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Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of Financial Statements and Special Reports of the City of Bay Saint Louis of Hancock County, Mississippi, for the fiscal year ended September 30, 2018. In connection with this audit of Financial Statements and Special Reports, a separate management letter was written to the City of Bay Saint Louis. Enclosed you will find a copy of this management letter along with the audit of Financial Statements and Special Reports.

Sincerely

A handwritten signature in blue ink, appearing to read "Michael J. Favre", is written over the word "Sincerely".

Michael J. Favre
Mayor
City of Bay Saint Louis, MS



WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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June 18, 2019

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

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of City of Bay St. Louis, Mississippi for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Bay St. Louis, Mississippi are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2018. We noted no transactions entered into by City of Bay St. Louis, Mississippi during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the government wide financial statements were:

Management's estimate of the court fines receivable and the corresponding allowance for uncollectible accounts is based on historical trends and judgment to estimate and determine an amount that is reasonable in relation to the financial statements taken as a whole. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the utility fund and harbor fund allowance for doubtful accounts is based on utility and harbor revenues and on an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of capital assets is based on historical data as well as guidelines set forth in the Mississippi Municipal Audit and Accounting Guide prescribed by the office of the Mississippi State Auditor. We evaluated the key factors and assumptions used to develop the estimate of the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the defined benefit pension plan in Note 8-A to the financial statements is particularly sensitive due to the significant amount of deferred outflows, deferred inflows, net pension liability, and pension expense in relation to the financial statements of the City as a whole. These amounts are the City's proportionate share of similar amounts for the State of Mississippi's defined benefit pension plan.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 18, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Bay St. Louis, Mississippi's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Bay St. Louis, Mississippi's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual and the related notes; and the Schedule of the City's Proportionate Share of Net Pension Liability, and the Schedule of the City's Contribution and the related notes, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency

We were engaged to report on Schedule of Surety Bonds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

Very truly yours,

Wahit Wad 7dthn = jump

CITY OF BAY ST. LOUIS, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2018

CITY OF BAY ST. LOUIS, MISSISSIPPI
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For the Year Ended September 30, 2018

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INTRODUCTORY SECTION



ELECTED OFFICIALS

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

APPOINTED DEPARTMENT HEADS

City Clerk	Sissy Gonzales
City Attorney	Heather Smith
Police Department	Gary Ponthieux
Fire Department	Monty Strong
Public Works	Kim "Pots" Favre
Harbor Master	Chuck Fortin

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

June 18, 2019

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bay St. Louis, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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OFFICE OF THE
STATE AUDITOR

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bay St. Louis, Mississippi, as of September 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, on our consideration of City of Bay St. Louis, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bay St. Louis, Mississippi's internal control over financial reporting and compliance.

Other Reporting Required by State of Mississippi

In accordance with the State of Mississippi, we have also issued our report dated June 18, 2019, on our consideration of the City of Bay St. Louis's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Bay St. Louis's internal control over financial reporting and compliance.

Walter W. H. H. * J. H. H.

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018
UNAUDITED



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bay St. Louis, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2018 and 2017. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

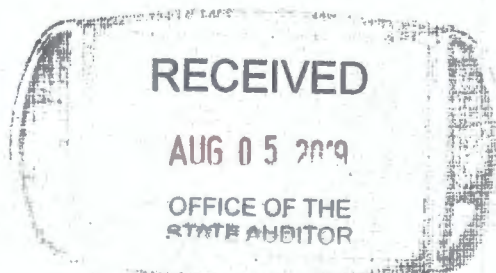
City of Bay St. Louis is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of City of Bay St. Louis as of July 1, 2018, is 9,260. The median household income is \$42,002 with over 90% of persons 25 years or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position decreased \$4,047,526 or 4% from 2017 primarily due to increased grant and bond revenues expended in the current year and utility depreciation expense.
- General revenues amounted to \$7,893,265 or 60% of total revenues. This amount increased \$628,420 from 2017. Program revenues amounted to \$5,270,729 or 40% of total revenues, which decreased \$763,884 from 2017. This decrease was mostly due to a decrease in charges for services and grant revenues.
- Capital assets, net of accumulated depreciation, decreased by \$1,763,002 in the governmental activities and decreased \$3,508,991 in the business-type activities during 2018. These decreases stem primarily from annual depreciation.
- Long-term debt decreased by \$308,169 in the governmental activities primarily due to annual debt repayments. This amount also includes a \$25,837 increase in compensated absences which represents amounts that would be due to an employee from the City upon termination of employment. Long-term debt decreased by \$352,273 in the business-type activities. The City's total debt outstanding at September 30, 2018 is \$5,418,588 which the liability for compensated absences is \$257,869.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$8,869,099 in revenues, which shows an increase of \$1,128,933 from 2017 and \$7,507,503 in expenditures, an increase of \$307,558 from 2017, in the current year. The General Fund's fund balance increased by \$753,620.



CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018
UNAUDITED

Using this Annual Financial Report

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

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

Reporting the City of Bay St. Louis as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

Table 1 and Table 2 provide a summary of the City's net position and changes in net position for 2018 compared to 2017.

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018
UNAUDITED

TABLE 1
Condensed Statement of Net Position
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 6,642,769	5,494,274	2,287,792	2,446,684	8,930,561	7,940,958
Capital assets	52,697,173	54,460,175	63,280,225	66,789,216	115,977,398	121,249,391
Total Assets	59,339,942	59,954,449	65,568,017	69,235,900	124,907,959	129,190,349
Deferred Outflows	189,579	470,197	25,851	64,118	215,430	534,315
Liabilities						
Current liabilities	672,049	1,044,753	569,225	559,179	1,241,274	1,603,932
Non-current liabilities	14,145,448	14,448,561	1,252,922	1,604,505	15,398,370	16,053,066
Total Liabilities	14,817,497	15,493,314	1,822,147	2,163,684	16,639,644	17,656,998
Deferred Inflows	3,858,513	3,371,885	43,543	66,566	3,902,056	3,438,451
Net Position						
Investment in capital assets, net of related debt	47,552,154	48,981,150	63,264,525	66,419,216	110,816,679	115,400,366
Restricted net assets	502,317	433,797	-	356,095	502,317	789,892
Unrestricted	(7,200,960)	(7,855,500)	463,653	294,457	(6,737,307)	(7,561,043)
Total Net Position	\$ 40,853,511	41,559,447	63,728,178	67,069,768	104,581,689	108,629,215

TABLE 2
Condensed Statement of Activities
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues	\$ 1,288,302	1,332,664	3,982,427	4,701,949	5,270,729	6,034,613
General revenues	7,857,565	7,235,475	35,700	29,370	7,893,265	7,264,845
Total revenues	9,145,867	8,568,139	4,018,127	4,731,319	13,163,994	13,299,458
Expenses:						
General government	2,770,972	2,942,511	-	-	2,770,972	2,942,511
Public safety	3,533,418	3,520,271	-	-	3,533,418	3,520,271
Public works	3,552,419	3,653,524	-	-	3,552,419	3,653,524
Interest on long-term debt	122,355	155,621	-	-	122,355	155,621
Utility	-	-	6,002,602	5,806,846	6,002,602	5,806,846
Harbor	-	-	1,229,754	1,104,585	1,229,754	1,104,585
Total expenses	9,979,164	10,271,927	7,232,356	6,911,431	17,211,520	17,183,358
Transfers	127,361	-	(127,361)	-	-	-
Increase (Decrease) in net assets	(705,936)	(1,703,788)	(3,341,590)	(2,180,112)	(4,047,526)	(3,883,900)
Net Position - beginning, restated	41,559,447	43,263,234	67,069,768	69,249,880	108,629,215	112,513,114
Net Position - ending	\$ 40,853,511	41,559,446	63,728,178	67,069,768	104,581,689	108,629,214

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018
UNAUDITED

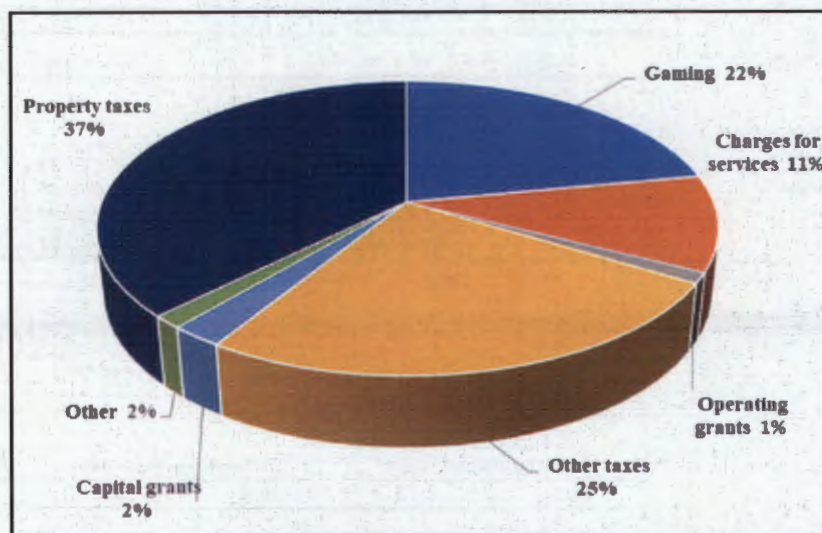
Governmental Activities

Total net position decreased \$705,936 as a result primarily due to a decrease in grant and bond proceeds revenues spent in the current year.

Under the accrual basis of accounting, general revenues amounted to \$7,857,565 or 86% of total revenues. This amount increased \$622,090 from 2017. Program revenues amounted to \$1,288,302 or 14% of total revenues, which decreased \$44,362 from 2017.

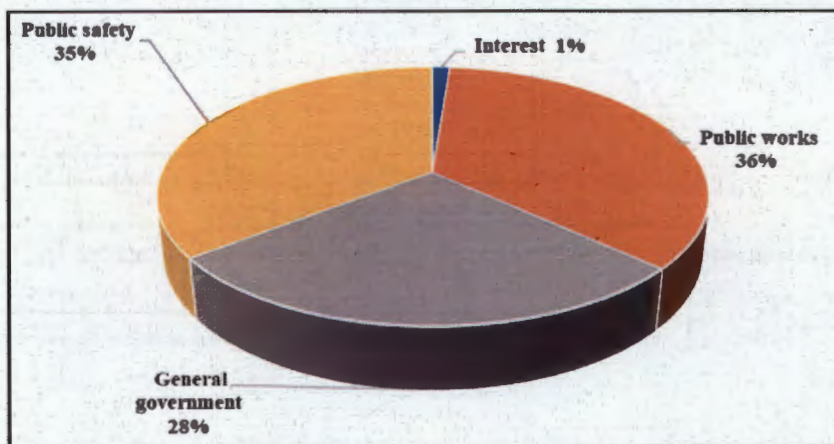
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

Chart 1 – Governmental Revenue Sources



Major governmental expense activities are shown in the following chart.

Chart 2 – Governmental Activities



CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018
UNAUDITED

Business-type activities

Net position for the business-type activities was \$63,728,178 a decrease of \$3,341,590. Charges for services decreased approximately \$311,584 while expenses increased approximately \$320,925.

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

The City's Funds

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

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018
UNAUDITED

General Fund Budgeting Highlights

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

During the course of 2018, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Council for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2018 and 2017.

TABLE 3
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 858,233	857,633	-	-	858,233	857,633
Construction in progress	154,501	5,290,933	-	-	154,501	5,290,933
Buildings and Improvements	24,909,899	25,520,951	37,976	38,978	24,947,875	25,559,929
Infrastructure	25,015,150	21,004,957	63,047,701	66,576,740	88,062,851	87,581,697
Machinery & equipment	352,550	280,398	167,130	162,795	519,680	443,193
Mobile equipment	304,203	297,209	10,703	10,703	314,906	307,912
Leased equipment	1,102,637	1,208,094	16,715	-	1,119,352	1,208,094
Total	<u>\$ 52,697,173</u>	<u>54,460,175</u>	<u>63,280,225</u>	<u>66,789,216</u>	<u>115,977,398</u>	<u>121,249,391</u>

The primary decrease in capital assets occurred due to depreciation.

General Long-term Obligations

At September 30, 2018, the City had \$5,418,588 outstanding debt obligations, which included \$257,869 of compensated absences payable.

TABLE 4
Schedule of Long-term Debt
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 3,920,000	4,177,500	-	-	3,920,000	4,177,500
Refunding Bonds	-	-	-	370,000	-	370,000
Notes Payable	-	17,908	-	-	-	17,908
Capital Leases	1,225,019	1,283,617	15,700	-	1,240,719	1,283,617
Compensated Absences	218,221	192,384	39,648	37,621	257,869	230,005
Total	<u>\$ 5,363,240</u>	<u>5,671,409</u>	<u>55,348</u>	<u>407,621</u>	<u>5,418,588</u>	<u>6,079,030</u>

CITY OF BAY ST. LOUIS, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018
UNAUDITED

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

Contact the City's Financial Management

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

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

FINANCIAL STATEMENTS

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City of Bay St. Louis, Mississippi
Statement of Net Position
September 30, 2018

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 1,300,709	1,451,619	2,752,328
Taxes receivables	4,102,640	-	4,102,640
Customer accounts receivable (net of allowance)	-	434,025	434,025
Fines receivable (net of allowance)	190,023	-	190,023
Intergovernmental receivables	289,270	2,964	292,234
Other receivable	10,027	-	10,027
Interfund	67,350	(67,350)	-
Prepaid items	90,525	36,610	127,135
Inventory for resale	-	61,450	61,450
Restricted current assets - cash	592,225	368,474	960,699
Total Current Assets	<u>6,642,769</u>	<u>2,287,792</u>	<u>8,930,561</u>
Capital assets			
Land and construction in progress	1,012,734	-	1,012,734
Other capital assets (net of depreciation):			
Buildings and improvements	24,909,899	37,976	24,947,875
Infrastructure	25,015,150	63,047,701	88,062,851
Machinery and equipment	352,550	167,130	519,680
Mobile equipment	304,203	10,703	314,906
Equipment under capital leases	1,102,637	16,715	1,119,352
Total Capital Assets	<u>52,697,173</u>	<u>63,280,225</u>	<u>115,977,398</u>
Total Assets	<u>\$ 59,339,942</u>	<u>65,568,017</u>	<u>124,907,959</u>
Deferred Outflow of Resources			
Deferred amounts on pension	\$ 189,579	25,851	215,430
Total Deferred Outflow of Resources	<u>\$ 189,579</u>	<u>25,851</u>	<u>215,430</u>
 Total Assets and Deferred Outflow of Resources	 <u>\$ 59,529,521</u>	 <u>65,593,868</u>	 <u>125,123,389</u>

Continued next page

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

City of Bay St. Louis, Mississippi
Statement of Net Position (Continued)
September 30, 2018

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Liabilities			
Current liabilities:			
Claims and wages payable	\$ 494,807	184,171	678,978
Accrued interest payable	75,949	-	75,949
Revenue not earned	19,810	53,354	73,164
Payable to other governments	58,583	-	58,583
Payable from restricted assets - Customer deposits	22,900	331,700	354,600
Total Current Liabilities	<u>672,049</u>	<u>569,225</u>	<u>1,241,274</u>
Noncurrent Liabilities:			
Net pension liability	8,782,208	1,197,574	9,979,782
Due within one year			
Capital debt	543,646	3,159	546,805
Noncapital debt	56,313	10,501	66,814
Due in more than one year			
Capital debt	4,601,373	12,541	4,613,914
Noncapital debt	161,908	29,147	191,055
Total Noncurrent Liabilities	<u>14,145,448</u>	<u>1,252,922</u>	<u>15,398,370</u>
Total Liabilities	<u>\$ 14,817,497</u>	<u>1,822,147</u>	<u>16,639,644</u>
Deferred Inflows of Resources			
Property tax for future reporting period	\$ 3,539,197	-	3,539,197
Deferred amount on pension	319,316	43,543	362,859
Total Deferred Inflows of Resources	<u>\$ 3,858,513</u>	<u>43,543</u>	<u>3,902,056</u>
Net Position			
Investment in capital assets, net of related debt	\$ 47,552,154	63,264,525	110,816,679
Restricted Net Position:			
Restricted for debt service	203,794	-	203,794
Restricted for grant/bond purposes	298,523	-	298,523
Unrestricted	<u>(7,200,960)</u>	<u>463,653</u>	<u>(6,737,307)</u>
Total Net Position	<u>\$ 40,853,511</u>	<u>63,728,178</u>	<u>104,581,689</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 59,529,521</u>	<u>65,593,868</u>	<u>125,123,389</u>

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

City of Bay St. Louis, Mississippi
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 2,770,972	814,625	-	-	(1,956,347)		(1,956,347)
Public safety	3,533,418	147,805	108,696	52,859	(3,224,058)		(3,224,058)
Public works	3,552,419	-	-	164,317	(3,388,102)		(3,388,102)
Interest on long-term debt	122,355	-	-	-	(122,355)		(122,355)
Total governmental activities	9,979,164	962,430	108,696	217,176	(8,690,862)		(8,690,862)
Business-type activities:							
Utility fund	6,002,602	3,290,388	-	-		(2,712,214)	(2,712,214)
Harbor fund	1,229,754	687,907	-	4,132		(537,715)	(537,715)
Total business-type activities	7,232,356	3,978,295	-	4,132		(3,249,929)	(3,249,929)
Total government	\$ 17,211,520	4,940,725	108,696	221,308		(3,249,929)	(11,940,791)
General Revenues:							
Taxes:							
Property taxes, general					3,028,498	-	3,028,498
Property taxes, debt service					118,980	-	118,980
Property taxes, community support					267,777	-	267,777
General sales taxes					1,657,069	-	1,657,069
Road and bridge privilege taxes					245,775	-	245,775
Franchise taxes					397,071	-	397,071
Gaming fees and taxes					2,014,527	-	2,014,527
Grants and contributions not restricted to a special purpose					57,088	-	57,088
Unrestricted investment earnings					3,421	1,994	5,415
Miscellaneous					67,359	33,706	101,065
Total general revenues					7,857,565	35,700	7,893,265
Changes in net position before transfers					(833,297)	(3,214,229)	(4,047,526)
Transfers					127,361	(127,361)	-
Changes in net position					(705,936)	(3,341,590)	(4,047,526)
Net position - beginning					41,559,447	67,069,768	108,629,215
Net position - ending					\$ 40,853,511	63,728,178	104,581,689

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

City of Bay St. Louis, Mississippi
Balance Sheet – Governmental Funds
September 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 1,006,806	293,903	1,300,709
Receivables:			
Property taxes	3,566,128	-	3,566,128
General sales taxes	276,160	-	276,160
Franchise taxes	117,370	-	117,370
Gaming fees and taxes	142,982	-	142,982
Intergovernmental	51,582	237,688	289,270
Court fines & fees	190,023	-	190,023
Other	10,027	-	10,027
Due from other funds	67,350	220,073	287,423
Prepaid items	90,525	-	90,525
Restricted assets - Cash	153,566	438,659	592,225
Total Assets	\$ 5,672,519	1,190,323	6,862,842
LIABILITIES			
Liabilities:			
Claims payable	\$ 185,782	141,214	326,996
Wages and payroll taxes payable	167,811	-	167,811
Payable to other governments	58,583	-	58,583
Due to other funds	220,073	-	220,073
Customer deposits	22,900	-	22,900
Grant revenue unearned	19,810	-	19,810
Total Liabilities	674,959	141,214	816,173
DEFERRED INFLOWS OF RESOURCES			
Property taxes for future reporting period	3,539,197	-	3,539,197
Unavailable revenue - fines	190,023	-	190,023
Total Deferred Inflows of Resources	3,729,220	-	3,729,220
FUND BALANCES			
Non-spendable			
Prepaid items	90,525	-	90,525
Assigned for			
Capital projects	-	574,480	574,480
Restricted for:			
Unemployment insurance reserve	46,018	-	46,018
Community hall	76	-	76
Grant/Bond purposes	63,568	238,021	301,589
Debt service	-	236,608	236,608
Unassigned	1,068,153	-	1,068,153
Total Fund Balances	1,268,340	1,049,109	2,317,449
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,672,519	1,190,323	6,862,842

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

City of Bay St. Louis, Mississippi
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2018

Total governmental funds balance **\$ 2,317,449**

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

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

Governmental capital assets	\$ 76,411,989	
Less: accumulated depreciation	<u>(23,714,816)</u>	52,697,173

Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.

Bonds payable	\$ (3,920,000)	
Capital leases payable	(1,225,019)	
Compensated absences	<u>(218,221)</u>	(5,363,240)

Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.

Court fines receivable	<u>\$ 190,023</u>	190,023
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Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability		(8,782,208)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	\$ 189,579	
Deferred inflows of resources related to pensions	<u>(319,316)</u>	(129,737)

Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.

		<u>(75,949)</u>
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Net position of governmental activities

		<u><u>\$ 40,853,511</u></u>
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The notes to these financial statements are an integral part of this statement.

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
For the Fiscal Year Ended September 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,415,255	-	3,415,255
General sales taxes	1,657,069	-	1,657,069
Franchise fees	397,071	-	397,071
Gaming fees and taxes	2,014,527	-	2,014,527
Licenses and permit fees	487,091	-	487,091
Intergovernmental	388,467	238,027	626,494
Charges for services/rentals	98,405	-	98,405
Fines and forfeitures	147,805	-	147,805
Investment earnings	2,196	1,225	3,421
Administrative fees	220,000	-	220,000
Miscellaneous	41,213	-	41,213
Total Revenues	8,869,099	239,252	9,108,351
Expenditures:			
General government	2,360,277	4,320	2,364,597
Public safety	3,017,710	-	3,017,710
Public works	1,832,721	2,173	1,834,894
Capital outlay	296,795	437,138	733,933
Debt service:			
Principal	-	545,328	545,328
Interest and other fiscal charges	-	137,637	137,637
Total Expenditures	7,507,503	1,126,596	8,634,099
Excess (Deficiency) of Revenues Over Expenditures	1,361,596	(887,344)	474,252
Other Financing Sources (Uses):			
Proceeds from capital leases	211,322	-	211,322
Insurance proceeds	27,075	-	27,075
Transfers in	127,361	973,734	1,101,095
Transfers out	(973,734)	-	(973,734)
Total Other Financing Sources (Uses)	(607,976)	973,734	365,758
Net change in fund balances	753,620	86,390	840,010
Fund balances - beginning	514,720	962,719	1,477,439
Fund balances - ending	\$ 1,268,340	1,049,109	2,317,449

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

City of Bay St. Louis, Mississippi
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended September 30, 2018

Net Change in Fund Balances - total governmental funds **\$ 840,010**

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

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

Capital outlay	\$ 733,933	
Depreciation	<u>(2,537,867)</u>	(1,803,934)

Proceeds from the sale of capital assets and adjustments are recorded as other sources of income in the Statement of Revenues, Expenditures and Changes in Fund Balances, however, these proceeds are offset by disposal of assets to show gains or losses from the sale of capital assets.

40,932

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

Debt retirement	\$ 545,328	
Debt issuance	<u>(211,322)</u>	334,006

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

10,441

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

Pension expense and contributions made after measurement date	(116,836)
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	15,282
Compensated absences	<u>(25,837)</u>

Change in net position of governmental activities **\$ (705,936)**

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



City of Bay St. Louis, Mississippi
Statement of Net Position
Proprietary Funds
September 30, 2018

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Assets			
Current assets:			
Cash	\$ 1,149,516	302,103	1,451,619
Customer accounts receivable, net	432,614	1,411	434,025
Intergovernmental receivables	-	2,964	2,964
Due from other funds	-	2,877	2,877
Prepaid insurance	32,087	4,523	36,610
Inventory for resale	38,332	23,118	61,450
Restricted current asset - cash	368,474	-	368,474
Total current assets	<u>2,021,023</u>	<u>336,996</u>	<u>2,358,019</u>
Non-current assets			
Capital assets:			
Buildings	118,603	-	118,603
Infrastructure	75,601,623	21,766,381	97,368,004
Machinery and equipment	598,752	34,830	633,582
Mobile equipment	107,051	-	107,051
Equipment under capital leases	17,925	-	17,925
Less accumulated depreciation	(32,671,045)	(2,293,895)	(34,964,940)
Total non-current assets	<u>43,772,909</u>	<u>19,507,316</u>	<u>63,280,225</u>
Total Assets	<u><u>45,793,932</u></u>	<u><u>19,844,312</u></u>	<u><u>65,638,244</u></u>
Deferred outflow of resources			
Deferred outflow - pension liability	17,234	8,617	25,851
Total deferred outflow of resources	<u>17,234</u>	<u>8,617</u>	<u>25,851</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	124,797	33,624	158,421
Accrued wages	17,463	8,287	25,750
Due to other funds	47,909	22,318	70,227
Unearned revenue	29,488	23,866	53,354
Notes payable	3,159	-	3,159
Customer deposits	331,700	-	331,700
Total current liabilities	<u>554,516</u>	<u>88,095</u>	<u>642,611</u>
Non-current liabilities:			
Net pension liability	798,383	399,191	1,197,574
Notes payable	12,541	-	12,541
Compensated absences	23,509	16,139	39,648
Total non-current liabilities	<u>834,433</u>	<u>415,330</u>	<u>1,249,763</u>
Total liabilities	<u><u>1,388,949</u></u>	<u><u>503,425</u></u>	<u><u>1,892,374</u></u>
Deferred inflow of resources			
Deferred inflow - pension liability	29,029	14,514	43,543
Total deferred inflow of resources	<u>29,029</u>	<u>14,514</u>	<u>43,543</u>
Net position			
Investment in capital assets, net of related debt	43,757,209	19,507,316	63,264,525
Unrestricted	635,979	(172,326)	463,653
Total net position	<u><u>\$ 44,393,188</u></u>	<u><u>19,334,990</u></u>	<u><u>63,728,178</u></u>

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

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2018

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Revenues:			
Charges for services	\$ 3,090,844	-	3,090,844
Slip rental fees	-	389,546	389,546
Fuel sales	-	298,361	298,361
Tap and connection fees	22,865	-	22,865
Late payment penalties	71,893	-	71,893
Debt service charges	104,786	-	104,786
Miscellaneous operating revenues	19,116	14,590	33,706
Total operating revenues	<u>3,309,504</u>	<u>702,497</u>	<u>4,012,001</u>
Operating expenses:			
Personal services	556,800	276,737	833,537
Natural gas and fuel purchases	295,131	245,901	541,032
Waste collection and disposal	512,298	-	512,298
Wastewater treatment	910,024	-	910,024
Other supplies and expenses	101,210	-	101,210
Other contractual	646,435	156,710	803,145
Depreciation	2,974,401	550,406	3,524,807
Total operating expenses	<u>5,996,299</u>	<u>1,229,754</u>	<u>7,226,053</u>
Operating loss	<u>(2,686,795)</u>	<u>(527,257)</u>	<u>(3,214,052)</u>
Non-operating revenues (expenses)			
Interest and investment revenue	1,769	225	1,994
Interest expense	(6,303)	-	(6,303)
Capital grant income	-	4,132	4,132
Transfers out	(127,361)	-	(127,361)
Total non-operating revenues (expenses)	<u>(131,895)</u>	<u>4,357</u>	<u>(127,538)</u>
Change in net position	<u>(2,818,690)</u>	<u>(522,900)</u>	<u>(3,341,590)</u>
Net Position - beginning	<u>47,211,878</u>	<u>19,857,890</u>	<u>67,069,768</u>
Total net position - ending	<u>\$ 44,393,188</u>	<u>19,334,990</u>	<u>63,728,178</u>

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

City of Bay St. Louis, Mississippi
Statement Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2018

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 3,645,596	709,330	4,354,926
Cash paid to employees	(542,308)	(260,979)	(803,287)
Cash paid to suppliers	(298,765)	(229,832)	(528,597)
Cash paid to contractors	(2,190,452)	(156,710)	(2,347,162)
Net cash provided by operating activities	614,071	61,809	675,880
Cash Flows From Non-Capital Financing Activities			
Advances from (to) other funds	(86,751)	29,208	(57,543)
Net cash flows from non-capital financing activities	(86,751)	29,208	(57,543)
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	(17,925)	(1,540)	(19,465)
Non-operating receipts for capital expenditures	-	26,135	26,135
Non-cash adjustments to capital assets	3,650	(1)	3,649
Capital lease receipts for capital assets	17,925	-	17,925
Repayment of notes payable	(372,225)	-	(372,225)
Interest and amortization on debt	(7,332)	-	(7,332)
Net cash used in capital and related financing activities	(375,907)	24,594	(351,313)
Cash Flows From Investing Activities			
Interest received	1,769	225	1,994
Net cash flows from investing activities	1,769	225	1,994
Net increase in cash	153,182	115,836	269,018
Cash - October 1	1,364,808	186,267	1,551,075
Cash - September 30	\$ 1,517,990	302,103	1,820,093

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

City of Bay St. Louis, Mississippi
Statement Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended September 30, 2018

	Utility Fund	Harbor Fund	Total
Reconciliation of Operating Loss to Net Cash			
Provided by (Used In) Operating Activities:			
Operating loss	\$ (2,686,795)	(527,257)	(3,214,052)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,974,401	550,406	3,524,807
Pension deferrals and liability	10,622	5,312	15,934
(Increase) decrease in assets:			
Accounts receivable	322,830	16,050	338,880
Inventory	(3,634)	(4,103)	(7,737)
Prepaid expenses	4,747	199	4,946
Increase (decrease) in liabilities:			
Claims and wages payable	(12,167)	23,944	11,777
Customer deposits payable	4,757	(1,639)	3,118
Unearned revenue	3,758	(7,578)	(3,820)
Compensated absences	(4,448)	6,475	2,027
Net cash provided by operating activities	\$ 614,071	61,809	675,880

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

NOTES TO THE FINANCIAL STATEMENTS

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STATE AUDITOR

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

Hancock County Utility Authority and Hancock County Solid Waste Authority

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

B. Basis of Presentation.

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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

The City reports the following major Governmental Funds:

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

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUNDS

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

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

D. Account Classifications

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

E. Deposits and Investments

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

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

F. Receivables

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

G. Inter-Fund Transactions and Balances

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

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

H. Inventories

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

I. Capital Assets

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

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. However, as of September 30, 2018, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

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

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

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

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

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



City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources

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

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

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

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

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

K. Pensions

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

L. Long-term Liabilities

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

M. Compensated Absences

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

An employee may accumulate unused vacation leave hours and personal leave hours with limitation, however, cash payments upon employee termination or retirement are limited to a maximum of 30 days of an accumulated leave of pay. Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided in the financial statements. Unused sick leave balances may be credited to the Public Employee's Retirement System (PERS) as time worked.

N. Fund Balance Policies

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

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

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is an order of the City Council as approved in the board minutes.

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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

O. Net Position

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

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

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

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

P. Intergovernmental Revenues in Governmental Funds

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

Q. Property Tax Revenues

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

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

R. Use of Estimates

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

S. Change in Accounting Standard

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this standard have been incorporated into the financial statements and notes.

Note 2 - Cash

The carrying amount of the city's total deposits with financial institutions at September 30, 2018, was \$3,713,027 and the bank balance was \$3,784,936. Of this amount \$960,699 is restricted for unemployment trust, debt service, grant funds and utility customer's deposits. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

A summary of cash at September 30, 2018, is as follows:

	Deposits with Financial Institutions		Cash on Hand	Total
	Unrestricted	Restricted		
Governmental-type activities				
General Fund	\$ 1,006,606	153,566	200	1,160,372
Other Governmental Funds	291,903	438,659	2,000	732,562
Total governmental activities	1,298,509	592,225	2,200	1,892,934
Business-type activities				
Utility Fund	1,149,316	368,474	200	1,517,990
Harbor Fund	301,903	-	200	302,103
Total business-type activities	1,451,219	368,474	400	1,820,093
Total cash	\$ 2,749,728	960,699	2,600	3,713,027

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. 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 Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 3 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2018, consisted of the following:

Taxes Receivables	
Property taxes	
Current	\$ 26,931
For future reporting period	3,539,197
Property taxes receivable	3,566,128
General sales taxes	276,160
Franchise taxes	117,370
Gaming fees and taxes	142,982
Total taxes receivable	<u>4,102,640</u>
Court fines receivable	760,093
Less: allowance for doubtful accounts	<u>(570,070)</u>
Total court fines receivable, net	<u>190,023</u>
Intergovernmental receivables	
Federal grants	39,830
State grants and contributions	249,440
Total other taxes and grants	<u>289,270</u>
NSF Checks receivable	<u>10,027</u>
Total receivable - governmental activities	<u><u>\$ 4,591,960</u></u>

B. Business-type Activities

Receivable in the business-type activities at September 30, 2018, consisted of the following:

Intergovernmental receivable	<u>\$ 2,964</u>
Customer accounts receivable:	
Customer utility charges	1,640,838
Customer slip rental charges	15,961
Customer accounts, earned but unbilled	163,756
Less: allowance for doubtful accounts	<u>(1,386,530)</u>
Total customer accounts receivable, net	<u>434,025</u>
Total receivable - business-type activities	<u><u>\$ 436,989</u></u>

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of \$1,371,980 at September 30, 2018, has been provided in the Utility fund and \$14,550 in the Harbor fund for estimated uncollectible utility and slip charges.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 4 – Interfund Transactions and Balances

Government-wide Financial Statements

A. Internal Balances

At September 30, 2018, the City had the following interfund loans:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	\$ 67,350

These amounts represent residual monies loaned from the business-type activities to the governmental activities.

B. Transfers In/Out:

Transfers were made in the course of the year for between the governmental and business-type activities for capital expenditures and debt service.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	\$ 127,361

Fund Financial Statements

A. Due From/To Other Funds:

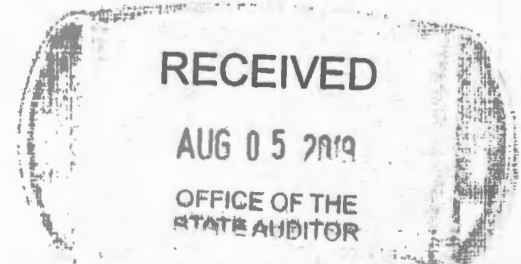
During the course of the year, certain expenditures were paid on a reimbursement basis requiring the City to borrow monies at year-end from the general fund in order to prevent a deficit cash balance in certain funds. Allocation percentages of federal reimbursement for construction projects caused expenditures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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Utility Fund	\$ 45,032
General Fund	Harbor Fund	22,318
Other Governmental Funds	General Fund	220,073
Harbor Fund	Utility Fund	2,877
Total		<u>\$ 290,300</u>

B. Transfers In/Out:

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Utility Fund	\$ 127,361
Other Governmental Funds	General Fund	973,734
Total		<u>\$ 1,101,095</u>



City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 5 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2018:

	Balance 10/1/2017	Additions	Adjustments/ Disposals	Balance 9/30/2018
Capital assets not being Depreciated:				
Land	\$ 857,633	600	-	858,233
Construction in Progress	5,290,933	154,501	(5,290,933)	154,501
Total capital assets not being depreciated	<u>6,148,566</u>	<u>155,101</u>	<u>(5,290,933)</u>	<u>1,012,734</u>
Capital assets being depreciated:				
Buildings & Improvements	29,578,279	-	-	29,578,279
Infrastructure	33,532,562	281,912	5,290,932	39,105,406
Machinery & Equipment	2,207,612	32,550	94,460	2,334,622
Mobile Equipment	2,478,244	53,068	(13,466)	2,517,846
Equipment under Capital Leases	1,718,103	211,302	(66,303)	1,863,102
Total capital assets being depreciated	<u>69,514,800</u>	<u>578,832</u>	<u>5,305,623</u>	<u>75,399,255</u>
Less accumulated depreciation for:				
Buildings & improvements	4,057,328	611,054	(2)	4,668,380
Infrastructure	12,527,605	1,562,548	103	14,090,256
Machinery & Equipment	1,927,214	69,086	(14,228)	1,982,072
Mobile Equipment	2,181,035	44,725	(12,117)	2,213,643
Equipment under Capital Leases	510,009	250,454	2	760,465
Total accumulated depreciation	<u>21,203,191</u>	<u>2,537,867</u>	<u>(26,242)</u>	<u>23,714,816</u>
Total Capital assets being depreciated, net	<u>48,311,609</u>	<u>(1,959,035)</u>	<u>5,331,865</u>	<u>51,684,439</u>
Total governmental activities capital assets, net	<u>\$ 54,460,175</u>	<u>(1,803,934)</u>	<u>40,932</u>	<u>52,697,173</u>

Depreciation expense was charged to the following governmental functions:

General Government	\$ 405,811
Public Safety	429,428
Public Works	1,702,628
	<u>\$ 2,537,867</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 5 – Capital assets (continued)

B. Business-type Activities

The following is a summary of business-type capital assets activity for the year ended September 30, 2018:

	Balance 10/1/2017	Additions	Adjustments/ Sales	Balance 9/30/2018
Capital assets being depreciated:				
Building and Improvements	118,603	-	-	118,603
Water, Sewer & Gas Systems	75,601,623	-	-	75,601,623
Harbor Infrastructure	21,799,671	-	(33,290)	21,766,381
Machinery & Equipment	603,101	1,540	28,941	633,582
Mobile Equipment	107,051	-	-	107,051
Equipment under Capital Leases	-	17,925	-	17,925
Total capital assets being depreciated	<u>98,230,049</u>	<u>19,465</u>	<u>(4,349)</u>	<u>98,245,165</u>
Less accumulated depreciation for:				
Building and Improvements	79,625	1,002	-	80,627
Water, Sewer & Gas Systems	29,081,064	2,952,801	(101)	32,033,764
Harbor Infrastructure	1,743,490	544,160	(1,111)	2,286,539
Machinery & Equipment	440,306	25,634	512	466,452
Mobile Equipment	96,348	-	-	96,348
Equipment under Capital Leases	-	1,210	-	1,210
Total accumulated depreciation	<u>31,440,833</u>	<u>3,524,807</u>	<u>(700)</u>	<u>34,964,940</u>
Total business-type activities capital assets, net	<u>\$ 66,789,216</u>	<u>(3,505,342)</u>	<u>(3,649)</u>	<u>63,280,225</u>

Depreciation expense was charged to the following governmental functions:

Utility Fund	\$ 2,974,401
Harbor Fund	550,406
Total depreciation - business-type activities	<u>\$ 3,524,807</u>

C. Net Investment in Capital Assets/Net Position

	Governmental Activities	Business-type Activities
Land	\$ 858,233	-
Construction in progress	154,501	-
Other capital assets, net of accumulated depreciation	51,684,439	63,280,225
Less: related long-term debt outstanding - spent	(5,145,019)	(15,700)
	<u>\$ 47,552,154</u>	<u>63,264,525</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 6 – Capital Leases

In prior fiscal years, the City has obtained lease financing for the purchase of mobile equipment and other machinery and equipment in the amounts of \$1,718,103. In the current year, the City obtained lease financing for the purchase of vehicles and machinery and equipment in the amount of \$229,247. These capital assets are listed on the schedules of capital assets as "Equipment under Capital Leases". Title to the assets is held in the name of the City and the banks as lien holder. The City insures the assets and accounts for the leasing arrangements. Amortization of leased equipment under capital assets is included with depreciation expense. The following is a schedule of the City's capital leases as of September 30, 2018:

	Matures	Original Issue	Stated Interest Rate	Present Value of Remaining Payments as of 09/30/2018
Governmental Activities				
Kansas State Bank (11 Dodge Chargers)	August 2020	\$ 419,638	2.71%	\$ 164,210
BanCorpSouth (Kubota Tractor)	July 2021	64,794	2.14%	37,565
Wells Fargo (Ferrara Pumper)	April 2026	495,516	2.31%	402,616
BanCorpSouth (Kubota Tractor)	August 2022	75,898	2.41%	60,220
Suntrust Bank (Ferrara Fire Ladder Truck)	November 2023	579,947	2.82%	364,451
BanCorpSouth (John Deere Tractor)	November 2018	82,310	1.96%	2,875
The First Bank (Kubota Excavator)	February 2023	24,706	2.85%	21,615
The First Bank (Public Works Equipment)	April 2023	63,610	3.50%	57,747
The First Bank (Backhoe.Loader0	June 2023	66,134	2.85%	63,067
The First Bank (Vehicles0	March 2023	56,872	2.85%	50,653
Total Governmental Activities				1,225,019
Business-type Activities				
The First Bank (Mini Excavator - Utility Fund)	February 2023	17,945	2.85%	15,700
Total PV of capital lease obligations				<u>\$ 1,240,719</u>

The following is a schedule by years of the total payments due as of September 30, 2018:

September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 281,146	29,887	311,033	\$ 3,159	380	3,539
2020	230,290	22,854	253,144	3,543	317	3,860
2021	178,022	17,698	195,720	3,647	211	3,858
2022	169,924	13,125	183,049	3,755	105	3,860
2023	140,917	8,780	149,697	1,596	11	1,607
2024-2026	224,720	9,281	234,001	-	-	-
	<u>\$ 1,225,019</u>	<u>101,625</u>	<u>1,326,644</u>	<u>\$ 15,700</u>	<u>1,024</u>	<u>16,724</u>

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

Governmental activities:	
Equipment under capital leases	\$ 1,863,102
Less: accumulated amortization	(760,465)
Total governmental activities	<u>1,102,637</u>
Business-type activities	
Equipment under capital leases	17,925
Less: accumulated amortization	(1,210)
Total business-type activities	<u>16,715</u>
Net values of equipment under capital leases	<u>\$ 1,119,352</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 7 – Court Fines Receivable/Deferred Inflows of Resources

Court fines receivables are recorded as deferred inflow of sources in the fund financial statements due to the funds using modified accrual basis. However, revenues received during the year are recorded in the government-wide financial statements on the full-accrual basis of accounting. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by citizens to the municipal courts since the City started providing court services. Court fines receivable at September 30, 2018, were \$760,093, of which an allowance of \$570,070 has been determined as uncollectible with \$190,023 deemed collectible.

Note 8 – Retirement Plans

A. Defined Benefit Pension Plan

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

Plan Description and Provisions

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

Benefits Provided

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

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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

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, 2018, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

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

At September 30, 2018, the City reported a liability of \$8,782,208 in the governmental activities and \$1,197,574 in the business-type activities for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion was .062%. For the year ended September 30, 2018, the City recognized \$654,427 of PERS pension expense for governmental activities and \$89,240 for the business-type activities.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 38,501	5,250	43,751
Changes of assumptions	5,180	708	5,888
City's contributions subsequent to the measurement date	145,898	19,893	165,791
Total	<u>\$ 189,579</u>	<u>25,851</u>	<u>215,430</u>

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

At September 30, 2018, the City reported deferred inflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 37,020	5,050	42,070
Changes of assumptions	4,850	660	5,510
Net difference between projected and actual earnings on pension plan investments	174,579	23,806	198,385
Differences between City contributions and proportionate share on contributions	102,867	14,027	116,894
Total	<u>\$ 319,316</u>	<u>43,543</u>	<u>362,859</u>

Within the deferred outflows, a net amount of \$165,791 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

The remaining amounts reported as deferred outflows of resources related to pensions of \$49,639 and deferred inflows of resources related to pensions of \$362,859 netting to (\$313,220) will be recognized in pension expense as follows:

Year Ending September 30,	
2019	\$ 115,439
2020	(134,154)
2021	(250,308)
2022	(44,197)
	<u>\$ (313,220)</u>

Actuarial assumptions

The total pension liabilities in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 - 18.5 percent, including inflation
Investment rate of return	7.75 percent (net of pension plan investment expense, including inflation)



City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

The table for post-retirement mortality rates used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with male rates set forward one year.

The actuarial assumptions used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the four-year period ending June 30, 2016. The experience report is dated April 18, 2017.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

Discount rate

The discount rate used to measure the total pension liability for PERS was 7.75 percent, which was based on the future long-term expected rate of return of 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.0%) and that employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.4%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 8 – Retirement Plans (continued)

A. Defined Benefit Pension Plan (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1 % Increase (8.75%)
City's Proportionate share of PERS	\$ 13,140,510	\$ 9,979,782	\$ 7,352,801

Pension plan fiduciary net position

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

Three-year Trend Information

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

Fiscal Years Ending	Employer Contributions
2018	\$ 623,273
2017	618,402
2016	571,586

B. Deferred Compensation Plan

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 9 – Long-term Debt

Bonds, notes and other long-term debt payable at September 30, 2018, are comprised of the following:

	Matures	Original Issue	Interest Rate	Amount Outstanding
Governmental Activities:				
General Obligation Bonds				
GO Katrina Loan Refunding Bonds, Series 2010	March 2020	\$ 1,075,000	2.47%	\$ 215,000
GO Road and Construction Bonds, Series 2016	March 2036	4,000,000	2.50%	3,705,000
Total General Obligation Bonds				3,920,000
Total Capital Leases Payable - <i>See Note 6</i>	Various	1,929,425	Various	1,225,019
Total Bonds and Capital Leases Payable				5,145,019
Compensated Absences Payable				218,221
Total Governmental Activities Debt				<u>\$ 5,363,240</u>
Business-type Activities:				
Total Capital Leases Payable - <i>See Note 6</i>	February 2023	17,945	2.85%	15,700
Compensated Absences Payable				39,648
Total Business-type Activities Outstanding Debt				<u>\$ 55,348</u>
Total Government-wide Outstanding Debt				<u>\$ 5,418,588</u>

A. Governmental Activities

Transactions for the year ended September 30, 2018, are summarized as follows:

	Balance 10/1/2017	Additions	Retirements	Balance 9/30/2018	Within one Year
General Obligation Bonds	\$ 4,177,500	-	(257,500)	3,920,000	262,500
Notes Payable	17,908	-	(17,908)	-	-
Capital Leases - <i>See Note 6</i>	1,283,617	211,322	(269,920)	1,225,019	281,146
Compensated Absences	192,384	136,972	(111,135)	218,221	56,313
	<u>\$ 5,671,409</u>	<u>348,294</u>	<u>(656,463)</u>	<u>5,363,240</u>	<u>599,959</u>

General Obligation Bonds, Series 2017 – In 2017, the City issued \$4,000,000 in general obligation bonds to be used for road and construction improvements in the City. The bond is to be repaid over 20 years, maturing in March 2036 and carries an interest rate of 2.5%. Payment on this bond will be made from general ad valorem tax collections.

General Obligation – Katrina Loan Refunding Bond, Series 2010 – In 2010, the City issued \$1,075,000 in general obligation refunding bonds to be used to cover the costs associated with Hurricane Katrina for public improvements and repairs in the City. The bond is to be repaid over 10 years, maturing in 2020, and carries a fixed interest rate of 2.47%. Payment on this bond will be made from general ad valorem tax collections.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 9 – Long-term Debt (continued)

A. Governmental Activities (continued)

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

September 30,	Principal	Interest	Total
2019	\$ 262,500	124,396	386,896
2020	267,500	116,703	384,203
2021	165,000	110,125	275,125
2022	170,000	104,812	274,812
2023	175,000	99,287	274,287
2024-2028	970,000	405,899	1,375,899
2029-2033	1,135,000	238,712	1,373,712
2034-2036	775,000	51,862	826,862
	<u>\$ 3,920,000</u>	<u>1,251,796</u>	<u>5,171,796</u>

B. Business-type Activities

Transactions for the year ended September 30, 2018, are summarized as follows:

	Balance 10/1/2017	Additions	Retirements	Balance 9/30/2018	Due Within one Year
Revenue Refunding Bonds	\$ 370,000	-	(370,000)	-	-
Capital Leases - <i>See Note 6</i>	-	17,925	(2,225)	15,700	3,159
Compensated Absences	37,621	27,576	(25,549)	39,648	10,501
Total business-type activities	<u>\$ 407,621</u>	<u>45,501</u>	<u>(397,774)</u>	<u>55,348</u>	<u>13,660</u>

C. Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2018, the amount of outstanding debt was equal to 3.7% of the latest property assessments.

D. Compensated Absences

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

Note 10 – Property, Sales and Gaming Taxes Revenue

A. Property Tax Revenues

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



City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

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

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2018, was 26.75 mills or \$26.75 per \$1,000 of assessed valuation.

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

B. General Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Bay St. Louis) back to the City monthly. General sales tax revenue reported in the General Fund was \$1,657,069.

C. Gaming Fees and Taxes Revenue

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

Gross Revenue Gaming Tax and Gaming Device Tax

The gross revenue gaming tax is imposed and collected by the State of Mississippi which is similar to sales tax and is remitted to the City. The gaming device tax is similar to a personal property tax and is assessed on all gaming devices maintained by the casino; this tax is also collected by the State of Mississippi. The amount of tax recognized as gaming revenue and gaming devices is \$1,808,594 and \$106,100 respectively.

Boarding Fees

The City has negotiated a contractual amount of boarding fees to be paid directly to the City on a monthly basis and is based on gross gaming revenues. In the year ended September 30, 2018, the City collected \$99,833 in boarding fees.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 11 – Risk Management and Contingencies

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

Worker's Compensation Fund – The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

Claims and Judgments – The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks exceeded commercial insurance coverage in the amount of \$100,000 in 2018.

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

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel has advised us that the possibility exists of a liability resulting from these lawsuits. These lawsuits may have a material adverse effect on the financial condition of the City in the future. A liability, in the amount of \$100,000 has been recorded for this contingency in the current year ended September 30, 2018.

Note 12 – Commitments and Contingencies

A. Joint Ventures

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

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 12 – Commitments and Contingencies (continued)

A. Joint Ventures (continued)

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

Hancock County Regional Solid Waste Management Authority

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

The Authority is governed by a Board of Commissioners composed of eight commissioners two appointed by Hancock County Board of Supervisors and the remaining appointed by the member units of local government pursuant to the Act.

Pursuant to the terms of the agreement with the Authority, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$512,298 for the year.

A complete copy of the 2018 financial statements should be on file at the administrative offices of the Authority which are located at 854 US Highway 90, Bay St. Louis, MS 39520 or may be obtained by calling (228) 549-2052.

Hancock County Utility Authority

City of Bay St. Louis contracts with the Hancock County Utility Authority (the "Utility Authority"), whereby the Utility Authority disposes of the City's wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control law and the Federal Water Pollution Control Act.

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$910,024 for the year.

A complete copy of the 2018 financial statements should be on file at the administrative offices of the Authority which are located at 401 Gulfside Street, Waveland, MS 39576 or may be obtained by calling (228) 467-3702.

City of Bay St. Louis, Mississippi
Notes to the Financial Statements
September 30, 2018

Note 12 – Commitments and Contingencies (continued)

B. Construction Contract Commitments

The City has one contract listed as construction in progress in Note 5. The remaining balance of the commitment as of September 30, 2018, is \$248,248. The City has one other contract for which no funds had been disbursed as of September 30, 2018; the amount of this contract is \$193,855.

Note 13– Subsequent Events

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 18, 2019, (the date the financial statements were available to be issued) and determined that the no significant subsequent events have occurred requiring disclosure in the notes to the financial statement.



REQUIRED SUPPLEMENTARY INFORMATION

City of Bay St. Louis, Mississippi
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund
Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2018
(UNAUDITED)

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Taxes	\$ 5,291,948	5,460,388	5,457,695	168,440	(2,693)
Licenses and permits	423,400	467,400	483,202	44,000	15,802
Fines and Fees	166,300	154,300	147,686	(12,000)	(6,614)
Gaming	2,072,100	2,036,100	2,028,093	(36,000)	(8,007)
Grants	208,805	208,805	205,695	-	(3,110)
Interest	750	750	2,044	-	1,294
Other	750,778	924,053	929,811	173,275	5,758
Total Revenues	8,914,081	9,251,796	9,254,226	337,715	2,430
Expenditures:					
General government:					
Personnel services	1,280,380	1,206,136	1,189,860	74,244	16,276
Supplies	1,945,319	2,114,978	2,106,665	(169,659)	8,313
Other services and charges	28,334	34,034	29,455	(5,700)	4,579
Capital outlay	46,734	21,734	18,399	25,000	3,335
Total general government	3,300,767	3,376,882	3,344,379	(76,115)	32,503
Public safety:					
Personnel services	3,031,062	2,855,307	2,824,229	175,755	31,078
Supplies	168,000	143,500	115,273	24,500	28,227
Other services and charges	90,400	113,400	100,350	(23,000)	13,050
Capital outlay	200,071	275,571	259,317	(75,500)	16,254
Total public safety	3,489,533	3,387,778	3,299,169	101,755	88,609
Public works:					
Personnel services	1,129,234	968,948	963,712	160,286	5,236
Supplies	776,192	845,692	822,713	(69,500)	22,979
Other services and charges	91,250	135,250	126,656	(44,000)	8,594
Capital outlay	11,735	14,735	14,135	(3,000)	600
Total public works	2,008,411	1,964,625	1,927,216	43,786	37,409
Total Expenditures	8,798,711	8,729,285	8,570,764	69,426	158,521
Excess (Deficiency) of Revenues					
Over Expenditures	115,370	522,511	683,462	407,141	160,951
Other Financing Sources (Uses):					
Transfers out	(186,722)	(724,000)	(574,280)	(537,278)	149,720
Total Other Financing Sources (Uses)	(186,722)	(724,000)	(574,280)	(537,278)	149,720
Net Change in fund balance -					
Budget-Cash Basis	\$ (71,352)	(201,489)	109,182	(130,137)	310,671

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

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City of Bay St. Louis, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedule
For the Fiscal Year Ended September 30, 2018
(UNAUDITED)

A. Budgetary Information.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

Net Change in fund balance - Budget-Cash Basis		\$ 109,182
Revenues/Transfers per Cash-basis Budget	\$ 8,679,946	
Additional accrued revenues	<u>316,514</u>	316,514
Revenues/Transfers per Fund Financial Statements	<u>8,996,460</u>	
Expenditures/Transfers per Cash-basis Budget	8,570,764	
Additional accrued expenses	<u>(189,527)</u>	189,527
Expenditures/Transfers per Fund Financial Statement	<u>8,381,237</u>	
Lease/Insurance proceeds not budgeted	<u>238,397</u>	<u>238,397</u>
Net Change in fund balance - Fund Financials		<u><u>\$ 853,620</u></u>

City of Bay St. Louis, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedule
For the Fiscal Year Ended September 30, 2018
(UNAUDITED)

D. Budgetary Data

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

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

City of Bay St. Louis, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2018
(UNAUDITED)

	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.062%	0.060%	0.061%	0.064%
City's proportionate share of the net pension liability (asset)	\$ 9,979,782	9,974,036	10,896,124	9,893,138
City's covered payroll	\$ 3,989,181	3,859,956	3,927,149	3,949,302
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	250.17%	258.40%	277.46%	250.50%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

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

City of Bay St. Louis, Mississippi
Schedule of the City's Contributions
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2018
(UNAUDITED)

	2018	2017	2016	2015
Contractually required contribution	\$ 623,273	618,402	571,586	614,636
Contributions in relation to the contractually required contribution	623,273	618,402	571,586	614,636
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 3,957,289	3,926,362	3,629,117	3,902,451
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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City of Bay St. Louis, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2018
(UNAUDITED)

Pension Schedules

Changes of assumptions

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to 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.

Changes in benefit provisions

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

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

City of Bay St. Louis, Mississippi
Schedule of Surety Bonds
(Required by State of Mississippi)
For the Fiscal Year Ended September 30, 2018
(UNAUDITED)

Position	Name	Bond
Mayor	Michael Favre	\$ 100,000
Councilman at Large	Gary Knoblock	100,000
Councilmember	Phillip D Seal Jr	100,000
Councilmember	Joshua Martin DeSalvo	100,000
Councilmember	William Zimmerman	100,000
Councilmember	Larry Smith	100,000
Councilmember	Eugene Hoffman	100,000
Councilmember	Jeffery Reed	100,000
City Clerk/Comptroller	Sissy Gonzales	100,000
Deputy City Clerk	Dana Feuerstein	50,000
Harbor Master	Charles Fortin	50,000
Deputy Harbor Master	Duane Caughlin	50,000
Clerk of Council	Lisa Tilley	50,000
Deputy Clerk of Council/Utility Clerk	Caitlin Thompson	50,000
Human Resources Officer	Jamie Favre	50,000
Accounts Receivable/Payable Clerk	Linda Garcia	50,000
Court Clerk	Clementine Sheppard	50,000
Deputy Court Clerk	Rachel Smith	50,000
Deputy Court Clerk	Susan Kihneman	50,000
Utility Supervisor	Patricia Tice	50,000
Utility Clerk	Katie Stewart	50,000
Utility Clerk	Mary Ann Bremer	50,000
NTF Officer	E J Taylor Jr	50,000
Harbor Security	Derek White	50,000
Police Chief	Gary Ponthieux	50,000
Assistant Police Chief	Alvin Kingston	50,000
Police Clerk	Tammy Brady	50,000
Police Clerk	Chenea Cardinale	50,000
Departmental	Police Department	25,000



SPECIAL REPORTS

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

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

June 18, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as items 2018-001 through 2018-2003 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted a matter that we reported to the management of the City in the Limited Internal Control and Compliance Review Management Report dated June 18, 2019, included within this document.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Walter W. Smith, Jr.

WRIGHT, WARD, HATTEN & GUEL

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

June 18, 2019

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

In planning and performing our audit of the financial statements of the City of Bay St. Louis, Mississippi for the year ended September 30, 2018, we considered the City's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Bay St. Louis, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 18, 2019, on the financial statements of the City of Bay St. Louis, Mississippi.

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

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

- | | |
|-----------|--|
| 1. | Inventory Asset Tags |
| Criteria | Assets meeting the criteria as outlined in the Mississippi Municipal Fixed Assets Management Manual should be physically tagged. |
| Condition | Assets were not being physically tagged as required. |
| Cause | Employee turnover and lack of training for employees assuming the duties of the Fixed Assets Control Clerk. |

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Effect Failure to properly tag assets can lead to the inability to identify lost or stolen assets in a timely manner. The lack of an asset tag can also allow for easier theft of the asset.

Recommendation We recommend the city follow the requirement for asset tagging as outlined in the MS Municipal Fixed Assets Management Manual.

View of Responsible Official The city will begin training key personnel on the State of Mississippi Fixed Asset tagging procedures so that existing and future assets are properly maintained.

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

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

*Walter W. White * [Signature]*

**CITY OF BAY ST. LOUIS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Unmodified |
| | General Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance related to the financial statement noted? | No |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2018-001	Court Fines and Related Assets
Repeat Finding	Yes 2017-003
Criteria	Proper accounting for court fine revenue is required to accurately determine court fines assessments due to the City, other agencies and to determine the court fines receivable for each court case.
Condition	Reports for accounts receivable were not created on September 30, 2018.
Cause	The City's court department was not running the accounts receivable report at the end of each month and not reconciling this report in order to determine the accurate accounts receivable balances.
Effect	Inadequate review and untimely generation of reports can result in noncompliance with court orders and state regulations and cause inaccuracies in financial reporting.
Recommendation	The accounts receivable, cash bonds and restitution reports should be printed and reviewed and reconciled monthly to ensure correct classifications and financial reporting.

**CITY OF BAY ST. LOUIS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Significant Deficiency

2018-002 Utility Billing and Consumption

Repeat Finding Yes 2017-05

Criteria Customer billings should be reviewed each month, prior to printing and mailing, for incorrectly calculated account balances and for excessive amounts of unbilled consumption. In-Code consumption meter readings must be updated along with the adjustments to the customer's account in order to verify that the amount of water being billed each month is the true amount of water that has been used for each customer's account.

Condition The In-Code system is not properly setup to register and record new utility customers first bill if there has been consumption at the property after the last final bill has been paid by the previous tenant. This results in large "roll over" bills which require manual entry to adjust the customer's account balance to the true amount of consumption on the account. This must be done manually before mailing. Not all errors are being corrected leaving large unbilled consumption amounts on monthly reports. This makes accurate unbilled consumption amounts difficult to determine.

Cause There is no regular review process by utility personnel of the "roll-over" bills to correct the bill and the related consumption.

Effect The consumption amounts on the monthly billing reports are not accurate and relevant to determine true unbilled consumption. Incorrect roll-over bills are being sent to customers.

Recommendation We recommend that the Utility department carefully monitor system prompts for accounts that need attention as well as review consumption summary reports and compare them with monthly billings to determine if account adjustments need to be made. It is also recommended that the department contact In-Code customer service and determine if there are any system adjustments that can be made to stop "Roll-Over" bills from occurring in the first place. If this error cannot be resolved, it is recommended that the department develop a formal review process for handling this situation.

Significant Deficiency

2018-003 Harbor Billings and Unapplied Credits

Repeat Finding Yes 2017-006

Criteria Harbor billing and receivable reports should be run and reviewed monthly, accompanied with reconciliations of these reports to the general ledger to determine accuracy and completeness. All reports must be run at the end of each month to ensure consistency among reported account values.

**CITY OF BAY ST. LOUIS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Condition	The accounts receivable and unapplied credits accounts do not appear to be accurately stated on the general ledger based on account detail and report activity. The general ledger should be reconciled to the subsidiary ledgers for accounts receivable and unapplied credits each month. With subsidiary ledgers not currently being reconciled to the general ledger accounts, it is possible for billing to be recorded in the In-Code system, prior to the true billing date.
Cause	Aged accounts receivable report and unapplied credits are not being reconciled monthly to the reports, the general ledger or vessels in the harbor.
Effect	Failure to reconcile the accounts receivable and unapplied credit reports can cause an overstatement of slip revenue and a decrease in cash collections. The lack of timeliness of the reconciliations can make future collections more difficult.
Recommendation	We recommend that a reconciliation be performed monthly by comparing the accounts receivable aging report and the unapplied credits report to the general ledger each month. If there are discrepancies between these reports, the research must be done and reports should be reconciled with the general ledger.

AUDITEE'S CORRECTIVE ACTION PLAN

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**Corrective Action Plan
For the Year Ended September 30, 2018**

2018-001 Court Fines and Related Assets

(Prior Year Audit Finding)

Response: The Court Department will and has taken corrective measures since last year's finding. Accounts receivable reports will be created at each fiscal year. Since it has been brought to our attention, reports have been generated monthly for restitution and accounts receivable outstanding and sent or emailed to the City Comptroller monthly. Cash bond reports are sent to our department monthly from the Sheriff's office and will be reconciled upon receiving.

2018-002 Utility Billing and Consumption

(Prior Year Audit Finding)

Response: Customer bills are being reviewed each month to be sure the consumption is calculated correctly prior to bills being mailed out. We have begun to monitor bill errors and warnings to illuminate high bills and roll-overs. We have set up a monthly review process for consumption reports, as well as reviewing prior month's bills.

2018-003 Harbor Billings and Unapplied Credits

(Prior Year Audit Finding)

Response: It seems the discrepancies were a result of posting the monthly billing prior to the first, the charges were reflected in the billing module on the billing date and not in GL until the first of the month billed, therefore the reports run on the last day of the month would not reconcile. After changing the process in May of 2019 and holding off on posting until the first of the month billed; this issue seems to be resolved. If reconciliation of AR reports was done close to month-end, prior to billing; these discrepancies would not have shown at that time. Monthly reconciliation will continue under the new process.

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