

**CITY OF BAY ST. LOUIS, MISSISSIPPI**

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2022

**CITY OF BAY ST. LOUIS, MISSISSIPPI**  
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**For the Year Ended September 30, 2022**

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## INTRODUCTORY SECTION

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CITY OF BAY ST. LOUIS, MISSISSIPPI  
Elected Officials and Appointed Department Heads  
For the Year Ended September 30, 2022  
UNAUDITED

**ELECTED OFFICIALS**

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

**APPOINTED DEPARTMENT HEADS**

Chief Administrative Officer/City Clerk	Michael Reso
City Attorney	Heather Smith
Police Department	Toby Schwartz
Fire Department	Monty Strong
Public Works	Ronnie Vanney

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## FINANCIAL SECTION

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# 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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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bay St. Louis, Mississippi, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Emphasis of Matter*

##### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, effective October 1, 2021, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibility for Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on pages 47-50, and the schedule of changes in the City's net pension and related ratios schedule and notes to the pension schedules on pages 51-54 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 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 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises introductory and statistical sections and the Schedule of Surety Bonds for City Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

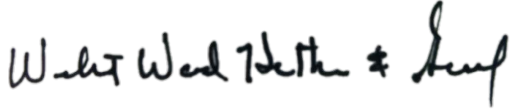
### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the 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 30, 2023, on our consideration of the City of Bay St. Louis, Mississippi'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 Mississippi's internal control over financial reporting and compliance.



Wright, Ward, Hatten & Guel  
Gulfport, Mississippi  
June 30, 2023

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## MANAGEMENT DISCUSSION AND ANALYSIS

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CITY OF BAY ST. LOUIS, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2022  
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, 2022 and 2021. 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, 2022, is 10,596. The median household income is \$59,569 with over 93.4% of persons 25 years or older holding a high school degree or higher.

### Government-wide Financial Highlights

- Total net position increased \$2,070,107 or 2.2% from 2021 primarily due to increased grant and general sales taxes.
- General revenues amounted to \$12,933,007 or 49% of total revenues. This amount increased \$2,800,858 from 2021. Program revenues amounted to \$13,369,242 or 51% of total revenues, which increased \$1,221,887 from 2021. This increase was mostly due to significant grant income from the American Rescue Act Program and COVID-19 related grants to cities and an increase in gaming fees and taxes.
- Capital assets, net of accumulated depreciation, increased by \$43,177 in the governmental activities and decreased \$3,244,741 in the business-type activities during 2022. The increase in the governmental activities stems primarily from new infrastructure and construction in progress from the Special Obligation Bond, Series 2021 issue. The decrease in the business-type activities stems primarily from annual depreciation.
- Long-term debt decreased by \$297,924 in the governmental activities and increased by \$1,781,429 in the business-type activities. The City's total debt outstanding at September 30, 2022 is \$12,700,521 which includes the liability for compensated absences of \$318,462.

### Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$12,034,690 in revenues, which shows an increase of \$1,127,939 from 2021 and \$8,875,592 in expenditures, an increase of \$743,519 from 2021. The General Fund's fund balance increased by \$890,180 primarily due to additional gaming fees and tax collections.

CITY OF BAY ST. LOUIS, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2022  
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 2022?" 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 2022 compared to 2021.

CITY OF BAY ST. LOUIS, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2022  
UNAUDITED

**TABLE 1**  
**Condensed Statement of Net Position**  
**September 30, 2022 and 2021**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Assets</b>						
Current assets	\$ 19,239,827	\$ 13,234,639	1,240,152	2,271,082	20,479,979	15,505,721
Noncurrent and capital assets	52,821,066	56,795,419	55,012,050	54,412,325	107,833,116	111,207,744
<b>Total Assets</b>	<b>72,060,893</b>	<b>70,030,058</b>	<b>56,252,202</b>	<b>56,683,407</b>	<b>128,313,095</b>	<b>126,713,465</b>
<b>Deferred Outflows</b>	<b>1,726,852</b>	<b>1,435,029</b>	<b>281,115</b>	<b>177,363</b>	<b>2,007,967</b>	<b>1,612,392</b>
<b>Liabilities</b>						
Current liabilities	2,115,622	2,239,147	1,150,308	1,919,974	3,265,930	4,159,121
Non-current liabilities	21,517,853	18,760,002	3,411,616	98,649	24,929,469	18,858,651
<b>Total Liabilities</b>	<b>23,633,475</b>	<b>20,999,149</b>	<b>4,561,924</b>	<b>2,018,623</b>	<b>28,195,399</b>	<b>23,017,772</b>
<b>Deferred Inflows</b>	<b>4,773,107</b>	<b>7,195,748</b>	<b>3,892</b>	<b>320,216</b>	<b>4,776,999</b>	<b>7,515,964</b>
<b>Net Position</b>						
Investment in capital assets, net of related debt	41,010,763	43,222,415	52,366,144	55,718,204	93,376,907	98,940,619
Restricted net assets	7,040,583	2,933,183	185,564	124,966	7,226,147	3,058,149
Unrestricted	(2,670,183)	(2,885,408)	(584,207)	(1,321,239)	(3,254,390)	(4,206,647)
<b>Total Net Position</b>	<b>\$ 45,381,163</b>	<b>\$ 43,270,190</b>	<b>51,967,501</b>	<b>54,521,931</b>	<b>97,348,664</b>	<b>97,792,121</b>

**TABLE 2**  
**Condensed Statement of Activities**  
**September 30, 2022 and 2021**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues:</b>						
Program revenues	\$ 6,343,242	6,769,753	7,026,000	5,377,602	13,369,242	12,147,355
General revenues	12,757,956	10,075,610	175,051	56,539	12,933,007	10,132,149
<b>Total revenues</b>	<b>19,101,198</b>	<b>16,845,363</b>	<b>7,201,051</b>	<b>5,434,141</b>	<b>26,302,249</b>	<b>22,279,504</b>
<b>Expenses:</b>						
General government	2,910,334	2,657,532	-	-	2,910,334	2,657,532
Public safety	4,275,143	3,899,461	-	-	4,275,143	3,899,461
Public works	7,191,103	6,660,100	-	-	7,191,103	6,660,100
Interest and issuance cost on debt	292,287	487,487	-	-	292,287	487,487
Utility	-	-	7,380,650	6,709,221	7,380,650	6,709,221
Harbor	-	-	2,182,625	1,410,528	2,182,625	1,410,528
<b>Total expenses</b>	<b>14,668,867</b>	<b>13,704,580</b>	<b>9,563,275</b>	<b>8,119,749</b>	<b>24,232,142</b>	<b>21,824,329</b>
Transfers	192,206	342,581	(192,206)	(342,581)	-	-
Increase (Decrease) in net assets	4,624,537	3,483,364	(2,554,430)	(3,028,189)	2,070,107	455,175
Net Position - beginning, restated	40,756,626	39,786,826	54,521,931	57,550,120	95,278,557	97,336,946
<b>Net Position - ending</b>	<b>\$ 45,381,163</b>	<b>43,270,190</b>	<b>51,967,501</b>	<b>54,521,931</b>	<b>97,348,664</b>	<b>97,792,121</b>

CITY OF BAY ST. LOUIS, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2022  
UNAUDITED

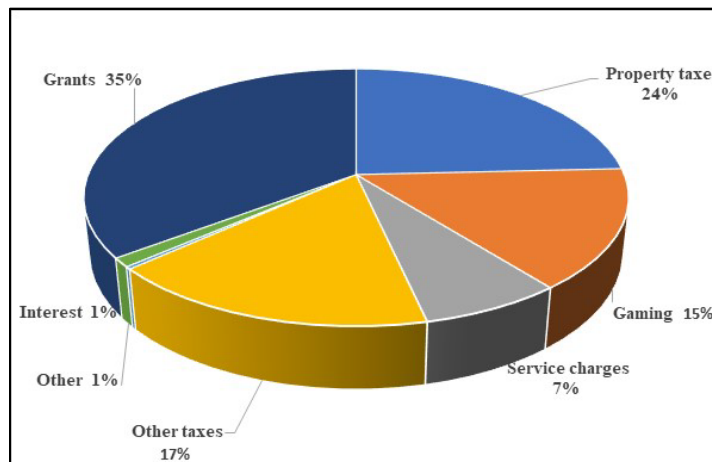
*Governmental Activities*

Total net position in the governmental activities increased \$4,624,537 up from a \$3,483,364 increase in 2021. Much of this increase is due to an increase in gaming fees and revenues along with American Rescue Act funds.

Under the accrual basis of accounting, general revenues amounted to \$12,757,956 or 67% of total revenues. This amount increased \$2,682,346 from 2021. This increase is primarily due to American Rescue Act funds received that the City elected to classify as revenue replacement under the standard allowance. Program revenues amounted to \$6,343,242 or 33% of total revenues, which decreased \$426,511 from 2021 primarily due to a decrease in grant revenues.

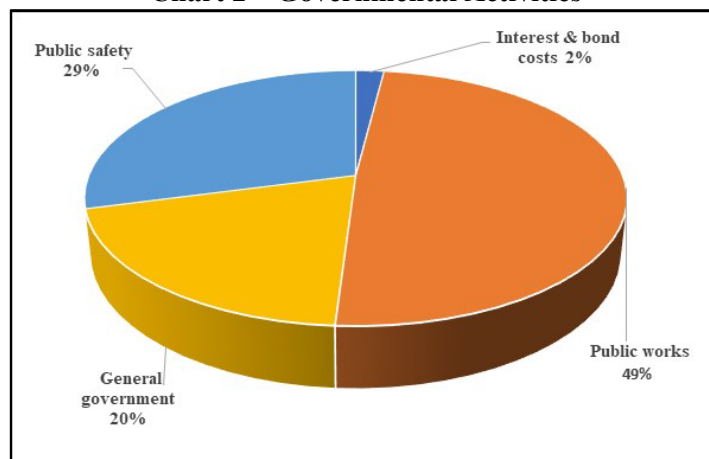
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

**Chart 1 – Governmental Revenue Sources**



Major governmental expense activities are shown in the following chart.

**Chart 2 – Governmental Activities**



CITY OF BAY ST. LOUIS, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2022  
UNAUDITED

*Business-type activities*

Net position for the business-type activities was \$51,967,501 a decrease of \$2,554,430 from 2021. Charges for services increased approximately \$909,405.

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

***Fund Financial Statements***

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

***Governmental Funds***

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

***Proprietary Funds***

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

**The City's Funds**

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

CITY OF BAY ST. LOUIS, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2022  
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### 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 2022, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Council for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

### Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2022 and 2021.

**TABLE 3**  
**Schedule of Capital Assets (Net of Accumulated Depreciation)**  
**September 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,212,282	1,212,282	-	-	1,212,282	1,212,282
Construction in progress	3,966,072	2,744,516	138,983	2,111,960	4,105,055	4,856,476
Buildings and Improvements	22,176,941	22,761,034	33,975	34,975	22,210,916	22,796,009
Infrastructure	20,345,738	21,386,074	51,979,883	53,245,986	72,325,621	74,632,060
Machinery & equipment	571,194	282,836	307,186	157,179	878,380	440,015
Mobile equipment	394,122	355,861	6,983	149,153	401,105	505,014
Leased equipment	1,490,675	1,371,244	100,256	112,754	1,590,931	1,483,998
Total	<u>\$ 50,157,024</u>	<u>50,113,847</u>	<u>52,567,266</u>	<u>55,812,007</u>	<u>102,724,290</u>	<u>105,925,854</u>

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

### General Long-term Obligations

At September 30, 2022, the City had \$12,700,521 outstanding debt obligations, which included \$318,462 of compensated absences payable.

**TABLE 4**  
**Schedule of Long-term Debt**  
**September 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 3,055,000	3,225,000	-	-	3,055,000	3,225,000
Special Obligation Bonds	5,875,000	6,155,000	-	-	5,875,000	6,155,000
Negotiable Note	-	-	1,800,000	-	1,800,000	-
Capital Leases	1,584,403	1,433,702	67,656	93,803	1,652,059	1,527,505
Compensated Absences	270,559	269,184	47,903	40,327	318,462	309,511
Total	<u>\$ 10,784,962</u>	<u>11,082,886</u>	<u>1,915,559</u>	<u>134,130</u>	<u>12,700,521</u>	<u>11,217,016</u>



CITY OF BAY ST. LOUIS, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2022  
UNAUDITED

**General Long-term Obligations (continued)**

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

**Contact the City's Financial Management**

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

Michael Reso, Chief Administrative Officer, City Clerk  
City of Bay St. Louis, Mississippi  
688 Highway 90  
Bay St. Louis, MS 39520  
(228) 466-8951

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## FINANCIAL STATEMENTS

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**City of Bay St. Louis, Mississippi**

Statement of Net Position

September 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 6,711,265	1,162,423	7,873,688
Taxes receivables	5,715,894	-	5,715,894
Customer accounts receivable (net of allowance)	-	540,402	540,402
Intergovernmental receivables	5,587,910	-	5,587,910
Fines receivable (net of allowance)	118,013	-	118,013
Other receivables	16,266	-	16,266
Internal balances	648,237	(648,237)	-
Prepaid items	442,242	56,997	499,239
Inventory for resale	-	128,567	128,567
Restricted and noncurrent cash	2,664,042	2,444,784	5,108,826
Capital assets			
Land and construction in progress	5,178,354	138,983	5,317,337
Other capital assets (net of depreciation):	44,978,670	52,428,283	97,406,953
<b>Total Assets</b>	<b>72,060,893</b>	<b>56,252,202</b>	<b>128,313,095</b>
<b>Deferred Outflow of Resources</b>			
Deferred amounts on pension	1,726,852	281,115	2,007,967
<b>Total Deferred Outflow of Resources</b>	<b>1,726,852</b>	<b>281,115</b>	<b>2,007,967</b>
<b>Liabilities</b>			
Claims and wages payable	1,029,545	229,364	1,258,909
Accrued interest payable	102,690	-	102,690
Revenue not earned	25,079	67,819	92,898
Payable from restricted assets - Customer deposits	36,700	460,078	496,778
Net pension liability	11,654,499	1,889,104	13,543,603
Debt obligations:			
Due within one year			
Capital debt	851,232	380,610	1,231,842
Noncapital debt	70,376	12,437	82,813
Due in more than one year			
Capital debt	9,663,171	1,487,046	11,150,217
Noncapital debt	200,183	35,466	235,649
<b>Total Liabilities</b>	<b>23,633,475</b>	<b>4,561,924</b>	<b>28,195,399</b>
<b>Deferred Inflows of Resources</b>			
Property tax for future reporting period	4,749,197	-	4,749,197
Deferred amount on pension	23,910	3,892	27,802
<b>Total Deferred Inflows of Resources</b>	<b>4,773,107</b>	<b>3,892</b>	<b>4,776,999</b>
<b>Net Position</b>			
Net investment in capital assets	41,010,763	52,366,144	93,376,907
Restricted Net Position:			
Non-expendable	442,242	185,564	627,806
Expendable:			
Restricted for debt service	523,132	-	523,132
Restricted for grant/bond purposes	6,075,209	-	6,075,209
Unrestricted	(2,670,183)	(584,207)	(3,254,390)
<b>Total Net Position</b>	<b>\$ 45,381,163</b>	<b>51,967,501</b>	<b>97,348,664</b>

*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, 2022

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	\$ 2,910,334	1,232,823	8,582	5,039	\$ (1,663,890)		(1,663,890)
Public safety	4,275,143	140,381	67,774	397,026	(3,669,962)		(3,669,962)
Public works	7,191,103	-	-	4,491,617	(2,699,486)		(2,699,486)
Interest and issuance costs on debt	292,287	-	-	-	(292,287)		(292,287)
Total governmental activities	<u>14,668,867</u>	<u>1,373,204</u>	<u>76,356</u>	<u>4,893,682</u>	<u>(8,325,625)</u>		<u>(8,325,625)</u>
Business-type activities:							
Utility fund	7,380,650	4,428,586	-	-		(2,952,064)	(2,952,064)
Harbor fund	2,182,625	1,134,427	-	1,462,987		414,789	414,789
Total business-type activities	<u>9,563,275</u>	<u>5,563,013</u>	<u>-</u>	<u>1,462,987</u>	<u>(2,537,275)</u>	<u>(2,537,275)</u>	<u>(2,537,275)</u>
Total government	<u>\$ 24,232,142</u>	<u>6,936,217</u>	<u>76,356</u>	<u>6,356,669</u>	<u>(2,537,275)</u>	<u>(2,537,275)</u>	<u>(10,862,900)</u>
General Revenues:							
Taxes:							
Property taxes, general					4,121,663	-	4,121,663
Property taxes, debt service					349,090	-	349,090
Property taxes, community support					158,632	-	158,632
General sales and use taxes					2,290,957	-	2,290,957
Road and bridge privilege taxes					396,944	-	396,944
Franchise taxes					530,608	-	530,608
Gaming fees and taxes					2,876,685	-	2,876,685
Grants and contributions not restricted to a special purpose					1,761,505	-	1,761,505
Unrestricted investment earnings					58,313	10,535	68,848
Miscellaneous					213,559	164,516	378,075
Total general revenues					<u>12,757,956</u>	<u>175,051</u>	<u>12,933,007</u>
Transfers					192,206	(192,206)	-
Total general revenues and transfers					<u>12,950,162</u>	<u>(17,155)</u>	<u>12,933,007</u>
Changes in net position					4,624,537	(2,554,430)	2,070,107
Net position - beginning, as restated					<u>40,756,626</u>	<u>54,521,931</u>	<u>95,278,557</u>
Net position - ending					<u>\$ 45,381,163</u>	<u>51,967,501</u>	<u>97,348,664</u>

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

**City of Bay St. Louis, Mississippi**  
**Balance Sheet – Governmental Funds**  
**September 30, 2022**

	Major Funds			Other	Total
	General	Municipal Reserve	2020 SO Bond	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>ASSETS</b>					
Cash	\$ 1,403,781	301,313	-	5,006,171	6,711,265
Receivables:					
Property taxes	4,983,452	-	-	-	4,983,452
General sales taxes	367,324	-	-	-	367,324
Franchise taxes	166,718	-	-	-	166,718
Gaming fees and taxes	198,400	-	-	-	198,400
Intergovernmental	118,013	1,440,624	254,944	3,646,675	5,460,256
Court fines & fees	245,667	-	-	-	245,667
Other	16,266	-	-	-	16,266
Due from other funds	885,984	1,898,194	114,543	706,643	3,605,364
Prepaid items	383,808	-	-	58,434	442,242
Restricted cash	108,950	-	339,378	2,215,714	2,664,042
<b>Total Assets</b>	<b>8,878,363</b>	<b>3,640,131</b>	<b>708,865</b>	<b>11,633,637</b>	<b>24,860,996</b>
<b>LIABILITIES</b>					
Claims payable	133,571	335,784	224,472	185,089	878,916
Wages and payroll taxes payable	150,629	-	-	-	150,629
Due to other funds	6,884	919,058	-	2,031,185	2,957,127
Customer deposits	36,700	-	-	-	36,700
Grant revenue unearned	25,079	-	-	-	25,079
<b>Total Liabilities</b>	<b>352,863</b>	<b>1,254,842</b>	<b>224,472</b>	<b>2,216,274</b>	<b>4,048,451</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes for future reporting period	4,749,197	-	-	-	4,749,197
Unavailable revenue - fines	245,667	-	-	-	245,667
<b>Total Deferred Inflows of Resources</b>	<b>4,994,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,994,864</b>
<b>FUND BALANCES</b>					
Non-spendable					
Prepaid items	383,808	-	-	58,434	442,242
Assigned:					
Reserve Funds	-	2,385,289	-	2,249,731	4,635,020
Road & bridges	-	-	-	510,857	510,857
Restricted:					
Unemployment reserves	47,357	-	-	-	47,357
Grant/bond purposes	-	-	484,393	6,075,209	6,559,602
Debt service	-	-	-	523,132	523,132
Unassigned	3,099,471	-	-	-	3,099,471
<b>Total Fund Balances</b>	<b>3,530,636</b>	<b>2,385,289</b>	<b>484,393</b>	<b>9,417,363</b>	<b>15,817,681</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,878,363</b>	<b>3,640,131</b>	<b>708,865</b>	<b>11,633,637</b>	<b>24,860,996</b>

*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, 2022

<b>Total governmental funds balance</b>		<b>\$ 15,817,681</b>
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	\$ 82,174,328	
Less: accumulated depreciation	<u>(32,017,304)</u>	50,157,024
Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.		
Bonds payable	\$ (8,930,000)	
Capital leases payable	(1,584,403)	
Compensated absences	<u>(270,559)</u>	(10,784,962)
Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.		
Court fines receivable	<u>\$ 245,667</u>	245,667
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		(11,654,499)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the		
Deferred outflows of resources related to pensions	\$ 1,726,852	
Deferred inflows of resources related to pensions	<u>(23,910)</u>	1,702,942
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(102,690)</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 45,381,163</u></u></b>

*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, 2022**

	Major Funds			Other	Total
	General Fund	Municipal Reserve Fund	2020 SO Bond Fund	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	\$ 4,629,385	-	-	-	4,629,385
General sales and use taxes	2,290,957	-	-	479,819	2,770,776
Franchise fees	530,608	-	-	-	530,608
Gaming fees and taxes	2,876,685	-	-	-	2,876,685
Licenses and permit fees	871,728	-	-	-	871,728
Intergovernmental	283,179	1,822,357	413,992	3,910,057	6,429,585
Charges for services/rentals	103,767	-	-	-	103,767
Fines and forfeitures	134,800	-	-	-	134,800
Investment earnings	15,876	4,526	13,682	24,229	58,313
Administrative fees	245,000	-	-	-	245,000
Miscellaneous	52,705	-	178,748	-	231,453
Total Revenues	12,034,690	1,826,883	606,422	4,414,105	18,882,100
Expenditures					
General government	2,396,377	-	-	1,400	2,397,777
Public safety	3,696,169	-	-	36,024	3,732,193
Public works	2,395,299	28,100	2,255,179	904,560	5,583,138
Capital outlay	387,747	2,245,837	922,647	1,366,570	4,922,801
Debt service:					
Principal	-	-	-	788,646	788,646
Interest and other fiscal charges	-	-	-	297,000	297,000
Total Expenditures	8,875,592	2,273,937	3,177,826	3,394,200	17,721,555
Excess (Deficiency) of Revenues Over Expenditures	3,159,098	(447,054)	(2,571,404)	1,019,905	1,160,545
Other Financing Sources (Uses)					
Proceeds from capital leases	-	-	-	489,347	489,347
Proceeds from sale of assets	6,474	-	-	-	6,474
Insurance proceeds	6,446	-	-	200,597	207,043
Transfers in	-	767,450	10,889	2,164,237	2,942,576
Transfers out	(2,281,838)	(457,643)	-	(10,889)	(2,750,370)
Total Other Financing Sources (Uses)	(2,268,918)	309,807	10,889	2,843,292	895,070
Net change in fund balances	890,180	(137,247)	(2,560,515)	3,863,197	2,055,615
Fund balances - beginning	2,640,456	2,522,536	3,044,908	5,554,166	13,762,066
Fund balances - ending	\$ 3,530,636	2,385,289	484,393	9,417,363	15,817,681

*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, 2022

**Net Change in Fund Balances - total governmental funds** **\$ 2,055,615**

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	\$ 4,922,801	
Depreciation	<u>(2,279,405)</u>	2,643,396

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

Net loss on sale/donation of capital assets		(86,655)
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Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces

Debt retirement	\$ 788,646	
Debt issuance	<u>(489,347)</u>	299,299

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

5,581

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.

Changes in pension expense and contributions made after measurement date		(296,037)
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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		4,713
Compensated absences		<u>(1,375)</u>

**Change in net position of governmental activities** **\$ 4,624,537**

*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, 2022

	Proprietary Funds		
	Utilities Funds	Harbor Funds	Total
Assets			
Current assets:			
Cash	\$ 950,673	211,750	1,162,423
Customer accounts receivable, net	525,834	14,568	540,402
Due from other funds	2,616	1,458,009	1,460,625
Prepaid insurance	50,963	6,034	56,997
Inventory for resale	78,803	49,764	128,567
Total current assets	1,608,889	1,740,125	3,349,014
Non-current assets			
Restricted cash	556,229	1,888,555	2,444,784
Capital assets, net of accumulated depreciation	32,562,388	20,004,878	52,567,266
Total non-current assets	33,118,617	21,893,433	55,012,050
Total Assets	34,727,506	23,633,558	58,361,064
Deferred outflow of resources			
Deferred outflow - pension liability	174,291	106,824	281,115
Total deferred outflow of resources	174,291	106,824	281,115
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	153,949	45,596	199,545
Accrued wages	19,138	10,681	29,819
Due to other funds	242,625	1,866,237	2,108,862
Unearned revenue	20,074	47,745	67,819
Notes payable	20,610	360,000	380,610
Compensated absences	7,242	5,195	12,437
Customer deposits	460,078	-	460,078
Total current liabilities	923,716	2,335,454	3,259,170
Non-current liabilities:			
Net pension liability	1,171,244	717,860	1,889,104
Notes payable	47,046	1,440,000	1,487,046
Compensated absences	15,813	19,653	35,466
Total non-current liabilities	1,234,103	2,177,513	3,411,616
Total liabilities	2,157,819	4,512,967	6,670,786
Deferred inflow of resources			
Deferred inflow - pension liability	2,413	1,479	3,892
Total deferred inflow of resources	2,413	1,479	3,892
Net position			
Net investment in capital assets	32,494,730	19,871,412	52,366,142
Restricted - Nonexpendable	129,766	55,798	185,564
Unrestricted	117,069	(701,274)	(584,205)
Total net position	\$ 32,741,565	19,225,936	51,967,501

*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, 2022**

	Proprietary Funds		
	Utilities Funds	Harbor Funds	Total
Revenues:			
Charges for services	\$ 4,428,586	-	4,428,586
Slip rental fees	-	518,612	518,612
Fuel sales	-	615,815	615,815
Miscellaneous operating revenues	106,447	58,069	164,516
Total operating revenues	<u>4,535,033</u>	<u>1,192,496</u>	<u>5,727,529</u>
Operating expenses:			
Personal services	783,091	578,271	1,361,362
Natural gas and fuel purchases	556,399	527,923	1,084,322
Waste collection and disposal	666,122	5,105	671,227
Wastewater treatment	1,081,962	-	1,081,962
Other supplies and expenses	270,836	14,648	285,484
Other contractual	1,107,179	466,648	1,573,827
Depreciation	2,901,951	581,150	3,483,101
Total operating expenses	<u>7,367,540</u>	<u>2,173,745</u>	<u>9,541,285</u>
Operating income (loss)	<u>(2,832,507)</u>	<u>(981,249)</u>	<u>(3,813,756)</u>
Non-operating revenues (expenses)			
Interest and investment revenue	7,200	3,335	10,535
Interest expense	(2,140)	(8,880)	(11,020)
Gain (loss) on sale of assets	(10,970)	-	(10,970)
Capital grant income	-	1,462,987	1,462,987
Transfers out	(122,856)	(69,350)	(192,206)
Total non-operating revenues (expenses)	<u>(128,766)</u>	<u>1,388,092</u>	<u>1,259,326</u>
Change in net position	(2,961,273)	406,843	(2,554,430)
Net Position - beginning as restated	<u>35,702,838</u>	<u>18,819,093</u>	<u>54,521,931</u>
Total net position - ending	\$ <u><u>32,741,565</u></u>	<u><u>19,225,936</u></u>	<u><u>51,967,501</u></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, 2022

	Proprietary Funds		
	Utility Fund	Harbor Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 4,514,279	1,209,396	5,723,675
Cash paid to employees	(580,830)	(348,158)	(928,988)
Cash paid to suppliers	(869,776)	(553,840)	(1,423,616)
Cash paid to contractors	(2,845,922)	(622,841)	(3,468,763)
Net cash provided by (used in) operating activities	217,751	(315,443)	(97,692)
Cash Flows From Non-Capital Financing Activities			
Advances from (to) other funds	27,187	(1,431,053)	(1,403,866)
Net cash flows from non-capital financing activities	27,187	(1,431,053)	(1,403,866)
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	(201,849)	(47,481)	(249,330)
Non-operating receipts for capital expenditures	-	1,754,181	1,754,181
Proceeds from negotiable notes	-	1,800,000	1,800,000
Repayment of notes payable	(26,147)	-	(26,147)
Interest and amortization on debt	(2,140)	(8,880)	(11,020)
Net cash used in capital and related financing activities	(230,136)	3,497,820	3,267,684
Cash Flows From Investing Activities			
Interest received	7,200	3,335	10,535
Net cash flows from investing activities	7,200	3,335	10,535
Net increase (decrease) in cash	22,002	1,754,659	1,776,661
Cash - October 1	1,484,900	345,646	1,830,546
Cash - September 30	\$ 1,506,902	2,100,305	3,607,207

*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, 2022**

	Utility Fund	Harbor Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used In) Operating Activities:			
Operating income (loss)	\$ (2,832,507)	(981,249)	(3,813,756)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,901,951	581,150	3,483,101
(Increase) decrease in assets:			
Accounts receivable	(62,322)	6,511	(55,811)
Inventory	(42,541)	(11,269)	(53,810)
Prepaid expenses	(5,226)	(1,562)	(6,788)
Pension related assets	(55,458)	(48,294)	(103,752)
Increase (decrease) in liabilities:			
Claims and wages payable	18,924	(147,587)	(128,663)
Customer deposits payable	44,918	-	44,918
Unearned revenue	(3,350)	10,389	7,039
Pension related liabilities	255,260	266,994	522,254
Compensated absences	(1,898)	9,474	7,576
Net cash provided by (used in) operating activities	\$ <u>217,751</u>	<u>(315,443)</u>	<u>(97,692)</u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

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## City of Bay St. Louis, Mississippi

### Notes to the Financial Statements

September 30, 2022

#### Note 1 - Summary of Significant Accounting Policies

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

##### A. Financial Reporting Entity

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

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

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

##### Hancock County Utility Authority and Hancock County Regional Solid Waste Management Authority

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

##### B. Basis of Presentation.

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

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**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 Principal 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, 2022

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

The City reports the following major Governmental Funds:

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

Municipal Reserve Fund – This fund has been established by the Council as a reserve for grants funds and special projects.

2020 Special Obligation Bond Fund - This fund is used to account for expenditures of the special obligation funds received in 2020.

Additionally, the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

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

**PROPRIETARY FUNDS**

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

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



**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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.

**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.

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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.

**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, 2022, 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, 2022

**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, 2022

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**M. Compensated Absences**

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

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

**N. Fund Balance Policies**

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

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

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

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

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

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

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**O. Net Position**

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

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

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

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

**P. Intergovernmental Revenues in Governmental Funds**

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

**Q. Property Tax Revenues**

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

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

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

**R. Use of Estimates**

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

**City of Bay St. Louis, Mississippi**

Notes to the Financial Statements

September 30, 2022

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**S. Reporting Changes**

In June 2017, the GASB issued Statement No. 87, Leases. was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

**T. Comparative Data and Reclassifications**

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

**Note 2 – Deposits**

A summary of cash (including restricted deposits) as of September 30, 2022, is as follows:

	Unrestricted	Restricted	Total
<b>Governmental activities:</b>			
General fund	\$ 1,403,781	\$ 108,950	\$ 1,512,731
Municipal reserve fund	301,313	-	301,313
2020 SO bond fund	-	339,378	339,378
Other governmental funds	5,006,171	2,215,714	7,221,885
Total governmental activities	6,711,265	2,664,042	9,375,307
<b>Business-type activities:</b>			
Utilities funds	950,673	556,229	1,506,902
Harbor funds	211,750	1,888,555	2,100,305
Total business-type activities	1,162,423	2,444,784	3,607,207
Total government-wide	\$ 7,873,688	\$ 5,108,826	\$ 12,982,514

The carrying amount of the city's total deposits with financial institutions at September 30, 2022, was \$12,982,514 and the bank balance was \$13,236,220. Restricted (Noncurrent) cash is defined by the Governmental Auditing Standards Board (GASB) as amounts that are not readily available for current operating expenses/expenditures. Cash recorded as restricted can only be expended according to the grant/bond requirements, held for debt service requirements and held for customer deposits on hand.

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

**City of Bay St. Louis, Mississippi**

Notes to the Financial Statements

September 30, 2022

**Note 2 – Deposits (Continued)**

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).

**Note 3 – Receivables**

**A. Governmental Activities**

Receivables in the governmental activities at September 30, 2022, consisted of the following:

Taxes Receivables	
Property taxes	
Current	\$ 234,255
For future reporting period	4,749,197
Property taxes receivable	4,983,452
Sales and use taxes	367,324
Franchise taxes	166,718
Gaming fees and taxes	198,400
Total taxes receivable	5,715,894
Court fines receivable	982,665
Less: allowance for doubtful accounts	(736,998)
Total court fines receivable, net	245,667
Grants receivable	5,460,256
Other receivables	16,266
Total grants and other receivables	5,476,522
Total receivable - governmental activities	\$ 11,438,083

**B. Business-type Activities**

Receivable in the business-type activities at September 30, 2022, consisted of the following:

Customer accounts receivable:	
Customer utility charges (billed)	\$ 1,799,387
Customer slip rental charges (billed)	42,932
Customer accounts, earned but unbilled	134,539
Less: allowance for doubtful accounts	(1,436,456)
Total receivable - business-type activities	\$ 540,402

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 3 – Receivables (Continued)**

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of 1,408,092 at September 30, 2022, has been provided in the Utility fund and \$28,364 in the Harbor fund for estimated uncollectible utility and slip charges.

**Note 4 – Interfund Transactions and Balances**

Fund Financial Statements

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal Reserve Fund	\$ 150,000
General Fund	Other Governmental Funds	573,175
General Fund	Utilities Fund	66,257
General Fund	Harbor Fund	96,552
Municipal Reserve Fund	Utilities Fund	131,125
Municipal Reserve Fund	Harbor Fund	1,767,069
2020 SO Bond Fund	Municipal Reserve Fund	114,543
Other Governmental Funds	General Fund	6,884
Other Governmental Funds	Municipal Reserve Fund	654,515
Other Governmental Funds	Utilities Fund	45,243
Utilities Fund	Harbor Fund	2,616
Harbor Fund	Other Governmental Funds	1,458,009
Total		<u>\$ 5,065,988</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>
Municipal Reserve Fund	General Fund	\$ 698,100
Municipal Reserve Fund	Harbor Funds	69,350
2020 SO Bond Fund	Other Governmental Funds	10,889
Other Governmental Funds	General Fund	1,583,738
Other Governmental Funds	Municipal Reserve Fund	457,643
Other Governmental Funds	Utilities Fund	122,856
Total		<u>\$ 2,942,576</u>



**City of Bay St. Louis, Mississippi**

Notes to the Financial Statements

September 30, 2022

**Note 5 – Capital Assets**

**A. Governmental Activities**

The following is a summary of governmental capital assets activity for the year ended September 30, 2022:

	Balance 9/30/2021	Additions	Adjustments/ Disposals	Balance 9/30/2022
Capital assets not being Depreciated:				
Land	\$ 1,212,282	-	-	1,212,282
Construction in Progress	2,744,516	3,793,512	(2,571,956)	3,966,072
Total capital assets not being depreciated	<u>3,956,798</u>	<u>3,793,512</u>	<u>(2,571,956)</u>	<u>5,178,354</u>
Capital assets being depreciated:				
Buildings & Improvements	29,143,821	-	-	29,143,821
Infrastructure	40,120,577	339,461	-	40,460,038
Machinery & Equipment	2,189,570	227,681	2,359	2,419,610
Mobile Equipment	2,752,073	72,800	(188,018)	2,636,855
Equipment under Capital Leases	2,516,118	489,347	(151,182)	2,854,283
Total capital assets being depreciated	<u>76,722,159</u>	<u>1,129,289</u>	<u>(336,841)</u>	<u>77,514,607</u>
Less accumulated depreciation for:				
Buildings & improvements	6,382,787	584,093	-	6,966,880
Infrastructure	18,734,503	1,380,797	(1,000)	20,114,300
Machinery & Equipment	1,906,734	48,215	(106,533)	1,848,416
Mobile Equipment	2,396,212	36,452	(189,931)	2,242,733
Equipment under Capital Leases	1,144,874	229,848	(11,114)	1,363,608
Total accumulated depreciation	<u>30,565,110</u>	<u>2,279,405</u>	<u>(308,578)</u>	<u>32,535,937</u>
Total Capital assets being depreciated, net	<u>46,157,049</u>	<u>(1,150,116)</u>	<u>(28,263)</u>	<u>44,978,670</u>
Total governmental activities capital assets, net	<u>\$ 50,113,847</u>	<u>2,643,396</u>	<u>(2,600,219)</u>	<u>50,157,024</u>

Depreciation expense was charged to the following governmental functions:

General Government	\$ 365,516
Public Safety	358,618
Public Works	1,555,271
	<u>\$ 2,279,405</u>

**City of Bay St. Louis, Mississippi**

Notes to the Financial Statements

September 30, 2022

**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, 2022:

	Balance 10/1/2021	Additions	Adjustments/ Sales	Balance 9/30/2022
Capital assets not being Depreciated:				
Construction in Progress	\$ 2,111,960	138,983	(2,111,960)	138,983
Total capital assets not being depreciated	<u>2,111,960</u>	<u>138,983</u>	<u>(2,111,960)</u>	<u>138,983</u>
Capital assets being depreciated:				
Building and Improvements	118,603	-	-	118,603
Water, Sewer & Gas Systems	75,601,623	-	-	75,601,623
Harbor Infrastructure	22,306,059	51,443	2,118,119	24,475,621
Machinery & Equipment	744,044	58,904	65,465	868,413
Mobile Equipment	245,501	-	(175,673)	69,828
Equipment under Capital Leases	118,803	-	12,708	131,511
Total capital assets being depreciated	<u>99,134,633</u>	<u>110,347</u>	<u>2,020,619</u>	<u>101,265,599</u>
Less accumulated depreciation for:				
Building and Improvements	83,628	1,000	-	84,628
Water, Sewer & Gas Systems	40,742,680	2,854,515	-	43,597,195
Harbor Infrastructure	3,919,016	581,150	-	4,500,166
Machinery & Equipment	586,865	34,600	(60,238)	561,227
Mobile Equipment	96,348	-	(33,503)	62,845
Equipment under Capital Leases	6,049	11,836	13,370	31,255
Total accumulated depreciation	<u>45,434,586</u>	<u>3,483,101</u>	<u>(80,371)</u>	<u>48,837,316</u>
Total Capital assets being depreciated, net	<u>53,700,047</u>	<u>(3,372,754)</u>	<u>2,100,990</u>	<u>52,428,283</u>
Total business-type activities capital assets, net	<u>\$ 55,812,007</u>	<u>(3,233,771)</u>	<u>(10,970)</u>	<u>52,567,266</u>

Depreciation expense was charged to the following governmental functions:

Utility Fund	\$ 2,901,951
Harbor Fund	581,150
Total depreciation - business-type activities	<u>\$ 3,483,101</u>

**C. Net Investment in Capital Assets/Net Position**

	Governmental Activities	Business-type Activities
Land	\$ 1,212,282	-
Construction in progress	3,966,072	138,983
Other capital assets, net of accumulated depreciation	44,978,670	52,428,283
Add: cash remaining for capital assets purchase	1,368,142	1,666,534
Less: related long-term debt outstanding - spent	<u>(10,514,403)</u>	<u>(1,867,656)</u>
	<u>\$ 41,010,763</u>	<u>52,366,144</u>

# City of Bay St. Louis, Mississippi

## Notes to the Financial Statements

September 30, 2022

### Note 6 – Capital Leases

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

The following is a schedule of the City's capital leases as of September 30, 2022:

Issuer	Leased Equipment	Matures	Original Issue	Stated Interest Rate	Present Value of Remaining Payments as of 09/30/2022
<b>Governmental Activities</b>					
BancorpSouth	2016 Ferrera Pumper	April 2026	495,516	2.41%	199,387
Suntrust Leasing	Ferrera Fire Ladder Truck	November 2023	579,947	2.82%	124,375
The First Bank	(2) Zero Turn Mowers/Duraspray Patcher	April 2023	63,610	3.50%	5,884
The First Bank	2018 Cat Backhoe/Loader	June 2023	66,134	2.85%	13,021
The First Bank	Silverado -Police Chief/ Silverado-Mayor	March 2023	56,872	2.85%	9,627
The First Bank	Street Sweeper	December	136,963	4.25%	33,154
Bancorp South	2018 Ford F350 Dump Truck	March 2024	36,210	3.89%	11,082
The First Bank	2019 Ford F150 Police	November 2024	43,789	3.50%	11,304
REV Financial	Ferrara Rescue Pumper	July 2030	44,019	2.24%	448,021
People's Bank	(2) 2020 Dodge Durangos	February 2026	72,364	2.23%	46,786
The First Bank	(2) 2021 Nissan Rogues	August 2026	53,211	1.19%	40,772
People's Bank	(2) 2020 Ford F-250	May 2026	61,749	1.98%	43,889
People's Bank	2021 Kenworth Dump Truck	April 2026	88,900	1.92%	61,900
People's Bank	(3) 2021 Dodge Durangos	May 2027	104,994	2.38%	90,866
Candence Equip	Holland Tractor	March 2027	194,209	3.34%	172,248
People's Bank	John Deere Excavatory 75G	February 2027	108,100	1.98%	91,261
People's Bank	John Deere Excavatory 60	May 2027	82,044	3.10%	69,881
Total Governmental Activities					1,473,458
<b>Business-type Activities</b>					
The First Bank	Mini Excavator	February 2023	17,945	2.85%	1,237
The First Bank	2021 Kentworth Single Axle Dump	May 2026	93,324	1.89%	61,963
The First Bank	2018 Kuboa Excavator	February 2023	24,706	2.85%	1,740
Total Business-type Activities					\$ 64,940

The following is a schedule by years of the total payments due as of September 30, 2022:

September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 391,232	36,888	428,120	\$ 20,610	1,136	21,746
2024	342,010	27,015	369,025	17,886	774	18,660
2025	268,760	18,324	287,084	18,234	426	18,660
2026	251,036	12,018	263,054	10,926	89	11,015
2027	128,862	6,981	135,843	-	-	-
2028-2030	202,503	8,762	211,265	-	-	-
	<u>\$ 1,584,403</u>	<u>109,988</u>	<u>1,694,391</u>	<u>\$ 67,656</u>	<u>2,425</u>	<u>70,081</u>

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 6 – Capital Leases (Continued)**

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

	Governmental Activities	Business-type Activities	Total
Equipment under capital leases	\$ 2,854,283	131,511	2,985,794
Less: accumulated amortization	(1,363,608)	(31,255)	(1,394,863)
Net value of equipment under capital leases	<u>\$ 1,490,675</u>	<u>100,256</u>	<u>1,590,931</u>

**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, 2022, were \$982,665, of which an allowance of \$736,998 has been determined as uncollectible with \$245,667 deemed collectible.

**Note 8 – Retirement Plans**

A. Defined Benefit Pension Plan

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

*Plan Description and Provisions*

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

*Benefits Provided*

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

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 8 – Retirement Plans (Continued)**

**A. Defined Benefit Pension Plan (Continued)**

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).

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

*Contributions*

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2022, was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2022, 2021 and 2020 were \$791,781, \$764,514, and \$702,782, respectively, which equaled the required contributions for each year.

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

At September 30, 2022, the City reported a liability of \$11,654,499 in the governmental activities and \$1,889,104 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, 2022, 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, 2022, the City's proportion was .065%. For the year ended September 30, 2022, the City recognized \$929,132 of PERS pension expense for governmental activities and \$529,282 for the business-type activities.

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 8 – Retirement Plans (Continued)**

**A. Defined Benefit Pension Plan (Continued)**

At September 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 164,312	26,748	191,060
Changes of assumptions	401,355	65,337	466,692
Net difference between projected and actual earnings on pension plan investments	609,525	99,225	708,750
Differences between City contributions and proportionate share on contributions	369,356	60,128	429,484
City's contributions subsequent to the measurement date	182,304	29,677	211,981
Total	<u>\$ 1,726,852</u>	<u>281,115</u>	<u>2,007,967</u>

At September 30, 2022, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflow of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between City contributions and proportionate share on contributions	23,910	3,892	27,802
Total	<u>\$ 23,910</u>	<u>\$ 3,892</u>	<u>\$ 27,802</u>

Within the deferred outflows, an amount of \$211,981 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, 2022.

The remaining amounts reported as deferred outflows of resources related to pensions of \$1,980,165 and deferred inflows of resources related to pensions of \$(211,981) netting to \$1,768,184 will be recognized in pension expense as follows:

Year Ending September 30,	
2023	\$ 629,291
2024	484,243
2025	(77,551)
2026	732,201
	<u>\$ 1,768,184</u>

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 8 – Retirement Plans (Continued)**

**A. Defined Benefit Pension Plan (Continued)**

*Actuarial assumptions*

The total pension liabilities in the June 30, 2022, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the four-year period ending June 30, 2020. The experience report is dated April 20, 2021.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	25.00 %	4.60 %
International Equities	20.00	4.50
Global Equities	12.00	4.85
Fixed Income	18.00	1.4
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	-1.10
Total	<u>100.00 %</u>	

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 8 – Retirement Plans (Continued)**

**A. Defined Benefit Pension Plan (Continued)**

*Discount rate*

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

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

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

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1 % Increase (8.55%)
City's Proportionate share of PERS	\$ 17,610,532	\$ 13,493,603	\$ 10,099,407

*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](http://www.pers.ms.gov).

**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, 2022

**Note 9 – Long-term Debt**

Bonds, notes and other long-term debt payable at September 30, 2022, are comprised of the following:

	Matures	Original Issue	Interest Rate	Amount Outstanding
<b>Governmental Activities:</b>				
General Obligation Bonds				
GO Road and Construction Bonds, Series 2016	March 2036	4,000,000	2.50%	3,055,000
Special Obligation Bonds, Series 2020	June 2039	6,500,000	1.75-3.125%	5,875,000
Total Bonds				8,930,000
Capital Leases Payable - <i>See Note 6</i>	Various	1,623,664	Various	1,584,403
Total Bonds and Capital Leases Payable				10,514,403
Compensated Absences Payable				270,559
Total Governmental Activities				<u>\$ 10,784,962</u>
<b>Business-type Activities:</b>				
Negotiable Note Payable	Various	1,800,000	2.96%	1,800,000
Capital Leases Payable - <i>See Note 6</i>	Various	17,945	Various	67,656
Compensated Absences Payable				47,903
Total Business-type Activities				<u>\$ 1,915,559</u>
<b>Total Government-wide Outstanding Debt</b>				<u><u>\$ 12,700,521</u></u>

**A. Governmental Activities**

Transactions for the year ended September 30, 2022, are summarized as follows:

	Balance 10/1/2021	Additions	Transfers/ Retirements	Balance 9/30/2022	Within one Year
General Obligation Bonds	\$ 3,225,000	-	(170,000)	3,055,000	175,000
Special Obligation Bonds	6,155,000	-	(280,000)	5,875,000	285,000
Capital Leases Payable	1,433,702	489,347	(338,646)	1,584,403	391,232
Compensated Absences	269,184	229,119	(227,744)	270,559	70,376
	<u>\$ 11,082,886</u>	<u>718,466</u>	<u>(1,016,390)</u>	<u>10,784,962</u>	<u>921,608</u>

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

Special Obligation Bonds, Series 2001 – In 2021, the City issued \$6,500,000 in special obligation bonds to be used for road and construction improvements in the City. The bond is to be repaid over 19 years, maturing in June 2039 and carries a variable interest rate of 1.75%-3.125%. The bond was issued with a \$62,845 original issue discount which will be amortized over the bond life of 19 years at \$3,308 annually. An amount of \$3,308 was expensed for the fiscal year ending 2022, leaving a prepaid bond discount of \$58,434. 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, 2022

**Note 9 – Long-term Debt (Continued)**

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

September 30,	GO Road & Construction Bond, Series 2016			SO Public Improvement Bond, Series 2020		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 175,000	74,187	249,187	285,000	157,613	442,613
2024	180,000	69,750	249,750	290,000	152,625	442,625
2025	190,000	65,125	255,125	295,000	147,550	442,550
2026	195,000	60,312	255,312	300,000	142,387	442,387
2027	200,000	55,374	255,374	305,000	135,263	440,263
2028-2032	1,100,000	197,373	1,297,373	1,650,000	561,644	2,211,644
2033-2037	1,015,000	51,812	1,066,812	1,905,000	311,263	2,216,263
2038-2040	-	-	-	845,000	39,844	884,844
	<u>\$ 3,055,000</u>	<u>573,933</u>	<u>3,628,933</u>	<u>5,875,000</u>	<u>1,648,189</u>	<u>7,523,189</u>

**B. Business-type Activities**

Transactions for the year ended September 30, 2022, are summarized as follows:

	Balance 10/1/2021	Transfer/ Additions	Retirements	Balance 9/30/2022	Due Within one Year
Negotiable Note	\$ -	1,800,000	-	1,800,000	360,000
Capital Leases Payable	93,803	-	(26,147)	67,656	20,610
Compensated Absences	40,327	49,917	(42,341)	47,903	12,437
Total business-type activities	<u>\$ 134,130</u>	<u>\$ 1,849,917</u>	<u>\$ (68,488)</u>	<u>\$ 1,915,559</u>	<u>\$ 393,047</u>

Negotiable Note – In October 2022, the City received a \$1.8 million negotiable note for the purpose of upgrading and repairing the Harbor from damage incurred during hurricanes. The note carries a 2.96% interest rate and annual principal payments of \$360,000 are due in July of each year, maturing in July 2027.

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

September 30,	\$1.8 Million Negotiable Note		
	Principal	Interest	Total
2023	\$ 360,000	53,280	413,280
2024	360,000	42,624	402,624
2025	360,000	31,968	391,968
2026	360,000	21,312	381,312
2027	360,000	10,656	370,656
	<u>\$ 1,800,000</u>	<u>159,840</u>	<u>1,959,840</u>

**C. Compensated Absences**

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

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 9 – Long-term Debt (Continued)**

**D. Legal Debt Margin**

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2022, the amount of outstanding debt was equal to 6% of the latest property assessments.

**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.

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, 2022, 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 \$2,290,957.

**C. Gaming Fees and Taxes Revenue**

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

*Gross Revenue Gaming Tax and Gaming Device Tax*

The gross revenue gaming tax is imposed and collected by the State of Mississippi which is similar to sales tax and is remitted to the City. The gaming device tax is similar to a personal property tax and is assessed on all gaming devices maintained by the casino; this tax is also collected by the State of Mississippi. The amount of tax recognized as gaming revenue and gaming devices is \$2,636,617 and \$87,667 respectively.

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

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

C. Gaming Fees and Taxes Revenue (Continued)

*Boarding Fees*

The City has negotiated a contractual amount of boarding fees to be paid directly to the City on a monthly basis and is based on gross gaming revenues. In the year ended September 30, 2022, the City collected \$152,401 in boarding fees.

**Note 11 – Risk Management and Contingencies**

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

Worker's Compensation Fund – The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2021, to January 1, 2022. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

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

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

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

**City of Bay St. Louis, Mississippi**  
Notes to the Financial Statements  
September 30, 2022

**Note 12 – Commitments and Contingencies**

**A. Joint Ventures**

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

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

*Hancock County Regional Solid Waste Management Authority*

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

Pursuant to the terms of the agreement with the Authority, the City is required to pay monthly costs of operations and maintenance directly associated with solid waste management. The costs associated with this contract totaled \$666,122 for the year.

A complete copy of the 2022 financial statements should be on file at the administrative offices of the Authority which are located at 854 US Highway 90, Bay St. Louis, MS 39520 or may be obtained by calling (228) 549-2052.

*Hancock County Utility Authority*

City of Bay St. Louis contracts with the Hancock County Utility Authority (the “Utility Authority”), whereby the Utility Authority disposes of the City's wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control law and the Federal Water Pollution Control Act. The Utility Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$1,081,962 for the year.

**City of Bay St. Louis, Mississippi**

Notes to the Financial Statements

September 30, 2022

**Note 12 – Commitments and Contingencies (Continued)**

A complete copy of the 2022 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.

**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 30, 2023 (the date the financial statements were available to be issued) and determined that the no significant subsequent events have occurred requiring disclosure in the notes to the financial statement.

**Note 14 – Prior Period Adjustment**

During 2021, capital expenditures totaling \$2,513,564 were recorded as construction in process. Further audit work during fiscal year 2022, deemed these expenditures as road and infrastructure repairs and should not be capitalized. Appropriate entries to the capital assets ledger have been made and the reclassification resulted in a decrease to the governmental activities net position in the amount of \$2,513,564.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**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, 2022**  
**(UNAUDITED)**

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Taxes	\$ 6,894,425	7,298,567	7,656,658	404,142	358,091
Licenses and permits	579,300	784,300	871,728	205,000	87,428
Fines and Fees	192,901	192,901	134,800	-	(58,101)
Gaming	2,198,689	2,827,400	2,876,685	628,711	49,285
Grants	253,867	140,618	77,470	(113,249)	(63,148)
Interest	13,773	13,773	15,095	-	1,322
Other	607,124	557,872	428,093	(49,252)	(129,779)
Total Revenues	10,740,079	11,815,431	12,060,529	1,075,352	245,098
Expenditures:					
General government:					
Personnel services	1,306,180	1,253,180	1,242,136	53,000	11,044
Supplies	54,997	31,600	25,769	23,397	5,831
Contractual services	4,209,019	1,094,288	1,088,989	3,114,731	5,299
Capital outlay	129,000	350,028	89,054	(221,028)	260,974
Total general government	5,699,196	2,729,096	2,445,948	2,970,100	283,148
Public safety:					
Personnel services	3,621,948	3,470,948	3,277,393	151,000	193,555
Supplies	100,345	149,945	132,846	(49,600)	17,099
Contractual services	260,451	283,851	263,236	(23,400)	20,615
Capital outlay	263,419	284,419	22,693	(21,000)	261,726
Total public safety	4,246,163	4,189,163	3,696,168	57,000	492,995
Public works:					
Personnel services	1,376,773	1,222,470	1,155,092	154,303	67,378
Supplies	114,700	141,762	117,020	(27,062)	24,742
Contractual services	1,203,617	1,382,187	1,297,030	(178,570)	85,157
Capital outlay	159,630	467,000	162,639	(307,370)	304,361
Total public works	2,854,720	3,213,419	2,731,781	(358,699)	481,638
Total Expenditures	12,800,079	10,131,678	8,873,897	2,668,401	1,257,781
Excess (Deficiency) of Revenues					
Over Expenditures	(2,060,000)	1,683,753	3,186,632	3,743,753	1,502,879
Other Financing Sources (Uses):					
Transfers	-	(2,208,896)	(2,556,247)	(2,208,896)	(347,351)
Total Other Financing Sources (Uses)	-	(2,208,896)	(2,556,247)	(2,208,896)	(347,351)
Net Change in fund balance -					
Budget-Cash Basis	\$ (2,060,000)	(525,143)	630,385	1,534,857	1,155,528

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



**City of Bay St. Louis, Mississippi**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Municipal Reserve Fund**  
**Budget to Actual - (Prepared on the Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2022**  
**(UNAUDITED)**

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Grant income	\$ 162,043	943,043	1,822,357	781,000	879,314
Interest	2,600	2,600	4,526	-	1,926
Total Revenues	164,643	945,643	1,826,883	781,000	881,240
Expenditures:					
Capital outlay	476,643	2,529,500	2,266,693	(2,052,857)	262,807
Total Expenditures	476,643	2,529,500	2,266,693	(2,052,857)	262,807
Excess (Deficiency) of Revenues Over Expenditures	(312,000)	(1,583,857)	(439,810)	(1,271,857)	1,144,047
Other Financing Sources (Uses):					
Transfers in	770,000	770,000	767,450	-	(2,550)
Transfers Out	(458,000)	(458,000)	(457,643)	-	357
Total Other Financing Sources (Uses)	312,000	312,000	309,807	-	(2,193)
Net Change in fund balance - Budget-Cash Basis	\$ -	(1,271,857)	(130,003)	(1,271,857)	1,141,854

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

**City of Bay St. Louis, Mississippi**  
Notes to the Required  
Supplementary Information-Budgetary Schedules  
For the Fiscal Year Ended September 30, 2022  
(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).

	General Fund	Federal Grants Fund
Net Change in fund balance - Budget-Cash Basis	\$ 630,385	\$ (130,003)
Revenues/Transfers per Cash-basis Budget	\$ 9,504,282	\$ 2,594,333
Changes in accrued revenues	2,543,328	-
Revenues/Transfers per Fund Financial Statements	<u>12,047,610</u>	<u>2,594,333</u>
Expenditures/Transfers per Cash-basis Budget	8,873,897	2,724,336
Changes in accrued expenses	2,283,533	7,244
Expenditures/Transfers per Fund Financial Statement	<u>\$ 11,157,430</u>	<u>\$ 2,731,580</u>
Net Change in fund balance - Fund Financials	<u>\$ 890,180</u>	<u>\$ (137,247)</u>

**City of Bay St. Louis, Mississippi**  
Notes to the Required  
Supplementary Information-Budgetary Schedules  
For the Fiscal Year Ended September 30, 2022  
(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, 2022  
(UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.065%	0.065%	0.062%	0.061%	0.060%	0.060%	0.061%	0.064%
City's proportionate share of the net pension liability (asset)	\$ 13,543,603	9,550,234	11,910,331	10,731,103	9,979,782	9,974,036	10,896,124	9,893,138
City's covered payroll	\$ 4,513,000	4,296,155	4,525,949	4,429,013	3,989,181	3,859,956	3,927,149	3,949,302
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	300.10%	222.30%	263.16%	242.29%	250.17%	258.40%	277.46%	250.50%
Plan fiduciary net position as a percentage of the total pension liability	59.90%	70.40%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

**City of Bay St. Louis, Mississippi**  
**Schedule of the City's Contributions**  
**Last 10 Fiscal Years\***  
**For the Fiscal Year Ended September 30, 2022**  
**(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 792,620	764,514	702,782	654,681	623,273	618,402	571,586	614,636
Contributions in relation to the actuarially determined contribution	<u>792,620</u>	<u>764,514</u>	<u>702,782</u>	<u>654,681</u>	<u>623,273</u>	<u>618,402</u>	<u>571,586</u>	<u>614,636</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 4,555,287	4,393,759	4,038,977	4,051,244	3,957,289	3,926,362	3,629,117	3,902,451
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

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

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

**City of Bay St. Louis, Mississippi**  
Notes to the Required Supplementary Information – Pension Schedules  
For the Fiscal Year Ended September 30, 2022

Pension Schedules

***A. Changes in assumptions***

- 2021
  - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
    - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
    - For females, 84% of female rates up to age 72, 100% for ages above 76.
    - Projection scale MP-2021 will be used to project future improvements in life expectancy generationally.
  - The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
    - For males, 134% of male rates at all ages.
    - For females, 121% of female rates at all ages.
    - Projection scale MP-2021 will be used to project future improvements in life expectancy generationally.
  - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
    - For males, 97% of male rates at all ages.
    - For females, 110% of female rates at all ages.
    - Projection scale MP-2021 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 2.75% to 2.40%.
  - The wage inflation assumption was reduced from 3.00% to 2.65%.
  - The investment rate of return assumption was changed from 7.75% to 7.55%.
  - The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
  - The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.
- 2019
  - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
    - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
    - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
    - For males, 137% of male rates at all ages.
    - For females, 115% of female rates at all ages.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 3.00% to 2.75%.
  - The wage inflation assumption was reduced from 3.25% to 3.00%.
  - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

**City of Bay St. Louis, Mississippi**  
Notes to the Required Supplementary Information – Pension Schedules  
For the Fiscal Year Ended September 30, 2022

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

***Changes in benefit provisions***

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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## SUPPLEMENTAL INFORMATION

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**City of Bay St. Louis, Mississippi**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2022

<b>Federal Grantor/ Passed-through Grantor/ Program Title or Cluster</b>	<b>Federal CFDA Number</b>	<b>Grant No. / Pass-Through Number</b>	<b>Federal Expenditures</b>
<b>US Department of Housing and Urban Development</b>			
<i>Passed through MS Development Authority</i>			
Community Development Block Grant	14.228	1136-20-112PF-01	\$ 444,501
<b>Total U.S. Department of Housing and Urban Development</b>			<u>444,501</u>
<b>US Department of Interior</b>			
<b>Office of Natural Resources Revenue</b>			
<i>Passed through MS Department of Marine Resources</i>			
GOMESA	15.435	3000027043	\$ 471,951
Boater Access Grant	15.435	F22AF0159-00	31,250
<i>Passed through MS Department of Environmental Quality</i>			
GOMESA	15.435	3000027043	78,173
<b>Total U.S. Department of Interior</b>			<u>581,374</u>
<b>U.S. Department of Justice</b>			
<b>Bureau of Justice</b>			
<i>Passed through MS Department of Public Safety</i>			
State and Local Equitable Sharing	16.922	MS0230200	18,991
<b>Total U.S. Department of Justice</b>			<u>18,991</u>
<b>US Department of Transportation</b>			
<b>Federal Transit Administration</b>			
<i>Passed through MS Dept of Transportation</i>			
Highway Planning and Construction	20.205	STP-9357-00(001)/LPA/107955-701000	1,154
Highway Planning and Construction	20.205	STP-0030-00(042)/LPA/107961-701000	6,785
<b>Federal Railroad Administration</b>			
<i>Passed through MS Dept of Highway Safety</i>			
State and Community Highway Safety	20.600	PT-2021-PT-20-21	21,900
Alcohol Open Container Requirements	20.607	154AL-2021-ST-20-21	1,600
<b>Total U.S. Department of Transportation</b>			<u>31,439</u>
<b>Executive Office of the President</b>			
High Intensity Drug Trafficking Areas Program	95.001	G19-GC0003A	3,534
High Intensity Drug Trafficking Areas Program	95.001	G20-GC0003A	4,608
High Intensity Drug Trafficking Areas Program	95.001	G21-GC0003A	11,481
<b>Total Executive Office of the President</b>			<u>19,623</u>
<b>U.S. Department of Homeland Security</b>			
<i>Passed through MS Emergency Management Agency</i>			
Disaster Grants - Public Assistance - H. Zeta	97.036	FEMA-4576-DR	693,345
Disaster Grants - Public Assistance - H. Ida	97.036	FEMA-4626-DR	95,165
<b>Total U.S. Department of Homeland Security</b>			<u>788,510</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,884,438</u>

**City of Bay St. Louis, Mississippi**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2022

**Note 1 – Basis of Presentation**

This schedule includes the federal award activity of the City of Bay St. Louis, Mississippi under programs of the federal government of the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of City of Bay St. Louis, Mississippi, it is not intended to and does not present the financial position, or changes in net assets of City of Bay St. Louis, Mississippi.

**Note 2 – Summary of Significant Accounting Policies**

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

**Note 3 – Indirect Cost Rate**

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

**Note 4 – Subrecipients**

No awards were passed through to subrecipients.

**City of Bay St. Louis, Mississippi**  
Schedule of Surety Bonds  
(Required by State of Mississippi)  
For the Fiscal Year Ended September 30, 2022  
(UNAUDITED)

Position	Name	Bond
Mayor	Michael Favre	\$ 100,000
Councilman at Large	Gary Knoblock	100,000
Councilmember	Phillip D Seal Jr	100,000
Councilmember	Joshua Martin DeSalvo	100,000
Councilmember	William Zimmerman	100,000
Councilmember	Kyle Lewis	100,000
Councilmember	Eugene Hoffman	100,000
Councilmember	Jeffery Reed	100,000
Chief Administrative Officer/City Clerk	Michael Reso	100,000
Comptroller/Deputy City Clerk	Sissy Gonzales	100,000
Deputy City Clerk	Dana Feuerstein	50,000
Deputy City Clerk	Katie Stewart	50,000
Deputy City Clerk	Kimberly Fore	50,000
Deputy Harbor Master	Duane Caughlin	50,000
Clerk of Council	Caitlin Bourgeois	50,000
Deputy Clerk of Council	Elisa Mitchell	50,000
Notary Clerk	Sandy Reynolds	50,000
Notary Clerk	Mary Ann Bremer	50,000
Deputy City Clerk	Linda Garcia	50,000
Harbormaster	Sean Hales	50,000
Police Chief	John Tobias Schwartz	50,000
Deputy Chief of Police	Alvin Kingston	50,000
Police/Deputy City Clerk	Chenea Cardinale	50,000
Harbor Security	Josh Mossey	50,000
Police Chief	Gary Ponthieux	50,000
Deputy Police Chief	Alvin Kingston	50,000
Police Clerk	Tammy Brady	50,000
Police Clerk	Chenea Cardinale	50,000
Blanket Bond Coveages	Various	50,000
Departmental	Police Department	25,000

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## SPECIAL REPORTS

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# 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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi (the City) as of and for the year ended September 30, 2022, 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 30, 2023.

### **Report on 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 identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be a significant deficiency.

## **City of Bay St. Louis, Mississippi's Response to Finding**

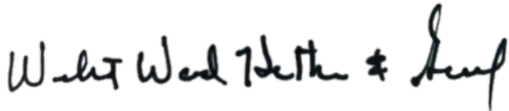
*Government Auditing Standards* requires the auditor to perform limited procedures of the City's response to the finding identified in our audit report and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

## **Report on 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*.

## **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.



Wright, Ward, Hatten & Guel  
Gulfport, Mississippi  
June 30, 2023

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

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

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited the City of Bay St. Louis, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bay St. Louis, Mississippi's major federal programs for the year ended September 30, 2022. City of Bay St. Louis, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Bay St. Louis, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Bay St. Louis, Mississippi and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Bay St. Louis, Mississippi's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Bay St. Louis, Mississippi's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Bay St. Louis, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Bay St. Louis, Mississippi's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Bay St. Louis, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Bay St. Louis, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Bay St. Louis, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

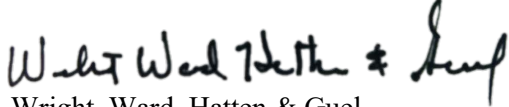
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Wright, Ward, Hatten & Guel  
Gulfport, Mississippi  
June 30, 2023

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

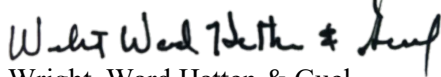
Honorable Mayor and  
City Council of  
City of Bay St. Louis, Mississippi

In planning and performing our audit of the financial statements of the City of Bay St. Louis, Mississippi for the year ended September 30, 2022, 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 City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 30, 2023, on the financial statements of the City of Bay St. Louis, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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



Wright, Ward Hatten & Guel  
Gulfport, Mississippi  
June 30, 2023

**City of Bay St. Louis, Mississippi**  
**Schedule of Findings and Questioned Cost**  
**For the Year Ended September 30, 2022**

**SECTION 1 – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements:

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

Federal Awards:

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

**City of Bay St. Louis, Mississippi**  
**Schedule of Findings and Questioned Cost**  
**For the Year Ended September 30, 2022**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

Significant Deficiency

2022-01                      Reconciliation of Account Balances

Criteria                      While Governmental Auditing Standards (GASB) allows auditors to assist the City in converting modified cash basis financial statements (as required by the State of Mississippi) to the full accrual basis of accounting (as required by GASB), auditors are not allowed to perform reconciliation of account balances.

Condition                      In order to show a proper allocation between governmental and business-type activities (a basic requirement of governmental accounting) we presented over \$1,400,000 in adjusting journal entries recorded as interfund loans and transfers. We reported instances of improper allocation between governmental and business-type activities in our management comments letter with our 2021 audit.

In addition to the improper reporting between governmental and business-type activities, we reported approximately \$200,000 in errors of transfers between governmental type funds.

Cause                              The City is not reconciling account balances.

Effect                              Improper recording of expenditures made in the governmental type funds for the business-type funds results in an overstatement of fund balance and an understatement of the value of capital assets. City's management is relying heavily on auditors to correct account balances without prior council approval of the transfer of funds and assets.

Recommendation              The City's account balances should be reconciled prior to delivery to the auditors.

View of Responsible  
Officials                              The City will reconcile account balances.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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