,147
Compensated absences-due in less than one year	6,829	2,505	9,334
Customer deposits	415,160	-	415,160
Total current liabilities	<u>715,689</u>	<u>2,044,208</u>	<u>2,759,897</u>
Non-current liabilities:			
Net pension liability	703,852	346,674	1,050,526
Notes payable-due in more than one year	67,656	-	67,656
Compensated absences-due in more than one year	18,124	12,869	30,993
Total non-current liabilities	<u>789,632</u>	<u>359,543</u>	<u>1,149,175</u>
Total liabilities	<u><u>1,505,321</u></u>	<u><u>2,403,751</u></u>	<u><u>3,909,072</u></u>
Deferred inflow of resources			
Deferred inflow - pension liability	214,545	105,671	320,216
Total deferred inflow of resources	<u>214,545</u>	<u>105,671</u>	<u>320,216</u>
Net position			
Investment in capital assets, net of related debt	35,179,657	20,538,547	55,718,204
Restricted - Nonexpendable	81,999	42,967	124,966
Unrestricted	441,182	(1,762,421)	(1,321,239)
Total net position	<u><u>\$ 35,702,838</u></u>	<u><u>18,819,093</u></u>	<u><u>54,521,931</u></u>

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

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2021

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Revenues:			
Charges for services	\$ 3,863,097	-	3,863,097
Slip rental fees	-	433,399	433,399
Fuel sales	-	357,112	357,112
Miscellaneous operating revenues	19,367	19,020	38,387
Total operating revenues	<u>3,882,464</u>	<u>809,531</u>	<u>4,691,995</u>
Operating expenses:			
Personal services	687,068	308,315	995,383
Natural gas and fuel purchases	304,015	268,612	572,627
Waste collection and disposal	555,745	4,227	559,972
Wastewater treatment	1,219,368	-	1,219,368
Other supplies and expenses	256,086	60,114	316,200
Other contractual	773,046	215,612	988,658
Depreciation	2,912,703	553,648	3,466,351
Total operating expenses	<u>6,708,031</u>	<u>1,410,528</u>	<u>8,118,559</u>
Operating income (loss)	<u>(2,825,567)</u>	<u>(600,997)</u>	<u>(3,426,564)</u>
Non-operating revenues (expenses)			
Interest and investment revenue	14,266	3,886	18,152
Interest expense	(1,190)	-	(1,190)
Capital grant income	-	723,994	723,994
Transfers out	(342,581)	-	(342,581)
Total non-operating revenues (expenses)	<u>(329,505)</u>	<u>727,880</u>	<u>398,375</u>
Change in net position	(3,155,072)	126,883	(3,028,189)
Net Position - beginning as restated	<u>38,857,910</u>	<u>18,692,210</u>	<u>57,550,120</u>
Total net position - ending	<u>\$ 35,702,838</u>	<u>18,819,093</u>	<u>54,521,931</u>

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

City of Bay St. Louis, Mississippi
Statement Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2021

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 4,031,126	803,858	4,834,984
Cash paid to employees	(699,214)	(307,868)	(1,007,082)
Cash paid to suppliers	(564,993)	(332,254)	(897,247)
Cash paid to contractors	(2,449,457)	(100,498)	(2,549,955)
Net cash provided by (used in) operating activities	317,462	63,238	380,700
Cash Flows From Non-Capital Financing Activities			
Advances from (to) other funds	(253,944)	1,095,332	841,388
Net cash flows from non-capital financing activities	(253,944)	1,095,332	841,388
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	(88,900)	(1,669,199)	(1,758,099)
Non-operating receipts for capital expenditures	-	435,935	435,935
Proceeds from capital leases	88,900	-	88,900
Repayment of notes payable	(15,766)	-	(15,766)
Interest and amortization on debt	(1,190)	-	(1,190)
Net cash used in capital and related financing activities	(16,956)	(1,233,264)	(1,250,220)
Cash Flows From Investing Activities			
Interest received	14,266	3,886	18,152
Net cash flows from investing activities	14,266	3,886	18,152
Net increase (decrease) in cash	60,828	(70,808)	(9,980)
Cash - October 1	1,424,072	416,454	1,840,526
Cash - September 30	\$ 1,484,900	345,646	1,830,546

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

City of Bay St. Louis, Mississippi
Statement Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended September 30, 2021

	Utility Fund	Harbor Fund	Total
<hr/>			
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used In) Operating Activities:			
Operating income (loss)	\$ (2,825,567)	(600,997)	(3,426,564)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,912,703	553,648	3,466,351
(Increase) decrease in assets:			
Accounts receivable	108,301	(9,426)	98,875
Inventory	(4,892)	(3,528)	(8,420)
Prepaid expenses	(9,558)	885	(8,673)
Pension related assets	(45,622)	(22,471)	(68,093)
Increase (decrease) in liabilities:			
Claims and wages payable	107,371	120,960	228,331
Customer deposits payable	29,902	-	29,902
Unearned revenue	10,459	3,753	14,212
Pension related liabilities	40,017	19,710	59,727
Compensated absences	(5,652)	704	(4,948)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	\$ 317,462	63,238	380,700
	<hr/>	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2021

Note 1 - Summary of Significant Accounting Policies

The City of Bay St. Louis, Mississippi, (the "City") was incorporated January 21, 1818, under the laws of the State of Mississippi. The City operates under a Mayor-Council form of government, which provides for an elected mayor and a seven-member council. The following services are authorized by the City's charter: Public Safety (Police, Fire, Civil Defense and Protection Inspection), Street Maintenance and Sanitation, Garbage Collection, Water, Sewer and Gas Services, Public Improvements, Planning and Zoning, and General Administrative Services. The accounting and reporting policies of the City relating to the funds and account groups included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing board. As defined by accounting principles generally accepted in the United States of America, the City is considered a "primary government." The City is governed by a seven member council in which six members were elected by the citizens of each defined ward and one member elected at-large.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in Accounting Principles Generally Accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity. Based upon the application of these criteria, the City has no component units.

Hancock County Utility Authority and Hancock County Regional Solid Waste Authority

These potential component units were established by State Code and their governing boards are appointed jointly by the area governments' governing bodies. These are independent units that select management staff, set user charges, establish budgets and controls all aspects of their daily activities. These Authorities have been determined to be joint ventures of the participating agencies. See Note 12 for details.

B. Basis of Presentation.

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major Governmental Funds:

General Fund - This is the City's primary operating fund. It is used to account for all activities of the general government for which a separate fund has not been established.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other assets.

PROPRIETARY FUNDS

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

It is the intent of the City Council that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and that periodic determination of revenues earned, expenses incurred, and net income be identified for capital maintenance, public policy, management control, account ability, or other purposes.

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers' Association.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Deposits and Investments

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

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

F. Receivables

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

G. Inter-Fund Transactions and Balances

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

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

H. Inventories

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

I. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. However, as of September 30, 2021, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the City's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

The following schedule details those thresholds, estimated useful lives and salvage value percentage of cost:

	Capitalization Threshold	Estimated Useful Life	Salvage Value (% of Cost)
Land	\$ -	N/A	N/A
Infrastructure	-	20-60 years	30%
Buildings	50,000	40-50 years	20%
Improvements	25,000	40-50 years	20%
Machinery & equipment	5,000	3-15 years	10%
Property under capital leases	*	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources

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

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

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

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

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

K. Pensions

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

L. Long-term Liabilities

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

M. Compensated Absences

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured.

An employee may accumulate unused vacation leave hours without limitation, however, cash payments upon employee termination or retirement are limited to a maximum of 30 days of a accumulated leave of pay. Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided in the financial statements. Unused vacation and sick leave balances may be credited to the Public Employee's Retirement System (PERS) as time worked.

N. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. The following are descriptions of fund classifications used by the City:

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as non-spendable and is neither restricted nor committed. Assignments of fund balance are created by management pursuant to authorization established by the Council.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

O. Net Position

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

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

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

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

P. Intergovernmental Revenues in Governmental Funds

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

Q. Property Tax Revenues

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

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

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

R. Use of Estimates

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

S. Reporting Changes and New Accounting Pronouncements for Future Implementation

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

Note 2 – Deposits

A summary of cash (including restricted deposits) as of September 30, 2021, is as follows:

	Unrestricted	Restricted	Total
Governmental activities:			
General fund	\$ 1,465,111	\$ 108,584	\$ 1,573,695
Municipal reserve fund	645,608	-	645,608
Special revenue funds	-	2,229,202	2,229,202
Debt service funds	-	339,669	339,669
Capital project funds	-	4,204,117	4,204,117
Total governmental activities	2,110,719	6,881,572	8,992,291
Business-type activities:			
Utilities fund	984,582	500,318	1,484,900
Harbor fund	345,646	-	345,646
Total business-type activities	1,330,228	500,318	1,830,546
Total government-wide	\$ 3,440,947	\$ 7,381,890	\$ 10,822,837

The carrying amount of the city's total deposits with financial institutions at September 30, 2021, was \$10,822,837 and the bank balance was \$11,189,533. Restricted (Noncurrent) cash is defined by the Governmental Auditing Standards Board (GASB) as amounts that are not readily available for current operating expenses/expenditures. Cash recorded as restricted can only be expended according to the grant/bond requirements, held for debt service requirements and held for customer deposits on hand.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 3 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2021, consisted of the following:

Taxes Receivables	
Property taxes	
Current	\$ 34,245
For future reporting period	4,604,907
Property taxes receivable	<u>4,639,152</u>
Sales and use taxes	353,616
Franchise taxes	156,994
Gaming fees and taxes	<u>226,436</u>
Total taxes receivable	<u>5,376,198</u>
Court fines receivable	960,346
Less: allowance for doubtful accounts	<u>(720,260)</u>
Total court fines receivable, net	<u>240,086</u>
Intergovernmental receivables	
Federal grants	2,944,442
State and local grants and contributions	<u>101,108</u>
Total other taxes and grants	<u>3,045,550</u>
Total receivable - governmental activities	<u><u>\$ 8,661,834</u></u>

B. Business-type Activities

Receivable in the business-type activities at September 30, 2021, consisted of the following:

Customer accounts receivable:	
Customer utility charges (billed)	\$ 1,768,650
Customer slip rental charges (billed)	40,364
Customer accounts, earned but unbilled	90,951
Less: allowance for doubtful accounts	<u>(1,415,374)</u>
Total customer accounts receivable, net	<u>484,591</u>
Intergovernmental receivable	<u>291,194</u>
Total receivable - business-type activities	<u><u>\$ 775,785</u></u>

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of 1,396,089 at September 30, 2021, has been provided in the Utility fund and \$19,285 in the Harbor fund for estimated uncollectible utility and slip charges.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 4 – Interfund Transactions and Balances

Government-wide Financial Statements

A. Internal Balances

At September 30, 2021, the City had the following interfund loans:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	<u>\$ 1,859,897</u>

Fund Financial Statements

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal Grants Fund	\$ 82,024
General Fund	Other Governmental Funds	55,222
General Fund	Harbor Fund	33,414
General Fund	Utility Fund	66,025
Other Governmental Funds	General Fund	21,079
Other Governmental Funds	2020 SO Bond Fund	7,393
Other Governmental Funds	Utility Fund	20,818
Other Governmental Funds	Harbor Fund	1,767,069
Harbor Fund	Federal Grants Fund	27,429
Harbor Fund	Utility Fund	3,123
Total		<u>\$ 2,083,596</u>

B. Transfers In/Out:

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,652
Federal Grant Fund	General Fund	2,000,000
Federal Grant Fund	Other Governmental Funds	500,000
Federal Grant Fund	Utility Fund	321,414
Other Governmental Funds	General Fund	1,443,947
Other Governmental Funds	Utility Fund	21,167
Other Governmental Funds	2020 SO Bond Fund	289,845
Total		<u>\$ 4,579,025</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 5 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2021:

	Balance 9/30/2020	Additions	Adjustments/ Disposals	Balance 9/30/2021
Capital assets not being Depreciated:				
Land	\$ 1,186,282	-	26,000	1,212,282
Construction in Progress	92,568	3,490,327	(838,379)	2,744,516
Total capital assets not being depreciated	<u>1,278,850</u>	<u>3,490,327</u>	<u>(812,379)</u>	<u>3,956,798</u>
Capital assets being depreciated:				
Buildings & Improvements	29,540,179	-	(396,358)	29,143,821
Infrastructure	39,308,198	-	812,379	40,120,577
Machinery & Equipment	2,461,678	-	(272,108)	2,189,570
Mobile Equipment	3,020,192	49,502	(317,621)	2,752,073
Equipment under Capital Leases	2,161,806	366,290	(11,978)	2,516,118
Total capital assets being depreciated	<u>76,492,053</u>	<u>415,792</u>	<u>(185,686)</u>	<u>76,722,159</u>
Less accumulated depreciation for:				
Buildings & improvements	5,869,346	600,640	(87,199)	6,382,787
Infrastructure	17,294,444	1,440,059	-	18,734,503
Machinery & Equipment	2,114,758	41,579	(249,603)	1,906,734
Mobile Equipment	2,633,629	41,315	(278,732)	2,396,212
Equipment under Capital Leases	902,601	242,273	-	1,144,874
Total accumulated depreciation	<u>28,814,778</u>	<u>2,365,866</u>	<u>(615,534)</u>	<u>30,565,110</u>
Total Capital assets being depreciated, net	<u>47,677,275</u>	<u>(1,950,074)</u>	<u>429,848</u>	<u>46,157,049</u>
Total governmental activities capital assets, net	<u>\$ 48,956,125</u>	<u>1,540,253</u>	<u>(382,531)</u>	<u>50,113,847</u>

Depreciation expense was charged to the following governmental functions:

General Government	\$ 376,703
Public Safety	393,128
Public Works	1,596,035
	<u>\$ 2,365,866</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 5 – Capital assets (continued)

B. Business-type Activities

The following is a summary of business-type capital assets activity for the year ended September 30, 2021:

	Balance 10/1/2020	Additions	Adjustments/ Sales	Balance 9/30/2021
Capital assets not being Depreciated:				
Construction in Progress	\$ 1,016,489	1,635,149	(539,678)	2,111,960
Total capital assets not being depreciated	<u>1,016,489</u>	<u>1,635,149</u>	<u>(539,678)</u>	<u>2,111,960</u>
Capital assets being depreciated:				
Building and Improvements	118,603	-	-	118,603
Water, Sewer & Gas Systems	75,601,623	-	-	75,601,623
Harbor Infrastructure	21,766,381	-	539,678	22,306,059
Machinery & Equipment	709,994	34,050	-	744,044
Mobile Equipment	245,501	-	-	245,501
Equipment under Capital Leases	17,925	88,900	11,978	118,803
Total capital assets being depreciated	<u>98,460,027</u>	<u>122,950</u>	<u>551,656</u>	<u>99,134,633</u>
Less accumulated depreciation for:				
Building and Improvements	82,628	1,000	-	83,628
Water, Sewer & Gas Systems	37,878,576	2,864,104	-	40,742,680
Harbor Infrastructure	3,374,857	544,159	-	3,919,016
Machinery & Equipment	531,388	55,477	-	586,865
Mobile Equipment	96,348	-	-	96,348
Equipment under Capital Leases	4,436	1,613	-	6,049
Total accumulated depreciation	<u>41,968,233</u>	<u>3,466,353</u>	<u>-</u>	<u>45,434,586</u>
Total Capital assets being depreciated, net	<u>56,491,794</u>	<u>(3,343,403)</u>	<u>551,656</u>	<u>53,700,047</u>
Total business-type activities capital assets, net	<u>\$ 57,508,283</u>	<u>(1,708,254)</u>	<u>11,978</u>	<u>55,812,007</u>

Depreciation expense was charged to the following governmental functions:

Utility Fund	\$ 2,912,705
Harbor Fund	553,648
Total depreciation - business-type activities	<u>\$ 3,466,353</u>

C. Net Investment in Capital Assets/Net Position

	Governmental Activities	Business-type Activities
Land	\$ 1,212,282	-
Construction in progress	2,744,516	2,111,960
Other capital assets, net of accumulated depreciation	46,157,049	53,700,047
Add: cash remaining from bond issue	3,922,270	-
Less: related long-term debt outstanding - spent	<u>(10,813,702)</u>	<u>(93,803)</u>
	<u>\$ 43,222,415</u>	<u>55,718,204</u>

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2021

Note 6 – Capital Leases

The City has obtained lease financing for the purchase of mobile equipment and other machinery. Title to the assets is held in the name of the City and the various banks as lien holder. The City insures the assets and accounts for the leasing arrangements. Amortization of leased equipment under capital assets is included with depreciation expense.

The following is a schedule of the City's capital leases as of September 30, 2021:

Issuer	Leased Equipment	Matures	Original Issue	Stated Interest Rate	Present Value of Remaining Payments as of 09/30/2021
Governmental Activities					
Wells Fargo	2016 Ferrara Pumper	April 2026	495,516	2.31%	\$ 235,517
BancorpSouth	2017 Kubota King Cutter M-511	August 2022	75,898	2.41%	14,501
Suntrust Leasing	Ferrera Fire Ladder Truck	November 2023	579,947	2.82%	186,644
The First Bank	(2) Zero Turn Mowers/Duraspray Patcher	April 2023	63,610	3.50%	22,826
The First Bank	2018 Cat Backhoe/Loader	June 2023	66,134	2.85%	26,619
The First Bank	Silverado -Police Chief/ Silverado-Mayor	March 2023	56,872	2.85%	17,715
The First Bank	Street Sweeper	December	136,963	4.25%	61,740
Bancorp South	2018 Ford F350 Dump Truck	March 2024	36,210	3.89%	18,667
The First Bank	2019 Ford F150 Police	November 2024	43,789	3.50%	16,543
REV Financial	Ferrara Rescue Pumper	July 2030	44,019	2.24%	533,147
People's Bank	(2) 2020 Dodge Durangos	February 2026	72,364	2.23%	62,884
The First Bank	(2) 2021 Nissan Rogues	August 2026	53,211	1.19%	51,799
People's Bank	(2) 2020 Ford F-250	May 2026	61,749	1.98%	56,424
People's Bank	2021 Kenworth Dump Truck	April 2026	88,900	1.92%	80,736
Total Governmental Activities					<u>1,385,762</u>
Business-type Activities					
The First Bank	Mini Excavator	February 2023	17,945	2.85%	4,974
The First Bank	2021 Kentworth Single Axle Dump	May 2026	93,324	1.89%	81,645
The First Bank	2018 Kuboa Excavator	February 2023	24,706	2.85%	6,836
Total Business-type Activities					<u>\$ 93,455</u>

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

	Governmental Activities	Business-type Activities	Total
Equipment under capital leases	\$ 2,516,118	118,803	2,634,921
Less: accumulated amortization	(1,144,874)	(6,049)	(1,150,923)
Net value of equipment under capital leases	<u>\$ 1,371,244</u>	<u>112,754</u>	<u>1,483,998</u>

The following is a schedule by years of the total payments due as of September 30, 2021:

September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 314,558	31,715	346,273	\$ 26,147	1,688	27,835
2023	296,956	23,845	320,801	20,610	1,136	21,746
2024	245,438	17,315	262,753	17,886	774	18,660
2025	170,015	12,086	182,101	18,234	426	18,660
2026	150,692	8,574	159,266	10,926	89	11,015
2027-2030	256,043	14,497	270,540	-	-	-
	<u>\$ 1,433,702</u>	<u>108,032</u>	<u>1,541,734</u>	<u>\$ 93,803</u>	<u>4,113</u>	<u>97,916</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 7 – Court Fines Receivable/Deferred Inflows of Resources

Court fines receivables are recorded as deferred inflow of sources in the fund financial statements due to the funds using modified accrual basis. However, revenues received during the year are recorded in the government-wide financial statements on the full-accrual basis of accounting. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by citizens to the municipal courts since the City started providing court services. Court fines receivable at September 30, 2021, were \$960,346, of which an allowance of \$720,260 has been determined as uncollectible with \$179,582 deemed collectible.

Note 8 – Retirement Plans

A. Defined Benefit Pension Plan

The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature.

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions and the Board's authority to determine contribution rates are established by Miss. Code Ann. §25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021, was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

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

At September 30, 2021, the City reported a liability of \$8,499,708 in the governmental activities and \$1,050,526 in the business-type activities for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was .065%. For the year ended September 30, 2021, the City recognized \$1,978,774 of PERS pension expense for governmental activities and \$244,568 for the business-type activities.

At September 30, 2021, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 135,910	16,798	152,708
Changes of assumptions	654,048	80,837	734,885
Differences between City contributions and proportionate share on contributions	462,957	57,219	520,176
City's contributions subsequent to the measurement date	182,114	22,509	204,623
Total	<u>\$ 1,435,029</u>	<u>177,363</u>	<u>1,612,392</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

At September 30, 2021, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflow of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between projected and actual earnings on plan investments	\$ 2,559,749	316,373	2,876,122
Differences between City contributions and proportionate share on contributions	31,092	3,843	34,935
Total	<u>\$ 2,590,841</u>	<u>320,216</u>	<u>2,911,057</u>

Within the deferred outflows, a net amount of \$204,623 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2021.

The remaining amounts reported as deferred outflows of resources related to pensions of \$1,407,769 and deferred inflows of resources related to pensions of \$(2,911,057) netting to \$(1,503,288) will be recognized in pension expense as follows:

Year Ending September 30,	
2022	\$ (144,274)
2023	(180,536)
2024	(321,408)
2025	(857,070)
	<u><u>\$ (1,503,288)</u></u>

Actuarial assumptions

The total pension liabilities in the June 30, 2021, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent (net of pension plan investment expense, including inflation)

City of Bay St. Louis, Mississippi

Notes to the Financial Statements

September 30, 2021

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the four-year period ending June 30, 2020. The experience report is dated April 20, 2021.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
Total	<u>100.00 %</u>	

Discount rate

The discount rate used to measure the total pension liability for PERS was 7.55 percent, which was based on the future long-term expected rate of return of 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.0%) and at the current contribution rate (17.4%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.55 percent) or one percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1 % Increase (8.55%)
City's Proportionate share of PERS	\$ 13,525,367	\$ 9,550,232	\$ 6,274,404

Pension plan fiduciary net position

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

Three-year Trend Information

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

Fiscal Years Ending	Employer Contributions
2021	\$ 764,514
2020	702,782
2019	654,681

B. Deferred Compensation Plan

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 9 – Long-term Debt

Bonds, notes and other long-term debt payable at September 30, 2021, are comprised of the following:

	Matures	Original Issue	Interest Rate	Amount Outstanding
Governmental Activities:				
General Obligation Bonds				
GO Road and Construction Bonds, Series 2016	March 2036	4,000,000	2.50%	3,225,000
Special Obligation Bonds, Series 2020	June 2039	6,500,000	1.75-3.125%	6,155,000
Total Bonds				9,380,000
Capital Leases Payable - <i>See Note 6</i>	Various	1,875,182	Various	1,433,702
Total Bonds and Capital Leases Payable				10,813,702
Compensated Absences Payable				269,184
Total Governmental Activities				<u>\$ 11,082,886</u>
Business-type Activities:				
Capital Leases Payable - <i>See Note 6</i>	Various	135,975	Various	93,803
Compensated Absences Payable				40,327
Total Business-type Activities				<u>\$ 134,130</u>
Total Government-wide Outstanding Debt				<u><u>\$ 11,217,016</u></u>

A. Governmental Activities

Transactions for the year ended September 30, 2021, are summarized as follows:

	Balance 10/1/2020	Additions	Transfers/ Retirements	Balance 9/30/2021	Within one Year
General Obligation Bonds	\$ 3,390,000	-	(165,000)	3,225,000	170,000
Special Obligation Bonds	-	6,500,000	(345,000)	6,155,000	280,000
Capital Leases Payable	1,450,305	276,224	(292,827)	1,433,702	314,558
Compensated Absences	221,011	162,804	(114,631)	269,184	58,034
	<u>\$ 5,061,316</u>	<u>6,939,028</u>	<u>(917,458)</u>	<u>11,082,886</u>	<u>822,592</u>

General Obligation Bonds, Series 2016 – In 2016, the City issued \$4,000,000 in general obligation bonds to be used for road and construction improvements in the City. The bond is to be repaid over 20 years, maturing in March 2036 and carries an interest rate of 2.5%. Payment on this bond will be made from general ad valorem tax collections.

Special Obligation Bonds, Series 2020 – In 2021, the City issued \$6,500,000 in special obligation bonds to be used for road and construction improvements in the City. The bond is to be repaid over 19 years, maturing in June 2039 and carries a variable interest rate of 1.75%-3.125%. The bond was issued with a \$62,845 original issue discount which will be amortized over the bond life of 19 years at \$3,308 annually. An amount of \$1,103 was expensed for the four months in fiscal year ending 2021, leaving a prepaid bond discount of \$61,742. Payment on this bond will be made from general ad valorem tax collections.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 9 – Long-term Debt (continued)

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

September 30,	GO Road & Construction Bond, Series 2016			SO Public Improvement Bond, Series 2020		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 170,000	78,500	248,500	280,000	162,513	442,513
2023	175,000	74,187	249,187	285,000	157,613	442,613
2024	180,000	69,750	249,750	290,000	152,625	442,625
2025	190,000	65,125	255,125	295,000	147,550	442,550
2026	195,000	60,312	255,312	300,000	142,387	442,387
2027-2031	1,065,000	224,434	1,289,434	1,605,000	601,856	2,206,856
2032-2036	1,250,000	80,125	1,330,125	1,850,000	367,250	2,217,250
2037-2039	-	-	-	1,250,000	78,906	1,328,906
	<u>\$ 3,225,000</u>	<u>652,433</u>	<u>3,877,433</u>	<u>6,155,000</u>	<u>1,810,700</u>	<u>7,965,700</u>

B. Business-type Activities

Transactions for the year ended September 30, 2021, are summarized as follows:

	Balance 10/1/2020	Transfer/ Additions	Retirements	Balance 9/30/2021	Due Within one Year
Capital Leases Payable	\$ 8,691	100,878	(15,766)	93,803	26,147
Compensated Absences	45,275	22,429	(27,377)	40,327	9,334
Total business-type activities	<u>\$ 53,966</u>	<u>123,307</u>	<u>(43,143)</u>	<u>134,130</u>	<u>35,481</u>

C. Compensated Absences

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

D. Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2021, the amount of outstanding debt was equal to 6% of the latest property assessments.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 10 – Property, Sales and Gaming Taxes Revenue

A. Property Tax Revenues

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

In accordance with the Mississippi Code of 1972, as amended, the City Council may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding ten years or a minimum of 20 mills. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2021, was 28.75 mills or \$28.75 per \$1,000 of assessed valuation.

Property taxes at the fund level are recorded as receivables and deferred inflow of resources at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

Property taxes at the fund level are recorded as receivables and deferred inflow of resources at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

B. General Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Bay St. Louis) back to the City monthly. General sales tax revenue reported in the General Fund was \$2,069,965.

C. Gaming Fees and Taxes Revenue

The City receives gain revenues from a casino located within the corporate City limits as follows:

Gross Revenue Gaming Tax and Gaming Device Tax

The gross revenue gaming tax is imposed and collected by the State of Mississippi which is similar to sales tax and is remitted to the City. The gaming device tax is similar to a personal property tax and is assessed on all gaming devices maintained by the casino; this tax is also collected by the State of Mississippi. The amount of tax recognized as gaming revenue and gaming devices is \$2,470,348 and 86,400 respectively.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

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

C. Gaming Fees and Taxes Revenue (Continued)

Boarding Fees

The City has negotiated a contractual amount of boarding fees to be paid directly to the City on a monthly basis and is based on gross gaming revenues. In the year ended September 30, 2021, the City collected \$156,779 in boarding fees.

Note 11 – Risk Management and Contingencies

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

Worker's Compensation Fund – The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2020, to January 1, 2021. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

Claims and Judgments – The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel has advised us that the possibility exists of a liability resulting from these lawsuits. These lawsuits may have a material adverse effect on the financial condition of the City in the future. No liability has been recorded for this contingency, in that an amount is indeterminable.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 12 – Commitments and Contingencies

A. Joint Ventures

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

A jointly governed organization is similar in nature to a joint venture in that they provide goods and services to the citizenry of two or more governments. However, they do not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments.

Hancock County Regional Solid Waste Management Authority

The Hancock County Regional Solid Waste Management Authority (the Authority) is a governmental entity originally formed by an agreement between the City of Bay St. Louis, Mississippi, the City of Waveland, Mississippi and Hancock County, Mississippi pursuant to the Interlocal Cooperation Act of 1974. The Authority was officially incorporated in March 1998 pursuant to incorporation agreement entered into in December 1997. The Authority is to function for purposes of solid waste management for the participating units of local government, the Cities of Bay St. Louis, Waveland, Diamondhead and Hancock County, Mississippi, in fulfilling their obligations to establish, operate and maintain a garbage collections and disposal system. The Authority is governed by a Board of Commissioners composed of eight commissioners two appointed by Hancock County Board of Supervisors and the remaining appointed by the member units of local government pursuant to the Act.

Pursuant to the terms of the agreement with the Authority, the City is required to pay monthly costs of operations and maintenance directly associated with solid waste management. The costs associated with this contract totaled \$559,972 for the year.

A complete copy of the 2021 financial statements should be on file at the administrative offices of the Authority which are located at 854 US Highway 90, Bay St. Louis, MS 39520 or may be obtained by calling (228) 549-2052.

Hancock County Utility Authority

City of Bay St. Louis contracts with the Hancock County Utility Authority (the "Utility Authority"), whereby the Utility Authority disposes of the City's wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control law and the Federal Water Pollution Control Act. The Utility Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$1,219,368 for the year.

A complete copy of the 2021 financial statements should be on file at the administrative offices of the Authority which are located at 401 Gulfside Street, Waveland, MS 39576 or may be obtained by calling (228) 467-3702.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 13– Subsequent Events

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through December 14, 2022, (the date the financial statements were available to be issued) and determined that the no significant subsequent events have occurred requiring disclosure in the notes to the financial statement.

Note 14 – Worldwide Pandemic

The COVID-19 pandemic, including the new Delta variant emergence in mid-2021, continued to have global effects throughout 2021. As a result, there have been continued mandates from federal, state, and local authorities resulting in an overall decline in economic activity. The continued impact of COVID-19 on the financial performance of the City is not estimable at this time.

Note 15 – Prior Period Fund Balance Reclassification

During 2021, leased equipment was transferred from the governmental activities to the business-type activities with lease payments amounting to \$11,978 remaining. The capital asset and remaining debt was transferred to the business-type activities resulting in a transfer of governmental fund balance. Reclassification is as follows:

Governmental activities – Other governmental funds increased \$11,978.

Business-type activities – Utility fund decreased \$11,978.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund
Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2021
(UNAUDITED)

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Taxes	\$ 5,969,007	6,472,358	6,505,159	503,351	32,801
Licenses and permits	513,500	605,500	623,536	92,000	18,036
Fines and Fees	189,100	189,100	184,290	-	(4,810)
Gaming	2,000,300	2,635,108	2,635,105	634,808	(3)
Grants	174,867	403,405	439,235	228,538	35,830
Interest	750	18,000	24,785	17,250	6,785
Other	507,150	614,022	606,562	106,872	(7,460)
Total Revenues	9,354,674	10,937,493	11,018,672	1,582,819	81,179
Expenditures:					
General government:					
Personnel services	1,209,541	1,206,758	1,164,909	2,783	41,849
Supplies	47,717	60,317	55,629	(12,600)	4,688
Contractual services	842,595	600,948	780,560	241,647	(179,612)
Capital outlay	84,372	24,452	17,003	59,920	7,449
Total general government	2,184,225	1,892,475	2,018,101	291,750	(125,626)
Public safety:					
Personnel services	3,190,673	3,207,035	3,090,916	(16,362)	116,119
Supplies	88,400	110,600	108,510	(22,200)	2,090
Contractual services	185,470	281,135	254,347	(95,665)	26,788
Capital outlay	-	97,169	46,970	(97,169)	50,199
Total public safety	3,464,543	3,695,939	3,500,743	(231,396)	195,196
Public works:					
Personnel services	1,198,596	1,142,627	1,076,103	55,969	66,524
Supplies	134,700	154,700	134,536	(20,000)	20,164
Contractual services	1,184,749	1,207,749	1,061,408	(23,000)	146,341
Capital outlay	-	184,467	114,080	(184,467)	70,387
Total public works	2,518,045	2,689,543	2,386,127	(171,498)	303,416
Total Expenditures	8,166,813	8,277,957	7,904,971	(111,144)	372,986
Excess (Deficiency) of Revenues					
Over Expenditures	1,187,861	2,659,536	3,113,701	1,471,675	454,165
Other Financing Sources (Uses):					
Transfers	(1,187,784)	(3,743,785)	(3,443,947)	(2,556,001)	299,838
Total Other Financing Sources (Uses)	(1,187,784)	(3,743,785)	(3,443,947)	(2,556,001)	299,838
Net Change in fund balance - Budget-Cash Basis	\$ 77	(1,084,249)	(330,246)	(1,084,326)	754,003

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

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenditures
and Changes in Fund Balance
Federal Grant Fund
Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2021
(UNAUDITED)

			Actual Budgetary Basis	Variances	
	Budgeted Amounts			Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Interest	\$ -	-	2,176	-	2,176
Total Revenues	-	-	2,176	-	2,176
Expenditures:					
General government:					
Supplies	-	1,000	577	(1,000)	423
Contractual services	-	20,000	19,259	(20,000)	741
Total general government	-	21,000	19,836	(21,000)	1,164
Public safety:					
Supplies	-	46,000	44,667	(46,000)	1,333
Total public safety	-	46,000	44,667	(46,000)	1,333
Public works:					
Supplies	-	33,000	32,752	(33,000)	248
Contractual services	-	2,643,000	2,642,801	(2,643,000)	199
Total public works	-	2,676,000	2,675,553	(2,676,000)	447
Total Expenditures	-	2,743,000	2,740,056	(2,743,000)	2,944
Excess (Deficiency) of Revenues					
Over Expenditures	-	(2,743,000)	(2,737,880)	(2,743,000)	5,120
Other Financing Sources (Uses):					
Insurance proceeds	-	-	10,300	-	10,300
Transfers	-	2,821,414	2,821,414	2,821,414	-
Total Other Financing Sources (Uses)	-	2,821,414	2,831,714	2,821,414	10,300
Net Change in fund balance - Budget-Cash Basis	\$ -	78,414	93,834	78,414	15,420

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

City of Bay St. Louis, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedules
For the Fiscal Year Ended September 30, 2021
(UNAUDITED)

A. Budgetary Information.

State statutes authorize the State Auditor to regulate the municipal budget process. Expenditures must be defined to the minimum level prescribed by the State Auditor. The State Auditor has set this level at the purpose level. Municipalities are prohibited from spending in excess of the lowest level adopted in the budget except for capital outlay, election expense and emergency warrants.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

	<u>General Fund</u>	<u>Federal Grants Fund</u>
Net Change in fund balance - Budget-Cash Basis	\$ (330,246)	\$ 93,834
Revenues/Transfers per Cash-basis Budget	\$ 11,018,672	\$ 2,833,890
Changes in accrued revenues	<u>(90,799)</u>	<u>2,736,409</u>
Revenues/Transfers per Fund Financial Statements	<u>10,927,873</u>	<u>5,570,299</u>
Expenditures/Transfers per Cash-basis Budget	11,348,918	2,740,056
Changes in accrued expenses	<u>227,102</u>	<u>37,138</u>
Expenditures/Transfers per Fund Financial Statement	<u>\$ 11,576,020</u>	<u>\$ 2,777,194</u>
Net Change in fund balance - Fund Financials	<u><u>\$ (648,147)</u></u>	<u><u>\$ 2,793,105</u></u>

City of Bay St. Louis, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedules
For the Fiscal Year Ended September 30, 2021
(UNAUDITED)

D. Budgetary Data

The procedures used by the City in establishing budget are mandated by Mississippi State law. A brief summary of the City's policies for recording budgetary data in the financial statements are as follows:

1. Prior to August 1, the Mayor submits to the Council a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. No later than September 15, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.
5. Budgets for the governmental and proprietary funds are adopted on a cash basis except for expenditures which include those paid within 30 days of the fiscal year end as required by state statute.

City of Bay St. Louis, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2021
(UNAUDITED)

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)		0.065%	0.062%	0.061%	0.060%	0.060%	0.061%	0.064%
City's proportionate share of the net pension liability (asset)	\$	9,550,234	11,910,331	10,731,103	9,979,782	9,974,036	10,896,124	9,893,138
City's covered payroll	\$	4,296,155	4,525,949	4,429,013	3,989,181	3,859,956	3,927,149	3,949,302
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		222.30%	263.16%	242.29%	250.17%	258.40%	277.46%	250.50%
Plan fiduciary net position as a percentage of the total pension liability		70.40%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

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

City of Bay St. Louis, Mississippi
Schedule of the City's Contributions
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2021
(UNAUDITED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 764,514	702,782	654,681	623,273	618,402	571,586	614,636
Contributions in relation to the actuarially determined contribution	<u>764,514</u>	<u>702,782</u>	<u>654,681</u>	<u>623,273</u>	<u>618,402</u>	<u>571,586</u>	<u>614,636</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 4,393,759	4,038,977	4,051,244	3,957,289	3,926,362	3,629,117	3,902,451
Contributions as a percentage of covered payroll	17.40%	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

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

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

City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2021

Pension Schedules

A. Changes in assumptions

➤ 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

➤ 2019

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

City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2021

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
 - 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 reflect actual experience more closely.
 - Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions

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

B. Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

City of Bay St. Louis, Mississippi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
US Department of Interior				
Office of Natural Resources Revenue				
<i>Passed through MS Department of Marine Resources</i>				
GOMESA	15.435	N/A	\$ 322,041	-
Total U.S. Department of Commerce			<u>322,041</u>	<u>-</u>
U.S. Department of Justice				
Bureau of Justice				
<i>Passed through MS Department of Public Safety</i>				
State and Local Equitable Sharing	16.922	MS0230200	19,253	-
Total U.S. Department of Justice			<u>19,253</u>	<u>-</u>
US Department of Transportation				
Federal Transit Administration				
<i>Passed through MS Dept of Transportation</i>				
Highway Planning and Construction	20.205	STP-9357-00(001)/LPA/107955-701000	6,447	-
Highway Planning and Construction	20.205	STP-0030-00(042)/LPA/107961-701000	13,237	-
Federal Railroad Administration				
<i>Passed through MS Dept of Highway Safety</i>				
State and Community Highway Safety	20.600	PT-2021-PT-20-21	18,962	-
Alcohol Open Container Requirements	20.607	154AL-2021-ST-20-21	3,083	-
Total U.S. Department of Transportation			<u>41,729</u>	<u>-</u>
US Department of The Treasury				
<i>Passed through MS Development Authority</i>				
Coronavirus Relief Fund - COVID 19	21.019	N/A	216,967	-
Total U.S. Department of The Treasury			<u>216,967</u>	<u>-</u>
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001	G19-GC0003A	50,558	-
High Intensity Drug Trafficking Areas Program	95.001	G20-GC0003A	22,660	-
Total Executive Office of the President			<u>73,218</u>	<u>-</u>
U.S. Department of Homeland Security				
<i>Passed through MS Emergency Management Agency</i>				
Disaster Grants - Public Assistance - H. Zeta	97.036	FEMA-4576-DR	2,509,869	-
Disaster Grants - Public Assistance - H. Ida	97.036	FEMA-4626-DR	56,563	-
Total U.S. Department of Homeland Security			<u>2,566,432</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,239,640</u>	<u>-</u>

Notes to the Schedule:

Note 1 – Basis of Presentation

This schedule includes the federal award activity of the City of Bay St. Louis, Mississippi under programs of the federal government of the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of City of Bay St. Louis, Mississippi, it is not intended to and does not present the financial position, or changes in net assets of City of Bay St. Louis, Mississippi.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

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

City of Bay St. Louis, Mississippi
Schedule of Surety Bonds
(Required by State of Mississippi)
For the Fiscal Year Ended September 30, 2021
(UNAUDITED)

Position	Name	Bond
Mayor	Michael Favre	\$ 100,000
Councilman at Large	Gary Knoblock	100,000
Councilmember	Phillip D Seal Jr	100,000
Councilmember	Joshua Martin DeSalvo	100,000
Councilmember	William Zimmerman	100,000
Councilmember	Kyle Lewis	100,000
Councilmember	Eugene Hoffman	100,000
Councilmember	Jeffery Reed	100,000
Comptroller/Deputy City Clerk	Sissy Gonzales	100,000
Finance Clerk/Deputy City Clerk	Dana Feuerstein	50,000
Accounts Payable/Deputy City Clerk	Katie Stewart	50,000
Human Resources Officer	Jamie Favre	50,000
Purchasing Clerk	Debbie Delcuze	50,000
Deputy Harbor Master	Duane Caughlin	50,000
Harbor/Finance Clerk	Julie Draper	50,000
Clerk of Council	Caitlin Bourgeois	50,000
Court Clerk	Sandy Reynolds	50,000
Deputy Court Clerk	Elisa Mitchell	50,000
Utility Supervisor	Linda Garcia	50,000
NTF Officer	E J Taylor Jr	50,000
Harbor Security	Derek White	50,000
Harbor Security	Josh Mossey	50,000
Police Chief	Gary Ponthieux	50,000
Deputy Police Chief	Alvin Kingston	50,000
Police Clerk	Tammy Brady	50,000
Police Clerk	Chenea Cardinale	50,000
Departmental	Police Department	25,000

SPECIAL REPORTS

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

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

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
FAX NUMBER (228) 863-6544
EMAIL: OFFICE@WWHGPCA.COM

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

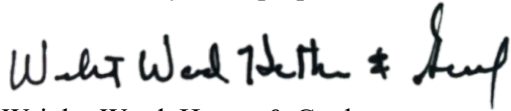
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in the Limited Internal Control and Compliance Review Management Report dated December 14, 2022, included within this document.

Purpose of this Report

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

A handwritten signature in black ink that reads "Wright Ward Hatten & Guel". The signature is written in a cursive, flowing style.

Wright, Ward, Hatten & Guel
Gulfport, Mississippi
December 14, 2022

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

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

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
FAX NUMBER (228) 863-6544
EMAIL: OFFICE@WWHGCPCPA.COM

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Bay St. Louis, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bay St. Louis, Mississippi's major federal programs for the year ended September 30, 2021. City of Bay St. Louis, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Bay St. Louis, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

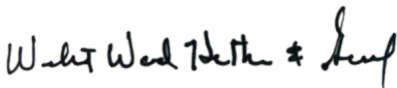
Report on Internal Control over Compliance

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

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

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

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



Wright, Ward, Hatten & Guel
Gulfport, Mississippi
December 14, 2022

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

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

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
FAX NUMBER (228) 863-6544
EMAIL: OFFICE@WWHGCPCPA.COM

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

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

In planning and performing our audit of the financial statements of the City of Bay St. Louis, Mississippi for the year ended September 30, 2021, we considered the City's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Bay St. Louis, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 14, 2022, on the financial statements of the City of Bay St. Louis, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses.

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

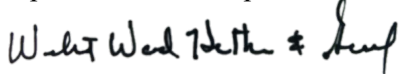
Finding State-1. Inventory Asset Tags

Criteria	Assets meeting the criteria as outlined in the MS Municipal Fixed Assets Management Manual should be physically tagged.
Condition	Assets were not being physically tagged as required.
Cause	Employee turnover and lack of training for employees assuming the duties of the Fixed Assets Control Clerk.

Effect	Failure to properly tag assets can lead to the inability to identify lost or stolen assets in a timely manner. The lack of an asset tag can also allow for easier theft of the asset.
Recommendation	We recommend the City follow the requirement for asset tagging as outlined in the MS Municipal Fixed Assets Management Manual.
View of Responsible Official	The City has assigned asset inventory to a new employee and is currently training the employee on the proper procedures to comply with the state fixed assets guide. The City hopes to improve the situation by the completion of the next audit.

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

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



Wright, Ward Hatten & Guel, CPAs
December 14, 2022

City of Bay St. Louis, Mississippi
Schedule of Findings and Questioned Cost
For the Year Ended September 30, 2021

SECTION 1 – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

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

Federal Awards:

- | | | | | | | | | |
|-----------------------|---|-----------------------|---|--------|--------------------------------------|--|---|--|
| 4. | Type of auditor's report issued on compliance for major programs: | Unmodified | | | | | | |
| 5. | Internal control over major programs: | | | | | | | |
| | a. Material weaknesses identified? | No | | | | | | |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | None | | | | | | |
| 7. | Federal programs identified as major: | | | | | | | |
| | <table border="0"> <tr> <td style="text-align: right;"><u>CFDA Number(s)</u></td> <td><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td style="text-align: right;">97.036</td> <td>U.S. Department of Homeland Security</td> </tr> <tr> <td></td> <td>Disaster Grants - Presidentially Declared Disasters</td> </tr> </table> | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | 97.036 | U.S. Department of Homeland Security | | Disaster Grants - Presidentially Declared Disasters | |
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | |
| 97.036 | U.S. Department of Homeland Security | | | | | | | |
| | Disaster Grants - Presidentially Declared Disasters | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | No | | | | | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.526(b)? | No | | | | | | |

City of Bay St. Louis, Mississippi
Schedule of Findings and Questioned Cost
For the Year Ended September 30, 2021

SECTION 2 – FINANCIAL STATEMENT FINDINGS

The results of our tests did not disclose any findings related to the financial statements

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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