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**CITY OF PASCAGOULA, MISSISSIPPI**

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2019

CITY OF PASCAGOULA, MISSISSIPPI  
TABLE OF CONTENTS  
For the Year Ended September 30, 2019

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	<b>Pages</b>
<b>INTRODUCTORY SECTION</b>	
Listing of City Officials	ii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-14
<b>Basic Financial Statements</b>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	17
Statement of Activities	18
<i>Fund Financial Statements</i>	
Governmental Funds	
Balance Sheet	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds	
Statement of Net Position	23
Statement of Revenues, Expenses, and Changes in Net Position	24
Statement of Cash Flows	25-26
Fiduciary Funds	
Statement of Net Position	27
Statement of Changes in Net Position	28
Notes to the Financial Statements	29-62
<b>Required Supplementary Information</b>	
Budgetary Schedules	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary Basis - General Fund	66-67
Notes to the Budgetary Comparison Schedule	68
Pension Schedules	
Mississippi Public Employees' Retirement System (PERS)	
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios	69
Schedule of City Contributions and Related Ratios	70
Notes to the PERS Pension Schedules	71-72
Mississippi Municipal Retirement System (MRS)	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	73
Schedule of City Contributions and Related Ratios and Notes	74
<b>Supplemental Information</b>	
Schedule of Surety Bonds for City Officials	77
<b>SPECIAL REPORTS</b>	
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 <i>Government Auditing Standards</i>	81-82
Independent Auditor's Report on Compliance with State Laws and Regulations	83
Schedule of Findings and Responses	84-85

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## INTRODUCTORY SECTION

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**ELECTED OFFICIALS**  
**As of September 30, 2019**



**Dane Maxwell**  
**Mayor**



**Jennifer Colmer**  
**Councilwoman At-Large**



**Rev. Dr. Willie C. Jones**  
**Councilman, Ward 1**



**Felix Fornett, Sr.**  
**Councilman, Ward 2**



**Stephen Burrow**  
**Councilman, Ward 3**



**Matt Parker**  
**Councilman, Ward 4**



**Scott Tipton**  
**Councilman, Ward 5**

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## FINANCIAL SECTION

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
Pascagoula, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi, as of September 30, 2019, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and schedule of budgetary comparison information on pages 5 through 14 and 66 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pascagoula, Mississippi's basic financial statements. The introductory section, the combining and individual non-major fund financial statements, and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Columbo, Harvey & Associates, P.A.*

Gulfport, Mississippi  
January 11, 2021

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## MANAGEMENT DISCUSSION AND ANALYSIS

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## CITY OF PASCAGOULA, MISSISSIPPI

### Management's Discussion and Analysis

This section of the City of Pascagoula, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Pascagoula is located on the Mississippi Gulf Coast and is ranked as the 20<sup>th</sup> most populated city in the State of Mississippi. According to the United States Census Bureau, the estimated population of City of Pascagoula as of July 1, 2019, is 21,685. The median household income is \$38,651 with over 84.5% of persons 25 years or older holding a high school degree or higher.

#### Government-wide Financial Highlights

- Total assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources at the close of the current year by approximately \$51,893,599. This amount represents the total net position of the City's governmental and business-type activities. This amount increased from last's year's net position of \$44,486,530 by \$5,980,372 for current year activities and increased \$1,426,697 for prior period adjustments. Prior period adjustments are made to last year's net position for amounts to include previous year's net position amount for the Pascagoula Redevelopment Authority. Please see Note 17 for details on these adjustments.
- General revenues amounted to of \$23,047,638 or 51% of total revenues. This amount increased \$4,469,752 from 2018. Program revenues amounted to \$22,401,970 or 49% of total revenues, which increased \$514,378 from 2018. This increase was mostly due to the increase in charges for service revenues received.
- Overall expenditures/expenses for the City decreased \$5,100,814 from the total expenditures/expenses of \$44,570,050 reported in 2018. This reduction is primarily due to City's management eliminating several departments and consolidated efforts to reduce City spending.
- Capital assets, net of accumulated depreciation, increased by \$1,975,347 in the governmental activities and decreased \$4,268,138 in the business-type activities during 2019. Beginning capital assets in the governmental activities included \$679,795 of net capital assets additions belonging to the Pascagoula Redevelopment Authority. Capital asset acquisitions, disposals and adjustments totaled \$3,580,535 while normal straight-line depreciation of capital assets totaled \$5,873,326.
- Debt obligations decreased by \$715,604 in the governmental activities. The City borrowed an additional \$2,300,000 in notes and \$1,750,000 in tax anticipation loans in the current year. Principal payments of \$4,765,604 were made in the governmental activities to reduce outstanding debt. The governmental-type other non-current liabilities decreased a net of \$1,826,391 in the proportionate share of the outstanding pension and compensated absences allocations.
- Debt obligations decreased by \$1,080,959 in the business-type activities primarily due to the City principal payments of \$729,526 to reduce outstanding debt. The business-type other non-current liabilities decreased a net of \$351,433 in the proportionate share of the outstanding pension and compensated absences allocations.

#### Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$21,863,629 in revenues, which shows an increase of \$2,258,024 from 2018 and \$20,204,061 in expenditures, a decrease of \$4,728,075 from 2018, in the current year. The General Fund's fund balance increased a net of \$4,160,602 for the current year.
- *Parks and Recreation Bond Project* – This fund is used to account for the 2018 General Obligation bond funds designated for the acquisition and construction of infrastructure for parks and recreation. The fund shows that, at September 30, 2019, the remaining bond fund available for future years was \$4,281,443. Of the \$4,328,699 spent on capital outlay and infrastructure, \$4,283,322 was capitalized.

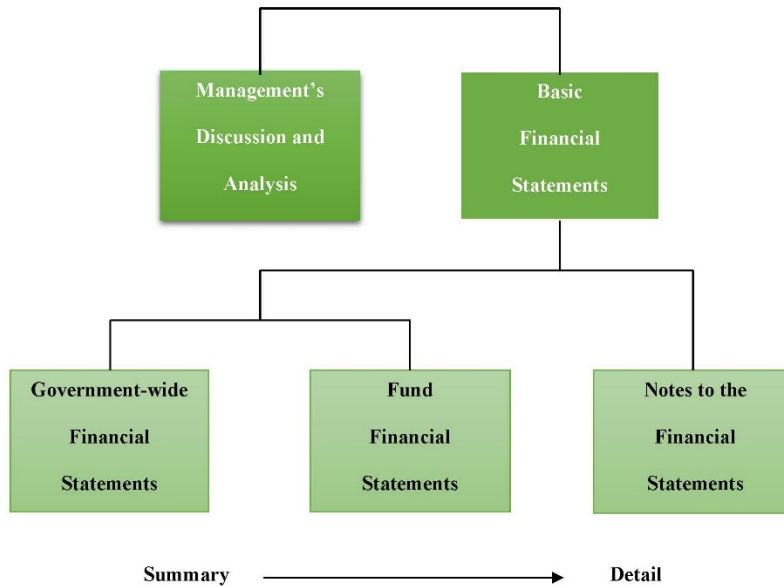
CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

### Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to City of Pascagoula's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Pascagoula.

### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements:

- 1) the governmental funds statements;
- 2) the proprietary fund statements; and
- 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show required budgetary information and required pension plan schedules, and other relevant information.

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

**Government-wide Financial Statements (Reporting the City of Pascagoula as a Whole).**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, gas and solid waste services offered by the City.

Table 1 and Table 2 provide a summary of the City's net position and changes in net position for 2019 compared to 2018.

<p style="text-align: center;"><b>TABLE 1</b> <b>Condensed Statement of Net Position</b> <b>September 30, 2019 and 2018</b></p>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>						
Current assets	\$ 17,560,973	15,189,629	14,270,235	8,792,572	31,831,208	23,982,201
Noncurrent assets	33,234	-	-	-	33,234	-
Capital assets	86,484,779	83,829,637	25,465,818	29,733,957	111,950,597	113,563,594
<b>Total Assets</b>	<b>104,078,986</b>	<b>99,019,266</b>	<b>39,736,053</b>	<b>38,526,529</b>	<b>143,815,039</b>	<b>137,545,795</b>
<b>Deferred Outflows</b>	<b>914,442</b>	<b>1,186,670</b>	<b>38,766</b>	<b>67,270</b>	<b>953,208</b>	<b>1,253,940</b>
<b>Liabilities</b>						
Current liabilities	4,254,780	2,907,184	2,301,131	2,609,633	6,555,911	5,516,817
Non-current liabilities	55,783,608	58,325,603	15,238,249	16,319,208	71,021,857	74,644,811
<b>Total Liabilities</b>	<b>60,038,388</b>	<b>61,232,787</b>	<b>17,539,380</b>	<b>18,928,841</b>	<b>77,577,768</b>	<b>80,161,628</b>
<b>Deferred Inflows</b>	<b>14,876,227</b>	<b>13,795,209</b>	<b>420,653</b>	<b>356,368</b>	<b>15,296,880</b>	<b>14,151,577</b>
<b>Net Position</b>						
Investment in capital assets, net of related debt	68,769,623	71,288,003	11,465,359	15,057,168	80,234,982	86,345,171
Restricted net assets	8,206,733	8,699,852	-	-	8,206,733	8,699,852
Unrestricted	(46,897,543)	(54,809,915)	10,349,427	4,251,422	(36,548,116)	(50,558,493)
<b>Total Net Position</b>	<b>\$ 30,078,813</b>	<b>25,177,940</b>	<b>21,814,786</b>	<b>19,308,590</b>	<b>51,893,599</b>	<b>44,486,530</b>

Note: Prior year amounts have been reclassified for comparative purposes. These reclassifications had no effect on overall net position.

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

**TABLE 2**  
**Condensed Statement of Activities**  
**September 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,837,389	2,626,040	15,025,268	15,451,270	18,862,657	18,077,310
Operating grants and contributions	193,804	326,773	-	-	193,804	326,773
Capital grants and contributions	3,345,509	3,483,509	-	-	3,345,509	3,483,509
General revenues					-	-
Taxes	20,927,816	17,099,352	232,474	227,548	21,160,290	17,326,900
Grants and contributions - unrestricted	502,491	430,609	6,271	8,020	508,762	438,629
Investment earnings	262,615	66,782	131,091	21,381	393,706	88,163
Miscellaneous	514,795	256,772	470,085	467,422	984,880	724,194
Total revenues	<u>29,584,419</u>	<u>24,289,837</u>	<u>15,865,189</u>	<u>16,175,641</u>	<u>45,449,608</u>	<u>40,465,478</u>
Expenses:						
General government	6,082,009	6,789,754	-	-	6,082,009	6,789,754
Public safety	12,372,274	12,543,753	-	-	12,372,274	12,543,753
Public works	4,684,493	5,168,821	-	-	4,684,493	5,168,821
Culture and recreation	1,662,434	2,856,416	-	-	1,662,434	2,856,416
Urban renewal and economic development	275,985	1,199,041			275,985	1,199,041
Interest on long-term debt	1,033,048	660,061	259,489	255,734	1,292,537	915,795
Pascagoula Utilities	-	-	11,709,964	13,741,441	11,709,964	13,741,441
Solid waste and energy recovery	-	-	1,389,540	1,355,029	1,389,540	1,355,029
Transfer Station	-	-	-	-	-	-
Total expenses	<u>26,110,243</u>	<u>29,217,846</u>	<u>13,358,993</u>	<u>15,352,204</u>	<u>39,469,236</u>	<u>44,570,050</u>
Transfers	-	186,449	-	(186,449)	-	-
Changes in net position	3,474,176	(4,741,560)	2,506,196	636,988	5,980,372	(4,104,572)
Net Position - beginning, restated	<u>26,604,637</u>	<u>29,919,500</u>	<u>19,308,590</u>	<u>18,671,602</u>	<u>45,913,227</u>	<u>48,591,102</u>
Net Position - ending	<u>\$ 30,078,813</u>	<u>25,177,940</u>	<u>21,814,786</u>	<u>19,308,590</u>	<u>51,893,599</u>	<u>44,486,530</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$51,893,599 as of September 30, 2019. The City's net position increased by \$5,980,372 for the fiscal year ended September 30, 2019. However, the largest portion reflects the City's net investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities (See Note 11 for more detail).

An additional portion of the City's net position of \$8,206,733 represents resources that are subject to external restrictions on how they may be used.



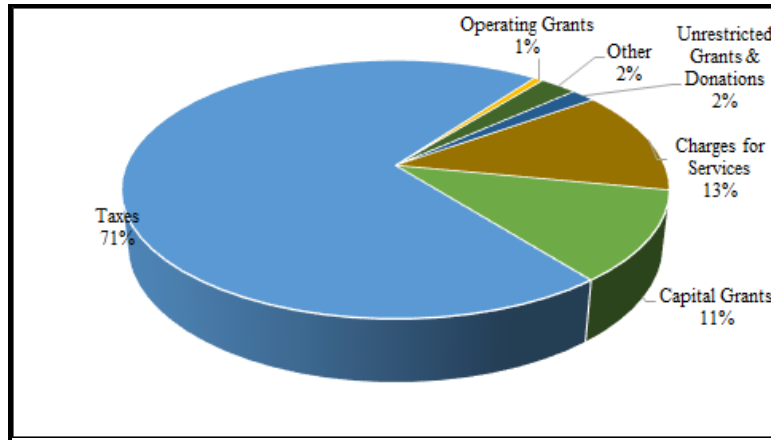
CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

*Governmental Activities*

Total net position increased \$3,474,176 for current year activities as a result primarily due to a significant decrease in governmental activities spending. Under the accrual basis of accounting, governmental activities general revenues amounted to of \$22,207,717 or 75% of total revenues. This amount increased \$4,354,202 from 2018. Program revenues amounted to \$7,376,702 or 25% of total revenues, which increased \$940,380 from 2018.

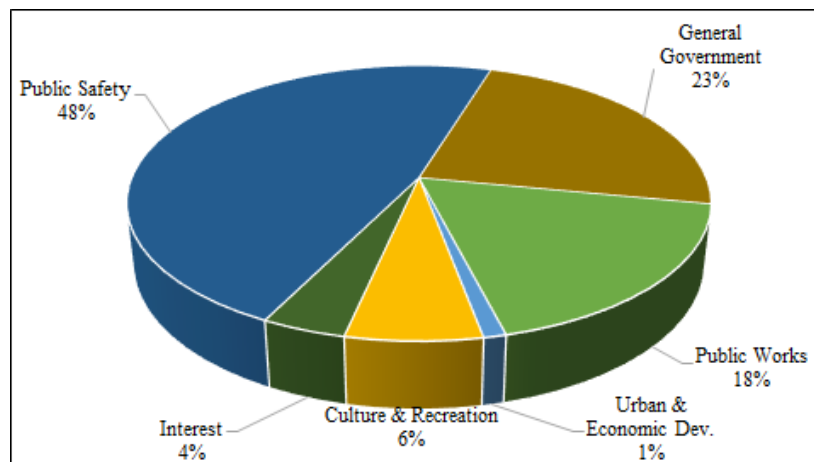
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

**Chart 1 – Governmental Activities Revenue Sources**



Major governmental expense activities are shown in the following chart.

**Chart 2 – Governmental Activities**



*Business-type activities*

Business-type activities for the City include the Pascagoula Utilities Fund (water and sewer, gas), the Solid Waste Fund, Energy Recovery and Transfer Station Fund.

Net position for the business-type activities was \$21,814,786 for the year ended September 30, 2019, an increase of \$2,506,196. Charges for services decreased approximately \$426,002.

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

**Fund Financial Statements (Reporting the City of Pascagoula's Most Significant Funds)**

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

***Governmental Funds***

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

At the ended of the year, the governmental funds reported a combined fund balance of \$1,800,897, an increase of \$1,999,165 current year activities from 2018. A prior period adjustment of \$746,902 was added to the reported fund balance from 2018. The overall increase is primarily a result of a significant decrease in expenditures including the near completion of the capital outlay for the 2017 general obligation bonds.

Of the total fund balance, \$9,114,696 is restricted and cannot be spent for any other purpose than that designated by the grant, bond proceeds or state statute. Another \$1,543,142 is committed to specific projects and \$903,438 is assigned by the council to be spent only on capital projects. The result is a deficit of \$9,751,379 of available funds to meet these requirements.

***Proprietary Funds***

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

The proprietary funds of the City have three major funds: Pascagoula Utilities, Solid Waste and the Energy Recovery Fund.

The net position of the Pascagoula Utilities Fund increased \$318,829 during the fiscal year ended September 30, 2019. Operating income amounted to \$1,855,006 which includes \$1,934,349 of depreciation expense.

The net position of the Solid Waste Fund increased \$332,361 with operating revenues of \$309,503.

***Fiduciary Funds***

Fiduciary Funds show amounts held by the City for the benefit of others.

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

### General Fund Budgeting Highlights

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

During the course of 2019, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Council for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without council approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over-spending by individual departments.

### Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2019 and 2018.

<b>TABLE 3</b>						
<b>Schedule of Capital Assets (Net of Accumulated Depreciation)</b>						
<b>September 30, 2019 and 2018</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018*</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land*	\$ 16,611,273	\$ 16,474,313	84,751	84,751	16,696,024	16,559,064
Construction in progress	6,968,354	2,808,331	678,360	1,854,545	7,646,714	4,662,876
Buildings & improvements	2,787,904	3,043,971	4,634,886	5,005,677	7,422,790	8,049,648
Improvements - other*	40,073,789	40,549,703	19,846,152	22,458,589	59,919,941	63,008,292
Infrastructure	18,348,343	19,189,339	-	-	18,348,343	19,189,339
Machinery & equipment	1,206,768	1,450,907	212,770	317,541	1,419,538	1,768,448
Equipment under capital leases	488,348	942,868	8,899	12,854	497,247	955,722
Total	<u>\$ 86,484,779</u>	<u>\$ 84,459,432</u>	<u>25,465,818</u>	<u>29,733,957</u>	<u>111,950,597</u>	<u>114,193,389</u>

\* Note: Equipment under capital assets has Land and Improvements-other have been adjusted for the prior period amount of the Pascagoula Redevelopment Authority's capital assets.

The primary increase in capital assets occurred due to construction purchases for the new sports complex.

### General Long-term Obligations

At September 30, 2019, the City had \$41,147,050 outstanding debt obligations, along with \$752,049 in compensated absences payable and \$29,122,758 in net pension obligations.

<b>TABLE 4</b>						
<b>Schedule of Debt Obligations</b>						
<b>September 30, 2019 and 2018</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General Obligation Bonds	\$ 19,115,042	\$ 20,264,354	-	-	19,115,042	20,264,354
Revenue Bonds	-	-	7,469,958	14,302,247	7,469,958	14,302,247
Note payable	7,812,954	6,992,486	6,426,981	6,447,371	14,239,935	13,439,857
Capital Leases	313,296	700,056	8,819	12,267	322,115	712,323
Total	<u>\$ 27,241,292</u>	<u>27,956,896</u>	<u>13,905,758</u>	<u>20,761,885</u>	<u>41,147,050</u>	<u>48,718,781</u>

**CITY OF PASCAGOULA, MISSISSIPPI**  
**Management's Discussion and Analysis**

**Economic Factors**

The City of Pascagoula continues to project mostly positive outlook in terms of its economic environment. It is the home to Huntington-Ingalls Shipbuilding, the largest single-site employer in Mississippi, as well as a plethora of other major industrial companies such as Chevron, Rolls Royce Naval Marine, and VT Halter Marine. Although its residential population hovers around 22,000, Pascagoula's daytime population swells to an estimated 60,000 with all of the people who commute to work.

Pascagoula's unemployment rate increased in 2019 to 6.8%, up from 5.8% in 2018. Mississippi's unemployment rate in September 2019 was 5.4%.

The City has made great strides to reduce the general fund's dependence on other fund's revenues to cover general expenditures. During 2018 and 2019, the City reduced its expenditures significantly by reducing staff, outsourcing departments and selectively performing only the highest of priority infrastructure improvements. The City has invested in long-term strategies to reduce the existing interfund deficit in the General Fund.

While Pascagoula continues to make strides in terms of its economic growth, it still faces some challenges as a municipal government. Its current economic growth comes after years of devastation left by Hurricane Katrina, the BP Oil Spill, and the economic recession in 2008. As a result, Pascagoula's transportation infrastructure, water and sewer system and recreation facilities are in need of considerable upgrades. The City is in the final stages of completing a \$12.5 million bond issue in 2018 has allowed the City to begin our recreational facility enhancements projects. The City has approximately \$7.5 in construction in progress at the end of the year with approximately \$5.8 remaining contract commitments for completion of the project phases. In 2019, the City council begun construction with bond monies of a new sports complex with an estimated cost of \$10 million to be located off Tucker Avenue. The complex is to include three baseball fields, three softball fields and one multi-use field. There will also be designated space for concession stands, bleachers, pavilions and batting cages. This project is estimated to be completed at the beginning of 2020.

**Contact the City's Financial Management**

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

City Manager  
City of Pascagoula, Mississippi  
603 Watts Avenue  
Pascagoula, MS 39568  
(228) 762-1020

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## BASIC FINANCIAL STATEMENTS

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# City of Pascagoula, Mississippi

## Statement of Net Position

September 30, 2019

	Governmental	Business-Type	Total
Assets			
Current assets			
Cash	\$ 372,658	12,900,140	13,272,798
Taxes receivables	12,240,678	223,570	12,464,248
Accounts receivable (net of allowance)	55,935	1,237,047	1,292,982
Intergovernmental receivables	2,255,111	-	2,255,111
Fines and forfeitures (net of allowance)	359,566	-	359,566
Miscellaneous receivable	667,793		667,793
Interfund	613,955	(613,955)	-
Prepaid items	316,311	12,252	328,563
Restricted current assets - cash	678,966	511,181	1,190,147
Total Current Assets	<u>17,560,973</u>	<u>14,270,235</u>	<u>31,831,208</u>
Noncurrent Assets			
Note Receivable	33,234	-	33,234
Capital assets, net of accumulated depreciation	86,484,779	25,465,818	111,950,597
Total Noncurrent Assets	<u>86,518,013</u>	<u>25,465,818</u>	<u>111,983,831</u>
Total Assets	<u>104,078,986</u>	<u>39,736,053</u>	<u>143,815,039</u>
Deferred Outflows of Resources			
Deferred bond charges	62,125	-	62,125
Deferred amounts on pension	852,317	38,766	891,083
Total Deferred Outflow of Resources	<u>914,442</u>	<u>38,766</u>	<u>953,208</u>
Liabilities			
Current liabilities:			
Claims and wages payable	1,815,854	459,386	2,275,240
Accrued interest payable	273,649	1,239,970	1,513,619
Judgements and insurance claims payable	524,931	-	524,931
Unearned revenue	1,635,438	-	1,635,438
Payable from restricted assets			
Customer deposits	4,908	601,775	606,683
Total current liabilities	<u>4,254,780</u>	<u>2,301,131</u>	<u>6,555,911</u>
Noncurrent Liabilities:			
Due within one year			
Capital debt	1,453,301	342,277	1,795,578
Noncapital debt	2,048,051	430,909	2,478,960
Due in more than one year			
Capital debt	20,488,523	11,903,481	32,392,004
Noncapital debt	3,955,189	1,277,368	5,232,557
Net pension liability	27,838,544	1,284,214	29,122,758
Total noncurrent liabilities	<u>55,783,608</u>	<u>15,238,249</u>	<u>71,021,857</u>
Total Liabilities	<u>60,038,388</u>	<u>17,539,380</u>	<u>77,577,768</u>
Deferred Inflows of Resources			
Property tax for future reporting period	11,600,219	221,547	11,821,766
Deferred amount on pensions	2,919,353	153,650	3,073,003
Deferred amounts associated with debt	356,655	45,456	402,111
Total Deferred Inflows of Resources	<u>14,876,227</u>	<u>420,653</u>	<u>15,296,880</u>
Net Position			
Investment in capital assets, net of related debt	68,769,623	11,465,359	80,234,982
Restricted Net Position:			
Restricted for grant/bond purposes	4,439,995	-	4,439,995
Restricted for debt service	3,132,021	-	3,132,021
Restricted for public safety	634,717	-	634,717
Unrestricted	<u>(46,897,543)</u>	<u>10,349,427</u>	<u>(36,548,116)</u>
Total Net Position	<u>\$ 30,078,813</u>	<u>21,814,786</u>	<u>51,893,599</u>

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

**City of Pascagoula, Mississippi**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:					\$		
General government	\$ 6,082,009	1,917,583	49,848	-	(4,114,578)		(4,114,578)
Public safety	12,372,274	1,133,340	143,956	182,241	(10,912,737)		(10,912,737)
Public works	4,684,493	-	-	2,798,907	(1,885,586)		(1,885,586)
Culture, recreation and community services	1,662,434	261,284	-	364,361	(1,036,789)		(1,036,789)
Urban renewal and economic development	275,985	525,182	-	-	249,197		249,197
Interest on long-term debt	1,033,048	-	-	-	(1,033,048)		(1,033,048)
Total governmental activities	26,110,243	3,837,389	193,804	3,345,509	(18,733,541)		(18,733,541)
Business-type activities:							
Pacagoula utilities	11,969,453	13,564,970	-	-		1,595,517	1,595,517
Solid waste	1,389,540	1,460,298	-	-		70,758	70,758
Total business-type activities	13,358,993	15,025,268	-	-		1,666,275	1,666,275
Total government	\$ 39,469,236	18,862,657	193,804	3,345,509		1,666,275	(17,067,266)
General Revenues:							
Taxes:							
Property taxes, general					8,462,355	-	8,462,355
Property taxes, debt service					3,470,463	-	3,470,463
Property taxes, special purpose					697,422	232,474	929,896
Property taxes in lieu - federal government					14,686	-	14,686
General sales taxes					5,490,304	-	5,490,304
Special sales taxes					1,255,037	-	1,255,037
Franchise taxes					1,537,549	-	1,537,549
Grants and contributions not restricted to a special purpose					502,491	6,271	508,762
Unrestricted investment earnings					262,615	131,091	393,706
Miscellaneous					514,795	470,085	984,880
Total general revenues					22,207,717	839,921	23,047,638
Changes in net position					3,474,176	2,506,196	5,980,372
Net position - beginning, as previously stated					25,177,940	19,308,590	44,486,530
Prior period adjustment					1,426,697	-	1,426,697
Net position - beginning, as restated					26,604,637	19,308,590	45,913,227
Net position - ending					\$ 30,078,813	21,814,786	51,893,599

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



**City of Pascagoula, Mississippi**  
**Balance Sheet – Governmental Funds**  
**September 30, 2019**

	Major Funds			Other	Total
	General	Parks and	Debt	Governmental	Governmental
	Fund	Recreation	Service	Funds	Funds
		Bond Project	Fund		
<b>ASSETS</b>					
Cash	\$ 274,622	4,921,970	3,101,805	5,140,958	13,439,355
Receivables-current					
Property tax	8,241,578	-	2,808,177	662,089	11,711,844
Franchise taxes	528,834	-	-	-	528,834
Intergovernmental	1,778,550	-	-	476,561	2,255,111
Court fines & fees	359,566	-	-	-	359,566
Accounts receivable, net	42,031	-	-	13,904	55,935
Miscellaneous	247,144	-	-	-	247,144
Due from other funds	1,105,347	-	-	-	1,105,347
Restricted Cash	-	-	-	678,966	678,966
Receivable - noncurrent	-	-	-	33,233	33,233
Advance to other fund	26,400	-	-	-	26,400
<b>Total Assets</b>	<b>12,604,072</b>	<b>4,921,970</b>	<b>5,909,982</b>	<b>7,005,711</b>	<b>30,441,735</b>
<b>LIABILITIES</b>					
Interfund payable - pooled cash	13,066,697	-	-	-	13,066,697
Claims payable	387,946	640,527	-	108,791	1,137,264
Other accrued liabilities	258,075	-	-	-	258,075
Wages payable	420,513	-	-	-	420,513
Unearned revenue	42,031	-	-	1,580,348	1,622,379
Due to other funds	-	-	-	-	-
Customer deposits	466	-	-	4,442	4,908
Advance from other fund	-	-	-	26,400	26,400
<b>Total Liabilities</b>	<b>14,175,728</b>	<b>640,527</b>	<b>-</b>	<b>1,719,981</b>	<b>16,536,236</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes for future reporting period	8,166,235	-	2,777,961	656,023	11,600,219
Unavailable revenue - fines and grants	504,383	-	-	-	504,383
<b>Total Deferred Inflows of Resources</b>	<b>8,670,618</b>	<b>-</b>	<b>2,777,961</b>	<b>656,023</b>	<b>12,104,602</b>
<b>FUND BALANCES</b>					
Restricted:					
Grant/bond purposes	-	4,281,443	-	158,553	4,439,996
Debt service	-	-	3,132,021	-	3,132,021
Public safety	-	-	-	768,810	768,810
Economic development	-	-	-	773,869	773,869
Committed:					
Capital projects	-	-	-	1,187,999	1,187,999
Machpelah Cemetery	-	-	-	130,571	130,571
Lighthouse preservation	-	-	-	163,367	163,367
Rental rehabilitation	-	-	-	7,019	7,019
Historic preservation	-	-	-	1,880	1,880
Inner harbor	-	-	-	43,306	43,306
Assigned:					
Capital projects	-	-	-	903,438	903,438
Unassigned	(10,242,274)	-	-	490,895	(9,751,379)
<b>Total Fund Balances</b>	<b>(10,242,274)</b>	<b>4,281,443</b>	<b>3,132,021</b>	<b>4,629,707</b>	<b>1,800,897</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,604,072</b>	<b>4,921,970</b>	<b>5,909,982</b>	<b>7,005,711</b>	<b>30,441,735</b>

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

**City of Pascagoula, Mississippi**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2019**

**Total governmental funds balance** **\$ 1,800,897**

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

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

Governmental capital assets	\$ 137,350,513	
Less: accumulated depreciation	<u>(50,865,734)</u>	86,484,779

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.

Prepaid property and fire insurance	\$ 248,303	
Prepaid bond insurance	<u>68,008</u>	316,311

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

Court fines receivable	\$ 364,118	
Franchise fees receivable	<u>140,264</u>	504,382

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

Bonds payable	\$ (19,115,042)	
Notes payable	(7,812,954)	
Capital leases payable	(313,296)	
Compensated absences	(703,772)	
Net pension liability	<u>(27,838,544)</u>	(55,783,608)

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

Accrued interest payable		(273,649)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	\$ 852,317	
Deferred inflows of resources related to pensions	<u>(2,919,353)</u>	(2,067,036)

Bond deferred bond charges are amortized over the life of the loan at the government-wide level and recorded as incurred at the fund level.

Deferred bond charges	\$ 62,125	
Unamortized premium on bond	<u>(356,655)</u>	(294,530)

Internal Service Funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Position as follows:

Current assets	\$ 420,649	
Amounts to from other funds	(491,392)	
Held for employees in Flex Account	(13,059)	
Estimated claims payable	<u>(524,931)</u>	<u>(608,733)</u>

**Net position of governmental activities** **\$ 30,078,813**

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

**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance – Governmental Funds**  
**For the Fiscal Year Ended September 30, 2019**

	Major Funds			Other	Total
	General	Parks and	Debt	Governmental	Governmental
	Fund	Recreation	Service	Funds	Funds
		Bond Project	Fund		
Revenues:					
Property taxes	\$ 8,477,057	-	3,470,463	697,422	12,644,942
Franchise fees	1,452,346	-	-	-	1,452,346
Fees and fines	393,071	-	-	224,756	617,827
Licenses and permit fees	340,660	-	-	-	340,660
Intergovernmental	8,313,399	-	94,006	3,020,824	11,428,229
Charges for services	2,168,151	-	-	39,654	2,207,805
Investment earnings	102,442	128,453	-	31,719	262,614
Miscellaneous	436,503	-	-	11,944	448,447
Total Revenues	21,683,629	128,453	3,564,469	4,026,319	29,402,870
Expenditures:					
General government	4,809,647	18,265	-	250,933	5,078,845
Public safety	10,509,494	-	-	805,676	11,315,170
Public works	2,969,017	-	-	16,677	2,985,694
Culture & recreation	701,497	27,112	-	19,280	747,889
Urban & economic development	122,120	-	-	90,931	213,051
Capital outlay	658,556	4,283,322	-	993,064	5,934,942
Debt service:					
Principal	386,760	-	2,628,843	-	3,015,603
Interest and other fiscal charges	46,970	-	838,211	-	885,181
Total Expenditures	20,204,061	4,328,699	3,467,054	2,176,561	30,176,375
Excess (Deficiency) of Revenues					
Over Expenditures	1,479,568	(4,200,246)	97,415	1,849,758	(773,505)
Other Financing Sources (Uses):					
Loan proceeds	2,300,000	-	-	-	2,300,000
Proceeds from sale of assets	274,910	-	-	76,500	351,410
Proceeds from insurance	106,124	-	-	15,136	121,260
Transfers	-	920,000	-	(920,000)	-
Total Other Financing Sources (Uses)	2,681,034	920,000	-	(828,364)	2,772,670
Net change in fund balances	4,160,602	(3,280,246)	97,415	1,021,394	1,999,165
Fund balances - beginning	(14,402,876)	7,561,689	3,034,606	2,861,411	(945,170)
Prior period adjusting entry	-	-	-	746,902	746,902
Fund balance - beginning, as adjusted	(14,402,876)	7,561,689	3,034,606	3,608,313	(198,268)
Fund balances - ending	\$ (10,242,274)	4,281,443	3,132,021	4,629,707	1,800,897

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

**City of Pascagoula, Mississippi**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance to the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2019**

**Net Change in Fund Balances - total governmental funds** **\$ 1,999,165**

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

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

Capital outlay	\$ 5,934,942	
Depreciation	<u>(3,938,977)</u>	1,995,965

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (20,618)

The issuance of long-term debt provides current financial resources to the governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Issuance of debt	\$ (2,300,000)	
Debt retirement	<u>3,015,603</u>	715,603

Receivables that do not meet the "measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities they are recognized when levied and earned. (270,503)

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

Pension expense and contributions made after measurement date		(164,353)
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	\$ (148,922)	
Prepaid insurance	(44,286)	
Compensated absences	<u>19,803</u>	(173,405)

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.

Amortization of bond premium	\$ 16,984	
Amortization of prepaid bond insurance	(3,505)	
Amortization of deferred charges	<u>(12,424)</u>	1,055

Internal service funds are used by management to charge the costs of certain insurance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. (608,733)

**Change in net position of governmental activities** **\$ 3,474,176**

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

**City of Pascagoula, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2019**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major Funds			Non-Major		
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund	Total Business-type Activities	Self Insurance Fund
<b>Assets</b>						
Current assets						
Cash	\$ 8,658,824	2,633,106	-	1,608,210	12,900,140	-
Accounts receivable (net of allowance)	873,287	363,760	-	-	1,237,047	-
Property tax receivable	-	223,570	-	-	223,570	-
Insurance rebates receivable	-	-	-	-	-	420,649
Due from other fund	26,293	-	-	-	26,293	-
Prepaid items	12,252	-	-	-	12,252	-
Restricted current assets						
Cash	511,181	-	-	-	511,181	-
<b>Total Current Assets</b>	<b>10,081,837</b>	<b>3,220,436</b>	<b>-</b>	<b>1,608,210</b>	<b>14,910,483</b>	<b>420,649</b>
Capital assets						
Nondepreciable capital assets	678,360	-	84,751	-	763,111	-
Other capital assets (net of accumulated depreciation)	24,702,707	-	-	-	24,702,707	-
<b>Total Capital Assets</b>	<b>25,381,067</b>	<b>-</b>	<b>84,751</b>	<b>-</b>	<b>25,465,818</b>	<b>-</b>
<b>Total Assets</b>	<b>35,462,904</b>	<b>3,220,436</b>	<b>84,751</b>	<b>1,608,210</b>	<b>40,376,301</b>	<b>420,649</b>
<b>Deferred Outflow of Resources</b>						
Deferred amounts on pensions	38,766	-	-	-	38,766	-
<b>Total Deferred Outflow of Resources</b>	<b>38,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,766</b>	<b>-</b>
<b>Liabilities</b>						
Current liabilities:						
Claims payable	330,076	108,581	-	-	438,657	-
Wages and accrued liabilities payable	20,729	-	-	-	20,729	-
Accrued interest payable	62,343	-	1,177,627	-	1,239,970	-
Due to other fund	-	-	640,248	-	640,248	491,392
Judgements and claims payable	-	-	-	-	-	524,931
Unearned revenue	-	-	-	-	-	13,059
Payable from restricted assets						
Customer deposits	511,181	90,594	-	-	601,775	-
<b>Total current liabilities</b>	<b>924,329</b>	<b>199,175</b>	<b>1,817,875</b>	<b>-</b>	<b>2,941,379</b>	<b>1,029,382</b>
Noncurrent Liabilities:						
Due within one year						
Capital debt	342,277	-	-	-	342,277	-
Noncapital debt	430,909	-	-	-	430,909	-
Due in more than one year						
Capital debt	5,776,880	-	6,126,601	-	11,903,481	-
Noncapital debt	1,277,368	-	-	-	1,277,368	-
Net pension liability	1,284,214	-	-	-	1,284,214	-
<b>Total noncurrent liabilities</b>	<b>9,111,648</b>	<b>-</b>	<b>6,126,601</b>	<b>-</b>	<b>15,238,249</b>	<b>-</b>
<b>Total Liabilities</b>	<b>10,035,977</b>	<b>199,175</b>	<b>7,944,476</b>	<b>-</b>	<b>18,179,628</b>	<b>1,029,382</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	-	221,547	-	-	221,547	-
Deferred amounts on pensions	153,650	-	-	-	153,650	-
Deferred amounts associated with debt	45,456	-	-	-	45,456	-
<b>Total Deferred Inflows of Resources</b>	<b>199,106</b>	<b>221,547</b>	<b>-</b>	<b>-</b>	<b>420,653</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	17,507,209	-	(6,041,850)	-	11,465,359	-
Unrestricted	7,759,378	2,799,714	(1,817,875)	1,608,210	10,349,427	(608,733)
<b>Total Net Position</b>	<b>\$ 25,266,587</b>	<b>2,799,714</b>	<b>(7,859,725)</b>	<b>1,608,210</b>	<b>21,814,786</b>	<b>(608,733)</b>

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

**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2019**

	Business-type Activities					Governmental Activities
	Major Funds			Non-Major		
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund	Total Business-type Activities	Self Insurance Fund
Revenues:						
Charges for services	\$ 13,505,772	1,460,298	-	-	14,966,070	-
Property taxes	-	232,474	-	-	232,474	-
Intergovernmental	-	6,271	-	-	6,271	-
Employer contributions	-	-	-	-	-	1,862,000
Employee and retiree contributions	-	-	-	-	-	311,373
Insurance claim reimbursements	-	-	-	-	-	540,565
Miscellaneous operating revenues	59,198	-	-	-	59,198	-
Total Operating Revenues	<u>13,564,970</u>	<u>1,699,043</u>	<u>-</u>	<u>-</u>	<u>15,264,013</u>	<u>2,713,938</u>
Operating Expenses:						
Personnel services	448,847	-	-	-	448,847	-
Insurance claims and expenses	-	-	-	-	-	2,711,236
Administrative expenses	1,711,440	88,008	-	-	1,799,448	611,435
Wastewater treatment	4,207,824	-	-	-	4,207,824	-
Natural gas purchases	581,544	-	-	-	581,544	-
Waste collection	-	1,235,682	-	-	1,235,682	-
Waste disposal	-	15,828	-	-	15,828	-
Utilities	543,393	-	-	-	543,393	-
Supplies	328,309	-	-	-	328,309	-
Other services and charges	1,954,258	50,022	-	-	2,004,280	-
Depreciation	1,934,349	-	-	-	1,934,349	-
Total Operating Expenses	<u>11,709,964</u>	<u>1,389,540</u>	<u>-</u>	<u>-</u>	<u>13,099,504</u>	<u>3,322,671</u>
Operating income (loss)	<u>1,855,006</u>	<u>309,503</u>	<u>-</u>	<u>-</u>	<u>2,164,509</u>	<u>(608,733)</u>
Non-Operating Revenues (Expenses)						
Interest and investment revenue	99,136	22,858	-	-	121,994	-
Interest Expense	(259,489)	-	-	-	(259,489)	-
Amortization of bond premium	5,214	-	-	-	5,214	-
Amortization of deferred savings on refunding bond	3,883	-	-	-	3,883	-
Gain of Sale of assets	470,085	-	-	-	470,085	-
Total Non-Operating Revenues (Expenses)	<u>318,829</u>	<u>22,858</u>	<u>-</u>	<u>-</u>	<u>341,687</u>	<u>-</u>
Change in net position	<u>2,173,835</u>	<u>332,361</u>	<u>-</u>	<u>-</u>	<u>2,506,196</u>	<u>(608,733)</u>
Total net position - beginning	<u>23,092,752</u>	<u>2,467,353</u>	<u>(7,859,725)</u>	<u>1,608,210</u>	<u>19,308,590</u>	<u>-</u>
Total net position - ending	<u>\$ 25,266,587</u>	<u>2,799,714</u>	<u>(7,859,725)</u>	<u>1,608,210</u>	<u>21,814,786</u>	<u>(608,733)</u>

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

**City of Pascagoula, Mississippi**  
**Statement Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2019

	Business-type Activities					Governmental Activities
	Major Funds			Non-Major		
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund	Total Business-type Activities	Self Insurance Fund
Cash Flows from Operating Activities						
Cash received from customers	\$ 13,580,127	1,449,419	-	-	15,029,546	-
Cash received for premiums	-	-	-	-	-	1,758,724
Other operating receipts	59,198	238,268	-	-	297,466	540,565
Cash paid to employees	(696,098)	-	-	-	(696,098)	-
Cash paid to suppliers	(328,309)	-	-	-	(328,309)	-
Cash paid to contractors	(9,152,613)	(1,391,817)	-	-	(10,544,430)	-
Cash paid for judgements and claims	-	-	-	-	-	(2,414,794)
Cash paid for administrative services	-	-	-	-	-	(611,435)
Net cash provided by (used in) operating activities	3,462,305	295,870	-	-	3,758,175	(726,940)
Cash Flows From Non-Capital Financing Activities						
Advances from (to) other funds	528,094	(141,321)	-	-	386,773	525,946
Net cash flows provided by (used in) non-capital financing activities	528,094	(141,321)	-	-	386,773	525,946
Cash Flows From Capital and Related Financing Activities						
Purchase of capital assets	(249,064)	-	-	-	(249,064)	-
Sale of capital assets	3,000,000	-	-	-	3,000,000	-
Repayment of debt	(729,526)	-	-	-	(729,526)	-
Interest and amortization on debt	(242,013)	-	-	-	(242,013)	-
Net cash provided by (used in) capital and related financing activities	1,779,397	-	-	-	1,779,397	-
Cash Flows From Investing Activities						
Interest received	99,136	22,858	-	-	121,994	-
Net cash flows provided by (used in) investing activities	99,136	22,858	-	-	121,994	-
Net increase (decrease) in cash	5,868,932	177,407	-	-	6,046,339	(200,994)
Cash - October 1	3,301,073	2,455,699	-	1,608,210	7,364,982	200,994
Cash - September 30	\$ 9,170,005	2,633,106	-	1,608,210	13,411,321	-

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

**City of Pascagoula, Mississippi**  
**Statement Cash Flows**  
**Proprietary Funds (continued)**  
**For the Fiscal Year Ended September 30, 2019**

	Business-type Activities					Governmental Activities
	Major Funds			Non-Major	Total Business-type Activities	Self Insurance Fund
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ 1,855,006	309,503	-	-	2,164,509	(608,733)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,996,385	-	-	-	1,996,385	-
(Increase) decrease in assets:						
Accounts receivable	189,314	(10,879)	-	-	178,435	(420,649)
Property tax receivable	-	(477)	-	-	(477)	-
Customer deposits	(114,959)	-	-	-	(114,959)	-
Increase (decrease) in liabilities:						
Claims and wages payable	(217,042)	(2,277)	-	-	(219,319)	296,442
Unearned revenue	-	-	-	-	-	6,000
Compensated absences	11,016	-	-	-	11,016	-
Pension liabilities and deferrals	(257,415)	-	-	-	(257,415)	-
Net cash provided by (used in) operating activities	\$ 3,462,305	295,870	-	-	3,758,175	(726,940)

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



**City of Pascagoula, Mississippi**  
**Statement of Fiduciary Net Position**  
**September 30, 2019**

		Private Purpose Trust Fund		Pascagoula Port Commission Fund	Total Fiduciary Funds
Assets	\$				
Cash				61,550	61,550
Total Assets				<u>61,550</u>	<u>61,550</u>
Net Position				61,550	61,550
Restricted for Port Commission	\$			<u>61,550</u>	<u>61,550</u>

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

**City of Pascagoula, Mississippi**  
Statement of Changes in Fiduciary Net Position  
September 30, 2019

	Private Purpose Trust Fund	Total Fiduciary Funds
	Pascagoula Port Commission Fund	
Additions:		
Rental income	\$ 1,387	1,387
Total additions	<u>1,387</u>	<u>1,387</u>
Change in net position	1,387	1,387
Net position - beginning of year	60,163	60,163
Net position - end of year	\$ <u><u>61,550</u></u>	<u><u>61,550</u></u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

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**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

The City of Pascagoula, Mississippi, (the "City") was incorporated September 14, 1896 under the laws of the State of Mississippi. The City operates under a Council-Manager form of government; the governing body is made up of 7 members: an elected mayor and six council members, five representing districts within the City and one elected at-large. The following services are authorized by the City's charter: public safety, public works, public health and welfare, culture, recreation and water, sewer and gas system. The accounting and reporting policies of the City relating to the funds and accounts groups included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

**A. Financial Reporting Entity**

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

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

The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government; these are considered "blended" component units. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

**Pascagoula Redevelopment Authority**

The Pascagoula Redevelopment Authority (PRA) is an urban renewal agency established by the City of Pascagoula pursuant to and acting under the authority of Section 43-35-1 et seq, Miss. Code Ann. (1972).

PRA is composed of a 5-member board appointed by the Pascagoula City Council serving staggered five year terms. The board serves to promote and encourage revitalization in the Urban Renewal Area by offering incentives for investors to develop downtown properties.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

**B. Basis of Presentation.**

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

**Government-wide Financial Statements:**

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

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

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

**Fund Financial Statements:**

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

**C. Measurement Focus and Basis of Accounting.**

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year.

Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

**MAJOR FUNDS**

The City reports the following major Governmental Funds:

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

Debt Service Fund - This is used to account for financial resources designated by law for debt payments.

Parks and Recreation Bond Capital Project Fund - This fund accounts for the financial resources and expenditures of the 2018 General Obligation Bonds that are restricted to acquisition and/or construction of infrastructure to be used by the City's citizens for culture and recreation.

The City reports the following major Enterprise Funds:

Pascagoula Utilities Fund – This fund accounts for the operations of the City's water, sewer and gas system.

Solid Waste Fund – This fund accounts for the operation of the City's waste collection and disposal.

Energy Recovery Fund – This fund is dormant; however, amounts owed on debt and accrued interest determines this to be a major fund. For more information on this debt, see Note 10.

Additionally, the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

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

**PROPRIETARY FUNDS**

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

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

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The City's internal service funds report on self-insurance for employee medical benefits and risk management for City's legal contingencies.

**FIDUCIARY FUNDS**

Private-purpose Trust Funds - These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

**D. Account Classifications**

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

**E. Deposits and Investments**

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

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



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

**F. Receivables**

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

**G. Inter-Fund Transactions and Balances**

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

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

**H. Capital Assets**

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

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. However, as of September 30, 2019, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

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

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

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

	Capitalization Threshold	Estimated Useful Life
Land	\$ -	N/A
Buildings	5,000	20 - 50 years
Water and sewer system	50,000	30 - 35 years
Machinery & equipment	5,000	7 - 10 years
Improvements	50,000	30 - 35 years
Other infrastructure	50,000	10 - 60 years
Vehicles	5,000	5 years
Property under capital leases	*	*

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

**I. Deferred Outflows/Inflows of Resources**

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

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

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

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

*Deferred amounts associated with debt* – For current refunding's and advance refunding's resulting in defeasance of debt, along with bond premiums, reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**J. Pensions**

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

**K. Long-term Liabilities**

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

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

**L. Compensated Absences**

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements.

The City accrues unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. In governmental fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured.

An employee may accumulate unused vacation leave hours up to two years generally, however, cash payments upon employee termination or retirement are limited to a maximum of 240 hours of an accumulated leave of pay. Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided in the financial statements. Unused vacation and sick leave balances may be credited to the Public Employee's Retirement System (PERS) as time worked.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

**M. Fund Balance Policies**

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

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

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

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

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

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

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

**N. Net Position**

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

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

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

**O. Intergovernmental Revenues in Governmental Funds**

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

**P. Property Tax Revenues**

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

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

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

**Q. Use of Estimates**

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

**R. Change in Accounting Standard**

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this standard have been incorporated into the financial statements and notes.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 2 – Stewardship, Compliance and Accountability**

**A. Budgetary Data**

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

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

**B. Budgetary – GAAP Reporting Reconciliations**

Annual budgets are adopted for the major and non-major governmental 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 notes to the required supplementary information.

**Note 3 – Cash**

A summary of cash at September 30, 2019 is as follows:

	<b>Deposits with Financial Institutions</b>		<b>Cash on Hand</b>	<b>Total</b>
	<b>Pooled</b>	<b>Non-Pooled</b>		
<b>Governmental funds:</b>				
General Fund	\$ (12,979,089)	186,014	1,000	(12,792,075)
Parks & Recreation	2,607,942	2,314,028		4,921,970
Debt Service Fund	3,101,805	-	-	3,101,805
Other governmental fund	5,058,106	761,818	-	5,819,924
Total governmental funds	<u>(2,211,236)</u>	<u>3,261,860</u>	<u>1,000</u>	<u>1,051,624</u>
<b>Proprietary funds:</b>				
Pascagoula Utilities Fund	9,169,605	-	400	9,170,005
Solid Waste Fund	2,633,106	-	-	2,633,106
Transfer Station Fund	1,608,210	-	-	1,608,210
Total proprietary funds	<u>13,410,921</u>	<u>-</u>	<u>400</u>	<u>13,411,321</u>
<b>Fiduciary Funds</b>	-	61,550	-	61,550
Total cash	<u>\$ 11,199,685</u>	<u>3,323,410</u>	<u>1,400</u>	<u>14,524,495</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 3 – Cash (Continued)**

The carrying amount of the city's total deposits with financial institutions at September 30, 2019, was \$14,524,495 and the bank balance was \$14,908,295. Of this amount \$511,181 is restricted for utility customers' deposits. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

A summary of cash bank balances at September 30, 2019 is as follows:

	<u>Bank Balances</u>	<u>Carrying Value</u>
<b>Pooled cash deposits</b>		
Cash and cash equivalents	\$ 11,763,510	11,199,685
<b>Non-pooled cash deposits</b>		
Cash in financial institutions		
Bond funds	2,134,028	2,314,028
Payoll fund	142,538	142,231
Municipal cout fund	41,072	43,783
SMMET	10,868	10,868
PRA	754,729	750,950
Petty cash	-	800
Cash drawer	-	600
Total government-wide	<u>14,846,745</u>	<u>14,462,945</u>
Fiduciary Funds	<u>61,550</u>	<u>61,550</u>
Total cash	<u><u>\$ 14,908,295</u></u>	<u><u>14,524,495</u></u>
<b>Reconciliation to statements</b>		
Government-wide		
Unrestricted		\$ 13,272,798
Restricted		1,190,147
Fiduciary		<u>61,550</u>
Total		<u><u>\$ 14,524,495</u></u>

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 4 – Receivables**

**A. Governmental Activities**

Receivables in the governmental activities at September 30, 2019, consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 111,625
For future reporting period	11,600,219
Total property taxes receivable	<u>11,711,844</u>
Franchise taxes	528,834
Total taxes receivable	<u>12,240,678</u>
Accounts receivable:	
Rentals receivable	13,904
Business licenses	111,908
Less: allowance for doubtful accounts	(69,877)
Total accounts receivable (net of allowance)	<u>55,935</u>
Intergovernmental receivable:	
Sales taxes	1,118,790
Shared revenue	67,296
Grants	1,069,025
Total intergovernmental receivable	<u>2,255,111</u>
Fines and forfeitures receivable:	
Court fines receivable	32,297,713
Less: allowance for doubtful accounts	(31,938,147)
Total fines and forfeitures receivable, net	<u>359,566</u>
Miscellaneous receivables:	
Land sale	247,144
Self-insurance claims receivable	420,649
Total miscellaneous receivables	<u>667,793</u>
Total receivables - governmental activities	<u>\$ 15,579,083</u>

**B. Business-type Activities**

Receivable in the business-type activities at September 30, 2019, consisted of the following:

Customer accounts receivable:	
Customer utility charges (billed)	\$ 2,131,757
Customer solid waste charges (billed)	294,464
Customer accounts, earned but unbilled	698,560
Less: allowance for doubtful accounts	(1,887,734)
Total customer accounts receivable, net	<u>1,237,047</u>
Taxes receivable:	
Property taxes	
Current	2,022
For future reporting period	221,547
Total property taxes receivable	<u>223,569</u>
Total receivables - business-type activities	<u>\$ 1,460,616</u>



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 5 – Note Receivable**

Effective December 2015, the Pascagoula Redevelopment Authority (blended component unit) sold a building in exchange for a \$90,000 unsecured promissory note. The note bears interest at 3% per annum for 30 years and requires monthly principal and interest payments over 360 months, beginning December 2015 and maturing November 2023. The outstanding balance of the note as of September 30, 2019 is \$33,233.

**Note 6 – Interfund Transactions and Balances**

Government-wide Financial Statements

Internal Balances

Receivable	Payable	Amount
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>\$ 613,955</u>

These amounts represent cash amounts owed to the general fund of \$640,248 from the dormant ERF fund offset by amounts owed to the Pascagoula Utilities Fund for self-insurance.

Fund Financial Statements

Due From/To Other Funds:

Receivable	Payable	Amount
General Fund	Energy Recovery Fund	\$ 640,248
General Fund	Group Health Insurance Fund	465,099
Pascagoula Utilities Fund	Group Health Insurance Fund	26,293
		<u>\$ 1,131,640</u>

Interfund transactions occur due to a time lag between the dates that the interfund goods and services are provided or reimbursable expenses occur and when payment is actually made.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 7 – Capital assets**

**A. Governmental Activities**

The following is a summary of governmental capital assets activity for the year ended September 30, 2019:

	Balance, restated* 10/1/2018	Additions	Adjustments/ Sales	Balance 9/30/2019
Capital assets not being depreciated:				
Land	\$ 16,474,313	157,578	(20,618)	16,611,273
Construction in progress	2,808,331	5,389,003	(1,228,980)	6,968,354
Total capital assets not being depreciated	<u>19,282,644</u>	<u>5,546,581</u>	<u>(1,249,598)</u>	<u>23,579,627</u>
Capital assets being depreciated:				
Buildings	8,207,053	-	-	8,207,053
Improvements - Other	48,166,164	236,186	1,228,980	49,631,330
Infrastructure	44,015,913	-	-	44,015,913
Mobile Equipment	8,336,496	121,350	362,980	8,820,826
Other Furniture & Equipment	2,054,416	30,825	(13,500)	2,071,741
Equipment under capital leases	1,373,503	-	(349,480)	1,024,023
Total capital assets being depreciated	<u>112,153,545</u>	<u>388,361</u>	<u>1,228,980</u>	<u>113,770,886</u>
Less accumulated depreciation for:				
Buildings	5,163,082	256,067	-	5,419,149
Improvements - Other	7,566,461	1,991,080	-	9,557,541
Infrastructure	24,826,574	840,996	-	25,667,570
Mobile Equipment	7,085,712	483,103	172,665	7,741,480
Other Furniture & Equipment	1,854,293	91,311	(1,285)	1,944,319
Equipment under capital leases	430,635	276,420	(171,380)	535,675
Total accumulated depreciation	<u>46,926,757</u>	<u>3,938,977</u>	<u>-</u>	<u>50,865,734</u>
Total capital assets being depreciated, net	<u>65,226,788</u>	<u>(3,550,616)</u>	<u>1,228,980</u>	<u>62,905,152</u>
Total governmental activities - capital assets, net	<u>\$ 84,509,432</u>	<u>1,995,965</u>	<u>(20,618)</u>	<u>86,484,779</u>

Depreciation expense was charged to the following governmental functions:

General government	\$ 727,350
Public safety	591,923
Public works	1,698,799
Culture & recreation	869,548
Urban & economic development	51,357
	<u>\$ 3,938,977</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 7 – Capital assets (continued)**

**B. Business-type Activities**

The following is a summary of business-type capital assets activity for the year ended September 30, 2019:

	Balance 10/1/2018	Additions	Adjustments/ Sales	Balance 9/30/2019
Capital assets not being depreciated:				
Land	\$ 84,751	-	-	84,751
Construction in progress	1,854,546	196,126	(1,372,312)	678,360
Total capital assets not being depreciated	<u>1,939,297</u>	<u>196,126</u>	<u>(1,372,312)</u>	<u>763,111</u>
Capital assets being depreciated:				
Buildings	7,415,816	-	-	7,415,816
Infrastructure & Improvements - Other	59,519,588	-	(12,443,219)	47,076,369
Mobile Equipment	1,542,355	-	(33,996)	1,508,359
Other Furniture & Equipment	65,961	-	-	65,961
Equipment under capital leases	19,775	-	-	19,775
Total capital assets being depreciated	<u>68,563,495</u>	<u>-</u>	<u>(12,477,215)</u>	<u>56,086,280</u>
Less accumulated depreciation for:				
Buildings	2,410,139	370,791	-	2,780,930
Infrastructure & Improvements - Other	37,061,001	1,454,860	-	38,515,861
Mobile Equipment	1,224,814	104,743	(11,285,644)	(9,956,087)
Other Furniture & Equipment	65,961	-	(33,968)	31,993
Equipment under capital leases	6,921	3,955	-	10,876
Total accumulated depreciation	<u>40,768,836</u>	<u>1,934,349</u>	<u>(11,319,612)</u>	<u>31,383,573</u>
Total capital assets being depreciated, net	<u>27,794,659</u>	<u>(1,934,349)</u>	<u>(1,157,603)</u>	<u>24,702,707</u>
Total business-type activities capital assets, net	<u>\$ 29,733,956</u>	<u>(1,738,223)</u>	<u>(2,529,915)</u>	<u>25,465,818</u>

Depreciation expense of \$1,934,349 was charged to the Pascagoula Utilities Fund.

**C. Construction in Progress**

A summary of construction in progress transactions for the year ended September 30, 2019 are as follows:

	Expended to Date	Remaining Commitments
Hospital Road Widening Phase I	\$ 2,341,840	4,633
Hospital Road Widening Phase II	160,255	993,997
Ingall's Avenue Improvements	433,000	7,000
Pascagoula Sports Center	4,033,259	4,695,405
Total governmental activities	<u>6,968,354</u>	<u>5,701,035</u>
Hospital Road Widening Phase I	519,348	54,952
Hospital Road Widening Phase II	159,012	-
Total business-type activities	<u>\$ 678,360</u>	<u>54,952</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 8 – Other Postemployment Benefits and Self Insurance**

*Group Health Insurance*

The City is exposed to risk of loss relating to employee health, accident and dental coverage. Pursuant to Section 25-15-101, Miss. Code Ann. (1972), the City established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The City's health insurance plan may be amended by the Council. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. Each employee/retiree pays a portion of his/her premium through a payroll deduction. The City pays the remaining portion of the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Processing of claims is accomplished through a contract with the claims administration firm. Eighty percent of the first \$2,500 of preferred provider expenses and 100% of preferred provider expenses thereafter are payable by the plan after a \$500 deductible per participant per calendar year, with a maximum benefit of \$2,000,000. The City has purchased coinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$50,000.

Changes in this claims liability during fiscal year 2019 and 2018 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal year
2018-2019	\$ 228,489	2,779,189	(2,711,236)	296,442
2017-2018	214,559	2,473,144	(2,459,214)	228,489

**Note 9 – Pensions**

I. Retirement Plans

The City participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer cost-sharing pension plan and an agent multi-employer pension plan as described below:

A. Public Employees' Retirement System (PERS)

*Plan Description and Provisions*

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 9 – Pensions (continued)**

*Benefits Provided*

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

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

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

*Contributions*

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2019, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

**B. Municipal Retirement System (MRS)**

*Plan Description and Provisions*

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At June 30, 2019, the date of the most recent actuarial verification available, the MRS is composed of 19 separate municipal retirement and fire and police disability and relief systems. Benefit provisions are established by Section 21-29, Articles 1,3,5,7, Mississippi Code Annotated (1972), and annual local and private legislation and may be amended only by the State of Mississippi Legislature.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 9 – Pensions (continued)**

*Benefits Provided*

Membership in the Fire and Police Disability and Relief Systems was granted to all City uniformed police officers and fire fighters who were not already members of PERS and who were hired prior to July 1, 1976. Employees hired after July 1, 1976 automatically become members of PERS. MRS was fully closed to new members July 1, 1976. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions. As of September 30, 2019, the plan has 62 inactive members or their beneficiaries are currently receiving benefits, no inactive members entitled to but not yet receiving benefits and no active members. Participating employees who retire regardless of age with at least 20 years of credited service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66-2/3 percent of average monthly compensation.

*Contributions*

Plan contributions are based on the value of taxable property adjusted to reflect all property-related contributions, and the millage rates applied to the assessed property. The certified millage rate from the June 30, 2017 valuation is 1.67 mills, however, the millage rate effective October 1, 2018, was 3 mills.

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

At September 30, 2019, the City reported a liability of \$27,838,544 in the governmental activities and \$1,284,214 in the business-type activities for its proportionate share of the PERS and MRS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS and MRS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion of PERS was .146%. For the year ended September 30, 2019, the City recognized PERS and MRS pension expense for governmental activities of \$2,138,099 and for the business-type activities of \$94,451.

At September 30, 2019, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources				
	Governmental Activities			Business-Type	
	PERS	MRS	Total	Activities	Total
Differences between expected and actual experience	\$ 14,434	-	14,434	760	15,194
Changes of assumptions	239,220	-	239,220	12,590	251,810
Net difference between projected and actual earnings on pension plan investments	-	49,732	49,732	-	49,732
Changes in proportion and differences between City contributions and proportionate share on contributions	135,358	-	135,358	7,124	142,482
City's contributions subsequent to the measurement date	347,542	66,031	413,573	18,292	431,865
Total deferred outflows related to pensions	<u>\$ 736,554</u>	<u>115,763</u>	<u>852,317</u>	<u>38,766</u>	<u>891,083</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 9 – Pensions (continued)**

At September 30, 2019, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources				
	Governmental Activities			Business-Type	
	PERS	MRS	Total	Activities	Total
Differences between expected and actual experience	\$ 26,265	-	26,265	1,382	27,647
Net difference between projected and actual earnings on pension plan investments	266,949	-	266,949	14,050	280,999
Changes in proportion and differences between City contributions and proportionate share on contributions	2,626,139	-	2,626,139	138,218	2,764,357
Total deferred outflows related to pensions	<u>\$ 2,919,353</u>	<u>-</u>	<u>2,919,353</u>	<u>153,650</u>	<u>3,073,003</u>

Within the deferred outflows, a net amount of \$431,865 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2019.

The remaining amounts reported as deferred outflows of resources related to pensions of \$459,219 of deferred inflows of resources related to pensions of \$3,073,003 netting to (\$2,613,784) will be recognized in pension expense as follows:

Year Ending September 30,	Future Amortization
2020	\$ (804,866)
2021	(1,334,578)
2022	(583,212)
2023	108,872
	<u>\$ (2,613,784)</u>

*Actuarial assumptions*

The total pension liabilities in the June 30, 2019 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MRS
Inflation	2.75 percent	3.0 percent
Salary increases	3.00 - 18.5 percent, including inflation	4.0 - 5.5 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation	7.75 percent, net of pension plan investment expense, including inflation

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 9 – Pensions (continued)**

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation was based on the results of an actuarial experience study for the four year period ending June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on the investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of the plans' investment expense and the assumed rate of inflation) 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 rate of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	.25
Total	<u>100.00 %</u>	

For the MRS pension plan, the actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial value of assets was set equal to the market value on September 30, 2006, and smoothing commenced in 2007. Actuarial assets were allocated to individual cities in the same proportion that their market value of assets was to the total market value of assets for all cities.

*Discount rate*

The discount rate used to measure the total pension liability for PERS and MRS was 7.75 percent, which was based on the future long-term expected rate of return of 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions for PERS will be made at rates set in the Board's Funding Policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine the plan's total pension liability.



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 9 – Pensions (continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1 % Increase (8.75%)
City's Proportionate share of PERS	\$ 33,762,877	\$ 25,684,280	\$ 19,016,125
City's Proportionate share of MRS	4,201,595	3,438,478	2,766,711

*Pension plan fiduciary net position*

Detailed information about the PERS and MRS pension plan's fiduciary net position is available in the separately issued PERS financial report which can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

*Three-year Trend Information*

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

Fiscal Years Ending	Employer Contributions PERS	MRS
2019	\$ 1,486,473	762,066
2018	1,661,758	678,093
2017	1,647,953	677,726

**II. Deferred Compensation Plan**

The Mississippi Public Employees' Retirement System (PERS) offers the City's employees voluntary participation in a deferred compensation plan created 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. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 10 – Long-term Liabilities**

Long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Long-term liability activity for the year ended September 30, 2019 are as follows:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due within One Year
<b><u>Governmental Activities</u></b>					
Debt obligations					
General obligation debt	\$ 20,264,354	-	1,149,312	19,115,042	1,177,311
Tax Anticipation Loan	-	1,750,000	1,750,000	-	-
Notes payable	6,992,486	2,300,000	1,479,532	7,812,954	1,953,000
Capital leases	700,056	-	386,760	313,296	275,990
Total debt obligations	<u>27,956,896</u>	<u>4,050,000</u>	<u>4,765,604</u>	<u>27,241,292</u>	<u>3,406,301</u>
Other liabilities					
Compensated absences payable	723,575	512,405	532,208	703,772	95,051
Net pension liability	29,645,132	-	1,806,588	27,838,544	-
Total other liabilities	<u>30,368,707</u>	<u>512,405</u>	<u>2,338,796</u>	<u>28,542,316</u>	<u>95,051</u>
Total governmental activities	<u>\$ 58,325,603</u>	<u>4,562,405</u>	<u>7,104,400</u>	<u>55,783,608</u>	<u>3,501,352</u>
<b><u>Business-type Activities</u></b>					
Debt obligations					
Bonds payable	\$ 8,175,646	-	705,688	7,469,958	722,689
Notes payable	320,770	-	20,390	300,380	20,769
Energy Recovery Facility (ERF)	6,126,601	-	-	6,126,601	-
Capital leases	12,267	-	3,448	8,819	8,819
Total debt obligations	<u>14,635,284</u>	<u>-</u>	<u>729,526</u>	<u>13,905,758</u>	<u>752,277</u>
Other liabilities					
Compensated absences payable	37,261	26,877	15,861	48,277	20,909
Net pension liability	1,646,663	-	362,449	1,284,214	-
Total other liabilities	<u>1,683,924</u>	<u>26,877</u>	<u>378,310</u>	<u>1,332,491</u>	<u>20,909</u>
Total business-type activities	<u>16,319,208</u>	<u>26,877</u>	<u>1,107,836</u>	<u>15,238,249</u>	<u>773,186</u>
Total government - wide	<u>\$ 74,644,811</u>	<u>4,589,282</u>	<u>8,212,236</u>	<u>71,021,857</u>	<u>4,274,538</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 10 – Long-term Liabilities (continued)**

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Original Issue Amount	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>				
A. General Obligation Bonds:				
General Obligation Refunding Bonds, Series 2006	\$ 4,255,000	\$ 705,000	3.53 - 4.2%	11/01/23
General Obligation Bonds, Series 2014 (53.33%)	8,000,000	6,640,042	1.31 - 3.291%	04/01/34
General Obligation Bonds, Series 2017	12,500,000	11,770,000	3.0 - 3.625%	07/01/40
Total General Obligation Bonds		<u>19,115,042</u>		
B. Notes Payable				
Community Disaster Loan	4,461,387	2,513,486	2.72%	09/30/35
Shortfall Note	4,479,000	2,999,468	4.75%	03/15/21
Tax Negotiable Note	2,300,000	2,300,000	4.82%	12/19/23
Total Notes Payable		<u>7,812,954</u>		
C. Capital Leases:				
AGI Systems & Networks				
secured by hardware/software, \$16,754 annually	95,885	14,896	9.00%	08/15/20
Nissan Motor Auto Credit				
secured by 4 Nissan Leafs, \$19,775 annually	79,100	36,830	2.42%	02/20/20
Government Capital Corp				
secured by public safety software, \$215,140 annually	743,369	208,370	3.25%	10/15/19
Axon Enterprises, Inc.				
secured by 52 Axom Tasers, \$13,728 annually	64,138	41,184	0.00%	11/20/21
Ford Motor Credit				
secured by Ford F150 police vehicle, \$697 monthly	30,124	12,016	5.45%	04/21/21
Total Capital Leases		<u>313,296</u>		
Total governmental activities		<u>\$ 27,241,292</u>		
<b>Business-type Activities:</b>				
A. Bonds				
General Obligation Bonds, Series 2014 (46.67%)	\$ 4,160,000	\$ 1,660,000	2.0 - 2.5%	06/01/24
Revenue Refunding Bonds, Series 2012	7,000,000	5,809,958	1.31 - 3.291%	04/01/34
Revenue Bonds:				
Incinerator System Revenue Bonds, Series 1981	6,430,000	5,626,601		
Incinerator System Revenue Bonds, Series 1983	500,000	500,000		
Total Bonds		<u>13,596,559</u>		
B. Notes Payable				
State Revolving Fund Loan, 2013	429,865	300,380	1.75%	09/01/32
Total Notes Payable		<u>300,380</u>		
C. Capital Leases:				
Nissan Motor Auto Credit				
secured by 1 Nissan Leaf, \$3,754 annually	79,100	8,819	2.42%	02/20/20
Total Capital Leases		<u>8,819</u>		
Total business-type activities		<u>\$ 13,905,758</u>		
Total Government		<u>\$ 41,147,050</u>		

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 10 – Long-term Liabilities (continued)**

**A. Bonds Payable**

General Obligation Bonds

General obligation debt represents direct obligations issued on pledge of the general taxing power of the City for the payment of its debt obligations. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligation and pledge the full faith and credit of the City. Payments on these bonds will be made from general ad valorem tax collections through the debt service funds.

Revenue Refunding Bonds

On November 8, 2012, the City issued \$4,160,000 in revenue refunding bonds with an average rate of 2.15% to refund \$4,138,532 in outstanding general obligation bonds accounted for as business-type activities, with an interest rate of 3.0 – 4.0%. The refunding was undertaken to take advantage of favorable interest rates. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of 4.026%.

Revenue Bonds

In 1979, the U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA) purchased the City of Pascagoula's 6% Incinerator System Revenue Bonds, the proceeds of which were used in prior years for the construction of a resource recovery facility. Incinerator System Revenue Bonds debt service is payable solely from revenues from system operations. The system has not produced sufficient revenues to meet maturing revenue bond principal and interest, or to meet required "cushion" accumulations. On November 18, 1992, the City entered into an agreement with NOAA to effectively suspend principal and interest payments and modify the loan requirements. Due to the closure of the Transfer Station in December 2012, the Incinerator System did not incur operating income or expense in fiscal year 2019, with the exception of small outstanding allocations of income. Moreover, based on the terms with the agreement with NOAA, no payment is due for the year ended September 30, 2019.

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

Year ended September 30	Governmental Activities		Business-type Activities			
	General Obligation Bonds		Pascagoula Utilities		ERF (Incinerator)	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,177,311	637,153	722,689	209,612	-	-
2021	832,977	601,286	742,023	193,027	-	-
2022	858,643	576,507	741,357	175,008	-	-
2023	881,643	550,513	548,357	160,913	-	-
2024	914,975	523,364	560,025	146,253	-	-
2025-2029	4,661,531	2,140,014	1,913,469	518,070	-	-
2030-2034	5,517,962	1,271,759	2,242,039	188,043	-	-
2035-2040	4,270,000	551,587	-	-	-	-
Suspended	-	-	-	-	6,126,601	1,177,627
	<u>\$ 19,115,042</u>	<u>6,852,183</u>	<u>7,469,959</u>	<u>1,590,926</u>	<u>6,126,601</u>	<u>1,177,627</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 10 – Long-term Liabilities (continued)**

**B. Notes Payable**

Community Disaster Loan

In fiscal year 2006, the City borrowed \$7,757,433 from the U.S. Department of Homeland Security (FEMA) under the Special Community Disaster Loan (SCDL) program. This is a shortfall note payable, and its purpose was to provide funds for a shortfall of the budget caused by damages to properties by Hurricane Katrina in August 2005 resulting in decreased tax assessments and related tax collection. Payments on the notes were deferred for a five-year period. In 2018, the City received another deferment of payments until an undesignated time. On February 27, 2011, pursuant to HR 2206 – Public Law 110-28, FEMA forgave \$2,924,496 with associated interest of \$411,116 of the City's SCDL. In June 2014, the City was notified by FEMA of additional debt cancellation for the remaining portion of the enterprise activity balance of \$352,689, along with a partial principal cancellation of the portion of the governmental activity balance of \$1,118,804. The principal balance of \$2,513,486 remains outstanding at September 30, 2019.

Shortfall Note

In 2018, the City borrowed \$4,479,000 to provide funds for a shortfall of the budget. This note is to be repaid in three years beginning in 2019 and carries an interest rate of 4.75%.

Tax Negotiable Note

In 2019, the City borrowed \$2,300,000 for the purpose of providing funds for the operation and maintenance of the City and allocating such funds to the 2017 Construction Fund. The note is to be repaid in 5 years and carries an interest rate of 4.82%.

Annual debt service on notes payable are as follows:

Year ended September 30	Governmental Activities		Business-type Activities	
	Notes Payable		SRF Revolving Fund	
	Principal	Interest	Principal	Interest
2020	\$ 1,953,000	255,797	20,769	5,090
2021	1,966,468	162,664	21,126	4,724
2022	460,000	66,516	21,498	4,352
2023	460,000	44,344	21,878	3,972
2024	460,000	22,172	22,264	3,586
2025-2029	-	-	117,350	11,900
2030-2034	-	-	75,495	2,055
2035-2040	2,513,486	847,724	-	-
	<u>\$ 7,812,954</u>	<u>1,399,217</u>	<u>300,380</u>	<u>35,679</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 10 – Long-term Liabilities (continued)**

**C. Capital Leases Payable**

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 117,585	19,775
Other equipment	906,438	-
Less: accumulated depreciation	(535,675)	(10,876)
Leased property under capital leases, net	<u>\$ 488,348</u>	<u>8,899</u>

The following is a schedule by years of the future minimum lease payments due as of September 30, 2019:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 290,544	7,567	298,111
2021	17,843	65	17,908
2022	13,728	-	13,728
	<u>\$ 322,115</u>	<u>7,632</u>	<u>329,747</u>

**D. Legal Debt Margin**

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2019, the amount of outstanding debt was equal to 8.55% of the latest property assessments.

**E. Compensated Absences**

Compensated absences will be paid from the funds from which the employees' salaries were paid, which are generally the General Fund.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 11 – Net Investment in Capital Assets**

**Governmental Activities:**

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets \$ 23,579,627

Other capital assets 113,770,886

Less: accumulated depreciation (50,865,734)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds (19,115,042)

Notes payable (2,513,486)

Capital leases (313,296)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance 68,008

Deferred bond charges 62,126

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred premium (356,655)

Less: material accounts payable at year end (668,717)

Add: outstanding cash bond proceeds 5,121,906

**Total Net Investment in Capital Assets - Governmental Activities** \$ 68,769,623

**Business-type Activities**

*Pacagoula Utilities Fund*

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets \$ 763,111

Other capital assets 56,086,280

Less: accumulated depreciation (31,383,573)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds (7,469,959)

Notes payable (300,380)

Capital leases (8,819)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance 12,252

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred savings on refunding bond (19,390)

Deferred premium (26,066)

Less: material accounts payable at year end (146,247)

Net investment in capital assets - Pascagoula Utilities Fund 17,507,209

*Energy Recovery Fund*

Net investment in capital assets:

Nondepreciable capital assets 84,751

Less: outstanding balances of borrowings for capital asset acquisition:

Revenue bonds used to purchase capital assets (6,126,601)

Net investment in capital assets - Energy Recovery Fund (6,041,850)

**Total Net Investment in Capital Assets - Business-type Activities** \$ 11,465,359

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 12 – Property and Sales Tax Revenue**

**A. Property Tax Revenues**

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

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2019 was 56.5 mills or \$56.50 per \$1,000 of assessed valuation.

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

**B. Sales Tax Revenues**

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Pascagoula) back to the City monthly. General sales tax revenue reported in the General Fund was \$5,490,304.

In addition, the State levies a 2% sales tax on prepared food and a 3% hotel/motel tax for the promotion of recreation, economic development and tourism. Sales tax revenue reported in the other governmental funds for the year ended September 30, 2019 was \$1,255,038.

**Note 13 – Commitments and Contingencies**

**A. Risk Management**

Workman's Compensation Insurance - The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool.

The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability.



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 13 – Commitments and Contingencies (continued)**

However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

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

Litigation - The City is potentially a party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the potential proceedings. However, the City's legal counsel believes that any ultimate liability resulting from these lawsuits, if any, will not have a material adverse effect on the financial condition of the City.

**B. Commitments/Service Contracts**

Contract for Operations of Utility Management, Operations and Public Works Maintenance Services – The City renewed a contract with Utility Partners, LLC for operation and maintenance of the City's water and sewer systems. In addition, the City contracted with Utility Partners, LLC to perform public works services including ditch maintenance. The fees under these contracts are approximately \$252,361/month for the year ended September 30, 2019. During the fiscal year ended September 30, 2019 the City paid a total of \$3,124,049 to Utility Partners, LLC under these contracts.

Contract for Operations of Solid Waste Collections – The City entered into a contract with Waste Pro/Delta Sanitation for the operations of solid waste collections. The fee under the contract is approximately \$102,000/month for the year ended September 30, 2019 and is billed on a per unit basis. This amount includes commercial and residential garbage collections. During the fiscal year ended September 30, 2019 the City paid a total of \$1,235,682 to Waste Pro/Delta Sanitation of MS, LLC under this contract. In addition, the City contracts with MacLand Ash Disposal, Inc. and Applewhite Recycling System, LLC for trash disposal. Expenses incurred for trash disposal for the year totaled \$65,850.

Contract for Computer Software Maintenance – The City renewed a contract with Tyler Technologies to maintain the city-wide computer software programs. The fee under the contract is \$1,036/month for miscellaneous software maintenance and \$20,240 every three months for support of the city-wide accounting software. During the fiscal year ended September 30, 2019, the City paid a total of \$102,974.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 13 – Commitments and Contingencies (continued)**

Contract for Grass Cutting and Beautification Services – In 2019, the City eliminated its public works personnel and beautification departments in lieu of contracting with Turf Masters to provide grass cutting, weeding and general beautification projects for the city. This contract is by unit cost. During the fiscal year ended September 30, 2019, the City paid a total of \$707,203 to Turf Masters for these services.

**C. Construction Contracts**

The City has entered into various construction contracts for infrastructure improvements with an estimated remaining commitment of \$5,755,987. The majority of these commitments are being funded by bond funds. See Note 7(C) for more detailed information on these commitments.

**Note 14 – Joint Ventures**

Joint Venture - The City of Pascagoula is a member of the Jackson County Utility Authority (the "Authority"), whereby the Authority treats and disposes of the City's wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control law and the Federal Water Pollution Control Act.

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$4,207,824 for the year.

The City's obligation to pay operational costs of the Authority is joint and several with the obligations of all other public agencies similarly contracting with the Authority. A complete copy of the 2019 financial statements should be on file at the administrative office of the Authority, which is located at 1225 Jackson Avenue, Pascagoula, MS 39567.

**Note 15 – Jointly Governed Organizations**

Jointly Governed Organization - On November 2, 1970, the City entered into an agreement with the Board of Trustees of the Jackson George Regional Library System, the City of Moss Point, City of Pascagoula, City of Ocean Springs, City of Lucedale, and the Board of Supervisors of Jackson County 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 Pascagoula has no equity interest in the organization; however, the city maintains a 1.14 millage rate for library purposes. A budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$271,626 to the Library for the year ended September 30, 2019.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 16 – Tax Abatements**

As of September 30, 2019, the City provides tax abatements through various state and local programs subject to the requirements of GASB Statement No. 77. State programs are authorized through Section §57-75-5(f) of Mississippi Code Ann. (1972), and local programs are authorized through resolutions by the Jackson County Supervisors and City Council. These programs are as follows:

Program	Benefit	Eligibility Requirements
Fee-in-Lieu	A company may be approved by local authorities to pay a fee in lieu of standard property taxes. This negotiated fee is valid for 10 years but cannot be less than 1/3 of the property tax levy.	The City may consider a fee-in-lieu agreement when a company's private investment in land, building(s) and equipment exceeds \$100 million.
Real and Personal Property Tax Exemptions	An exemption from property taxes on land, building and equipment is available for up to 10 years. School taxes are not exempt.	Eligible businesses include: manufacturers, processors, research and development facilities, refineries, warehouse and distribution facilities, data and information processing companies and telecommunications and technology-intensive industries. The City Council must approve the exemption.
Exemption on In-State Inventory	An exemption from property taxes on finished goods that will remain in Mississippi is available. School taxes are not exempt. Any taxes paid become a direct credit to Mississippi income tax.	Manufacturers, processors, distributors, wholesalers or retailers are eligible. The City Council must approve the exemption.
Free Port Warehouse Exemption	An exemption from property taxes paid on finished goods inventories leaving Mississippi is available. The exemption may be for all property taxes and may be perpetual.	The City Council must approve the exemption.
Broadband Technology Tax (income, franchise)	An exemption from state income taxes and franchise fees paid to local governments.	Approved by the State of Mississippi.

Total tax abatements as of September 30, 2019 are as follows:

Program	Term	Abatement		Assessed Value	Estimated Tax Abated
		Period	Ends		
Real and Personal Property Tax Exemptions	10 years	2020		\$ 1,435,108	\$ 78,213
	10 years	2021		685,548	37,362
	10 years	2022		2,115,062	115,271
	10 years	2023		1,532,343	83,513
	10 years	2024		1,858,517	101,289
	10 years	2025		1,484,063	80,881
	10 years	2026		8,165,028	444,994
Total tax abatements				<u>\$ 17,275,669</u>	<u>\$ 941,524</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 17– Prior Period Adjustment**

During 2019, it was determined that the Pascagoula Redevelopment Authority, previously reported as an agency fund, should be reported by the City as a blended component unit.

A summary of the net position/fund balance adjustment(s) as a result is as follows:

*Statement of Activities – Governmental Activities*

Explanation	Amount
Record Pascagoula Redevelopment Authority as a blended component unit - add beginning net position	\$ 1,445,803
Total prior period adjustment - Governmental Funds	<u>1,445,803</u>

*Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds*

Explanation	Amount
Record Pascagoula Redevelopment Authority as a blended component unit - prior year fund balance	\$ 766,008
Total prior period adjustment - Other Governmental Funds	<u>766,008</u>

**Note 18– Subsequent Events**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes.

Management of the City of Pascagoula, Mississippi evaluated the activity of the City through January 11, 2021, (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statement:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund**  
**Budget to Actual - (Prepared on the Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2019**

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Favorable (Unfavorable)	
				Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 8,556,333	8,369,833	8,453,856	(186,500)	84,023
Licenses and permits	1,485,000	1,753,000	1,798,319	268,000	45,319
Intergovernmental	7,365,100	7,373,841	7,457,382	8,741	83,541
Charges for services	2,292,020	2,234,370	2,240,873	(57,650)	6,503
Fines & Forfeitures	716,000	407,100	403,828	(308,900)	(3,272)
Miscellaneous	164,000	168,400	459,940	4,400	291,540
Investment earnings	40,000	68,000	89,259	28,000	21,259
Other financing sources	85,000	2,061,000	4,077,766	1,976,000	2,016,766
Transfers from/to other funds	-	20,000	20,909	20,000	909
Total available for appropriations	20,703,453	22,455,544	25,002,132	1,752,091	2,546,588
Expenditures:					
General Government:					
Personnel services	1,576,859	1,497,438	1,486,533	79,421	10,905
Supplies	78,125	53,883	39,714	24,242	14,169
Other services and charges	2,538,145	2,504,653	2,331,601	33,492	173,052
Capital outlay/Debt service	51,590	1,824,931	1,824,204	(1,773,341)	727
Total	4,244,719	5,880,905	5,682,052	(1,636,186)	198,853
Public Safety - Police					
Personnel services	5,991,488	5,862,697	5,797,283	128,791	65,414
Supplies	281,175	263,741	243,931	17,434	19,810
Other services and charges	499,895	520,595	465,515	(20,700)	55,080
Capital outlay/Debt service	360,290	360,290	359,526	-	764
Total	7,132,848	7,007,323	6,866,255	125,525	141,068
Public Safety - Fire					
Personnel services	4,116,682	4,234,312	4,274,969	(117,630)	(40,657)
Supplies	116,150	101,369	83,047	14,781	18,322
Other services and charges	20,400	18,400	14,307	2,000	4,093
Capital outlay/Debt service	-	41,106	31,106	(41,106)	10,000
Total	4,253,232	4,395,187	4,403,429	(141,955)	(8,242)
Planning, Bldg. & Code Enforcement					
Personnel services	533,881	542,781	542,261	(8,900)	520
Supplies	13,450	12,350	7,963	1,100	4,387
Other services and charges	170,650	110,350	83,685	60,300	26,665
Capital outlay/Debt service	-	50	-	(50)	50
Total	717,981	665,531	633,909	52,450	31,622
Public Works					
Personnel services	-	-	-	-	-
Supplies	265,000	174,892	110,196	90,108	64,696
Other services and charges	1,816,328	2,202,320	2,064,445	(385,992)	137,875
Capital outlay/Debt service	183,000	373,246	492,837	(190,246)	(119,591)
Total	2,264,328	2,750,458	2,667,478	(486,130)	82,980
Health & Welfare					
Personnel services	56,833	60,333	59,124	(3,500)	1,209
Supplies	8,400	6,650	5,089	1,750	1,561
Other services and charges	33,750	32,000	24,956	1,750	7,044
Total	98,983	98,983	89,169	-	9,814
Culture & Recreation					
Personnel services	497,363	528,244	481,334	(30,881)	46,910
Supplies	91,550	69,171	59,947	22,379	9,224
Other services and charges	991,550	978,429	910,524	13,121	67,905
Capital outlay/Debt Service	-	66,917	62,789	(66,917)	4,128
Total	1,580,463	1,642,761	1,514,594	(62,298)	128,167



**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund**  
**Budget to Actual - (Prepared on the Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2019**

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Favorable (Unfavorable)	
				Original to Final	Final to Actual
Economic, Urban & Comm. Dev.					
Personnel services	125,550	76,000	75,508	49,550	492
Supplies	500	500	158	-	342
Other services and charges	32,600	50,350	47,852	(17,750)	2,498
Capital outlay/Debt Service	-	-	-	-	-
Total	<u>158,650</u>	<u>126,850</u>	<u>123,518</u>	<u>31,800</u>	<u>3,332</u>
Transfer to other funds	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total charges to appropriations	<u>20,461,204</u>	<u>22,567,998</u>	<u>21,980,404</u>	<u>(2,106,794)</u>	<u>587,594</u>
Excess (Deficiency) of Available Resources over Use of Resources	<u>\$ 242,249</u>	<u>(112,454)</u>	<u>3,021,728</u>	<u>3,858,855</u>	<u>1,958,994</u>
Differences between budgetary and GAAP fund balances					
Change in fund balance - Budgetary Basis			\$ 3,021,728		
Accruals for expenses incurred but not paid			1,776,343		
Accruals for revenues recognized but not yet received			(637,469)		
Net Change in fund balance - Fund Financials			<u>\$ 4,160,602</u>		

**City of Pascagoula, Mississippi**  
Notes to the Required  
Supplementary Information-Budgetary Schedules  
For the Fiscal Year Ended September 30, 2019

A. Budgetary Information.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

D. Budgetary Data

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

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

**City of Pascagoula, Mississippi**  
Schedule of the City's Proportionate Share of the  
Net Pension Liability and Related Ratios  
Mississippi Public Employees' Retirement System (PERS)  
Last 10 Fiscal Years\*  
For the Fiscal Year Ended September 30, 2019\*\*  
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.146%	0.165%	0.170%	0.160%	0.160%
City's proportionate share of the net pension liability (asset)	\$ 25,684,280	27,444,402	28,259,770	28,579,995	24,732,844
City's covered payroll	\$ 9,481,206	10,552,857	10,845,992	10,390,535	10,255,519
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.90%	260.07%	260.55%	275.06%	241.17%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE June 30, 2015, and, until a full 10-year trend is compiled, the Commission has only presented information for the years in which information is available.

\*\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented.

**City of Pascagoula, Mississippi**  
Schedule of the City's Contributions  
and Related Ratios  
Mississippi Public Employees' Retirement System (PERS)  
Last 10 Fiscal Years\*  
For the Fiscal Year Ended September 30, 2019  
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,486,473	1,661,758	1,647,953	1,643,481	1,607,812
Contributions in relation to the contractually required contribution	<u>1,486,473</u>	<u>1,661,758</u>	<u>1,647,953</u>	<u>1,643,481</u>	<u>1,607,812</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 9,198,472	10,550,844	10,463,194	10,434,800	10,208,330
Contributions as a percentage of covered payroll	16.16%	15.75%	15.75%	15.75%	15.75%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE June 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

**City of Pascagoula, Mississippi**  
Notes to the Required Supplementary Information  
Mississippi Public Employees' Retirement System (PERS)  
For the Fiscal Year Ended September 30, 2019

PERS Pension Schedules

**A. Changes in Assumptions**

➤ 2019

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

➤ 2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

➤ 2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

➤ 2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**City of Pascagoula, Mississippi**  
Notes to the Required Supplementary Information  
Mississippi Public Employees' Retirement System (PERS)  
For the Fiscal Year Ended September 30, 2019

**B. Changes in Benefit Provisions**

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

**C. Methods and Assumptions used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**City of Pascagoula, Mississippi**  
**Schedule of Changes in the Net Pension Liability**  
**Municipal Retirement System (MRS)**  
**Last 10 Fiscal Years\***  
**For the Fiscal Year Ended September 30, 2019\*\***  
**(UNAUDITED)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>					
Interest	\$ 823,509	\$ 872,270	902,507	928,517	965,667
Differences between expected and actual experience	90,598	(182,259)	17,501	119,699	(40,288)
Changes of assumptions	(64,078)	-	52,812	-	395,634
Benefit payments, including refunds of employee contributions	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
<b>Net change in total pension liability</b>	<b>(440,225)</b>	<b>(658,120)</b>	<b>(404,980)</b>	<b>(341,653)</b>	<b>(111,090)</b>
<b>Total pension liability-beginning</b>	<b>11,271,046</b>	<b>11,929,166</b>	<b>12,334,146</b>	<b>12,675,799</b>	<b>12,786,889</b>
<b>Total pensions liability-ending</b>	<b>\$10,830,821</b>	<b>\$ 11,271,046</b>	<b>11,929,166</b>	<b>12,334,146</b>	<b>12,675,799</b>
<b>Plan fiduciary net position</b>					
Contributions-employer	762,066	678,093	677,726	706,304	695,520
Net investment income	512,315	580,428	979,439	39,757	247,097
Benefit payments, including refunds of employee contributions	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
Administrative expense	(15,241)	(13,562)	(13,555)	(14,126)	(13,910)
Other costs	(195)	(693)	3,658	43,964	-
<b>Net change in plan fiduciary net position</b>	<b>(31,309)</b>	<b>(103,865)</b>	<b>269,468</b>	<b>(613,970)</b>	<b>(503,396)</b>
<b>Plan fiduciary net position-beginning</b>	<b>7,423,652</b>	<b>7,527,517</b>	<b>7,258,049</b>	<b>7,872,019</b>	<b>8,375,415</b>
<b>Plan fiduciary net position-ending</b>	<b>\$ 7,392,343</b>	<b>\$ 7,423,652</b>	<b>7,527,517</b>	<b>7,258,049</b>	<b>7,872,019</b>
<b>Net pension liability-ending</b>	<b>\$ 3,438,478</b>	<b>\$ 3,847,394</b>	<b>4,401,649</b>	<b>5,076,097</b>	<b>4,803,780</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>68.3%</b>	<b>65.9%</b>	<b>63.1%</b>	<b>58.8%</b>	<b>62.1%</b>
<b>Covered-employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Commission's net pension liability as a percentage of covered employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE June 30, 2015, and, until a full 10-year trend is compiled, the Commission has only presented information for the years in which information is available.

\*\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented.

**City of Pascagoula, Mississippi**  
Schedule of the City's Contributions  
and Related Ratios and Notes  
Municipal Retirement System (MRS)  
For the Fiscal Year Ended September 30, 2019

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 762,066	678,093	677,726	706,304	695,520
Contributions in relation to the contractually required contribution	<u>762,066</u>	<u>678,093</u>	<u>677,726</u>	<u>706,304</u>	<u>695,520</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE June 30, 2015, and, until a full 10-year trend is compiled, the Commission has only presented information for the years in which information is available.

\*\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented.

*Notes to the Municipal Retirement System Pension Schedules:*

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

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2019 were based on the June 30, 2017 actuarial valuation.

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	4.00 percent to 5.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation



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## OTHER SUPPLEMENTAL INFORMATION

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**City of Pascagoula, Mississippi**  
Schedule of Surety Bonds  
(Required by State of Mississippi)  
For the Fiscal Year Ended September 30, 2019

Position	Name	Amount
Mayor	Steve Demetropoulos	\$ 100,000
Council	Stephen Burrow	100,000
Council	Jennifer Colmer	100,000
Council	Willie Jones	100,000
Council	Matt Parker	100,000
Council	Scott Tipton	100,000
Council	Felix Fornett, Sr.	100,000
City Manager	Michael Silverman	50,000
City Clerk	Karen Kennedy	50,000
Police Chief	Matt Chapmen	50,000
Fire Chief	Hylar Krebs	50,000
Comptroller	Vacant	

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## SPECIAL REPORTS

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

To the Honorable Mayor and City Council  
City of Pascagoula, 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 Pascagoula, Mississippi (the “City”) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 11, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Columbo, Harvey & Associates, P.A.*

Gulfport, Mississippi  
January 11, 2021



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

To the Honorable Mayor and City Council  
City of Pascagoula, Mississippi

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi as of and for the year ended September 30, 2019, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain state laws and regulations and our audit of the basic financial statements disclosed the following immaterial instance of noncompliance, 2019-001 and 2019-002. Our finding and recommendation and your response is reported on the Findings and Reports on pages 84-85.

This report is intended solely for the information and use of the City of Pascagoula, Mississippi's mayor, council, and management, federal awarding agencies, the Office of the State Auditor and pass-through entities 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.

*Culumber, Harvey & Associates, P.A.*

Gulfport, Mississippi  
January 11, 2021

**City of Pascagoula, Mississippi**  
Schedule of Findings and Responses  
For the Fiscal Year Ended September 30, 2019

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements:

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements:       |            |
|    | Governmental activities  | Unmodified |
|    | Business-type activities   | Unmodified |
|    | General and other major funds                                      | Unmodified |
|    | Aggregate remaining fund information                               | Unmodified |
| 2. | Internal control over financial reporting:                         |            |
|    | a. Material weaknesses identified?                                 | No         |
|    | b. Significant deficiencies identified?                            | No         |
| 3. | Noncompliance and other matters to the financial statements noted? | Yes        |

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**2019-001: Municipal Compliance**

*Criteria:* Municipal clerk is required to submit to the board a monthly report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balances of each budget item per Mississippi Section 21-35-13.

*Condition:* The municipal clerk is not submitting to the board a monthly report of the items stated above per Section 21-35-13.

The City will develop policies and procedures to ensure the board receives a monthly report relating to Section 21-35-13.

*Cause:* Not submitting reports timely for board meetings.

*Effect:* Not submitting reports per Section 21-35-13 is a municipal noncompliance, which may lead to spending that exceeds the budget.

*Recommendation:* We recommend that there be a designated clerk who submits to the board the report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balances of each budget item per Mississippi Section 21-35-13.

**2019-002: Public Depositor Annual Report**

*Criteria:* As required by Mississippi Code Section 27-105-5 (6) (b), every public depositor is required to notify the State Treasurer’s office no later than thirty (30) days following its fiscal year end of its name, address, tax identification number and listing of deposit accounts.

*Condition:* The public depositor annual report was not submitted thirty days following the City’s fiscal year end.

**City of Pascagoula, Mississippi**  
Schedule of Findings and Responses  
For the Fiscal Year Ended September 30, 2019

**SECTION 2 – FINANCIAL STATEMENT FINDINGS (continued)**

*Cause:* Reports were submitted November 15, 2019 but was due before October 30, 2019.

*Effect:* Not submitting reports per Section 27-105-5 (6) (b) is a municipal noncompliance.

*Recommendation:* We recommend that there be a designated clerk who will ensure that the public depositor annual report is submitted on a timely basis.

**SECTION 3 – AUDITEE CORRECTIVE ACTION RESPONSE**

**Significant Deficiencies**

**2019-001: Municipal Compliance**

Response: During this time frame there was a transition from a full-time comptroller to an outside consulting accounting firm. There was a period of months that were the council did not receive the report timely; however, once the consulting accountant was able to get caught up with the City's activities all reports were prepared and spread across the minutes. The City has developed policies and procedures to ensure the comptroller submits reports, per Section 21-35-13, to the board in a timely manner in order to be in compliance.

**2019-002: Public Depositor Annual Report**

Response: The City will develop better policies and procedures to ensure that the public depositor annual report is submitted on a timely basis to the State Treasurer's office.