

**CITY OF OCEAN SPRINGS, MISSISSIPPI**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2023**



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
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## **INTRODUCTORY SECTION**



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
LISTING OF CITY OFFICIALS  
SEPTEMBER 30, 2023**

**ELECTED OFFICIALS**

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

**APPOINTED DEPARTMENT HEADS**

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

## **INDEPENDENT AUDITOR'S REPORT**



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

## INDEPENDENT AUDITOR'S REPORT

July 18, 2024

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

### Report on the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean Springs, Mississippi (City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean Springs, Mississippi, as of September 30, 2023, 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Ocean Springs, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAS 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 GAS, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions on pages 5-10, 45-46 and 47-48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ocean Springs, Mississippi's basic financial statements. The combining nonmajor fund financial statements on pages 52-53, schedule of expenditures of federal awards on page 60 as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements*, and schedule of surety bonds for city officials on page 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2024, on our consideration of the City of Ocean Springs, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ocean Springs, Mississippi's internal control over financial reporting and compliance.

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

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**





Kenny Holloway | Mayor  
Bobby Cox | Alderman at Large  
Jennifer Burgess | Alderman Ward 1  
Rickey Authement | Alderman Ward 2

Kevin Wade | Alderman Ward 3  
Ken Papania | Alderman Ward 4  
Robert Blackman | Alderman Ward 5  
Michael Impey, II | Alderman Ward 6

[www.oceansprings-ms.gov](http://www.oceansprings-ms.gov)    

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2023

### Introduction

The following Management's Discussion and Analysis of the City of Ocean Springs, Mississippi's (the "City") activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2023. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

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

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

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2023 by \$63,559,562.
- The total net position increased by \$5,388,202. Of this amount, an increase of \$4,346,769 was associated with governmental activities and an increase of \$1,041,433 was from business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,243,290 an increase of \$4,114,558.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$10,942,370.

### Overview of the Financial Statements

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

#### *Government-wide Financial Statements*

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Overview of the Financial Statements (Continued)**

*Government-wide Financial Statements (Continued)*

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

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

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

*Fund Financial Statements*

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

- **Governmental funds**

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

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

- **Proprietary Funds**

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Overview of the Financial Statements (Continued)**

*Notes to the Financial Statements*

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

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

**Government-wide Financial Analysis**

Table 1 below presents the City's condensed statement of net position as of September 30, 2023 and 2022, derived from the government-wide Statement of Net Position.

	Capital Assets at Year End (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 5,527,638	\$ 4,957,138	\$ 29,413	\$ 29,413	\$ 5,557,051	\$ 4,986,551
Donated artwork	5,734,541	5,734,541	-	-	5,734,541	5,734,541
Construction in progress	2,194,965	2,334,719	-	-	2,194,965	2,334,719
Buildings and improvements	14,387,082	14,252,400	35,390	35,390	14,422,472	14,287,790
Equipment	3,251,493	2,728,682	1,235,744	1,221,186	4,487,237	3,949,868
Other improvements	20,952,978	20,829,460	-	-	20,952,978	20,829,460
Infrastructure	20,264,214	19,304,835	43,272,696	42,223,453	63,536,910	61,528,288
Vehicles	5,934,681	5,900,089	957,679	992,534	6,892,360	6,892,623
Right of use assets	510,666	510,666	-	-	510,666	510,666
Accumulated depreciation	(28,110,049)	(26,145,567)	(24,106,720)	(23,710,909)	(52,216,769)	(49,856,476)
Total	<u>\$ 50,648,209</u>	<u>\$ 50,406,963</u>	<u>\$ 21,424,202</u>	<u>\$ 20,791,067</u>	<u>\$ 72,072,411</u>	<u>\$ 71,198,030</u>

At September 30, 2023 and 2022, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$63,559,562 and \$58,171,360, respectively. By far, the largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net positions are not available for future spending. A portion of the net position is restricted for capital improvements. The remaining portion of net position is unrestricted, which can be used to finance government operations.

Total assets increased by \$7,029,521 due largely to an increase in cash and cash equivalents. Total liabilities increased by \$4,350,315 due primarily to the \$5,024,450 increase in net pension liability. Deferred outflows for pensions increased by \$2,689,081 and deferred inflows for leases decreased \$19,915 in the current year.

Governmental activities reflect a negative fund balance in unrestricted net position of (\$7,459,740) at September 30, 2023. This is a decrease of \$706,801 from prior year's fund balance in unrestricted net position of (\$8,166,541). The decrease in unrestricted net position is primarily due to a larger proportional increase in revenues than in expenditures.

Business-type activities reflect an unrestricted net position of \$963,373 at September 30, 2023, a decrease of \$18,714 over prior year's unrestricted net position of \$982,087. The decrease in unrestricted net position is primarily due to a larger proportional increase in expenditures than in revenues.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Government-wide Financial Analysis (Continued)**

Table 2 below presents the City's condensed statement of activities for the fiscal years ended September 30, 2023 and 2022, as derived from the government-wide Statement of Activities.

Table 2: Condensed Statement of Activities  
For the years ended September 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,828,432	\$ 1,950,509	\$ 9,194,832	\$ 8,746,976	\$ 11,023,264	\$ 10,697,485
Operating grants	1,013,800	806,628	-	-	1,013,800	806,628
Capital grants and contributions	2,991,709	7,923,319	-	-	2,991,709	7,923,319
General revenues						
Property taxes	6,662,310	6,139,751	-	-	6,662,310	6,139,751
Sales taxes	9,484,277	9,198,555	-	-	9,484,277	9,198,555
Franchise taxes	911,406	920,491	-	-	911,406	920,491
Other taxes	2,458,840	2,131,110	-	-	2,458,840	2,131,110
Other general revenues	1,383,752	615,296	(5,820)	23,295	1,377,932	638,591
Total revenues	26,734,526	29,685,659	9,189,012	8,770,271	35,923,538	38,455,930
<b>Expenses</b>						
General government	7,330,778	5,443,039	-	-	7,330,778	5,443,039
Public safety	7,967,099	7,114,413	-	-	7,967,099	7,114,413
Public works	3,129,675	3,255,489	-	-	3,129,675	3,255,489
Culture and recreation	2,841,216	2,800,850	-	-	2,841,216	2,800,850
Urban & economic development	107,536	115,604	-	-	107,536	115,604
Debt service - interest	236,934	284,533	-	-	236,934	284,533
Water, sewer & gas	-	-	8,922,098	8,453,059	8,922,098	8,453,059
Total expenses	21,613,238	19,013,928	8,922,098	8,453,059	30,535,336	27,466,987
Increase (decrease) in net assets before transfers	5,121,288	10,671,731	266,914	317,212	5,388,202	10,988,943
Transfers	(774,519)	(38,792)	774,519	38,792	-	-
Net increase (decrease) in net position	4,346,769	10,632,939	1,041,433	356,004	5,388,202	10,988,943
Net position, beginning of year	38,853,640	28,184,240	19,317,720	18,961,716	58,171,360	47,145,956
Prior period adjustment	-	36,461	-	-	-	36,461
Net position, beginning - restated	38,853,640	28,220,701	19,317,720	18,961,716	58,171,360	47,182,417
Net position, end of year	\$ 43,200,409	\$ 38,853,640	\$ 20,359,153	\$ 19,317,720	\$ 63,559,562	\$ 58,171,360

*Governmental Activities*

Governmental activities increased the City's net position by \$4,346,769, which is a decrease from the change in net position in the prior year. The key element of this decrease is a decrease in revenues and an increase in expenses.

*Business-type Activities*

Business-type activities increased the City's net position by \$1,041,433, an increase from the change in net position in the prior year. Key element of this increase includes a capital contribution from the general fund for a completed infrastructure project.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Financial Analysis of the City's Funds**

*Governmental Funds*

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$22,243,290.

*General Fund*

Fund balance at September 30, 2023 totaled \$11,969,342, an increase of \$2,832,623 during the fiscal year in comparison to the \$9,136,719 balance in fiscal year 2022. Significant changes in revenues and expenses in comparison to fiscal year 2022 are as follows:

- Property taxes increased by \$447,204
- Fees and fines decreased by \$283,266
- Intergovernmental revenue decreased by \$760,845
- Grant revenue increased by \$1,461,688
- General government expenditures increased by \$1,134,508
- Culture and recreation expenditures increased by \$464,332
- Economic development expenditures increased by \$521,574

*Food and Beverage Fund*

The food and beverage fund had a fund balance of \$2,160,004 at September 30, 2023, which is an increase of \$440,697 from prior year. This is primarily due to a increase in revenues.

*General Obligation Fund*

The general obligation fund had a balance of \$421,549 at September 30, 2023, which is a decrease of \$167,875 from prior year due primarily to an increase in principal retirement.

*General Capital Projects Fund*

The general capital projects fund had a balance of \$4,320,896 at September 30, 2023, which is a decrease of \$96,919 from prior year due primarily to a decrease in intergovernmental revenue.

**Capital Asset and Long-Term Debt Activity**

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 5,527,638	\$ 4,957,138	\$ 29,413	\$ 29,413	\$ 5,557,051	\$ 4,986,551
Donated artwork	5,734,541	5,734,541	-	-	5,734,541	5,734,541
Construction in progress	2,194,965	2,334,719	-	-	2,194,965	2,334,719
Buildings and improvements	14,387,082	14,252,400	35,390	35,390	14,422,472	14,287,790
Equipment	3,251,493	2,728,682	1,235,744	1,221,186	4,487,237	3,949,868
Other improvements	20,952,978	20,829,460	-	-	20,952,978	20,829,460
Infrastructure	20,264,214	19,304,835	43,272,696	42,223,453	63,536,910	61,528,288
Vehicles	5,934,681	5,900,089	957,679	992,534	6,892,360	6,892,623
Right of use assets	510,666	510,666	-	-	510,666	510,666
Accumulated depreciation	(28,110,049)	(26,145,567)	(24,106,720)	(23,710,909)	(52,216,769)	(49,856,476)
Total	<u>\$ 50,648,209</u>	<u>\$ 50,406,963</u>	<u>\$ 21,424,202</u>	<u>\$ 20,791,067</u>	<u>\$ 72,072,411</u>	<u>\$ 71,198,030</u>

*Capital Asset Activity*

At September 30, 2023, the City reported \$50,648,209 in net capital assets for governmental activities and \$21,424,202 in capital assets for business-type activities. Major capital asset events during the year included the following:

- The City incurred governmental capital asset additions of \$3,328,837 primarily related to purchases of land and machinery.
- The City incurred governmental expenditures construction in progress of \$1,825,536 primarily related to KCDBG projects.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Capital Asset and Long-Term Debt Activity (Continued)**

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

*Long-Term Liabilities Activity*

At the end of the current fiscal year, the City had \$2,028,422 in outstanding proprietary debt and \$9,652,642 in outstanding governmental debt. See Note 7 to the financial statements for further information.

Pursuant to the provisions of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the City of Ocean Springs recorded approximately \$27.7 million in pension liabilities for the defined benefit plans administered by the State of Mississippi's Public Employees' Retirement System for the fiscal year ended September 30, 2023. The \$27.7 million is the City's proportionate share of the total net pension liability of the State of Mississippi's Public Employees' Retirement System. See Note 9 to the financial statements for further information.

**Budget Variances in the General Fund**

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

- \$1,106,792 (18%) increase in sales taxes
- \$697,386 (14%) decrease in police department expenditures
- \$1,486,031 (400%) increase in grant proceeds

The City ended the year with an overall favorable variance between the original and final budget of \$5,241,600 primarily due to increase in sales taxes and grant proceeds.

**Economic Conditions and Outlook**

The City annexation was finalized this year and added 6.7 miles which included around 1700 residents, an industrial park, and 60 businesses. Before the annexation, the City only had around 11% property left for growth. The beginning financial input will result in around \$900,000 a year in taxes which will fund the cost of the additional 8 employees and equipment needed to serve the new area in the first year. The City is formulating our 5-year plan for this area which includes water, sewer, fire hydrants, and lighting services. Future years and growth will strengthen the City financially, and our departments will be stronger for providing services to all citizens with employee additions. The City's sales tax and food/beverage tax continues to grow as businesses have recognized Ocean Springs is the place to be. This smart growth allows property taxes to remain low for residents and with Ocean Springs being the #1 School District in the State, we continue to attract new residents. Personnel costs continue to rise as the City must continually adjust wages to remain competitive and keep qualified seasoned employees. We have been able to add key positions that allow us to manage and receive funding from federal and state resources. The City's new comprehensive plan will be in place this year and we have appointed a Redevelopment Authority Board which will assist us in smart growth.

**Contact the City's Financial Management**

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

## **FINANCIAL SECTION**

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2023**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,087,679	\$ 3,303,781	\$ 14,391,460
Receivables, net	648,254	1,140,868	1,789,122
Lease receivables, current	9,585	-	9,585
Internal balances	(47,949)	47,949	-
Due from other governmental agencies	1,978,416	-	1,978,416
Prepaid expenses	355,327	-	355,327
Restricted assets:			
Cash and cash equivalents	16,523,045	936,010	17,459,055
Lease receivables, noncurrent	414,079	-	414,079
Capital assets			
Nondepreciable assets	13,457,144	29,413	13,486,557
Right of use assets, net of amortization	152,096	-	152,096
Depreciable assets, net of depreciation	37,038,969	21,394,789	58,433,758
Total capital assets	<u>50,648,209</u>	<u>21,424,202</u>	<u>72,072,411</u>
Total assets	<u>81,616,645</u>	<u>26,852,810</u>	<u>108,469,455</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on pension liability	<u>4,560,424</u>	<u>792,135</u>	<u>5,352,559</u>
<b>LIABILITIES</b>			
Accounts payable	910,943	412,296	1,323,239
Accrued liabilities	331,265	54,796	386,061
Unearned revenues	6,723,139	-	6,723,139
Customer deposits	-	936,010	936,010
Long-term liabilities:			
Due within one year			
Bonds, notes payable, and installment loans	1,404,403	355,462	1,759,865
Lease liabilities	75,948	-	75,948
Premium on bonds payable	31,316	-	31,316
Accrued interest	73,184	-	73,184
Compensated absences	54,149	10,900	65,049
Due in more than one year			
Bonds, notes payable, and installment loans	8,248,239	1,672,960	9,921,199
Lease liabilities	81,812	-	81,812
Premium on bonds payable	156,584	-	156,584
Proportionate share of collective net pension liability	23,879,790	3,786,662	27,666,452
Compensated absences	629,962	56,706	686,668
Total liabilities	<u>42,600,734</u>	<u>7,285,792</u>	<u>49,886,526</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on lease receivables	<u>375,926</u>	<u>-</u>	<u>375,926</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	43,018,276	19,395,780	62,414,056
Restricted for:			
Specific grant programs	184,053	-	184,053
Capital improvements	7,457,820	-	7,457,820
Unrestricted	<u>(7,459,740)</u>	<u>963,373</u>	<u>(6,496,367)</u>
Total net position	<u>\$ 43,200,409</u>	<u>\$ 20,359,153</u>	<u>\$ 63,559,562</u>

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Exhibit B**

<b>Functions/Programs</b>	<b>Program Revenue</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Governmental activities</b>							
General government	\$ 7,330,778	\$ 154,863	\$ 454,842	\$ 1,888,589	\$ (4,832,484)	\$ -	\$ (4,832,484)
Public safety	7,967,099	312,334	270,572	-	(7,384,193)	-	(7,384,193)
Public works	3,129,675	-	20,000	514,242	(2,595,433)	-	(2,595,433)
Culture and recreation	2,841,216	734,863	268,386	541,322	(1,296,645)	-	(1,296,645)
Urban and economic development	107,536	626,372	-	47,556	566,392	-	566,392
Interest on long-term debt	236,934	-	-	-	(236,934)	-	(236,934)
Total governmental activities	<u>21,613,238</u>	<u>1,828,432</u>	<u>1,013,800</u>	<u>2,991,709</u>	<u>(15,779,297)</u>	<u>-</u>	<u>(15,779,297)</u>
<b>Business-type activities</b>							
Water and Sewer	8,922,098	9,194,832	-	-	-	272,734	272,734
Total primary government	<u>\$ 30,535,336</u>	<u>\$ 11,023,264</u>	<u>\$ 1,013,800</u>	<u>\$ 2,991,709</u>	<u>(15,779,297)</u>	<u>272,734</u>	<u>(15,506,563)</u>
<b>General revenues:</b>							
Property taxes, levied for general purposes					6,662,310	-	6,662,310
Sales, restaurant, and hotel taxes					9,484,277	-	9,484,277
Franchise and utility taxes					911,406	-	911,406
Other taxes					2,458,840	-	2,458,840
Interest earnings					976,218	-	976,218
Interest earnings - leases					7,566	-	7,566
Miscellaneous					399,476	-	399,476
Insurance proceeds					492	1,888	2,380
Sale of assets					-	(7,708)	(7,708)
Transfers					(774,519)	774,519	-
Total general revenues and transfers					<u>20,126,066</u>	<u>768,699</u>	<u>20,894,765</u>
Change in net position					4,346,769	1,041,433	5,388,202
Net position - beginning					<u>38,853,640</u>	<u>19,317,720</u>	<u>58,171,360</u>
Net position - ending					<u>\$ 43,200,409</u>	<u>\$ 20,359,153</u>	<u>\$ 63,559,562</u>

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

## **FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

	General Fund	Food and Beverage	General Obligation	General Capital Project	Other Non- Major Government Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$10,628,640	\$ -	\$ -	\$ -	\$ 459,039	\$ 11,087,679
Restricted Assets:						
Cash and cash equivalents	4,575,339	1,809,887	400,722	6,878,417	2,858,680	16,523,045
Receivables, net						
Taxes	356,375	-	20,827	-	10,879	388,081
Lease	423,664	-	-	-	-	423,664
Other	43,446	-	-	-	-	43,446
Due from other governments	1,470,037	357,552	-	16,760	134,067	1,978,416
Due from other City funds	24,014	-	-	-	-	24,014
Prepaid expenses	355,327	-	-	-	-	355,327
Total assets	<u>\$17,876,842</u>	<u>\$ 2,167,439</u>	<u>\$ 421,549</u>	<u>\$ 6,895,177</u>	<u>\$ 3,462,665</u>	<u>\$ 30,823,672</u>
<b>LIABILITIES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 898,377	\$ 7,435	\$ -	\$ 232,658	\$ 91,166	\$ 1,229,636
Due to other funds	64,633	-	-	7,330	-	71,963
Unearned revenue	4,555,534	-	-	2,334,293	-	6,889,827
Other liabilities	13,030	-	-	-	-	13,030
Total liabilities	<u>5,531,574</u>	<u>7,435</u>	<u>-</u>	<u>2,574,281</u>	<u>91,166</u>	<u>8,204,456</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows on lease receivables	<u>375,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,926</u>
<b>FUND BALANCE</b>						
Nonspendable for prepaids						
Prepaids	355,327	-	-	-	-	355,327
Lease receivables, net of related deferred inflows of resources	47,738	-	-	-	-	47,738
Restricted						
Debt service	-	1,809,887	400,722	-	-	2,210,609
Capital Improvements	184,053	-	-	4,519,288	2,858,680	7,562,021
Committed						
Debt service	-	-	20,827	-	-	20,827
Other	-	350,117	-	-	512,819	862,936
Assigned						
Other purposes	241,462	-	-	-	-	241,462
Unassigned	<u>11,140,762</u>	<u>-</u>	<u>-</u>	<u>(198,392)</u>	<u>-</u>	<u>10,942,370</u>
Total fund balances	<u>11,969,342</u>	<u>2,160,004</u>	<u>421,549</u>	<u>4,320,896</u>	<u>3,371,499</u>	<u>22,243,290</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$17,876,842</u>	<u>\$ 2,167,439</u>	<u>\$ 421,549</u>	<u>\$ 6,895,177</u>	<u>\$ 3,462,665</u>	<u>\$ 30,823,672</u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2023**

Total fund balance, governmental funds	\$ 22,243,290
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	50,648,209
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the funds	216,731
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,682,413)
Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest must be reported as a liability in the government-wide financial statements.	(73,184)
Unavailable revenues that provide current financial resources for governmental activities.	167,142
Net pension liability is not due and payable in the current period; deferred outflows related to pensions are not current assets or financial resources; and deferred inflows related to pensions are not due and payable in the current period and are therefore not reported in the governmental funds.	(19,319,366)
Net Position of Governmental Activities in the Statement of Net Position (Exhibit A)	\$ <u>43,200,409</u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Food and Beverage	General Obligation	General Capital Projects	Other Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Ad valorem taxes						
Property taxes	\$ 4,986,571	\$ -	\$ 1,023,431	\$ -	\$ 236,014	\$ 6,246,016
Franchise taxes	942,502	-	-	-	-	942,502
Sales and miscellaneous taxes	7,192,818	2,212,071	-	-	-	9,404,889
Licenses and permits	640,816	-	-	-	-	640,816
Fees and fines	279,634	-	-	-	49,207	328,841
Intergovernmental	1,584,597	-	-	32,281	308,718	1,925,596
Charges for services	816,506	-	-	-	19,450	835,956
Grants	1,914,824	-	-	1,289,673	1,593,302	4,797,799
Interest Income	782,381	-	-	108,864	-	891,245
Interest income - leases	7,566	-	-	-	-	7,566
Miscellaneous - other	539,388	901	-	53,980	-	594,269
Total revenues	19,687,603	2,212,972	1,023,431	1,484,798	2,206,691	26,615,495
<b>EXPENDITURES</b>						
Current:						
General government	3,480,270	13,707	-	514,242	-	4,008,219
Public safety	7,221,868	273,606	-	-	686,570	8,182,044
Public works	2,191,746	-	-	37,389	-	2,229,135
Health and welfare	8,630	-	-	-	-	8,630
Cultural and recreation	2,671,620	277,754	-	-	219,416	3,168,790
Economic development	566,669	212,287	-	-	111,147	890,103
Capital outlay						
General government	702,397	-	-	-	-	702,397
Public safety	-	-	-	-	3,499	3,499
Public works	328,271	-	-	-	-	328,271
Culture and recreation	78,195	192,037	-	1,037,568	-	1,307,800
Debt service:						
Principal retirement	-	521,000	1,098,665	-	72,301	1,691,966
Interest and agent fees	-	154,934	92,641	-	7,725	255,300
Total expenditures	17,249,666	1,645,325	1,191,306	1,589,199	1,100,658	22,776,154
Excess of revenues over expenditures	2,437,937	567,647	(167,875)	(104,401)	1,106,033	3,839,341
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance Proceeds	492	-	-	-	-	492
Transfers in	394,194	-	-	7,500	-	401,694
Transfers out	-	(126,950)	-	(18)	-	(126,968)
Total other financing sources (uses)	394,686	(126,950)	-	7,482	-	275,218
Net change in fund balances	2,832,623	440,697	(167,875)	(96,919)	1,106,033	4,114,559
Fund balances - beginning	9,136,719	1,719,307	589,424	4,417,815	2,265,466	18,128,731
Fund balances - ending	\$ 11,969,342	\$ 2,160,004	\$ 421,549	\$ 4,320,896	\$ 3,371,499	\$ 22,243,290

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balances - total governmental funds: \$ 4,114,559

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

Governmental funds report outlays for capital assets as expenditures; however, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$3,328,837) exceeded depreciation and amortization (\$2,030,967) in the current period. 1,297,870

Governmental funds do not report capital assets on the balance sheet, therefore when a capital asset is transferred to an enterprise fund it is reflected as a transfer. (1,049,243)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (7,381)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (2,127)

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces the liabilities in the Statement of Net Position. Proceeds from long-term debt are reported as current financial resources in governmental funds, but are treated as a liability in the Statement of Activities. This is the amount of repayments (\$1,938,045) and interest (\$12,687) in the current year. 1,950,732

Pension expense recorded in the Statement of Activities does not require the use of current financial resources. (1,975,722)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. 18,081

Change in net position of governmental activities (Exhibit B) \$ 4,346,769

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

## **PROPRIETARY FUNDS FINANCIAL STATEMENTS**



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2023**

	<b>Water and Sewer</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,303,781
Accounts receivable, net	
Customer accounts	1,140,868
Due from other City funds	47,949
Total current assets	<u>4,492,598</u>
Non-current assets:	
Restricted Assets:	
Cash and cash equivalents	936,010
Capital Assets:	
Land and construction in progress	29,413
Infrastructure	40,823,150
Utility system	2,449,545
Buildings and improvements	35,390
Machinery and equipment	2,193,424
Less: accumulated depreciation	<u>(24,106,720)</u>
Total non-current assets	<u>22,360,212</u>
<b>Deferred outflows of resources</b>	
Deferred outflows on pension liability	<u>792,135</u>
Total assets	<u>27,644,945</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	467,092
Compensated absences	10,900
Bonds, capital leases, and notes payable	355,462
Payable from restricted assets:	
Customer deposits payable from restricted assets	<u>936,010</u>
Total current liabilities	<u>1,769,464</u>
Non-current liabilities:	
Compensated absences	56,706
Net pension obligation	3,786,662
Bonds, capital leases, and notes payable, non-current	<u>1,672,960</u>
Total non-current liabilities	<u>5,516,328</u>
Total liabilities	<u>7,285,792</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	19,395,780
Unrestricted	<u>963,373</u>
Total net position	<u>\$ 20,359,153</u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<b>REVENUES</b>	<b>Water and Sewer</b>
Charges for services	\$ 9,194,832
Total operating revenues	<u>9,194,832</u>
<b>OPERATING EXPENSES</b>	
Personnel services	2,263,480
Supplies and materials	1,381,067
Contractual services	4,327,076
Other services, charges, supplies and expenses	438,438
Depreciation expense	<u>465,185</u>
Total operating expenses	<u>8,875,246</u>
Operating Income	<u>319,586</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Miscellaneous revenue	1,888
Interest expense	<u>(46,852)</u>
Total non-operating revenue (expenses)	<u>(44,964)</u>
<b>INCOME BEFORE TRANSFERS AND SPECIAL ITEM</b>	274,622
Capital contribution - general fund	1,049,243
Transfers in	(274,724)
Special item - gain (loss) on sale of land	<u>(7,708)</u>
<b>CHANGE IN NET POSITION</b>	1,041,433
<b>TOTAL NET POSITION - BEGINNING</b>	<u>19,317,720</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 20,359,153</u></u>

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>Water and Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 9,132,043
Payments to suppliers	(6,024,505)
Payments to employees	(1,903,833)
Net cash provided by operating activities	<u>1,203,705</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers (to) from other funds	(274,725)
Net cash (used in) noncapital financing activities	<u>(274,725)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases and construction of capital assets	(56,785)
Principal paid on capital debt	(427,012)
Interest paid on capital debt	(46,852)
Net cash used in capital and related financing activities	<u>(530,649)</u>
Net increase in cash and cash equivalents	398,331
Balances-beginning of the year	<u>3,841,460</u>
Balances-end of the year	<u>\$ 4,239,791</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>	
Unrestricted:	
Cash and cash equivalents	\$ 3,303,781
Restricted:	
Cash and cash equivalents	<u>936,010</u>
	<u>\$ 4,239,791</u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>	
Transfer capital assets from general fund	<u>\$ 1,049,243</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 319,586
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	465,185
Miscellaneous revenue	1,888
Decrease (increase) in assets	
Accounts receivable	(132,810)
Due from other funds	(478)
Deferred outflows	(414,117)
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	122,553
Customer deposits	68,133
Pension liabilities and deferred inflows	<u>773,765</u>
Net cash provided by operating activities	<u>\$ 1,203,705</u>

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

## **NOTES TO FINANCIAL STATEMENTS**



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Introduction**

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ended September 30, 2023.

**II. Financial Reporting Entity**

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

**III. Basis of Accounting, Measurement Focus, and Presentation**

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

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

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

*Government-wide Financial Statements*

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

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

*Government-wide Financial Statements, (Continued)*

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

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

*Governmental Fund Financial Statements*

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

The City reports the following major governmental funds:

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

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

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

General Capital Projects Fund – This fund is used to account for the City's capital projects. Revenues are received primarily from grants and state appropriations. This fund was selected to be classified as a major fund due to the type of expenditures.



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

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

*Governmental Fund Financial Statements, (Continued)*

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

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

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

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

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

*Proprietary Fund Financial Statements*

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

The City reports the following major enterprise fund:

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

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

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

**IV. Use of Estimates**

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

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

**Cash and Cash Equivalents**

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

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

**Investments**

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

**Receivables**

Property taxes are recognized as a receivable at the time they are levied, and the current taxes receivable represent the 2023 levy and prior levies still uncollected, if any.

Accounts receivable held by the City's governmental and business-type activities are stated net of allowances for estimated uncollectibles as of September 30, 2023. The allowance is based on historical collection, experience, and other relevant circumstances.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. The City reported \$47,949 due to business-type funds from governmental funds at September 30, 2023.



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

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

**Receivables (Continued)**

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

**Unbilled Services Receivable**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2023, are recorded as prepaid items. In governmental funds, reported prepaid items are equally offset by nonspendable fund balance amounts, which indicate they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in nonspendable fund balances is not presented because the combined statement of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the spendable and nonspendable fund balances.

**Restricted Assets**

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

**Capital Assets**

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

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

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

**Capital Assets (Continued)**

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

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

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category related to the City's participation in the pension plan, the unamortized changes in investments actual performance, expectations, projections, and changes in plan assumptions (See Note 9).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category related to the City's lease receivables (See Note 6).

**Pensions**

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

**Long-term Liabilities**

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

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

**Compensated Absences**

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

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2023. The resulting liability is then increased to include social security and retirement that the City is required to pay upon liquidation of the liability.

**Fund Equity**

As of September 30, 2023, fund balances are classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The City currently has prepaid insurance and lease receivables, net of related deferred inflow of resources, reported as non-spendable fund balance.

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

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

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

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

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

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

**Net Position**

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

**VI. Stewardship, Compliance, and Accountability**

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

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

**Budgetary – GAAP Reporting Reconciliations**

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

**Change in Accounting Principle**

The implementation of a new accounting standard GASB No. 96, requires the recording of right to use assets, related amortization, and liabilities related to subscription-based technology arrangements (SBITA). The City did not have any SBITAs that required changes in recognition under this new standard.

**NOTE 2: CASH**

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

Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. The City awarded The First, ANBA the designated depository for calendar year 2022-2023.



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 2: CASH (Continued)**

A summary of cash (including restricted cash) at September 30, 2023 is as follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
<b>Governmental Activities</b>				
General Fund	\$ 1,070	\$ 4,950,801	\$10,252,108	\$ 15,203,979
Food and Beverage	-	-	1,809,887	1,809,887
General Obligation	-	-	400,722	400,722
General Capital Projects	-	6,928,058	(49,641)	6,878,417
Other Nonmajor Gov't Funds	-	-	3,317,719	3,317,719
Total governmental activities	<u>1,070</u>	<u>11,878,859</u>	<u>15,730,795</u>	<u>27,610,724</u>
<b>Business-type Activities</b>				
Water and Sewer	<u>200</u>	<u>-</u>	<u>4,239,591</u>	<u>4,239,791</u>
Total business-type activities	<u>200</u>	<u>-</u>	<u>4,239,591</u>	<u>4,239,791</u>
Total cash and cash equivalents	<u>\$ 1,270</u>	<u>\$11,878,859</u>	<u>\$19,970,386</u>	<u>\$ 31,850,515</u>

The City maintained the following restricted cash and cash equivalents as of September 30, 2023:

<b>Governmental Activities</b>	
Cash and cash equivalents	
Restricted for capital projects	\$ 6,878,417
Restricted for debt service	2,210,609
Restricted for other special projects	<u>7,434,019</u>
Total restricted assets - governmental activities	<u>16,523,045</u>
<b>Business-type Activities</b>	
Cash and cash equivalents	
Restricted for utility customer deposits	<u>936,010</u>
Total restricted assets - business-type activities	<u>936,010</u>
Total restricted assets - government-wide	<u>\$ 17,459,055</u>

*Custodial Credit Risk - Deposits*

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 2: CASH (Continued)**

*Custodial Credit Risk - Deposits (Continued)*

At September 30, 2023, deposits (including restricted deposits) are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Pooled deposits:		
Cash and cash equivalents	\$20,054,592	\$19,970,386
Non-pooled deposits:		
Cash and cash equivalents	<u>12,080,131</u>	<u>11,880,129</u>
Total	<u>\$32,134,723</u>	<u>\$31,850,515</u>

**NOTE 3: RECEIVABLES**

Receivables at September 30, 2023, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Total</u>
Property taxes	\$ 62,830	\$ -	\$ 62,830
Franchise taxes	325,250	-	325,250
Court	4,983,125	-	4,983,125
NSF checks	43,044	480	43,524
Utility charges	-	1,376,578	1,376,578
Other receivables	<u>402</u>	<u>-</u>	<u>402</u>
Total receivables, gross	5,414,651	1,377,058	6,791,709
Less allowance for doubtful receivables	<u>(4,766,397)</u>	<u>(236,190)</u>	<u>(5,002,587)</u>
Total receivables, net	<u>\$ 648,254</u>	<u>\$ 1,140,868</u>	<u>\$ 1,789,122</u>

*Property Taxes*

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

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 3: RECEIVABLES (Continued)**

*Property Taxes (Continued)*

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

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

The tax levies for the City for the fiscal years ended September 30, 2023, 2022, and 2021 are as follows:

	2023	2022	2021
<b>City Funds</b>			
General Fund	23.05	21.05	21.05
Library maintenance	1.10	1.10	1.10
Debt service	4.77	4.77	4.77
Total City administered funds	<u>28.92</u>	<u>26.92</u>	<u>26.92</u>
<b>School Funds</b>			
District maintenance	55.00	55.00	55.00
School debt	11.75	11.69	12.15
Total School administered funds	<u>66.75</u>	<u>66.69</u>	<u>67.15</u>
Total levy	<u><u>95.67</u></u>	<u><u>93.61</u></u>	<u><u>94.07</u></u>

**NOTE 4: DUE FROM OTHER GOVERNMENTS**

*Sales Tax*

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Ocean Springs) back to the City monthly. The City levies an additional 2% sales tax on local food and beverage sales; the State remits 100% of the amount collected back to the City. Sales tax revenue was \$7,054,778 general sales tax and \$2,212,071 food and beverage tax, for the year ended September 30, 2023. Sales tax receivable is included in due from other governments on the statement of net position and balance sheet – governmental funds and consists of taxes collected by the State for August and September 2023 and not received by the City until October and November 2023.

Due from other governments at September 30, 2023, consists of the following:

	<u>Governmental Activities</u>
	<u>General Fund</u>
Grants	\$ 275,405
County match	5,375
County road tax	41,939
State of Mississippi, fire protection allocation	119,065
State of Mississippi, sales tax diversion	<u>1,536,632</u>
Total due from other governments	<u><u>\$ 1,978,416</u></u>



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 5: CAPITAL ASSETS**

The following is a summary of capital assets activity for the year ended September 30, 2023:

	Balance October 1, 2022	Additions	Disposals	Transfers/ Adjustments	Balance September 30, 2023
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 4,957,138	\$ 570,500	\$ -	\$ -	\$ 5,527,638
Donated artwork	5,734,541	-	-	-	5,734,541
Construction in progress	2,334,719	1,825,536	-	(1,965,290)	2,194,965
Total capital assets, not being depreciated	13,026,398	2,396,036	-	(1,965,290)	13,457,144
Capital assets, being depreciated:					
Buildings and improvements	14,252,400	134,682	-	-	14,387,082
Machinery and equipment	2,728,682	533,060	(10,249)	-	3,251,493
Other improvements	20,829,460	123,518	-	-	20,952,978
Infrastructure	19,304,835	43,332	-	916,047	20,264,214
Vehicles	5,900,089	98,209	(63,617)	-	5,934,681
Right of use assets	510,666	-	-	-	510,666
Total capital assets, being depreciated	63,526,132	932,801	(73,866)	916,047	65,301,114
Less accumulated amortization and depreciation for:					
Buildings and improvements	(4,491,422)	(239,761)	-	-	(4,731,183)
Machinery and equipment	(1,832,754)	(345,693)	9,230	-	(2,169,217)
Other improvements	(5,277,271)	(620,037)	-	-	(5,897,308)
Infrastructure	(10,014,136)	(373,510)	-	-	(10,387,646)
Vehicles	(4,245,045)	(378,335)	57,255	-	(4,566,125)
Right of use assets	(284,939)	(73,631)	-	-	(358,570)
Total accumulated amortization and depreciation	(26,145,567)	(2,030,967)	66,485	-	(28,110,049)
Total capital assets, being depreciated, net	37,380,565	(1,098,166)	(7,381)	916,047	37,191,065
Total governmental activities capital assets, net	\$ 50,406,963	\$ 1,297,870	\$ (7,381)	\$ (1,049,243)	\$ 50,648,209

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 5: CAPITAL ASSETS (Continued)**

	Balance October 1, 2022	Additions	Disposals	Transfers/ Adjustments	Balance September 30, 2023
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 29,413	\$ -	\$ -	\$ -	\$ 29,413
Total capital assets, not being depreciated	29,413	-	-	-	29,413
Capital assets, being depreciated:					
Buildings	35,390	-	-	-	35,390
Machinery and equipment	1,221,186	56,785	(42,227)	-	1,235,744
Infrastructure	42,223,453	-	-	1,049,243	43,272,696
Vehicles	992,534	-	(34,855)	-	957,679
Total capital assets, being depreciated	44,472,563	56,785	(77,082)	1,049,243	45,501,509
Less accumulated depreciation for:					
Buildings	(32,198)	-	-	-	(32,198)
Machinery and equipment	(816,140)	(51,367)	38,004	-	(829,503)
Infrastructure	(22,094,708)	(378,153)	-	-	(22,472,861)
Vehicles	(767,863)	(35,665)	31,370	-	(772,158)
Total accumulated depreciation	(23,710,909)	(465,185)	69,374	-	(24,106,720)
Total capital assets, being depreciated, net	20,761,654	(408,400)	(7,708)	1,049,243	21,394,789
Total business-type activities capital assets, net	<u>\$ 20,791,067</u>	<u>\$ (408,400)</u>	<u>\$ (7,708)</u>	<u>\$ 1,049,243</u>	<u>\$ 21,424,202</u>
 Primary Government					
Total capital assets, net	<u>\$ 71,198,030</u>	<u>\$ 889,470</u>	<u>\$ (15,089)</u>	<u>\$ -</u>	<u>\$ 72,072,411</u>

Depreciation and amortization expense for the year ended September 30, 2023 was charged to the following governmental functions:

<b>Governmental Activities</b>	
General government	<u>\$ 2,030,967</u>
<b>Business-type Activities</b>	
Water and Sewer	<u>465,185</u>
Total depreciation expense	<u>\$ 2,496,152</u>

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 6: LEASING ARRANGEMENTS**

Lessor

The City is a lessor under two non-cancelable lease arrangements involving the lease of City assets. The agreements permit the lessee the right to use the specified asset for the term of the agreement. The terms of the agreements range from 25 to 40 years, expiring between May 2024 and December 2055. One of the leases contains variable payment adjustments based on the Consumer Price Index. This amount is not included in the lease receivable calculation and related deferred inflows – leases. For the year ended September 30, 2023 the City recognized \$19,915 in lease revenue and \$7,566 in interest income related to these agreements. These amounts are included in charges for service in the statement of activities. The variable lease revenues for the year ended September 30, 2023 are \$6,107. In addition, the City reported \$423,664 in lease receivables and \$375,926 in deferred inflows of resources related to leases.

The following is a schedule of future minimum rentals through the end of the lease agreements in effect as of September 30, 2023 not including variable consumer price index adjustments:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2024	\$ 9,585	\$ 7,255	\$ 16,840
2025	10,574	7,081	17,655
2026	10,926	6,894	17,820
2027	11,116	6,704	17,820
2028	11,310	6,510	17,820
2029-2033	67,518	29,233	96,751
2034-2038	83,660	22,720	106,380
2039-2043	102,344	14,706	117,050
2044-2048	48,728	7,895	56,623
2049-2053	53,456	3,677	57,133
2054-2058	14,447	167	14,614
	<u>\$ 423,664</u>	<u>\$ 112,842</u>	<u>\$ 536,506</u>

Lessee

The City is the lessee under four non-cancelable lease agreements involving the lease of lighting and office equipment. The agreements permit the City the right to use the specified property for the term of the agreements.

The following is a schedule of the City's lease liabilities related to these leases at September 30, 2023:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2024	\$ 75,948	\$ 2,129	\$ 78,077
2025	53,203	874	54,077
2026	14,699	373	15,072
2027	13,910	131	14,041
	<u>\$ 157,760</u>	<u>\$ 3,507</u>	<u>\$ 161,267</u>



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Bonds Payable (Continued)**

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

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	Requirements
2024	\$ 776,000	\$ 189,321	\$ 965,321
2025	797,000	171,732	968,732
2026	816,000	153,634	969,634
2027	845,000	133,590	978,590
2028	867,000	111,355	978,355
2029-2033	3,651,000	258,356	3,909,356
2034-2038	642,000	12,198	654,198
	<u>\$ 8,394,000</u>	<u>\$ 1,030,186</u>	<u>\$ 9,424,186</u>

Interest accrued on bonds payable totaled \$54,144 for the fiscal year ended September 30, 2023.

The Board of Aldermen annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2023, was 4.77 mills or \$4.77 per \$1,000 of assessed value.

**Notes Payable**

At September 30, 2023, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2023
<b>Governmental Activities:</b>					
Notes payable:					
Red River general obligation note	2/17/2022	2/17/2027	1.14%	\$ 1,950,000	\$ 753,883
Community Bank general obligation note	12/1/2020	12/1/2025	1.73%	368,000	224,656
Total governmental activities				<u>2,318,000</u>	<u>978,539</u>
<b>Business-type Activities:</b>					
Notes payable:					
State of MS Revolving Fund Loan	2/25/2013	1/1/2033	1.75%	1,059,133	541,644
State of MS Revolving Fund Loan	9/1/2010	12/1/2027	2.00%	328,752	89,591
State of MS Drinking Water Improvement Loan	11/10/2006	9/30/2029	1.95%	1,943,294	691,167
State of MS Drinking Water Improvement Loan	9/3/2008	5/1/2028	1.95%	835,711	228,984
State of MS Drinking Water Improvement Loan	8/10/2002	4/1/2026	3.50%	1,054,818	182,653
State of MS Drinking Water Improvement Loan	11/18/2008	8/1/2028	1.95%	1,029,345	294,383
Total business-type activities				<u>6,251,053</u>	<u>2,028,422</u>
Total notes payable				<u>\$ 8,569,053</u>	<u>\$ 3,006,961</u>

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 7: LONG-TERM LIABILITIES**

Changes in long-term liabilities during the year ended September 30, 2023 are as follows:

	Balance October 1, 2022	Additions	Principal Payments/ Reductions	Balance September 30, 2023	Due within One Year
<b>Governmental Activities</b>					
General and Special					
Obligation Bonds	\$ 9,150,000	\$ -	\$ (756,000)	\$ 8,394,000	\$ 776,000
Premium on bonds payable	219,216	-	(31,316)	187,900	31,316
Notes payable	1,856,957	-	(878,418)	978,539	464,000
Equipment installment loans	508,536	-	(228,433)	280,103	164,403
Lease payable	232,406	-	(74,646)	157,760	75,948
Compensated absences	595,602	509,064	(420,555)	684,111	54,149
Total governmental activities	<u>\$ 12,562,717</u>	<u>\$ 509,064</u>	<u>\$ (2,389,368)</u>	<u>\$ 10,682,413</u>	<u>\$ 1,565,816</u>
<b>Business-type Activities</b>					
Water and Sewer notes payable	\$ 110,000	\$ -	\$ (20,409)	\$ 89,591	\$ 20,821
Drinking water loan	2,283,695	-	(344,864)	1,938,831	334,641
Equipment installment loans	61,738	-	(61,738)	-	-
Compensated absences	67,606	35,622	(35,622)	67,606	10,900
Total business-type activities	<u>\$ 2,523,039</u>	<u>\$ 35,622</u>	<u>\$ (462,633)</u>	<u>\$ 2,096,028</u>	<u>\$ 366,362</u>

The General and Water and Sewer Funds provide the resources for the retirement of compensated absences. For the year ended September 30, 2023, interest incurred and charged to expense totaled \$236,934 in the governmental activities and \$46,852 in the business-type activities.

**Bonds Payable**

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

At September 30, 2023, the City had the following outstanding bonds payable:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2023
<b>Governmental Activities:</b>					
General obligation bonds:					
General obligation bonds Series 2019	10/31/2019	12/1/2029	2.00-4.00%	\$ 2,670,000	\$ 1,960,000
General obligation bonds Series 2021	2/25/2021	7/1/2034	1.90%	7,955,000	6,434,000
Total governmental activities				<u>\$ 10,625,000</u>	<u>\$ 8,394,000</u>



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

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

Year Ending September 30,	Governmental Activities		Business-type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2024	\$ 464,000	\$ 17,343	\$ 355,462	\$ 45,575	\$ 882,380
2025	438,883	11,580	363,444	36,789	850,696
2026	75,656	1,353	340,585	29,115	446,709
2027	-	-	303,650	21,794	325,444
2028	-	-	268,312	9,825	278,137
2029-2033	-	-	396,969	11,646	408,615
	<u>\$ 978,539</u>	<u>\$ 30,276</u>	<u>\$ 2,028,422</u>	<u>\$ 154,744</u>	<u>\$ 3,191,981</u>

**Equipment Installment Loans**

The City has entered into several equipment installment loans to finance the purchase of police radios, lighting, turnout gear, a cat tractor, and mini hex excavator. The purchases were financed at a fixed, simple interest rate. Title to equipment under these installment loans vest with the City. The Obilgee retains a security interest constituting a first lien on the equipment.

The equipment installment loan obligations outstanding as of September 30, 2023, are as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2022
<b>Governmental Activities:</b>					
Equipment installment loans:					
Musco Finance - Sunplex lighting	2/5/2010	12/1/2024	6.50%	\$ 1,489,000	\$ 222,145
Republic First National - Turnout gear	3/1/2022	3/1/2026	7.89%	95,600	57,958
Total governmental activities				<u>1,584,600</u>	<u>280,103</u>
Total installment loan obligations				<u>\$ 1,584,600</u>	<u>\$ 280,103</u>

The following is a schedule of future minimum lease payments under installment loans as of September 30, 2023:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2024	\$ 164,403	\$ 14,051	\$ 178,454
2025	95,742	3,800	99,542
2026	19,958	669	20,627
	<u>\$ 280,103</u>	<u>\$ 18,520</u>	<u>\$ 298,623</u>

**Legal Debt Margin**

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

The City's legal debt limit for general obligation bond was \$45,250,621 and the legal debt margin was \$35,581,862 at September 30, 2023.



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 8: INTERFUND TRANSACTIONS**

**Interfund Receivables and Payables**

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

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

At year end September 30, 2023 there was \$47,949 due from governmental activities to business-type activities.

**Interfund Transfers**

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

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

Interfund transfers between funds during the year ended September 30, 2023 consist of the following:

	Fund Level		Government-Wide Level	
	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Governmental</u>	<u>Water and Sewer</u>
Transfers Out	\$ -	\$ 274,743	\$ 774,500	\$ -
Transfers In	274,743	-	-	774,500
Total	<u>\$ 274,743</u>	<u>\$ 274,743</u>	<u>\$ 774,500</u>	<u>\$ 774,500</u>

**NOTE 9: EMPLOYEE BENEFIT PLANS**

**Defined Benefit Pension Plan**

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

Plan Description

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)**

**Defined Benefit Pension Plan (continued)**

*Benefits provided*

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

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

*Contributions*

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2023 was 17.40% of annual covered payroll. The City's contributions to PERS for the fiscal years ending September 30, 2023, 2022, and 2021 total \$1,442,328, \$1,354,665, and \$1,322,550, respectively, which equal the required contributions for each year.

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

At September 30, 2023, the City reported a liability of \$27,666,452 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, in conjunction with the assumptions from the most recent experience study prepared as of June 30, 2022. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At September 30, 2023, the City's proportion was .11 percent, which was the same as its proportionate share measured as of September 30, 2022.



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)**

**Defined Benefit Pension Plan (continued)**

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

For the year ended September 30, 2023, the City recognized pension expense of \$2,335,369. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental Activities:</b>		
Differences between expected and actual experience	\$ 590,209	\$ -
Changes in assumptions	2,767,801	-
Net difference between projected and actual earnings on pension plan investments	922,245	-
City contributions subsequent to the measurement date	280,169	-
Totals	<u>\$ 4,560,424</u>	<u>\$ -</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Business-Type Activities</b>		
Differences between expected and actual experience	\$ 102,518	\$ -
Changes in assumptions	480,760	-
Net difference between projected and actual earnings on pension plan investments	160,192	-
City contributions subsequent to the measurement date	48,665	-
Totals	<u>\$ 792,135</u>	<u>\$ -</u>

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$328,834 are recognized as a reduction to the net pension liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 1,855,964
2025	1,144,575
2026	2,014,954
2027	8,232
Total	<u>\$ 5,023,725</u>



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)**

Actuarial assumptions

The total pension liability was determined by an actuarial valuations as of June 30, 2022 and a measurement date determined of June 30, 2023, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2022 valuation based on the experience investigation for the four-year period ending June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. The following actuarial assumptions are applied to all periods included in the measurement:

Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation
Projected salary increases	2.65 - 17.90 percent, including inflation
Inflation	2.40 percent

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates 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 for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	27.00%	4.75%
International equity	22.00%	4.75%
Global equity	12.00%	4.95%
Fixed income	20.00%	1.75%
Real estate	10.00%	3.25%
Private equity	8.00%	6.00%
Cash equivalents	1.00%	0.25%
Total	<u>100.00%</u>	

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)**

*Discount rate*

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be phased in to 22.40 percent over three fiscal years (17.40 percent for FYE 2024, 19.40 percent for FYE 2025, 21.40 percent for FYE 2026, and 22.40 percent for FYE 2027). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% decrease	6.00%	\$ 35,676,592
Current discount rate	7.00%	\$ 27,666,452
1% increase	8.00%	\$ 21,093,243

*Pension plan fiduciary net position*

Detailed information about the PERS pension plan is available in the separately issued PERS financial report, available at [www.pers.ms.gov](http://www.pers.ms.gov).

**Deferred Compensation Plan**

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 10: TAX ABATEMENTS**

The Mississippi Code of 1972 Annotated §17-21-5, authorizes municipal governing authorities, in their discretion, to grant exemptions from ad valorem taxation, except ad valorem taxation for school district purposes, for new structures, or improvements to or renovations of existing structures located in the central business district of the municipality, for a period of not more than seven (7) years from the date of completion of the new structure or the improvement to or renovation of the existing structure for which the exemption is granted. The City adopted such an ordinance in 2011, 2012, and in 2017, which exempts eligible properties from up to 80% of municipal ad valorem taxes. Per the City ordinance, the City has granted tax abatements to four restaurants, a motor vehicle dealer, a hotel, a mixed use project, and a real estate company. For the year ended September 30, 2023, the City abated the following taxes:

<u>Taxes Abated</u>	<u>% of Abatement</u>	<u>Total Amount Abated</u>
Real property	80%	<u>\$ 678,187</u>

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**Federal Grants**

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



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

**Capital Project Commitment**

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

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

	Contract Amount	Expended to Date	Remaining Contract
Ft. Bayou improvements	\$ 130,500	\$ 117,750	\$ 12,750
East Beach access	92,000	870	91,130
Front Beach public access	873,385	524,630	348,755
Washington Ave improvements	75,500	34,815	40,685
Public Work relocation	596,000	-	596,000
Ocean Springs Rd improvements	3,503,993	-	3,503,993
Front Beach sidewalk	894,959	-	894,959
Taconi roof	621,400	-	621,400
Ft. Maurepas stage cover	482,422	-	482,422
Tidelands public access	96,113	83,350	12,763
	<u>\$ 7,366,272</u>	<u>\$ 761,415</u>	<u>\$ 6,604,857</u>

**NOTE 12: RELATED PARTY COMMITMENTS**

*Joint Venture*

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

The governing board is comprised of one member from each of the cities and three members from the county who are members of the Authority. Through a fifty-year contract, the City of Ocean Springs is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. A copy of the Authority's financial statements as of and for the year ended September 30, 2023 can be found online at <http://www.jcua-ms.us/all-forms-and-reports>. A complete copy is on file at the administrative offices of the Authority.

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

Statement of revenues, expenses and changes in fund balance:

Contractual Services	<u>\$ 2,734,566</u>
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**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE 12: RELATED PARTY COMMITMENTS (Continued)**

*Jointly Governed Organization*

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

The City of Ocean Springs contributed \$150,600 for the year ended September 30, 2023 through proceeds of a specific tax levy authorized by MS Code 39-3-13. This agreement is cancelable upon 90 days written notice prior to the end of the fiscal year; therefore, the City of Ocean Springs does not have an ongoing financial responsibility.

**NOTE 14: RISK MANAGEMENT**

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

**NOTE 15: SUBSEQUENT EVENTS**

The City has evaluated events subsequent to year end through July 18, 2024 which is the date the financial statements were available to be issued. No such events have been identified by management for this time period that are required to be recognized or disclosed.

## **REQUIRED SUPPLEMENTARY INFORMATION**



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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 5,181,515	\$ 5,181,515	\$ 5,402,865	\$ 221,350
Sales taxes	6,075,000	6,075,000	7,181,792	1,106,792
Franchise taxes	865,685	865,685	897,371	31,686
Miscellaneous taxes	941,500	941,500	887,946	(53,554)
Licenses and permits	323,000	323,000	640,816	317,816
Intergovernmental	268,000	258,000	299,529	41,529
Fines and forfeitures	622,000	296,000	279,634	(16,366)
Charges for services	655,009	648,409	821,791	173,382
Interest	15,000	354,600	782,381	427,781
Miscellaneous	139,000	135,000	539,880	404,880
Total revenues	<u>15,085,709</u>	<u>15,078,709</u>	<u>17,734,005</u>	<u>2,655,296</u>
<b>EXPENDITURES</b>				
Executive and legislative				
Personnel services	332,503	337,751	327,827	9,924
Supplies	10,800	11,950	7,231	4,719
Other services and charges	454,290	716,929	585,215	131,714
Capital outlay	62,000	93,780	84,508	9,272
Total executive and legislative	<u>859,593</u>	<u>1,160,410</u>	<u>1,004,781</u>	<u>155,629</u>
Supervision and finance				
Personnel services	221,356	220,898	218,682	2,216
Supplies	10,170	10,695	8,179	2,516
Other services and charges	605,730	706,240	609,989	96,251
Capital outlay	43,000	10,000	-	10,000
Total supervision and finance	<u>880,256</u>	<u>947,833</u>	<u>836,850</u>	<u>110,983</u>
Police department				
Personnel services	3,676,650	3,748,487	3,542,153	206,334
Supplies	451,080	424,320	342,548	81,772
Other services and charges	768,339	767,163	357,883	409,280
Total police department	<u>4,896,069</u>	<u>4,939,970</u>	<u>4,242,584</u>	<u>697,386</u>
Fire department				
Personnel services	2,433,795	2,490,263	2,425,907	64,356
Supplies	107,700	102,500	86,449	16,051
Other services and charges	144,642	166,342	164,676	1,666
Capital outlay	41,100	55,500	54,770	730
Total fire department	<u>2,727,237</u>	<u>2,814,605</u>	<u>2,731,802</u>	<u>82,803</u>
Judicial department				
Personnel services	240,303	239,895	222,093	17,802
Supplies	5,940	5,940	2,801	3,139
Other services and charges	17,832	109,851	5,149	104,702
Total judicial department	<u>264,075</u>	<u>355,686</u>	<u>230,043</u>	<u>125,643</u>
Inspections department				
Personnel services	271,052	266,652	258,216	8,436
Supplies	7,210	8,210	5,317	2,893
Other services and charges	117,488	117,488	89,486	28,002
Capital outlay	35,000	35,000	33,175	1,825
Total inspections department	<u>430,750</u>	<u>427,350</u>	<u>386,194</u>	<u>41,156</u>

See independent auditor's report and notes to required supplementary information.

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>EXPENDITURES, Continued</b>				
Street department				
Personnel services	1,309,374	1,375,807	1,198,868	176,939
Supplies	456,950	484,005	408,369	75,636
Other services and charges	907,384	951,893	811,002	140,891
Capital outlay	459,300	590,865	514,189	76,676
Total street department	<u>3,133,008</u>	<u>3,402,570</u>	<u>2,932,428</u>	<u>470,142</u>
Safety and human resources				
Personnel services	97,042	228,205	227,102	1,103
Supplies	880	880	459	421
Other services and charges	466,772	504,772	459,905	44,867
Total safety and human resources	<u>564,694</u>	<u>733,857</u>	<u>687,466</u>	<u>46,391</u>
Parks and recreation				
Personnel services	1,467,464	1,431,413	1,409,997	21,416
Supplies	267,050	289,650	260,809	28,841
Other services and charges	695,820	886,329	827,985	58,344
Capital outlay	104,000	175,300	144,504	30,796
Total parks and recreation	<u>2,534,334</u>	<u>2,782,692</u>	<u>2,643,295</u>	<u>139,397</u>
Community development				
Personnel services	173,110	177,498	170,297	7,201
Supplies	2,230	3,030	2,634	396
Other services and charges	112,547	113,347	106,476	6,871
Capital Outlay	-	-	487,630	(487,630)
Total community development	<u>287,887</u>	<u>293,875</u>	<u>767,037</u>	<u>(473,162)</u>
Total expenditures	<u>16,577,903</u>	<u>17,858,848</u>	<u>16,462,480</u>	<u>1,396,368</u>
Deficiency of revenues over expenditures	<u>(1,492,194)</u>	<u>(2,780,139)</u>	<u>1,271,525</u>	<u>4,051,664</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	-	-
Purchase of assets	-	-	(570,500)	(570,500)
Grants proceeds	(26,900)	341,400	1,827,431	1,486,031
Grants expenditures	-	(304,500)	(161,025)	143,475
Transfers out	(200,000)	(485,250)	(2,096,919)	(1,611,669)
Transfers in	727,864	748,514	2,491,113	1,742,599
Total other financing sources (uses)	<u>500,964</u>	<u>300,164</u>	<u>1,490,100</u>	<u>1,189,936</u>
Net change in fund balance	<u>(991,230)</u>	<u>(2,479,975)</u>	<u>2,761,625</u>	<u>\$ 5,241,600</u>
Fund balance-beginning, budget basis	<u>1,139,000</u>	<u>1,139,000</u>	<u>12,405,255</u>	
Fund balance-ending, budget basis	<u>\$ 147,770</u>	<u>\$ (1,340,975)</u>	<u>\$ 15,166,880</u>	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis at beginning of the year:			(3,268,536)	
Change in receivables			154,744	
Change in accounts payable and accrued liabilities			(55,506)	
Change in deferred revenue			(48,155)	
Change in deferred inflow of resources			19,915	
Fund balance-ending, GAAP basis			<u>\$ 11,969,342</u>	

See independent auditor's report and notes to required supplementary information.



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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
City's proportionate share of the net pension liability	\$ 27,666,452	\$ 22,642,002	\$ 16,258,480	\$ 21,294,721	\$ 19,351,169	\$ 18,296,268	\$ 18,285,733	\$ 19,648,746	\$ 17,003,831
City's covered employee payroll	\$ 8,289,216	\$ 7,786,461	\$ 7,600,859	\$ 6,960,573	\$ 6,916,779	\$ 7,161,065	\$ 7,069,178	\$ 7,315,767	\$ 6,844,479
City's proportionate share of the net pension liability as a percentage of covered employee payroll	333.76%	290.79%	213.90%	305.93%	279.77%	255.50%	258.67%	268.58%	248.43%
Plan fiduciary net position as a percentage of total pension liability	55.70%	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,442,328	\$ 1,354,665	\$ 1,322,550	\$ 1,211,140	\$ 1,121,509	\$ 1,127,868	\$ 1,113,396	\$ 1,152,233	\$ 1,078,005
Contributions in relation to contractually required contribution	1,442,328	1,354,665	1,322,550	1,211,140	1,121,509	1,127,868	1,113,396	1,152,233	1,078,005
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 8,289,216	\$ 7,786,461	\$ 7,600,859	\$ 6,960,573	\$ 6,916,779	\$ 7,161,065	\$ 7,069,178	\$ 7,315,767	\$ 6,844,479
Contributions as a percentage of covered employee payroll	17.40%	17.40%	17.40%	17.40%	16.21%	15.75%	15.75%	15.75%	15.75%

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

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

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2023**

**NOTE 1: CHANGES IN ASSUMPTIONS**

- 2023
  - The investment rate of return assumption was changed from 7.55% to 7.00%.
  - The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
  - Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
  - The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
  - For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
  - The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
  - The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.
- 2021
  - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
    - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
    - For females, 84% of female rates up to age 72, 100% for ages above 76.
    - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
  - The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
    - For males, 134% of male rates at all ages.
    - For females, 121% of female rates at all ages.
    - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
  - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
    - For males, 97% of male rates at all ages.
    - For females, 110% of female rates at all ages.
    - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 2.75% to 2.40%.
  - The wage inflation assumption was reduced from 3.00% to 2.65%.
  - The investment rate of return assumption was changed from 7.75% to 7.55%.
  - The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
  - The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2023**

**NOTE 1: CHANGES IN ASSUMPTIONS (Continued)**

- 2019
  - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
    - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
    - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 80 to 119.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The expectation of disabled mortality was changes to PubT.H-2010 Disables Retiree Table for disabled retirees with the following adjustments:
    - For males, 137% of males rates at all ages.
    - For females, 115% of female rates at all ages.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 3.00% to 2.75%.
  - The wage inflation assumption was reduced from 3.25% to 3.00%.
  - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
- 2017
  - The expectation of retire life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
  - The wage inflation assumption was reduced from 3.75% to 3.25%.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rate were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
  - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
  - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
  - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
  - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
SEPTEMBER 30, 2023**

**NOTE 2: CHANGES IN BENEFIT PROVISIONS**

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2021 valuation for the June 30, 2023 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	26.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense,

## **SUPPLEMENTARY INFORMATION**



**COMBINING FINANCIAL STATEMENTS  
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

	Special Revenue						
	Tourism	Library	Special Paid Fines and Forfeitures	Task Force	Modernization Use Tax	Fire Protection	Total Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 139,292	\$ 206,526	\$ 47,148	\$ 32,791	\$ -	\$ 33,282	\$ 459,039
Restricted assets:							
Cash and cash equivalents	-	-	-	-	2,858,680	-	\$ 2,858,680
Receivable, net							
Taxes	-	10,879	-	-	-	-	10,879
Due from other governments	15,002	-	-	-	-	119,065	134,067
Total assets	<u>\$ 154,294</u>	<u>\$ 217,405</u>	<u>\$ 47,148</u>	<u>\$ 32,791</u>	<u>\$ 2,858,680</u>	<u>\$ 152,347</u>	<u>\$ 3,462,665</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 96	\$ 20	\$ -	\$ -	\$ 91,050	\$ -	91,166
Total liabilities	<u>96</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>91,050</u>	<u>-</u>	<u>91,166</u>
Fund balances:							
Restricted							
Capital improvements	-	-	-	-	2,858,680	-	2,858,680
Committed							
Other	154,198	217,385	47,148	32,791	(91,050)	152,347	512,819
Total fund balances	<u>154,198</u>	<u>217,385</u>	<u>47,148</u>	<u>32,791</u>	<u>2,767,630</u>	<u>152,347</u>	<u>3,371,499</u>
Total liabilities and fund balances	<u>\$ 154,294</u>	<u>\$ 217,405</u>	<u>\$ 47,148</u>	<u>\$ 32,791</u>	<u>\$ 2,858,680</u>	<u>\$ 152,347</u>	<u>\$ 3,462,665</u>

See independent auditors' report.

**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Special Revenue						
	Tourism	Library	Special Paid Fines and Forfeitures	Task Force	Modernization Use Tax	Fire Protection	Total Non-Major Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ -	\$ 236,014	\$ -	\$ -	\$ -	\$ -	\$ 236,014
Fees and fines	-	-	49,207	-	-	-	49,207
Intergovernmental	94,653	-	-	95,000	-	119,065	308,718
Charges for services	19,450	-	-	-	-	-	19,450
Grants	-	-	-	-	1,593,302	-	1,593,302
Total revenues	114,103	236,014	49,207	95,000	1,593,302	119,065	2,206,691
<b>EXPENDITURES</b>							
Current:							
Public safety	-	-	-	-	668,339	18,231	686,570
Cultural and recreation	-	219,416	-	-	-	-	219,416
Economic development	111,147	-	-	-	-	-	111,147
Capital outlay							
Public Safety	-	-	3,499	-	-	-	3,499
Debt service:							
Principal	-	-	-	-	-	72,301	72,301
Interest and other charges	-	-	-	-	-	7,725	7,725
Total expenditures	111,147	219,416	3,499	-	668,339	98,257	1,100,658
Excess (deficiency) of revenues over expenditures	2,956	16,598	45,708	95,000	924,963	20,808	1,106,033
Net change in fund balances	2,956	16,598	45,708	95,000	924,963	20,808	1,106,033
Fund balances - beginning	151,242	200,788	1,440	(62,209)	1,842,666	131,539	2,265,466
Fund balances - ending	\$ 154,198	\$ 217,386	\$ 47,148	\$ 32,791	\$ 2,767,629	\$ 152,347	\$ 3,371,499

See independent auditor's report



**CITY OF OCEAN SPRINGS, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS**  
**SEPTEMBER 30, 2023**

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

See independent auditors' report.

## **REPORT ON INTERNAL CONTROL AND COMPLIANCE**



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

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

July 18, 2024

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean Springs, Mississippi as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Ocean Springs, Mississippi's basic financial statements and have issued our report thereon dated July 18, 2024.

**Internal Control Over Financial Reporting**

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

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



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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

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

Certified Public Accountants

Gulfport, Mississippi



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

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

July 18, 2024

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

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

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

We have audited the City of Ocean Springs, Mississippi's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Ocean Springs, Mississippi's major federal program for the year ended September 30, 2023. The City of Ocean Springs, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The City of Ocean Springs, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on their major federal program for the year ended September 30, 2023.

***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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United State (*Government Auditing Standards*); 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 this report.

We are required to be independent of The City of Ocean Springs, 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 Ocean Springs, 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 and grant agreements applicable to The City of Ocean Springs, 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 Ocean Springs, 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 GAAS, *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 judgement made by a reasonable user or the report on compliance about The City of Ocean Springs, Mississippi's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Ocean Springs, 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 Ocean Springs, 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 Ocean Springs, 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 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



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

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 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.

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Grantor Federal Agency Passed - Through Agency Program Title	ALN Number	Grant No./ Pass-Through Grantor No.	Federal Expenditures
<b>US DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through the State of Mississippi Emergency Management Agency</i>			
COVID-19 CARES Act Emergency Protective Measures	21.019	DR-4528-MS	\$ 41,561
<b>Total US Department of Transportation</b>			<b>41,561</b>
<b>US DEPARTMENT OF JUSTICE</b>			
Equitable Sharing Program	16.922	64-6000924	\$ 49,207
<b>Total US Department of Justice</b>			<b>49,207</b>
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through Mississippi Development Authority</i>			
KCDBG - Parktown	14.228	R-109-282-07-KCR	507,492
KCDBG - Ft. Bayou	14.228	R-109-282-08-KCR	6,750
<b>Total US Department of Housing and Urban Development</b>			<b>514,242</b>
<b>US DEPARTMENT OF INTERIOR</b>			
<i>Passed through Jackson County Board of Supervisors</i>			
GOMESA - Front Beach Infrastructure Maintenance	15.435	64-6000924	18,498
<i>Passed through Mississippi Department of Marine Resources</i>			
GOMESA - Front Beach Public Access	15.435	OS-PR-01	505,664
<b>Total US Department of Interior</b>			<b>524,162</b>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed through Mississippi Emergency Management Agency</i>			
Hurricane Nate			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	PW166	36,604
Hurricane Zeta			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	PW375	1,100,729
Hurricane Ida			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	PW136	44,642
<b>Total US Department of Homeland Security</b>			<b>1,181,975</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,311,147</b>



**CITY OF OCEAN SPRINGS, MISSISSIPPI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. The cost principles are applied based on the period of expenditures.

**NOTE 2 – DE MINIMIS COST RATE**

The City of Ocean Springs, Mississippi has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Ocean Springs, Mississippi under programs of the federal government for the year ended September 30, 2023 and is presented on the accrual basis of accounting. 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Ocean Springs, Mississippi.

**NOTE 4 – RECONCILIATION OF GRANT REVENUE**

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of activities for the year ended September 30, 2023:

Governmental Activities	
General government - operating grants and contributions	\$ 454,842
General government - capital grants and contributions	1,888,589
Culture and recreation - operating grants and contributions	268,386
Culture and recreation - capital grants and contributions	541,322
Public safety - operating grants and contributions	270,572
Public works - operating grants and contributions	20,000
Public works - capital grants and contributions	514,242
Economic development - capital grants and contributions	47,556
	<u>4,005,509</u>
Less: state grants and other aid	(1,399,833)
Less: county aid	<u>(294,529)</u>
Total expenditures of federal awards	<u><u>\$ 2,311,147</u></u>

**CITY OF OCEAN SPRINGS, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal Control over financial reporting:

Material Weaknesses identified? No

Significant Deficiencies identified that are  
not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal Control Over Major Programs:

Material Weaknesses identified? No

Significant Deficiencies identified that are  
not considered to be material weaknesses? None reported

Type of auditor’s report issued on compliance for major  
programs Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR section 200.516(a)? No

Federal programs identified as major programs:

Assistance Listing  
97.036

Name of Federal Program  
*Disaster Grants – Public Assistance*

Dollar threshold used to distinguish between type A  
and type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings**

None reported.



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

July 18, 2024

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

We have audited the basic financial statements of the City of Ocean Springs, Mississippi, as of and for the year ended September 30, 2023 and have issued our report dated July 18, 2024. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations. However, noncompliance may exist that has not been identified.

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

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

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