

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 OCEAN SPRINGS, MISSISSIPPI

FINANCIAL REPORT

SEPTEMBER 30, 2021



**CITY OF OCEAN SPRINGS, MISSISSIPPI
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INTRODUCTORY SECTION

**CITY OF OCEAN SPRINGS, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2021**

ELECTED OFFICIALS

Mayor	Kenny Holloway
Alderman – Ward 1	Jennifer Burgess
Alderman – Ward 2	Rickey Authement
Alderman – Ward 3	Kevin Wade
Alderman – Ward 4	Ken Papania
Alderman – Ward 5	Robert Blackman
Alderman – Ward 6	Michael Impey
Alderman – At Large	Robert Cox

APPOINTED DEPARTMENT HEADS

City Clerk	Patty Gaston
City Attorney	Robert Wilkinson
Police Department	Mark Dunston
Fire Department	Derek McCoy
Public Works	Allan Ladnier
Parks and Recreation	Stephen Glorioso
Human Resources	Melinda McDowell
Planning Department	Carolyn Martin

INDEPENDENT AUDITORS' REPORT



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

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

June 29, 2022

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean Springs, Mississippi (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 as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean Springs, Mississippi, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Ocean Springs, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Ocean Springs, Mississippi's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Ocean Springs, Mississippi's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Ocean Springs, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Ocean Springs, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions on pages 5–10, 46-47 and 48-49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ocean Springs, Mississippi's basic financial statements. The combining nonmajor fund financial statements on pages 53-54 and schedule of surety bonds for city officials on page 55 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of the City of Ocean Springs, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ocean Springs, Mississippi's internal control over financial reporting and compliance.

Alexander Van Loon, Sloan, Levens & Favre, PLLC

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

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Introduction

The following Management’s Discussion and Analysis of the City of Ocean Springs, Mississippi’s (the “City”) activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2021. The information contained in this Management’s Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

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

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2021 by \$47,154,956.
- The total net position increased by \$ 3,570,126. Of this amount, an increase of \$3,113,500 was associated with governmental activities and an increase of \$456,626 was from business-type activities.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$8,522,774 an increase of \$547,287.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$3,171,573.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

1018 Porter Avenue
Ocean Springs, MS 39564
FX 228.875.7249

Kenny Holloway
Mayor
228.875.6722

Bobby Cox
Alderman at Large

Jennifer Burgess
Alderman Ward 1

Rickey Authement
Alderman Ward 2

Kevin Wade
Alderman Ward 3

Ken Papania
Alderman Ward 4

Robert Blackman
Alderman Ward 5

Michael (Mike) Impey, II
Alderman Ward 6

City Hall
228.875.4236

Police Department
228.875.2211

Fire Department
228.875.4063

Public Works
228.875.3955

Water Department
228.875.4176

Community Development
and Planning
228.875.4415

Building Department
228.875.6712

Human Resources
and Risk Management
228.872.3338

Parks and Recreation
228.875.8665

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Continued)

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

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

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

Fund Financial Statements

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

- **Governmental funds**

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

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

- **Proprietary Funds**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Overview of the Financial Statements (Continued)

Notes to the Financial Statements

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

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

Government-wide Financial Analysis

Table 1 below presents the City's condensed statement of net position as of September 30, 2021 and 2020, derived from the government-wide Statement of Net Position.

Table 1: Condensed Statement of Net Position
As of September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 13,659,930	\$ 9,798,639	\$ 4,389,475	\$ 4,052,738	\$ 18,049,405	\$ 13,851,377
Capital assets	47,957,256	48,033,267	21,120,112	21,429,862	69,077,368	69,463,129
Total assets	61,617,186	57,831,906	25,509,587	25,482,600	87,126,773	83,314,506
Deferred outflows for pensions	1,628,648	1,318,365	253,840	197,791	1,882,488	1,516,156
Long-term debt outstanding	11,145,911	13,924,309	2,901,979	3,436,620	14,047,890	17,360,929
Net pension liability	14,260,563	18,526,259	1,997,917	2,768,462	16,258,480	21,294,721
Other liabilities	5,517,767	1,580,599	1,142,807	949,837	6,660,574	2,530,436
Total liabilities	30,924,241	34,031,167	6,042,703	7,154,919	36,966,944	41,186,086
Deferred inflows for pensions	4,137,353	48,364	759,007	20,382	4,896,360	68,746
Net position:						
Investment in capital assets, net of related debt	36,811,345	34,804,328	18,218,133	18,062,950	55,029,478	52,867,278
Restricted	765,081	228,214	-	-	765,081	228,214
Unrestricted	(9,392,186)	(9,961,802)	743,583	442,140	(8,648,603)	(9,519,662)
Total net position	\$ 28,184,240	\$ 25,070,740	\$ 18,961,716	\$ 18,505,090	\$ 47,145,956	\$ 43,575,830

At September 30, 2021 and 2020, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$47,145,956 and \$43,575,830, respectively. By far, the largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net positions are not available for future spending. A portion of the net position is restricted for capital improvements. The remaining portion of net position is unrestricted, which can be used to finance government operations.

Total assets increased by \$3,812,267 due largely to an increase in cash and cash equivalents. Total liabilities decreased by \$4,219,142 due primarily to the \$3,313,039 decrease in long term debt outstanding. Deferred outflows for pensions increased by \$366,332 and deferred inflows for pensions increased by \$4,827,614 during the current fiscal year.

Governmental activities reflect a negative fund balance in unrestricted net position of (\$9,392,186) at September 30, 2021. This is an decrease of \$569,616 from prior year's fund balance in unrestricted net position of (\$9,961,802). The decrease in unrestricted net position is primarily due to a larger proportional increase in revenues than in expenditures

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Government-wide Financial Analysis (Continued)

Business-type activities reflect an unrestricted net position of \$743,583 at September 30, 2021, an increase of \$301,443 over prior year's unrestricted net position of (\$442,140). The increase in unrestricted net position is primarily due to a larger proportional increase in revenues than in expenditures.

Table 2 below presents the City's condensed statement of activities for the fiscal years ended September 30, 2021 and 2020, as derived from the government-wide Statement of Activities.

Table 2: Condensed Statement of Activities
For the years ended September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 1,492,275	\$ 1,154,786	\$ 8,383,734	\$ 8,084,674	\$ 9,876,009	\$ 9,239,460
Operating grants	676,831	738,204	-	-	676,831	738,204
Capital grants and contributions	932,186	367,328	8,089	22,294	940,275	389,622
General revenues						
Property taxes	5,702,521	5,640,856	-	-	5,702,521	5,640,856
Sales taxes	8,363,487	7,150,241	-	-	8,363,487	7,150,241
Franchise taxes	873,792	882,968	-	-	873,792	882,968
Other taxes	1,494,569	1,100,268	-	-	1,494,569	1,100,268
Other general revenues	479,823	838,250	-	(1,842)	479,823	836,408
Total revenues	<u>20,015,484</u>	<u>17,872,901</u>	<u>8,391,823</u>	<u>8,105,126</u>	<u>28,407,307</u>	<u>25,978,027</u>
Expenses						
General government	3,551,829	4,916,446	-	-	3,551,829	4,916,446
Public safety	2,256,668	6,356,021	-	-	2,256,668	6,356,021
Public works	7,920,803	2,828,109	-	-	7,920,803	2,828,109
Culture and recreation	2,745,157	2,075,671	-	-	2,745,157	2,075,671
Urban & economic development	76,348	160,101	-	-	76,348	160,101
Debt service - interest	332,218	481,654	-	-	332,218	481,654
Water, sewer & gas	-	-	7,954,158	6,419,994	7,954,158	6,419,994
Total expenses	<u>16,883,023</u>	<u>16,818,002</u>	<u>7,954,158</u>	<u>6,419,994</u>	<u>24,837,181</u>	<u>23,237,996</u>
Increase (decrease) in net assets before transfers	3,132,461	1,054,899	437,665	1,685,132	3,570,126	2,740,031
Transfers	(18,961)	36,256	18,961	(36,256)	-	-
Net increase (decrease) in net position	<u>3,113,500</u>	<u>1,091,155</u>	<u>456,626</u>	<u>1,648,876</u>	<u>3,570,126</u>	<u>2,740,031</u>
Net position, beginning of year	25,070,740	23,729,776	18,505,090	17,106,023	43,575,830	40,835,799
Prior period adjustment	-	249,809	-	(249,809)	-	-
Net position, beginning - restated	<u>25,070,740</u>	<u>23,979,585</u>	<u>18,505,090</u>	<u>16,856,214</u>	<u>43,575,830</u>	<u>40,835,799</u>
Net position, end of year	<u>\$ 28,184,240</u>	<u>\$ 25,070,740</u>	<u>\$ 18,961,716</u>	<u>\$ 18,505,090</u>	<u>\$ 47,145,956</u>	<u>\$ 43,575,830</u>

Governmental Activities

Governmental activities increased the City's net position by \$3,113,500, which is an increase from the change in net position in the prior year. The key element of this increase is increase in revenues.

Business-type Activities

Business-type activities increased the City's net position by \$456,626, a significant decrease from the change in net position in the prior year. Key elements of this decrease include a larger proportionate increase expenses.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Financial Analysis of the City's Funds

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$8,522,774.

General Fund

Fund balance at September 30, 2021 totaled \$5,806,519, an increase of \$661,570 during the fiscal year in comparison to the \$5,144,919 balance in fiscal year 2020. Significant changes in revenues and expenses in comparison to fiscal year 2020 are as follows:

- Property taxes increased by \$37,642
- Licenses and permits increased by \$110,932
- Grants increased by \$671,897
- Public safety expenditures increased by \$297,914
- General government expenditures decreased by \$296,243
- Public works expenditures increased by \$22,608
- Health and welfare expenditures increased by \$1,129,655
- Cultural and recreation expenditures increased by \$280,266
- Capital outlay expenditures decreased by \$118,594

Food and Beverage Fund

The food and beverage fund had a fund balance of \$1,220,092 at September 30, 2021, which is an decrease of \$506,611 from prior year. This is primarily due to a increase in expenditures.

General Obligation Fund

The general obligation fund had a balance of \$371,891 at September 30, 2021, which is an decrease of \$85,802 from prior year due primarily to an increase in principal retirement.

Capital Asset and Long-Term Debt Activity

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,654,939	\$ 3,648,304	\$ 29,413	\$ 29,413	\$ 3,684,352	\$ 3,677,717
Donated artwork	5,734,541	5,734,541	-	-	5,734,541	5,734,541
Construction in progress	540,277	260,863	19,199	11,600	559,476	272,463
Buildings and improvements	14,252,400	14,026,638	35,390	35,390	14,287,790	14,062,028
Equipment	2,526,512	2,426,822	1,241,951	1,225,551	3,768,463	3,652,373
Other improvements	20,759,243	20,562,317	-	-	20,759,243	20,562,317
Infrastructure	19,087,416	18,678,834	42,187,695	42,093,230	61,275,111	60,772,064
Vehicles	6,073,210	5,692,266	929,540	901,733	7,002,750	6,593,999
Accumulated depreciation	(24,671,282)	(22,997,318)	(23,323,076)	(22,867,055)	(47,994,358)	(45,864,373)
Total	<u>\$ 47,957,256</u>	<u>\$ 48,033,267</u>	<u>\$ 21,120,112</u>	<u>\$ 21,429,862</u>	<u>\$ 69,077,368</u>	<u>\$ 69,463,129</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Capital Asset and Long-Term Debt Activity (Continued)

Capital Asset Activity

At September 30, 2021, the City reported \$47,957,256 in net capital assets for governmental activities and \$21,120,112 in capital assets for business-type activities. Major capital asset events during the year included the following:

- The City incurred governmental capital asset additions of \$1,597,953 primarily related to purchases of machinery and equipment and completion of construction in progress.
- The City incurred governmental expenditures construction in progress of \$146,271 primarily related to street/sidewalk improvements.

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

Long-Term Liabilities Activity

At the end of the current fiscal year, the City had \$2,901,979 in outstanding proprietary debt and \$11,145,911 in outstanding governmental debt. See Note 6 to the financial statements for further information.

Pursuant to the provisions of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the City of Ocean Springs recorded approximately \$16.2 million in pension liabilities for the defined benefit plans administered by the State of Mississippi's Public Employees' Retirement System for the fiscal year ended September 30, 2021. The \$16.2 million is the City's proportionate share of the total net pension liability of the State of Mississippi's Public Employees' Retirement System. See Note 8 to the financial statements for further information.

Budget Variances in the General Fund

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

- \$720,000 (15%) increase in sales tax revenue
- \$78,872 (12%) increase in executive and legislative expenditures
- \$143,335 (4%) increase in police department expenditures
- \$115,228 (14%) increase in supervision and finance expenditures
- \$65,000 (3%) increase in fire department expenditures
- \$48,000 (7%) increase in safety and human resources department expenditures

The City ended the year with an overall unfavorable variance between the original and final budget of \$245,430 primarily due to overall increase in expenditures.

Economic Conditions and Outlook

The City will be adopting a conservative operating budget to mitigate the effects of inflation. According the United States Bureau of Labor, daily living costs rose 8.5 percent in the last year. The City will also pursue reimbursable funds offered through the Federal and State Governments. When possible, the City will delay purchasing or replacing items at inflated prices to reserve funds for when pricing is more affordable. The City continues to actively pursue grant funding and funding from other sources to be used for City projects as allowed by grantors. The City's upcoming salary costs will include a 3% increase in costs associated with the pay scale for personnel and benefits. Since the scale was adopted in 2019 employee turnover has decreased, and the City recognizes these minimal costs as an investment and savings to encourage employee retention. These increased costs will be covered with operating funds.

Contact the City's Financial Management

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

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,082,618	\$ 2,623,971	\$ 7,706,589
Receivables, net	550,457	926,212	1,476,669
Internal balances	(7,330)	7,330	-
Due from other governmental agencies	1,530,661	-	1,530,661
Advance to other funds	-	42,801	42,801
Prepaid expenses	273,330	-	273,330
Restricted assets:			
Cash and cash equivalents	6,230,194	789,161	7,019,355
Capital assets			
Nondepreciable assets	9,929,757	48,612	9,978,369
Depreciable assets, net of depreciation	38,027,499	21,071,500	59,098,999
Total capital assets	<u>47,957,256</u>	<u>21,120,112</u>	<u>69,077,368</u>
Total assets	<u>61,617,186</u>	<u>25,509,587</u>	<u>87,126,773</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pension liability	<u>1,628,648</u>	<u>253,840</u>	<u>1,882,488</u>
LIABILITIES			
Accounts payable	446,588	254,727	701,315
Advance from enterprise fund	42,801	-	42,801
Accrued liabilities	315,292	30,202	345,494
Unearned revenues	4,057,309	-	4,057,309
Customer deposits	-	789,161	789,161
Long-term liabilities:			
Due within one year			
Bonds, notes payable, and capital leases	1,015,883	446,448	1,462,331
Premium on bonds payable	31,316	-	31,316
Accrued interest	73,184	-	73,184
Compensated absences	102,219	12,336	114,555
Due in more than one year			
Bonds, notes payable, and capital leases	9,879,496	2,455,531	12,335,027
Premium on bonds payable	219,216	-	219,216
Proportionate share of collective net pension liability	14,260,563	1,997,917	16,258,480
Compensated absences	480,374	56,381	536,755
Total liabilities	<u>30,924,241</u>	<u>6,042,703</u>	<u>36,966,944</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension liability	<u>4,137,353</u>	<u>759,007</u>	<u>4,896,360</u>
NET POSITION			
Invested in capital assets, net of related debt	36,811,345	18,218,133	55,029,478
Restricted for:			
Specific Grant Programs	758,337	-	758,337
Capital improvements	6,744	-	6,744
Unrestricted	<u>(9,392,186)</u>	<u>743,583</u>	<u>(8,648,603)</u>
Total net position	<u>\$ 28,184,240</u>	<u>\$ 18,961,716</u>	<u>\$ 47,145,956</u>

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

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Exhibit B

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 3,551,829	\$ 103,812	\$ 332,831	\$ 483,210	\$ (2,631,976)	\$ -	\$ (2,631,976)
Culture and recreation	2,256,668	515,434	29,144	156,147	(1,555,943)	-	(1,555,943)
Public safety	7,920,803	423,465	314,856	-	(7,182,482)	-	(7,182,482)
Public works	2,745,157	-	-	43,520	(2,701,637)	-	(2,701,637)
Economic development	76,348	449,564	-	249,309	622,525	-	622,525
Interest on long-term debt	332,218	-	-	-	(332,218)	-	(332,218)
Total governmental activities	16,883,023	1,492,275	676,831	932,186	(13,781,731)	-	(13,781,731)
Business-type activities							
Water and Sewer	7,954,158	8,383,734	-	8,089	-	437,665	437,665
Total primary government	\$ 24,837,181	\$ 9,876,009	\$ 676,831	\$ 940,275	(13,781,731)	437,665	(13,344,066)
General revenues:							
Property taxes, levied for general purposes					5,702,521	-	5,702,521
Sales, restaurant, and hotel taxes					8,363,487	-	8,363,487
Franchise and utility taxes					873,792	-	873,792
Other taxes					1,494,569	-	1,494,569
Interest earnings					43,463	-	43,463
Miscellaneous					174,573	-	174,573
Insurance proceeds					261,787	-	261,787
Transfers					(18,961)	18,961	-
Total general revenues and transfers					16,895,231	18,961	16,914,192
Change in net position					3,113,500	456,626	3,570,126
Net position - beginning					25,070,740	18,505,090	43,575,830
Net position - ending					\$ 28,184,240	\$ 18,961,716	\$ 47,145,956

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF OCEAN SPRINGS, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Food and Beverage</u>	<u>General Obligation</u>	<u>Other Non- Major Government Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,830,765	\$ -	\$ -	\$ 251,853	\$ 5,082,618
Restricted Assets:					
Cash and cash equivalents	2,195,631	975,705	351,065	2,707,793	6,230,194
Receivables, net					
Taxes	325,056	-	20,826	10,879	356,761
Other	43,246	-	-	-	43,246
Due from other governments	1,114,935	306,270	-	109,456	1,530,661
Due from other City funds	109,121	-	-	-	109,121
Prepaid expenses	273,330	-	-	-	273,330
Total assets	<u>\$ 8,892,084</u>	<u>\$ 1,281,975</u>	<u>\$ 371,891</u>	<u>\$ 3,079,981</u>	<u>\$ 13,625,931</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued liabilities	\$ 667,833	\$ 61,883	\$ -	\$ 17,944	\$ 747,660
Due to other funds	151,922	-	-	7,330	159,252
Unearned revenue	2,251,592	-	-	1,930,435	4,182,027
Advance from other fund	14,218	-	-	-	14,218
Total liabilities	<u>3,085,565</u>	<u>61,883</u>	<u>-</u>	<u>1,955,709</u>	<u>5,103,157</u>
Fund balances:					
Nonspendable for prepaids					
Prepaids	273,330	-	-	-	273,330
Restricted					
Debt service	-	975,705	371,891	-	1,347,596
Capital Improvements	-	-	-	764,244	764,244
Committed					
Capital improvements	-	-	-	131,305	131,305
Other	371,269	244,387	-	394,708	1,010,364
Unassigned	5,161,920	-	-	(165,985)	4,995,935
Total fund balances	<u>5,806,519</u>	<u>1,220,092</u>	<u>371,891</u>	<u>1,124,272</u>	<u>8,522,774</u>
Total liabilities and fund balances	<u>\$ 8,892,084</u>	<u>\$ 1,281,975</u>	<u>\$ 371,891</u>	<u>\$ 3,079,981</u>	<u>\$ 13,625,931</u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total fund balance, governmental funds	\$ 8,522,774
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	47,957,256
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the funds	150,450
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,728,506)
Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest must be reported as a liability in the government-wide financial statements.	(73,184)
Unavailable revenues that provide current financial resources for governmental activities.	124,718
Net pension liability is not due and payable in the current period; deferred outflows related to pensions are not current assets or financial resources; and deferred inflows related to pensions are not due and payable in the current period and are therefore not reported in the governmental funds.	<u>(16,769,268)</u>
Net Position of Governmental Activities in the Statement of Net Position (Exhibit A)	<u>\$ 28,184,240</u>

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

CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Food and Beverage</u>	<u>General Obligation</u>	<u>Other Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Ad valorem taxes					
Property taxes	\$ 4,225,068	\$ -	\$ 942,117	\$ 217,273	\$ 5,384,458
Franchise taxes	867,894	-	-	-	867,894
Sales and miscellaneous taxes	6,469,169	1,823,282	-	-	8,292,451
Licenses and permits	449,564	-	-	-	449,564
Fees and fines	362,951	-	-	-	362,951
Intergovernmental	1,467,791	30,000	-	496,320	1,994,111
Charges for services	614,082	-	-	-	614,082
Grants	798,428	-	-	765,718	1,564,146
Investment earnings	1,578	-	-	535	2,113
Miscellaneous - other	178,309	5,693	-	9,142	193,144
Total revenues	<u>15,434,834</u>	<u>1,858,975</u>	<u>942,117</u>	<u>1,488,988</u>	<u>19,724,914</u>
EXPENDITURES					
Current:					
General government	2,919,073	52,391	-	252,299	3,223,763
Public safety	6,796,877	225,762	-	210,052	7,232,691
Public works	1,773,501	-	-	144,493	1,917,994
Health and welfare	1,148,153	-	-	-	1,148,153
Cultural and recreation	1,913,300	294,040	-	217,925	2,425,265
Economic development	25,716	223,886	-	47,288	296,890
Capital outlay					
General government	241,484	-	-	-	241,484
Public safety	134,026	-	-	51,128	185,154
Public works	167,427	-	-	8,855	176,282
Culture and recreation	-	83,700	-	-	83,700
Debt service:					
Principal retirement	-	991,000	8,858,389	45,000	9,894,389
Interest and agent fees	-	178,844	134,250	20,751	333,845
Total expenditures	<u>15,119,557</u>	<u>2,049,623</u>	<u>8,992,639</u>	<u>997,791</u>	<u>27,159,610</u>
Excess of revenues over expenditures	<u>315,277</u>	<u>(190,648)</u>	<u>(8,050,522)</u>	<u>491,197</u>	<u>(7,434,696)</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds	-	-	7,955,000	-	7,955,000
Insurance Proceeds	261,787	-	-	-	261,787
Bond issuance cost	-	-	(215,843)	-	(215,843)
Transfers in	84,506	-	225,563	36,800	346,869
Transfers out	-	(315,963)	-	(49,867)	(365,830)
Total other financing sources (uses)	<u>346,293</u>	<u>(315,963)</u>	<u>7,964,720</u>	<u>(13,067)</u>	<u>7,981,983</u>
Net change in fund balances	661,570	(506,611)	(85,802)	478,130	547,287
Fund balances - beginning	5,144,949	1,726,703	457,693	646,142	7,975,487
Fund balances - ending	<u>\$ 5,806,519</u>	<u>\$ 1,220,092</u>	<u>\$ 371,891</u>	<u>\$ 1,124,272</u>	<u>\$ 8,522,774</u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balances - total governmental funds:	\$	547,287
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures; however, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,673,964) exceeds capital outlay (\$1,597,951) in the current period.		(76,013)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		27,326
Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces the liabilities in the Statement of Net Position. Proceeds from long-term debt are reported as current financial resources in governmental funds, but are treated as a liability in the Statement of Activities. This is the amount by which repayments (\$10,083,531) exceed proceeds (\$7,955,621).		2,127,910
Pension expense recorded in the Statement of Activities does not require the use of current financial resources.		486,990
Change in net position of governmental activities (Exhibit B)	\$	3,113,500

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

**CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021**

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,623,971
Accounts receivable, net	
Customer accounts	926,212
Due from other City funds	7,330
Advance to other funds	42,801
Total current assets	<u>3,600,314</u>
Non-current assets:	
Restricted Assets:	
Cash and cash equivalents	789,161
Capital Assets:	
Land and construction in progress	48,612
Infrastructure	39,738,149
Utility system	2,449,545
Buildings and improvements	35,390
Machinery and equipment	2,171,492
Less: accumulated depreciation	<u>(23,323,076)</u>
Total non-current assets	<u>21,909,273</u>
Deferred outflows of resources	
Deferred outflows on pension liability	<u>253,840</u>
Total assets	<u>\$ 25,763,427</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 284,929
Due to other City funds	
Compensated absences	12,336
Bonds, capital leases, and notes payable	446,448
Payable from restricted assets:	
Customer deposits payable from restricted assets	<u>789,161</u>
Total current liabilities	<u>1,532,874</u>
Non-current liabilities:	
Compensated absences	56,381
Net pension obligation	1,997,917
Bonds, capital leases, and notes payable, non-current	<u>2,455,531</u>
Total non-current liabilities	<u>4,509,829</u>
Deferred inflows of resources	
Deferred inflows on pension liability	<u>759,007</u>
Total liabilities	<u>6,801,710</u>
NET POSITION	
Invested in capital assets, net of related debt	18,218,133
Unrestricted	<u>743,583</u>
Total net position	<u>\$ 18,961,716</u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

REVENUES	Water and Sewer
Charges for services	<u>\$ 8,383,734</u>
Total operating revenues	<u>8,383,734</u>
OPERATING EXPENSES	
Personnel services	1,593,936
Supplies and materials	859,931
Contractual services	4,589,338
Other services, charges, supplies and expenses	385,556
Depreciation expense	<u>456,021</u>
Total operating expenses	<u>7,884,782</u>
Operating Income	<u>498,952</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	<u>(69,376)</u>
Total non-operating revenue (expenses)	<u>(69,376)</u>
INCOME BEFORE TRANSFERS AND SPECIAL ITEM	429,576
Capital contribution - grant	8,089
Transfers in	<u>18,961</u>
CHANGE IN NET POSITION	456,626
TOTAL NET POSITION - BEGINNING	<u>18,505,090</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 18,961,716</u></u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,487,946
Payments to suppliers	(5,824,046)
Payments to employees	(1,682,896)
Net cash provided by operating activities	<u>981,004</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from other funds	18,961
Net cash provided by in noncapital financing activities	<u>18,961</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets	(96,346)
Proceeds from capital grants	8,089
Principal paid on capital debt	(464,933)
Interest paid on capital debt	(69,376)
Net cash used in capital and related financing activities	<u>(622,566)</u>
Net increase in cash and cash equivalents	377,399
Balances-beginning of the year	<u>3,035,733</u>
Balances-end of the year	<u>\$ 3,413,132</u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Unrestricted:	
Cash and cash equivalents	\$ 2,623,971
Restricted:	
Cash and cash equivalents	<u>789,161</u>
	<u>\$ 3,413,132</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 456,626
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	456,021
Decrease (increase) in assets	
Accounts receivable	33,186
Due from other funds	(122)
Deferred outflows	(56,049)
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	53,227
Compensated absences	(991)
Customer deposits	71,026
Pension liabilities and deferred inflows	(31,920)
Net cash provided by operating activities	<u>\$ 981,004</u>

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

NOTES TO FINANCIAL STATEMENTS

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ended September 30, 2021.

II. Financial Reporting Entity

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

III. Basis of Accounting, Measurement Focus, and Presentation

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

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

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

Government-wide Financial Statements

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

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

Government-wide Financial Statements, (Continued)

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

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

Governmental Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the City. This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs. Revenues are received primarily from a separate property tax levy. The general fund is always reported as a major fund in the governmental fund statements.

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

General Obligation Fund – This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs. Revenues are received primarily from a separate property tax levy. This fund was selected to be classified as a major fund due to the type of expenditures.

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

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

Governmental Fund Financial Statements, (Continued)

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

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

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

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

Proprietary Fund Financial Statements

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

The City reports the following major enterprise fund:

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

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

CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

IV. Use of Estimates

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

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

Cash and Cash Equivalents

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

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

Investments

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

Receivables

Property taxes are recognized as a receivable at the time they are levied, and the current taxes receivable represent the 2021 levy and prior levies still uncollected, if any.

Accounts receivable held by the City's governmental and business-type activities are stated net of allowances for estimated uncollectibles as of September 30, 2021. The allowance is based on historical collection, experience, and other relevant circumstances.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. The City reported \$7,330 due to business-type funds from governmental funds at September 30, 2021.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables (Continued)

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

Unbilled Services Receivable

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2021, are recorded as prepaid items. In governmental funds, reported prepaid items are equally offset by nonspendable fund balance amounts, which indicate they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in nonspendable fund balances is not presented because the combined statement of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the spendable and nonspendable fund balances.

Restricted Assets

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category related to the City's participation in the pension plan, the unamortized changes in investments actual performance, expectations, projections, and changes in plan assumptions. See Note 8.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category related to the City's participation in the pension plan and the difference between projected and actual plan investment earnings. See Note 8.

Pensions

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

Long-term Liabilities

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2021. The resulting liability is then increased to include social security and retirement that the City is required to pay upon liquidation of the liability.

Fund Equity

As of September 30, 2021, fund balances are classified as follows:

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

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

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

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

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position

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

VI. Stewardship, Compliance, and Accountability

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

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

Budgetary – GAAP Reporting Reconciliations

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

NOTE 2: CASH

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

Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. The City awarded The First, ANBA the designated depository for calendar year 2020-2021.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: CASH (Continued)

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

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
Governmental Activities				
General Fund	\$ 1,370	\$ 2,584,185	\$ 4,440,841	\$ 7,026,396
Food and Beverage	-	-	975,705	975,705
General Obligation	-	-	351,065	351,065
Other Nonmajor Gov't Funds	-	1,864,420	1,095,226	2,959,646
Total governmental activities	1,370	4,448,605	6,862,837	11,312,812
Business-type Activities				
Water and Sewer	200	-	3,412,932	3,413,132
Total business-type activities	200	-	3,412,932	3,413,132
Total cash and cash equivalents	\$ 1,570	\$ 4,448,605	\$ 10,275,769	\$ 14,725,944

The City maintained the following restricted cash and cash equivalents as of September 30, 2021:

Governmental Activities

Cash and cash equivalents

Restricted for capital projects	\$ 2,622,757
Restricted for debt service	1,326,770
Restricted for other special projects	2,280,667
Total restricted assets - governmental activities	<u>6,230,194</u>

Business-type Activities

Cash and cash equivalents

Restricted for utility customer deposits	789,161
Total restricted assets - business-type activities	<u>789,161</u>
Total restricted assets - government-wide	<u>\$ 7,019,355</u>

Custodial Credit Risk - Deposits

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

Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: CASH (Continued)

Custodial Credit Risk - Deposits (Continued)

At September 30, 2021, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Pooled deposits:		
Cash and cash equivalents	\$10,449,153	\$10,275,767
Non-pooled deposits:		
Cash and cash equivalents	4,660,611	4,450,177
Total	\$15,109,764	\$14,725,944

NOTE 3: RECEIVABLES

Receivables at September 30, 2021, consist of the following:

	Governmental Activities	Business-type Activities	
	General Fund	Water and Sewer	Total
Property taxes	\$ 62,830	\$ -	\$ 62,830
Franchise taxes	293,931	-	293,931
Court	4,080,793	-	4,080,793
NSF checks	43,044	-	43,044
Utility charges	-	1,162,402	1,162,402
Other receivables	202	-	202
Total receivables, gross	4,480,800	1,162,402	5,643,202
Less allowance for doubtful receivables	(3,930,343)	(236,190)	(4,166,533)
Total receivables, net	\$ 550,457	\$ 926,212	\$ 1,476,669

Property Taxes

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 3: RECEIVABLES (Continued)

Property Taxes (Continued)

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Personal property taxes are recognized as revenue when received because most delinquent personal property taxes are collected by selling the property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of personal property not sold for taxes at the tax sale is recorded as delinquent taxes receivable.

The tax levies for the City for the fiscal years ended September 30, 2021, 2020, and 2019 are as follows:

	2021	2020	2019
City Funds			
General Fund	21.05	21.05	21.05
Library maintenance	1.10	1.10	1.01
Debt service	4.77	4.77	3.77
Total City administered funds	26.92	26.92	25.83
School Funds			
District maintenance	55.00	55.00	55.00
School debt	12.15	11.59	11.97
Total School administered funds	67.15	66.59	66.97
Total levy	94.07	93.51	92.80

NOTE 4: DUE FROM OTHER GOVERNMENTS

Sales Tax

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Ocean Springs) back to the City monthly. The City levies an additional 2% sales tax on local food and beverage sales; the State remits 100% of the amount collected back to the City. Sales tax revenue was \$6,358,890 general sales tax and \$1,823,282 food and beverage tax, for the year ended September 30, 2021. Sales tax receivable is included in due from other governments on the statement of net position and balance sheet – governmental funds and consists of taxes collected by the State for August and September 2021 and not received by the City until October and November 2021.

Due from other governments at September 30, 2021, consists of the following:

	Governmental Activities
	General Fund
Grants	\$ 96,757
County match	24,047
County road tax	26,205
State of Mississippi, sales tax diversion	1,383,652
Total due from other governments	\$ 1,530,661

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5: CAPITAL ASSETS

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

	Balance October 1, 2020	Additions	Transfers/ Adjustments	Balance September 30, 2021
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,648,304	\$ 6,635	\$ -	\$ 3,654,939
Donated artwork	5,734,541	-	-	5,734,541
Construction in progress	260,863	687,996	(408,582)	540,277
Total capital assets, not being depreciated	<u>9,643,708</u>	<u>694,631</u>	<u>(408,582)</u>	<u>9,929,757</u>
Capital assets, being depreciated:				
Buildings and improvements	14,026,638	225,762	-	14,252,400
Machinery and equipment	2,426,822	99,690	-	2,526,512
Other improvements	20,562,317	196,926	-	20,759,243
Infrastructure	18,678,834	-	408,582	19,087,416
Vehicles	5,692,266	380,944	-	6,073,210
Total capital assets, being depreciated	<u>61,386,877</u>	<u>903,322</u>	<u>408,582</u>	<u>62,698,781</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,029,142)	(231,140)	-	(4,260,282)
Machinery and equipment	(1,369,209)	(238,504)	-	(1,607,713)
Other improvements	(4,057,485)	(605,308)	-	(4,662,793)
Infrastructure	(9,381,630)	(302,168)	-	(9,683,798)
Vehicles	(4,159,852)	(296,844)	-	(4,456,696)
Total accumulated depreciation	<u>(22,997,318)</u>	<u>(1,673,964)</u>	<u>-</u>	<u>(24,671,282)</u>
Total capital assets, being depreciated, net	<u>38,389,559</u>	<u>(770,642)</u>	<u>408,582</u>	<u>38,027,499</u>
Total governmental activities capital assets, net	<u>\$ 48,033,267</u>	<u>\$ (76,011)</u>	<u>\$ -</u>	<u>\$ 47,957,256</u>

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2020	Additions	Transfers/ Adjustments	Balance September 30, 2021
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 29,413	\$ -	\$ -	\$ 29,413
Construction in progress	11,600	7,599	-	19,199
Total capital assets, not being depreciated	<u>41,013</u>	<u>7,599</u>	<u>-</u>	<u>48,612</u>
Capital assets, being depreciated:				
Buildings	35,390	-	-	35,390
Machinery and equipment	1,225,551	16,400	-	1,241,951
Infrastructure	42,093,230	94,465	-	42,187,695
Vehicles	901,733	27,807	-	929,540
Total capital assets, being depreciated	<u>44,255,904</u>	<u>138,672</u>	<u>-</u>	<u>44,394,576</u>
Less accumulated depreciation for:				
Buildings	(32,198)	-	-	(32,198)
Machinery and equipment	(743,270)	(56,143)	-	(799,413)
Infrastructure	(21,339,654)	(378,102)	-	(21,717,756)
Vehicles	(751,933)	(21,776)	-	(773,709)
Total accumulated depreciation	<u>(22,867,055)</u>	<u>(456,021)</u>	<u>-</u>	<u>(23,323,076)</u>
Total capital assets, being depreciated, net	<u>21,388,849</u>	<u>(317,349)</u>	<u>-</u>	<u>21,071,500</u>
Total business-type activities capital assets, net	<u>\$ 21,429,862</u>	<u>\$ (309,750)</u>	<u>\$ -</u>	<u>\$ 21,120,112</u>
 Primary Government				
Total capital assets, net	<u>\$ 69,463,129</u>	<u>\$ (385,761)</u>	<u>\$ -</u>	<u>\$ 69,077,368</u>

Assets under capital leases include equipment that was acquired through capital leases financing with financial institutions (see Note 6 for additional information). As of September 30, 2021, these capitalized assets and the related accumulated depreciation are as follows:

Asset	Capitalized Amount	Accumulated Depreciation	Net
Governmental Activities			
Police radios	\$ 220,994	\$ (79,558)	\$ 141,436
Business-type Activities			
Heavy equipment	256,475	(46,164)	210,311
Total	<u>\$ 477,469</u>	<u>\$ (125,722)</u>	<u>\$ 351,747</u>

Depreciation expense associated with the assets under capital leases in fiscal year 2021 totaled \$62,861 and is included in the statement of activities as general government.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

Governmental Activities	
General government	\$ 1,673,964
Business-type Activities	
Water and Sewer	456,021
Total depreciation expense	\$ 2,129,985

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended September 30, 2021 are as follows:

	Balance October 1, 2020	Additions	Principal Payments/ Reductions	Balance September 30, 2021	Due within One Year
Governmental Activities					
General and Special					
Obligation Bonds	\$ 11,076,000	\$ 7,955,000	\$ (9,138,000)	\$ 9,893,000	\$ 743,000
Premium on bonds payable	281,848	-	(31,316)	250,532	31,316
Notes payable	1,650,097	368,000	(1,163,047)	855,050	199,218
Capital lease payable	220,994	-	(73,665)	147,329	73,665
Compensated absences	577,304	411,712	(406,423)	582,593	102,219
Total governmental activities	\$ 13,806,243	\$ 8,734,712	\$ (10,812,451)	\$ 11,728,504	\$ 1,149,418
Business-type Activities					
Water and Sewer notes payable	\$ 179,205	\$ -	\$ (49,102)	\$ 130,103	\$ 20,005
Drinking water loan	2,998,293	-	(353,169)	2,645,124	361,429
Capital lease payable	189,414	-	(62,662)	126,752	65,014
Compensated absences	69,708	48,084	(49,075)	68,717	12,336
Total business-type activities	\$ 3,436,620	\$ 48,084	\$ (514,008)	\$ 2,970,696	\$ 458,784

The General and Water and Sewer Funds provide the resources for the retirement of compensated absences. For the year ended September 30, 2021, interest incurred and charged to expense totaled \$332,218 in the governmental activities and \$69,376 in the business-type activities.

Bonds Payable

The City is responsible for the repayment of specific General Obligations Bonds of the State of Mississippi relative to the City's capital projects. The bonds are backed by the full faith and credit of the State of Mississippi, but are being retired from the resources of the City and are presented as debt of the City. General obligation bonds issued in 2019 and 2021 are collateralized by a pledge of the proceeds of a food and beverage tax in an amount not to exceed two percent (2%) of the gross proceeds of the sales of prepared foods and beverages from every person, firm or corporation or other entity operating a restaurant or bar, or both.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 6: LONG-TERM LIABILITIES (Continued)

Bonds Payable (Continued)

At September 30, 2021, the City had the following outstanding bonds payable:

	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance September 30, 2020</u>
Governmental Activities:					
General obligation bonds:					
General obligation bonds Series 2017	1/11/2017	6/1/2034	2.75%	\$ 8,987,000	\$ -
General obligation bonds Series 2019	10/31/2019	12/1/2029	Variable	2,670,000	2,425,000
General obligation bonds Series 2021	2/25/2021	7/1/2034	1.90%	7,955,000	7,468,000
Total governmental activities				<u>\$ 19,612,000</u>	<u>\$ 9,893,000</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2022	\$ 743,000	\$ 223,142	\$ 966,142
2023	756,000	206,420	962,420
2024	776,000	189,321	965,321
2025	797,000	171,732	968,732
2026	816,000	153,634	969,634
2027-2031	4,113,000	443,185	4,556,185
2032-2036	1,892,000	72,314	1,964,314
	<u>\$ 9,893,000</u>	<u>\$ 1,459,748</u>	<u>\$ 11,352,748</u>

Interest accrued on bonds payable totaled \$59,723 for the fiscal year ended September 30, 2021.

The Board of Aldermen annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2021, was 4.77 mills or \$4.77 per \$1,000 of assessed value.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 6: LONG-TERM LIABILITIES (Continued)

Notes Payable

At September 30, 2021, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2021
Governmental Activities:					
Notes payable:					
Musco Finance - Sunplex lighting	10/2/2010	12/1/2024	6.50%	\$ 1,489,000	\$ 487,050
Community Bank general obligation note	12/1/2020	12/1/2025	1.73%	368,000	368,000
Total governmental activities				<u>1,857,000</u>	<u>855,050</u>
Business-type Activities:					
Notes payable:					
State of MS Revolving Fund Loan	2/25/2013	1/1/2033	1.75%	1,059,133	647,675
State of MS Revolving Fund Loan	9/1/2010	12/1/2027	2.00%	328,752	130,103
State of MS Drinking Water Improvement Loan	11/10/2006	9/30/2029	1.95%	1,943,294	898,075
State of MS Drinking Water Improvement Loan	9/3/2008	5/1/2028	1.95%	835,711	320,923
State of MS Drinking Water Improvement Loan	8/10/2002	4/1/2026	3.50%	1,054,818	313,161
State of MS Drinking Water Improvement Loan	6/15/2001	2/1/2023	3.00%	522,924	58,997
State of MS Drinking Water Improvement Loan	11/18/2008	8/1/2028	1.95%	1,029,345	406,293
Total business-type activities				<u>6,773,977</u>	<u>2,775,227</u>
Total notes payable				<u>\$ 8,630,977</u>	<u>\$ 3,630,277</u>

Capital Leases

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 6: LONG-TERM LIABILITIES (Continued)

Capital Leases (continued)

The capital lease obligations outstanding as of September 30, 2021, are as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2020
Governmental Activities:					
Capital leases:					
Motorola - Police radios	2/1/2020	2/1/2023	N/A	\$ 220,994	\$ 147,329
Total governmental activities				220,994	147,329
Business-type Activities:					
Capital leases:					
Hancock Bank - Cat tractor	8/29/2018	8/29/2023	3.69%	153,756	78,015
Hancock Bank - Hex excavator	8/29/2018	8/29/2023	3.69%	96,053	48,737
Total business-type activities				249,809	126,752
Total capital lease obligations				\$ 470,803	\$ 274,081

The following is a schedule of future minimum lease payments under capital leases and the net present value of these minimum lease payments as of September 30, 2021:

Year Ending September 30,	Governmental Activities		Business -Type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2022	\$ 73,665	\$ -	\$ 65,014	\$ 3,584	\$ 142,263
2023	73,664	-	61,738	114	135,516
	\$ 147,329	\$ -	\$ 126,752	\$ 3,698	\$ 277,779

Bond Refunding

On February 25, 2021, the City issued \$7,955,000 in Series 2021 general obligation bonds with an interest rate of 1.90%. The City issued the bonds to provide for the advance refunding of outstanding series 2017 general obligation bonds, with an outstanding balance of \$7,932,000 at 2.75% interest rate on the refunding date. The advance refunding is expected to reduce total debt service payments over the next 10 years by \$386,799. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$484,449.

Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the last completed assessment for taxation. In no case shall the total indebtedness exceed 20% of the assessed value of the property.

The City's legal debt limit for general obligation bond was \$41,198,113 and the legal debt margin was \$30,302,734 at September 30, 2021.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7: INTERFUND TRANSACTIONS

Interfund Receivables and Payables

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

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

At year end September 30, 2021 there was \$7,330 due from governmental activities to business-type activities.

Interfund Transfers

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

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

Interfund transfers between funds during the year ended September 30, 2021 consist of the following:

	Fund Level	
	General Fund	Water and Sewer
Transfers Out	\$ 18,961	\$ -
Transfers In	-	18,961
Total	\$ 18,961	\$ 18,961

NOTE 8: EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

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

Plan Description

The City of Ocean Springs contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Mississippi's Public Employees' Retirement System's Board of Trustees. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained from its website, www.PERS.ms.gov, by writing to Public Employee Retirement System, PERS Building, 429 Mississippi, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (continued)

Benefits provided

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable services (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021 was 17.40% of annual covered payroll. The City's contributions to PERS for the fiscal years ending September 30, 2021, 2020, and 2019 total \$1,288,602, \$1,212,340, and \$1,092,334, respectively, which equal the required contributions for each year.

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

At September 30, 2021, the City reported a liability of \$16,258,480 for its proportionate share of the 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 net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At September 30, 2021, the City's proportion was .11 percent, which was the same as its proportionate share measured as of September 30, 2020.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (continued)

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

For the year ended September 30, 2021, the City recognized pension expense of \$747,592. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Differences between expected and actual experience	\$ 224,918	\$ -
Changes in assumptions	1,082,383	-
Net difference between projected and actual earnings on pension plan investments	-	4,137,353
City contributions subsequent to the measurement date	321,347	-
Totals	\$ 1,628,648	\$ 4,137,353
	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-Type Activities		
Differences between expected and actual experience	\$ 35,055	\$ -
Changes in assumptions	168,699	-
Net difference between projected and actual earnings on pension plan investments	-	759,007
City contributions subsequent to the measurement date	50,086	-
Totals	\$ 253,840	\$ 759,007

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

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

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$371,433 are recognized as a reduction to the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ (584,339)
2023	(576,431)
2024	(765,448)
2025	(1,459,087)
Total	<u>\$ (3,385,305)</u>

Actuarial assumptions

The total pension liability was determined by an actuarial valuations as of June 30, 2020 and a measurement date determined of June 30, 2021 using standard rollforward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020. Mortality rates 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 the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Actuarial assumptions (continued)

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	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 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 (9.00 percent) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55 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 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.55%	\$ 23,025,820
Current discount rate	7.55%	\$ 16,258,481
1% increase	8.55%	\$ 10,681,655

Pension plan fiduciary net position

Detailed information about the PERS pension plan is available in the separately issued PERS financial report, available at www.pers.ms.gov.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8: EMPLOYEE BENEFIT PLANS (Continued)

Deferred Compensation Plan

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

Other Postemployment Benefits

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

NOTE 9: DEFICIT FUND BALANCE

At September 30, 2021, the Colonial Estates, Ocean Springs Road Phase I and Government Street Sidewalks (capital projects funds) have negative net positions of \$13,965, \$24,047, and \$127,975, respectively. The negative net positions were caused by the difference in timing between expenses related to project engineering and the budgeted revenue related to this project.

NOTE 10: TAX ABATEMENTS

The Mississippi Code of 1972 Annotated §17-21-5, authorizes municipal governing authorities, in their discretion, to grant exemptions from ad valorem taxation, except ad valorem taxation for school district purposes, for new structures, or improvements to or renovations of existing structures located in the central business district of the municipality, for a period of not more than seven (7) years from the date of completion of the new structure or the improvement to or renovation of the existing structure for which the exemption is granted. The City adopted such an ordinance in 2011, 2012, and in 2017, which exempts eligible properties from up to 80% of municipal ad valorem taxes. Per the City ordinance, the City has granted tax abatements to four restaurants, a motor vehicle dealer, a car wash, a hotel, a mixed use project, and a real estate company. For the year ended September 30, 2021, the City abated the following taxes:

<u>Taxes Abated</u>	<u>%of Abatement</u>	<u>Total Amount Abated</u>
Real property	80%	<u>\$ 761,587</u>

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11: COMMITMENTS AND CONTINGENCIES

Litigation

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

Federal Grants

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

Capital Project Commitment

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

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

	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Remaining Contract</u>
Parktown improvements	\$ 440,250	\$ 79,740	\$ 360,510
Ft. Bayou improvements	614,708	78,500	536,208
East Beach Drive sidewalk	26,250	21,000	5,250
Ocean Springs Road	219,057	132,721	86,336
Seven lift stations	38,000	19,200	18,800
Government street improvements	1,079,482	1,041,763	37,719
Porter ave Front Beach	58,340	55,582	2,758
East Beach Accessibility	33,200	11,491	21,709
Ft. Bayou wastewater	493,365	-	493,365
	<u>\$ 3,002,652</u>	<u>\$ 1,439,997</u>	<u>\$ 1,562,655</u>

NOTE 12: RELATED PARTY COMMITMENTS

Joint Venture

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12: RELATED PARTY COMMITMENTS (Continued)

The governing board is comprised of one member from each of the cities and two members from each of the counties who are members of the Authority. Through a fifty-year contract, the City of Ocean Springs is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City of Ocean Springs and the other members. A copy of the Authority's financial statements as of and for the year ended September 30, 2021 can be found online at <http://www.jcua-ms.us/all-forms-and-reports>. A complete copy is on file at the administrative offices of the Authority.

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

Statement of revenues, expenses and changes in fund balance:	
Contractual Services	<u>\$ 2,518,586</u>

Jointly Governed Organization

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

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

NOTE 13: RISK MANAGEMENT

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

COVID-19

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 14: SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through June 29, 2022, which is the date the financial statements were available to be issued. The following events were identified:

The City has awarded a new construction contract in the amount of \$299,401 for a construction project.

The City entered into a new obligation note in the amount of \$1,950,000 various repairs and construction projects.

CITY OF OCEAN SPRINGS, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Property taxes	\$ 4,424,914	\$ 4,424,914	\$ 4,543,972	\$ 119,058
Sales taxes	5,280,000	6,000,000	6,247,440	247,440
Franchise taxes	860,000	860,000	866,414	6,414
Miscellaneous taxes	978,198	978,198	999,660	21,462
Licenses and permits	264,000	264,000	460,909	196,909
Intergovernmental	270,386	280,386	281,814	1,428
Fines and forfeitures	458,000	458,000	362,951	(95,049)
Charges for services	485,992	473,992	609,578	135,586
Interest	85,000	10,000	11,189	1,189
Miscellaneous	71,000	102,510	173,202	70,692
Total revenues	<u>13,177,490</u>	<u>13,852,000</u>	<u>14,557,129</u>	<u>705,129</u>
EXPENDITURES				
Executive and legislative				
Personnel services	258,838	259,838	258,760	1,078
Supplies	12,100	17,222	11,771	5,451
Other services and charges	275,599	305,599	301,670	3,929
Capital outlay	38,500	81,250	67,161	14,089
Total executive and legislative	<u>585,037</u>	<u>663,909</u>	<u>639,362</u>	<u>24,547</u>
Supervision and finance				
Personnel services	214,253	219,253	218,296	957
Supplies	8,700	11,300	8,994	2,306
Other services and charges	476,161	585,789	470,691	115,098
Capital outlay	5,000	3,000	2,917	83
Total supervision and finance	<u>704,114</u>	<u>819,342</u>	<u>700,898</u>	<u>118,444</u>
Police department				
Personnel services	3,252,218	3,407,218	3,363,644	43,574
Supplies	327,000	304,000	294,997	9,003
Other services and charges	348,211	348,211	303,128	45,083
Capital outlay	77,165	88,500	81,893	6,607
Total police department	<u>4,004,594</u>	<u>4,147,929</u>	<u>4,043,662</u>	<u>104,267</u>
Fire department				
Personnel services	2,303,985	2,315,985	2,317,135	(1,150)
Supplies	73,700	78,100	53,497	24,603
Other services and charges	171,180	176,780	132,271	44,509
Capital outlay	-	43,000	41,708	1,292
Total fire department	<u>2,548,865</u>	<u>2,613,865</u>	<u>2,544,611</u>	<u>69,254</u>
Judicial department				
Personnel services	240,936	222,936	219,798	3,138
Supplies	5,300	5,300	3,894	1,406
Other services and charges	15,700	15,700	6,806	8,894
Total judicial department	<u>261,936</u>	<u>243,936</u>	<u>230,498</u>	<u>13,438</u>
Inspections department				
Personnel services	279,608	280,608	276,620	3,988
Supplies	5,200	5,200	4,788	412
Other services and charges	94,800	94,800	48,479	46,321
Capital outlay	-	-	7,599	(7,599)
Total inspections department	<u>379,608</u>	<u>380,608</u>	<u>337,486</u>	<u>43,122</u>

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

CITY OF OCEAN SPRINGS, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
EXPENDITURES, Continued				
Street department				
Personnel services	1,356,410	1,246,910	1,441,810	(194,900)
Supplies	322,700	342,700	296,851	45,849
Other services and charges	723,128	772,628	1,685,008	(912,380)
Capital outlay	273,750	345,070	341,737	3,333
Total street department	<u>2,675,988</u>	<u>2,707,308</u>	<u>3,765,406</u>	<u>(1,058,098)</u>
Safety and human resources				
Personnel services	86,469	89,469	88,318	1,151
Supplies	700	700	320	380
Other services and charges	382,655	427,655	391,784	35,871
Total safety and human resources	<u>469,824</u>	<u>517,824</u>	<u>480,422</u>	<u>37,402</u>
Parks and recreation				
Personnel services	1,211,371	1,115,871	1,058,613	57,258
Supplies	226,000	222,400	176,307	46,093
Other services and charges	637,456	681,481	583,637	97,844
Capital outlay	75,000	116,000	62,190	53,810
Total parks and recreation	<u>2,149,827</u>	<u>2,135,752</u>	<u>1,880,747</u>	<u>255,005</u>
Community development				
Personnel services	158,525	159,525	158,039	1,486
Supplies	2,000	5,200	4,987	213
Other services and charges	99,616	95,416	88,178	7,238
Capital Outlay	4,600	4,600	4,336	264
Total community development	<u>264,741</u>	<u>264,741</u>	<u>255,540</u>	<u>9,201</u>
Total expenditures	<u>14,044,534</u>	<u>14,495,214</u>	<u>14,878,632</u>	<u>(383,418)</u>
Deficiency of revenues over expenditures	<u>(867,044)</u>	<u>(643,214)</u>	<u>(321,503)</u>	<u>321,711</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	261,787	261,787
Grants proceeds	-	435,000	2,944,851	2,509,851
Grants expenditures	-	(435,000)	(210,288)	224,712
Transfers out	(100,000)	(100,000)	(137,030)	(37,030)
Transfers in	71,439	71,439	221,536	150,097
Total other financing sources (uses)	<u>(28,561)</u>	<u>(28,561)</u>	<u>3,080,856</u>	<u>3,109,417</u>
Net change in fund balance	(895,605)	(671,775)	2,759,353	<u>\$ 3,431,128</u>
Fund balance-beginning, budget basis	<u>830,692</u>	<u>830,692</u>	<u>4,664,820</u>	
Fund balance-ending, budget basis	<u>\$ (64,913)</u>	<u>\$ 158,917</u>	<u>\$ 7,424,173</u>	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis at beginning of the year.			482,930	
Change in receivables			70,857	
Change in accounts payable and accrued liabilities			(33,438)	
Change in deferred revenue			<u>(2,138,003)</u>	
Fund balance-ending, GAAP basis			<u>\$ 5,806,519</u>	

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

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

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
City's proportionate share of the net pension liability	\$ 16,258,480	\$ 21,294,721	\$ 19,351,169	\$ 18,296,268	\$ 18,285,733	\$ 19,648,746	\$ 17,003,831
City's covered employee payroll	\$ 7,571,361	\$ 6,960,573	\$ 6,916,779	\$ 7,161,065	\$ 7,069,178	\$ 7,315,767	\$ 6,844,479
City's proportionate share of the net pension liability as a percentage of covered employee payroll	214.74%	305.93%	279.77%	255.50%	258.67%	268.58%	248.43%
Plan fiduciary net position as a percentage of total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

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

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,322,550	\$ 1,211,140	\$ 1,121,509	\$ 1,127,868	\$ 1,113,396	\$ 1,152,233	\$ 1,078,005
Contributions in relation to contractually required contribution	1,322,550	1,211,140	1,121,509	1,127,868	1,113,396	1,152,233	1,078,005
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 7,600,859	\$ 6,960,573	\$ 6,916,779	\$ 7,161,065	\$ 7,069,178	\$ 7,315,767	\$ 6,844,479
Contributions as a percentage of covered employee payroll	17.40%	17.40%	16.21%	15.75%	15.75%	15.75%	15.75%

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2021**

NOTE 1: 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 the line of duty was decreased 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 80 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changes to PubT.H-2010 Disables Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of males rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2021**

NOTE 1: CHANGES IN ASSUMPTIONS (Continued)

- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
- 2017
 - The expectation of retire life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rate were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

NOTE 2: CHANGES IN BENEFIT PROVISIONS

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2021**

NOTE 3: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 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

SUPPLEMENTARY INFORMATION

CITY OF OCEAN SPRINGS, MISSISSIPPI
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Special Revenue						Capital Projects			
	Tourism	Library	Special Paid Fines and Forfeitures	Task Force	Modernization Use Tax	Fire Protection	Ocean Springs Road and Steelman Lane Study	Tidelands Beach Repairs	Senate Bond 2002	House Bill 1730 Water & Sewer
ASSETS										
Cash and cash equivalents	\$ -	\$ 159,462	\$ -	\$ 122,838	\$ -	\$ -	\$ 285	\$ (2,201)	\$ -	\$ -
Restricted assets:										
Cash and cash equivalents	85,960	-	1,440	-	758,337	(2,364)	-	-	458,513	1,000,460
Receivable, net	-	10,879	-	-	-	-	-	-	-	-
Taxes	15,794	-	-	-	-	-	13,213	-	-	-
Due from other governments	-	-	-	-	-	-	-	2,805	-	-
Total assets	\$ 101,754	\$ 170,341	\$ 1,440	\$ 122,838	\$ 758,337	\$ (2,364)	\$ 13,498	\$ 604	\$ 458,513	\$ 1,000,460
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	\$ 2,261	\$ -	\$ 11,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other City funds	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	458,513	1,000,000
Total liabilities	-	2,261	-	11,142	-	-	-	-	458,513	1,000,000
Fund balances:										
Restricted	-	-	-	-	758,337	-	-	-	-	460
Capital improvements	101,754	168,080	1,440	111,696	-	(2,364)	13,498	604	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total fund balances	101,754	168,080	1,440	111,696	758,337	(2,364)	13,498	604	-	460
Total liabilities and fund balances	\$ 101,754	\$ 170,341	\$ 1,440	\$ 122,838	\$ 758,337	\$ (2,364)	\$ 13,498	\$ 604	\$ 458,513	\$ 1,000,460

CITY OF OCEAN SPRINGS, MISSISSIPPI
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 SEPTEMBER 30, 2021

		Capital Projects										
		Colonial Estates	Wayfinding	East Beach Sidewalk	Ocean Springs Road Phase I	Government Street Sidewalks	Senate Bond 3065	Porter Ave Sidewalks	Monster Ditch Drainage	KCDBG Projects	Total Non-Major Governmental Funds	
ASSETS												
Cash and cash equivalents	\$	(6,635)	\$ 18	\$ 101,250	\$ (21,906)	\$ (127,795)	\$ -	\$ 6,744	\$ 18,780	\$ 1,013	\$ 251,853	
Restricted assets:												
Cash and cash equivalents		-	-	-	-	-	405,447	-	-	-	2,707,793	
Receivable, net		-	-	-	-	-	-	-	-	-	10,879	
taxes		-	-	-	-	-	-	-	-	-	10,879	
Due from other governments		7,645	-	-	24,047	40,952	-	-	-	5,000	109,456	
Total assets	\$	1,010	\$ 18	\$ 101,250	\$ 2,141	\$ (86,843)	\$ 405,447	\$ 6,744	\$ 18,780	\$ 6,013	\$ 3,079,981	
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued liabilities	\$	-	\$ -	\$ -	\$ 2,141	\$ 900	\$ -	\$ -	\$ -	\$ 1,500	\$ 17,944	
Due to other City funds		7,330	-	-	-	-	-	-	-	-	7,330	
Unearned revenue		7,645	-	-	24,047	40,230	400,000	-	-	-	1,930,435	
Total liabilities	\$	14,975	-	-	26,188	41,130	400,000	-	-	1,500	1,955,709	
Fund balances:												
Restricted		-	-	-	-	-	5,447	-	-	-	764,244	
Capital improvements		-	-	-	-	-	-	-	-	-	131,305	
Committed		-	18	101,250	-	-	-	6,744	18,780	4,513	394,708	
Other		-	-	-	-	-	-	-	-	-	(165,985)	
Unassigned		(13,965)	-	-	(24,047)	(127,973)	-	-	-	-	(165,985)	
Total fund balances	\$	(13,965)	18	101,250	(24,047)	(127,973)	5,447	6,744	18,780	4,513	1,124,272	
Total liabilities and fund balances	\$	1,010	\$ 18	\$ 101,250	\$ 2,141	\$ (86,843)	\$ 405,447	\$ 6,744	\$ 18,780	\$ 6,013	\$ 3,079,981	

See independent auditors' report.

CITY OF OCEAN SPRINGS, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue							Capital Projects			
	Tourism	Library	Special Paid Fines and Forfeitures	Task Force	Modernization Use Tax	Fire Protection	Ocean Springs Road and Steelman Lane Study	Tidelands Beach Repairs	Senate Bond 2002	House Bill 1730 Water & Sewer	
REVENUES											
Property taxes	\$ 85,090	\$ 217,273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intergovernmental	-	-	-	302,556	-	-	-	-	-	-	
Grants	-	-	-	-	588,489	-	43,263	5,824	58,187	460	
Investment earnings	-	-	-	-	-	-	-	-	535	-	
Miscellaneous - other	-	-	-	1,951	-	6,763	-	-	-	-	
Total revenues	\$ 85,090	\$ 217,273	\$ -	\$ 304,507	\$ 588,489	\$ 6,763	\$ 43,263	\$ 5,824	\$ 58,722	\$ 460	
EXPENDITURES											
Current:											
Public safety	-	-	-	210,052	-	-	-	-	-	-	
Cultural and recreation	-	188,269	-	-	-	-	-	-	-	-	
Urban and economic development	47,288	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	-	-	-	
Public Safety	-	-	-	16,143	-	-	29,765	5,220	-	-	
Public works	-	-	-	-	-	-	-	-	8,855	-	
Debt service:											
Principal	-	-	-	-	-	45,000	-	-	-	-	
Interest and other charges	-	-	-	-	-	20,751	-	-	-	-	
Total expenditures	47,288	188,269	-	226,195	-	65,751	29,765	5,220	8,855	-	
Excess (deficiency) of revenues over expenditures	37,802	29,004	-	78,312	588,489	(58,988)	13,498	604	49,867	460	
OTHER FINANCING SOURCES (USES)											
Transfers out	-	-	-	-	-	-	-	-	(49,867)	-	
Total other financing sources and uses	-	-	-	-	-	-	-	-	(49,867)	-	
Net change in fund balances	37,802	29,004	-	78,312	588,489	(58,988)	13,498	604	-	460	
Fund balances - beginning	63,952	139,076	1,440	33,384	169,848	56,624	-	-	-	-	
Fund balances - ending	\$ 101,754	\$ 168,080	\$ 1,440	\$ 111,696	\$ 758,337	\$ (2,364)	\$ 13,498	\$ 604	\$ -	\$ 460	

CITY OF OCEAN SPRINGS, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Capital Projects											
	Colonial Estates	Wayfinding	East Beach Sidewalk	Ocean Springs Road Phase I	Government Street Sidewalks	Senate Bond 3065	Porter Ave Sidewalks	Monster Ditch Drainage	KCDBG Projects	Total Non-Major Governmental Funds	
REVENUES											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,273	
Intergovernmental	-	-	-	108,674	-	-	-	-	-	496,320	
Grants	-	17,005	-	-	8,970	-	-	-	43,520	765,718	
Investment earnings	-	-	-	-	-	-	-	-	-	535	
Miscellaneous - other	-	-	-	-	-	428	-	-	-	9,142	
Total revenues	-	17,005	-	108,674	8,970	428	-	-	43,520	1,488,988	
EXPENDITURES											
Current:											
General government	13,965	-	-	-	194,815	-	-	-	43,519	252,299	
Public safety	-	-	-	-	-	-	-	-	-	210,052	
Public works	-	-	-	97,343	25,533	-	-	21,617	-	144,493	
Cultural and recreation	-	21,256	8,400	-	-	-	-	-	-	217,925	
Urban and economic development	-	-	-	-	-	-	-	-	-	47,288	
Capital outlay	-	-	-	-	-	-	-	-	-	51,128	
Public Safety	-	-	-	-	-	-	-	-	-	8,855	
Public works	-	-	-	-	-	-	-	-	-	45,000	
Debt service:	-	-	-	-	-	-	-	-	-	20,751	
Principal	-	-	-	-	-	-	-	-	-	997,791	
Interest and other charges	-	-	-	-	-	-	-	-	-	491,197	
Total expenditures	13,965	21,256	8,400	97,343	220,348	-	-	21,617	43,519		
Excess (deficiency) of revenues over expenditures	(13,965)	(4,251)	(8,400)	11,331	(211,378)	428	-	(21,617)	1		
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	36,800	-	-	-	-	36,800	
Transfers out	-	-	-	-	-	-	-	-	-	(49,867)	
Total other financing sources and uses	-	-	-	-	36,800	-	-	-	-	(13,067)	
Net change in fund balances	(13,965)	(4,251)	(8,400)	11,331	(174,578)	428	-	(21,617)	1	478,130	
Fund balances - beginning	-	4,269	109,650	(35,378)	46,603	5,019	6,744	40,398	4,513	646,142	
Fund balances - ending	\$ (13,965)	\$ 18	\$ 101,250	\$ (24,047)	\$ (127,975)	\$ 5,447	\$ 6,744	\$ 18,781	\$ 4,514	\$ 1,124,272	

See independent auditors' report.

**CITY OF OCEAN SPRINGS, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
SEPTEMBER 30, 2021**

Position	Surety Company	Bond Amount
Mayor	Scott Insurance	\$100,000
Alderspersons (7)	Scott Insurance	\$100,000
City Clerk	Scott Insurance	\$100,000
Police Chief	Scott Insurance	\$50,000
Court Clerk	Scott Insurance	\$50,000
Deputy Court Clerk (2)	Scott Insurance	\$50,000
Records Clerks (3)	Scott Insurance	\$50,000
Deputy City Clerk	Scott Insurance	\$50,000
Payroll Clerk	Scott Insurance	\$50,000
Purchasing Agent	Scott Insurance	\$50,000
Accountant	Scott Insurance	\$50,000
General Administrative Clerk	Scott Insurance	\$50,000
Utility Billing Supervisor	Scott Insurance	\$50,000
Utility Clerk	Scott Insurance	\$50,000
Water Technician	Scott Insurance	\$50,000
Building Office Administrator	Scott Insurance	\$50,000
Building Clerk	Scott Insurance	\$50,000
Camp Special Events Coordinator	Scott Insurance	\$50,000
Parks Receptionist (2)	Scott Insurance	\$50,000
Parks Administrative Assistant	Scott Insurance	\$50,000
Parks Coordinator	Scott Insurance	\$50,000
Parks Director	Scott Insurance	\$50,000
Public Employee Blanket	Scott Insurance	\$50,000
Unemployment Bond	Scott Insurance	\$27,600

See independent auditors' report.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

AVL WEALTHCARE, LLC
Wealth Management

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

June 29, 2022

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean Springs, Mississippi as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Ocean Springs, Mississippi's basic financial statements and have issued our report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

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

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

To the Board of Aldermen
City of Ocean Springs
Ocean Springs, Mississippi

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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



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

AVL WEALTHCARE, LLC
Wealth Management

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

June 29, 2022

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

We have audited the basic financial statements of the City of Ocean Springs, Mississippi, as of and for the year ended September 30, 2021 and have issued our report dated June 29, 2022. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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