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CITY OF PASCAGOULA, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2020

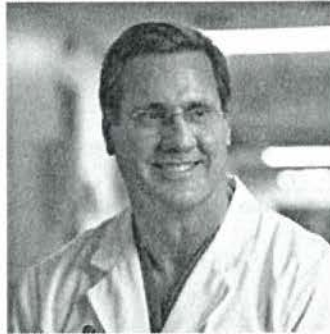
CITY OF PASCAGOULA, MISSISSIPPI
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INTRODUCTORY SECTION



ELECTED OFFICIALS
As of September 30, 2020



Steve Demetropoulos
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

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, 2020, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Unmodified 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, 2020, 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 Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Surety Bonds for City Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the Schedule of Surety Bonds for City Officials 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of City of Pascagoula, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pascagoula, Mississippi's internal control over financial reporting and compliance.

Other Reporting Required by State of Mississippi

In accordance with the State of Mississippi, we have also issued our report dated December 15, 2021, on our consideration of the City of Pascagoula's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Pascagoula's internal control over financial reporting and compliance.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
Gulfport, Mississippi
December 15, 2021

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, 2020 and 2019. 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 20th 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 21,699. The median household income is \$39,887 with over 86% 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 \$57,595,262. 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 \$51,893,599 by \$5,701,663 for current year activities and increased \$1,426,697 for prior period adjustments.
- General revenues amounted to of \$23,832,533 or 56% of total revenues. This amount increased \$784,895 from 2019. Program revenues amounted to \$18,188,857 or 44% of total revenues, which decreased \$4,213,113 from 2019. This decrease was mostly due to the decrease in capital grants received.
- Overall expenditures/expenses for the City decreased \$3,149,509 from the total expenditures/expenses of \$39,469,236 reported in 2019. This reduction in primarily due to City's management eliminating several departments and consolidated efforts to reduce City spending.
- Capital assets, net of accumulated depreciation, increased by \$916,017 in the governmental activities and decreased \$1,531,643 in the business-type activities during 2020. Capital asset acquisitions, disposals and adjustments totaled \$4,561,162 while normal straight-line depreciation of capital assets totaled \$5,475,422.
- The City borrowed an additional \$221,483 in capital leases in 2020. Principal payments of \$3,400,489 were made in the governmental activities to reduce outstanding debt. The governmental-type other non-current liabilities increased a net of \$107,930 in the proportionate share of the outstanding pension and compensated absences allocations.
- In the business-type activities, the City made principal payments of \$752,276 to reduce outstanding debt. The business-type other non-current liabilities decreased a net of \$21,709 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 \$21,043,756 in revenues, which shows a decrease of \$639,873 from 2019 and \$20,702,427 in expenditures, an increase of \$498,366 from 2019, in the current year. The General Fund's fund balance increased a net of \$1,424,380 for the current year.
- *Parks and Recreation Bond Project* – This fund is used to account for the 2017 General Obligation bond funds designated for the acquisition and construction of infrastructure for parks and recreation. The fund shows that at September 30, 2020, the remaining bond fund available for future years was \$1,270,039. Of the \$3,027,936 spent on capital outlay and infrastructure, \$2,987,228 was capitalized.

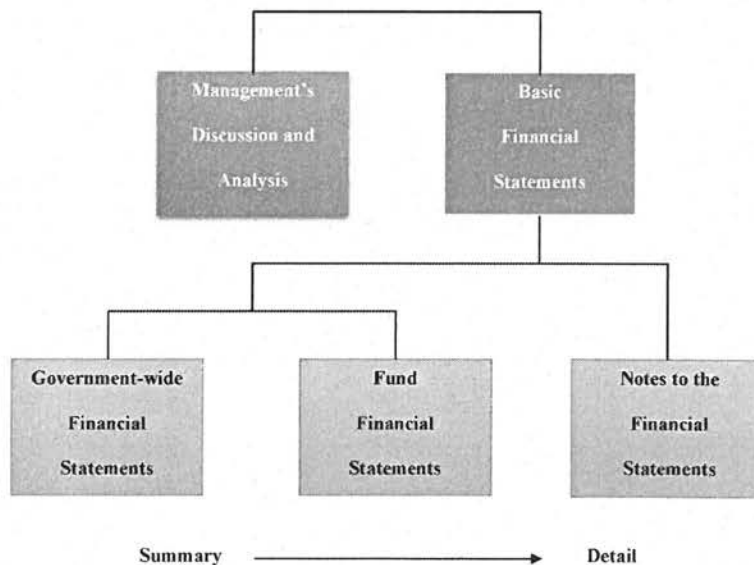
CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis

Using this Annual Financial Report

This discussion and analysis is 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, 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 2020 compared to 2019.

TABLE 1						
Condensed Statement of Net Position						
September 30, 2020 and 2019						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 19,190,223	17,560,973	13,934,933	14,270,235	33,125,156	31,831,208
Noncurrent assets	25,717	33,234	-	-	25,717	33,234
Capital assets	87,400,796	86,484,779	23,934,175	25,465,818	111,334,971	111,950,597
Total Assets	<u>106,616,736</u>	<u>104,078,986</u>	<u>37,869,108</u>	<u>39,736,053</u>	<u>144,485,844</u>	<u>143,815,039</u>
Deferred Outflows	<u>1,910,007</u>	<u>914,442</u>	<u>86,609</u>	<u>38,766</u>	<u>1,996,616</u>	<u>953,208</u>
Liabilities						
Current liabilities	3,839,998	4,254,780	1,898,036	2,301,131	5,738,034	6,555,911
Debt obligations	52,712,532	55,783,608	14,464,264	15,238,249	67,176,796	71,021,857
Total Liabilities	<u>56,552,530</u>	<u>60,038,388</u>	<u>16,362,300</u>	<u>17,539,380</u>	<u>72,914,830</u>	<u>77,577,768</u>
Deferred Inflows	<u>15,764,687</u>	<u>14,876,227</u>	<u>207,681</u>	<u>420,653</u>	<u>15,972,368</u>	<u>15,296,880</u>
Net Position						
Investment in capital assets, net of related debt	66,886,296	68,769,623	10,755,766	11,465,359	77,642,062	80,234,982
Restricted net assets	4,998,597	8,206,733	-	-	4,998,597	8,206,733
Unrestricted	(35,675,367)	(46,897,543)	10,629,970	10,349,427	(25,045,397)	(36,548,116)
Total Net Position	<u>\$ 36,209,526</u>	<u>30,078,813</u>	<u>21,385,736</u>	<u>21,814,786</u>	<u>57,595,262</u>	<u>51,893,599</u>

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, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 2,444,393	3,837,389	13,692,610	15,025,268	16,137,003	18,862,657
Operating grants and contributions	409,434	193,804	-	-	409,434	193,804
Capital grants and contributions	1,642,420	3,345,509	-	-	1,642,420	3,345,509
General revenues					-	-
Taxes	22,596,422	20,927,816	237,431	232,474	22,833,853	21,160,290
Grants and contributions - unrestricted	467,626	502,491	6,512	6,271	474,138	508,762
Investment earnings	303,474	262,615	5,185	131,091	308,659	393,706
Miscellaneous	209,147	514,795	6,736	470,085	215,883	984,880
Total revenues	28,072,916	29,584,419	13,948,474	15,865,189	42,021,390	45,449,608
Expenses:						
General government	5,685,503	6,082,009	-	-	5,685,503	6,082,009
Public safety	11,871,107	12,372,274	-	-	11,871,107	12,372,274
Public works	4,458,127	4,684,493	-	-	4,458,127	4,684,493
Culture and recreation	1,678,960	1,662,434	-	-	1,678,960	1,662,434
Urban renewal and economic development	460,532	275,985			460,532	275,985
Interest on long-term debt	787,974	1,033,048	187,716	259,489	975,690	1,292,537
Pascagoula Utilities	-	-	9,951,757	11,709,964	9,951,757	11,709,964
Solid waste and energy recovery	-	-	1,238,051	1,389,540	1,238,051	1,389,540
Transfer Station	-	-	-	-	-	-
Total expenses	24,942,203	26,110,243	11,377,524	13,358,993	36,319,727	39,469,236
Transfers	3,000,000	-	(3,000,000)	-	-	-
Changes in net position	6,130,713	3,474,176	(429,050)	2,506,196	5,701,663	5,980,372
Net Position - beginning, restated	30,078,813	26,604,637	21,814,786	19,308,590	51,893,599	45,913,227
Net Position - ending	\$ 36,209,526	30,078,813	21,385,736	21,814,786	57,595,262	51,893,599

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 \$57,595,262 as of September 30, 2020. The City's net position increased by \$5,701,663 for the fiscal year ended September 30, 2020. 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, \$4,998,597 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 \$6,130,713 for current year activities as a result primarily due to a significant decrease in governmental activities spending and the \$3,000,000 transfer from the gas sales into the governmental activities capital projects. Under the accrual basis of accounting, governmental activities general revenues amounted to of \$23,576,669 or 84% of total revenues. This amount increased \$1,368,952 from 2019. Program revenues amounted to \$4,496,247 or 16% of total revenues, which decreased \$2,880,455 from 2019.

Several revenue sources fund our governmental activities. General revenues and program income (Chart 1) is used to offset (Chart 2) governmental expenses.

Chart 1 – Governmental Activities Revenue Sources

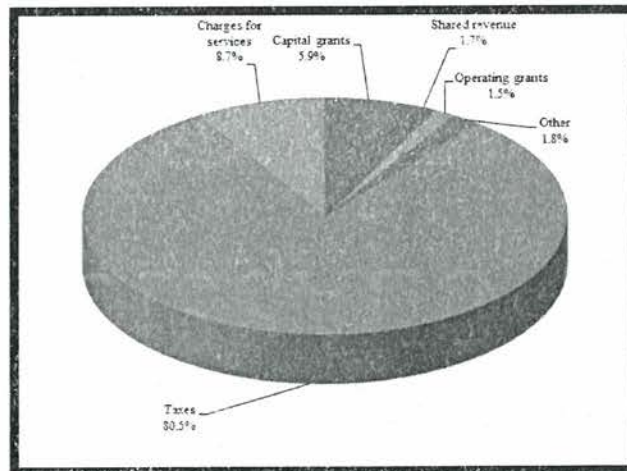
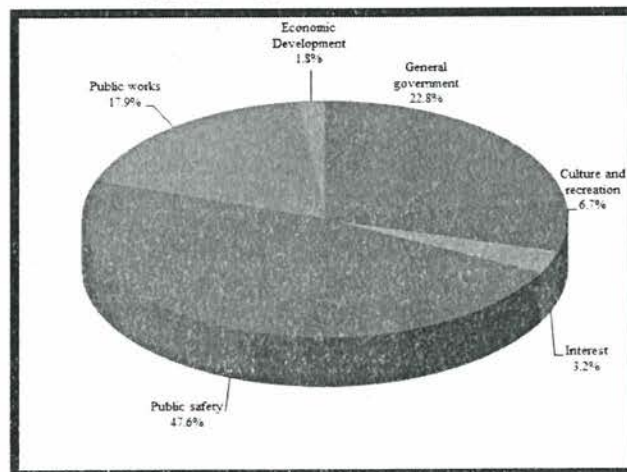


Chart 2 – Governmental Activities



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 \$21,385,736 for the year ended September 30, 2020, a decrease of \$429,050 from 2019.

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 end of the year, the governmental funds reported a combined fund balance of \$3,080,536, an increase of \$1,279,639 current year activities from 2019.

Of the fund balance \$6,430,045 is restricted and cannot be spent for any other purpose than that designated by the grant, bond proceeds or state statute. Another \$4,841,601 is committed to specific projects and \$64,364 is assigned by the council to be spent only on capital projects. The result is a deficit of \$8,255,474 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 decreased by \$962,191 during the fiscal year ended September 30, 2020. Operating income amounted to \$2,216,187 which includes \$1,660,117 of depreciation expense.

The net position of the Solid Waste Fund increased \$533,141 with operating revenues of \$1,771,192.

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 2020, 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, 2020 and 2019.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 16,636,273	16,611,273	84,751	84,751	16,721,024	16,696,024
Construction in progress	7,810,895	6,968,354	-	678,360	7,810,895	7,646,714
Buildings & improvements	2,531,837	2,787,904	4,264,095	4,634,886	6,795,932	7,422,790
Improvements - other	41,645,836	40,073,789	19,447,754	19,846,152	61,093,590	59,919,941
Infrastructure	17,508,699	18,348,343	-	-	17,508,699	18,348,343
Machinery & equipment	787,709	1,206,768	137,575	212,770	925,284	1,419,538
Equipment under capital leases	479,547	488,348	-	8,899	479,547	497,247
Total	\$ 87,400,796	86,484,779	23,934,175	25,465,818	111,334,971	111,950,597

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

General Long-term Obligations

At September 30, 2020, the City had \$37,215,768 outstanding debt obligations, along with \$714,074 in compensated absences payable and \$29,246,954 in net pension obligations.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 17,937,728	19,115,042	5,497,270	5,809,958	23,434,998	24,925,000
Revenue Bonds	-	-	7,376,601	7,786,601	7,376,601	7,786,601
Note payable	5,886,809	7,812,954	279,611	300,380	6,166,420	8,113,334
Capital Leases	237,749	313,296	-	8,819	237,749	322,115
Total	\$ 24,062,286	27,241,292	13,153,482	13,905,758	37,215,768	41,147,050

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 2020 to 7.3%, up from 6.8% in 2019. Mississippi's unemployment rate in September 2020 was 5.9%.

The City has made great strides to reduce the general fund's dependence on other fund's revenues to cover general expenditures. During 2019 and 2020, 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, numerous hurricanes and tropical storms, and COVID-19 currently. 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 for recreational facility enhancements projects. At the end of 2020, the City had approximately \$7.8 million in construction in progress at the end of the year with approximately \$3.9 million remaining contract commitments for completion of the project phases. In 2021, the City was awarded approximately \$2.5 million in American Rescue Plan Act funds with another \$2.5 million to be received in fiscal year 2022. Plans are underway to upgrade much needed infrastructure throughout the City.

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

BASIC FINANCIAL STATEMENTS

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City of Pascagoula, Mississippi
Statement of Net Position
September 30, 2020

	Governmental	Business-Type	Total
Assets			
Current assets			
Cash	\$ 2,830,588	12,960,666	15,791,254
Taxes receivables	12,116,950	2,207	12,119,157
Accounts receivable (net of allowance)	476,967	1,078,018	1,554,985
Intergovernmental receivables	1,424,958	-	1,424,958
Fines and forfeitures (net of allowance)	372,201	-	372,201
Miscellaneous receivable	136,552	-	136,552
Interfund	613,955	(613,955)	-
Prepaid items	190,409	11,435	201,844
Restricted current assets - cash	1,027,643	496,562	1,524,205
Total Current Assets	19,190,223	13,934,933	33,125,156
Noncurrent Assets			
Note receivable	25,717		25,717
Capital assets, net of accumulated depreciation	87,400,796	23,934,175	111,334,971
Total Noncurrent Assets	87,426,513	23,934,175	111,360,688
Total Assets	106,616,736	37,869,108	144,485,844
Deferred Outflows of Resources			
Deferred bond charges	49,701	-	49,701
Deferred amounts on pension	1,860,306	86,609	1,946,915
Total Deferred Outflow of Resources	1,910,007	86,609	1,996,616
Liabilities			
Current liabilities:			
Claims and wages payable	1,594,222	192,174	1,786,396
Accrued interest payable	161,409	1,209,300	1,370,709
Judgements and insurance claims payable	159,999	-	159,999
Unearned revenue	1,917,539	-	1,917,539
Payable from restricted assets			
Customer deposits	6,829	496,562	503,391
Total current liabilities	3,839,998	1,898,036	5,738,034
Noncurrent Liabilities:			
Due within one year			
Capital debt	904,103	343,152	1,247,255
Noncapital debt	1,935,122	420,479	2,355,601
Due in more than one year			
Capital debt	19,784,860	11,560,330	31,345,190
Noncapital debt	2,123,997	857,799	2,981,796
Net pension liability	27,964,450	1,282,504	29,246,954
Total noncurrent liabilities	52,712,532	14,464,264	67,176,796
Total Liabilities	56,552,530	16,362,300	72,914,830
Deferred Inflows of Resources			
Property tax for future reporting period	11,998,581	-	11,998,581
Deferred amount on pensions	3,426,435	171,322	3,597,757
Deferred amounts associated with debt	339,671	36,359	376,030
Total Deferred Inflows of Resources	15,764,687	207,681	15,972,368
Net Position			
Investment in capital assets, net of related debt	66,886,296	10,755,766	77,642,062
Restricted Net Position:			
Restricted for grant/bond purposes	1,255,368	-	1,255,368
Restricted for debt service	2,829,393	-	2,829,393
Restricted for public safety	913,836	-	913,836
Unrestricted	(35,675,367)	10,629,970	(25,045,397)
Total Net Position	\$ 36,209,526	21,385,736	57,595,262

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, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
						Total
Governmental Activities:						
General government	\$ 5,685,503	1,837,980	36,883	77,151	(3,733,489)	(3,733,489)
Public safety	11,871,107	376,331	178,218	244,456	(11,072,102)	(11,072,102)
Public works	4,458,127	-	-	470,146	(3,987,981)	(3,987,981)
Culture, recreation and community services	1,678,960	184,541	194,333	200,667	(1,099,419)	(1,099,419)
Urban renewal and economic development	460,532	45,541	-	650,000	235,009	235,009
Interest on long-term debt	787,974	-	-	-	(787,974)	(787,974)
Total governmental activities	24,942,203	2,444,393	409,434	1,642,420	(20,445,956)	(20,445,956)
Business-type activities:						
Pascagoula utilities	10,139,473	12,165,361	-	-	2,025,888	2,025,888
Solid waste	1,238,051	1,527,249	-	-	289,198	289,198
Total business-type activities	11,377,524	13,692,610	-	-	2,315,086	2,315,086
Total government	\$ 36,319,727	16,137,003	409,434	1,642,420	(18,130,870)	(18,130,870)
General Revenues:						
Taxes:						
Property taxes, general					8,819,651	8,819,651
Property taxes, debt service					2,969,762	2,969,762
Property taxes, special purpose					743,366	980,797
Property taxes in lieu - federal government					15,290	15,290
General sales taxes					5,954,280	5,954,280
Special sales taxes					1,317,525	1,317,525
Franchise taxes					1,445,706	1,445,706
County road taxes					1,330,842	1,330,842
Grants and contributions not restricted to a special purpose					467,626	474,138
Unrestricted investment earnings					303,474	308,659
Miscellaneous					209,147	215,883
Total general revenues before transfers					23,576,669	23,832,533
Transfers					3,000,000	-
Total general revenues					26,576,669	23,832,533
Changes in net position					6,130,713	5,701,663
Net position - beginning					30,078,813	51,893,599
Net position - ending					\$ 36,209,526	\$ 57,595,262

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

City of Pascagoula, Mississippi
Balance Sheet – Governmental Funds
September 30, 2020

	Major Funds			Other	Total
	General	Parks and	Debt	Governmental	Governmental
	Fund	Recreation	Service	Funds	Funds
		Bond Project	Fund		
ASSETS					
Cash	\$ 240,247	1,789,104	2,963,188	8,180,814	13,173,353
Receivables-current				-	
Property tax	9,429,814	-	2,134,521	552,615	12,116,950
Franchise taxes	476,967	-	-	-	476,967
Intergovernmental	1,060,772	-	-	364,186	1,424,958
Court fines & fees	372,201	-	-	-	372,201
Accounts receivable, net	7,389	-	-	11,282	18,671
Due from other funds	1,105,347	-	-	-	1,105,347
Note receivable	-	-	-	25,717	25,717
Restricted Cash	-	-	-	1,027,643	1,027,643
Advance to other fund	26,400	-	-	-	26,400
Total Assets	<u>12,719,137</u>	<u>1,789,104</u>	<u>5,097,709</u>	<u>10,162,257</u>	<u>29,768,207</u>
LIABILITIES					
Interfund payable - pooled cash	10,693,857	-	-	-	10,693,857
Claims payable	178,301	519,065	-	64,946	762,312
Other accrued liabilities	261,669	-	-	-	261,669
Wages payable	570,241	-	-	-	570,241
Unearned revenue	22,231	-	-	1,880,502	1,902,733
Compensated absences - current	1,799	-	-	-	1,799
Customer deposits	-	-	-	6,829	6,829
Advance from other fund	-	-	-	26,400	26,400
Total Liabilities	<u>11,728,098</u>	<u>519,065</u>	<u>-</u>	<u>1,978,677</u>	<u>14,225,840</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes for future reporting period	9,345,683	-	2,106,907	545,991	11,998,581
Unavailable revenue - fines and grants	463,250	-	-	-	463,250
Total Deferred Inflows of Resources	<u>9,808,933</u>	<u>-</u>	<u>2,106,907</u>	<u>545,991</u>	<u>12,461,831</u>
FUND BALANCES					
Restricted:					
Grant/bond purposes	-	1,270,039	-	142,323	1,412,362
Debt service	-	-	2,990,802	-	2,990,802
Public safety	-	-	-	913,836	913,836
Economic development (PRA)	-	-	-	1,113,045	1,113,045
Committed:					
Capital projects	-	-	-	4,495,759	4,495,759
Machpelah Cemetery	-	-	-	114,090	114,090
Lighthouse preservation	-	-	-	163,293	163,293
Rental rehabilitation	-	-	-	7,019	7,019
Historic preservation	-	-	-	1,880	1,880
Inner harbor	-	-	-	59,560	59,560
Assigned:					
Community support	-	-	-	(16,741)	(16,741)
Capital projects	-	-	-	81,105	81,105
Unassigned	(8,817,894)	-	-	562,420	(8,255,474)
Total Fund Balances	<u>(8,817,894)</u>	<u>1,270,039</u>	<u>2,990,802</u>	<u>7,637,589</u>	<u>3,080,536</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,719,137</u>	<u>1,789,104</u>	<u>5,097,709</u>	<u>10,162,257</u>	<u>29,768,207</u>

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, 2020

Total governmental funds balance **\$ 3,080,536**

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	\$ 141,798,032	
Less: accumulated depreciation	<u>(54,397,236)</u>	87,400,796

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	\$ 125,906	
Prepaid bond insurance	<u>64,503</u>	190,409

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

Court fines receivable	\$ 339,554	
Franchise fees receivable	<u>123,696</u>	463,250

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

Bonds payable	\$ (17,937,728)	
Notes payable	(5,886,809)	
Capital leases payable	(237,749)	
Compensated absences	(683,998)	
Net pension liability	<u>(27,964,450)</u>	(52,710,734)

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

Accrued interest payable		(161,409)
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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	\$ 1,860,306	
Deferred inflows of resources related to pensions	<u>(3,426,435)</u>	(1,566,129)

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	\$ 49,701	
Unamortized premium on bond	<u>(339,671)</u>	(289,970)

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	\$ 468,973	
Amounts due to other funds	(491,392)	
Held for employees in Flex Account	(14,805)	
Estimated claims payable	<u>(159,999)</u>	<u>(197,223)</u>

Net position of governmental activities		<u>\$ 36,209,526</u>
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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, 2020

	Major Funds			Other	Total
	General	Parks and	Debt	Governmental	Governmental
	Fund	Recreation	Service	Funds	Funds
		Bond Project	Fund		
Revenues:					
Property taxes	\$ 8,834,941	-	2,969,762	743,366	12,548,069
Franchise fees	1,462,274	-	-	-	1,462,274
Fees and fines	323,500	-	-	114,705	438,205
Licenses and permit fees	158,329	-	-	-	158,329
Intergovernmental	7,962,209	-	81,396	3,040,610	11,084,215
Charges for services	1,842,719	-	-	57,587	1,900,306
Investment earnings	267,817	16,532	-	19,125	303,474
Miscellaneous	191,967	-	-	-	191,967
Total Revenues	21,043,756	16,532	3,051,158	3,975,393	28,086,839
Expenditures:					
General government	4,777,180	8,340	-	242,677	5,028,197
Public safety	10,862,874	-	-	960,289	11,823,163
Public works	2,720,159	-	-	57,246	2,777,405
Culture & recreation	727,722	32,368	-	161,745	921,835
Urban & economic development	108,000	-	-	364,212	472,212
Capital outlay	1,205,942	2,987,228	-	622,327	4,815,497
Debt service:					
Principal	297,030	-	3,103,459	-	3,400,489
Interest and other fiscal charges	3,520	-	897,749	-	901,269
Total Expenditures	20,702,427	3,027,936	4,001,208	2,408,496	30,140,067
Excess (Deficiency) of Revenues Over Expenditures	341,329	(3,011,404)	(950,050)	1,566,897	(2,053,228)
Other Financing Sources (Uses):					
Loan proceeds	221,483	-	-	-	221,483
Proceeds from sale of cemetery plots	-	-	-	85,000	85,000
Proceeds from insurance	26,384	-	-	-	26,384
Transfers In	855,007	-	808,831	3,019,823	4,683,661
Transfers Out	(19,823)	-	-	(1,663,838)	(1,683,661)
Total Other Financing Sources (Uses)	1,083,051	-	808,831	1,440,985	3,332,867
Net change in fund balances	1,424,380	(3,011,404)	(141,219)	3,007,882	1,279,639
Fund balances - beginning	(10,242,274)	4,281,443	3,132,021	4,629,707	1,800,897
Fund balances - ending	\$ (8,817,894)	1,270,039	2,990,802	7,637,589	3,080,536

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, 2020

Net Change in Fund Balances - total governmental funds **\$ 1,279,639**

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

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

Capital outlay	\$ 4,815,497	
Depreciation	<u>(3,815,305)</u>	1,000,192

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 (84,175)

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. Neither transaction has any effect on net po

Issuance of debt	\$ (221,483)	
Debt retirement	<u>3,400,489</u>	3,179,006

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. (41,133)

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	375,001
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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	\$ 112,240	
Prepaid insurance	(122,398)	
Compensated absences	<u>19,776</u>	9,618

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.

Change in net position of governmental activities	<u>\$ 6,130,713</u>
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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, 2020

	Business-type Activities - Enterprise Funds					Governmental
	Major Funds		Non-Major		Total Business-type Activities	Activities
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund		Self Insurance Fund
Assets						
Current assets						
Cash	\$ 8,280,649	3,071,807	-	1,608,210	12,960,666	351,092
Accounts receivable (net of allowance)	709,470	368,548	-	-	1,078,018	-
Property tax receivable	-	2,207	-	-	2,207	-
Insurance rebates receivable	-	-	-	-	-	117,881
Due from other fund	26,293	-	-	-	26,293	-
Prepaid items	11,435	-	-	-	11,435	-
Restricted current assets						
Cash	496,562	-	-	-	496,562	-
Total Current Assets	9,524,409	3,442,562	-	1,608,210	14,575,181	468,973
Capital assets						
Nondepreciable capital assets	-	-	84,751	-	84,751	-
Other capital assets (net of accumulated depreciation)	23,849,424	-	-	-	23,849,424	-
Total Capital Assets	23,849,424	-	84,751	-	23,934,175	-
Total Assets	33,373,833	3,442,562	84,751	1,608,210	38,509,356	468,973
Deferred Outflow of Resources						
Deferred amounts on pensions	86,609	-	-	-	86,609	-
Total Deferred Outflow of Resources	86,609	-	-	-	86,609	-
Liabilities						
Current liabilities:						
Claims payable	64,629	109,707	-	-	174,336	-
Wages and accrued liabilities payable	17,838	-	-	-	17,838	-
Accrued interest payable	31,673	-	1,177,627	-	1,209,300	-
Due to other fund	-	-	640,248	-	640,248	491,392
Judgements and claims payable	-	-	-	-	-	159,999
Unearned revenue	-	-	-	-	-	14,805
Payable from restricted assets						
Customer deposits	496,562	-	-	-	496,562	-
Total current liabilities	610,702	109,707	1,817,875	-	2,538,284	666,196
Noncurrent Liabilities:						
Due within one year						
Capital debt	343,152	-	-	-	343,152	-
Noncapital debt	420,479	-	-	-	420,479	-
Due in more than one year						
Capital debt	5,433,729	-	6,126,601	-	11,560,330	-
Noncapital debt	857,799	-	-	-	857,799	-
Net pension liability	1,282,504	-	-	-	1,282,504	-
Total noncurrent liabilities	8,337,663	-	6,126,601	-	14,464,264	-
Total Liabilities	8,948,365	109,707	7,944,476	-	17,002,548	666,196
Deferred Inflows of Resources						
Deferred amounts on pensions	171,322	-	-	-	171,322	-
Deferred amounts associated with debt	36,359	-	-	-	36,359	-
Total Deferred Inflows of Resources	207,681	-	-	-	207,681	-
Net Position						
Net investment in capital assets	16,797,616	-	(6,041,850)	-	10,755,766	-
Unrestricted	7,506,780	3,332,855	(1,817,875)	1,608,210	10,629,970	(197,223)
Total Net Position	\$ 24,304,396	3,332,855	(7,859,725)	1,608,210	21,385,736	(197,223)

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, 2020

	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		
Revenues:						
Charges for services	\$ 12,165,361	1,527,249	-	-	13,692,610	-
Property taxes	-	237,431	-	-	237,431	-
Intergovernmental	-	6,512	-	-	6,512	-
Employer contributions	-	-	-	-	-	2,156,183
Employee and retiree contributions	-	-	-	-	-	288,770
Insurance claim reimbursements	-	-	-	-	-	166,385
Miscellaneous operating revenues	6,736	-	-	-	6,736	-
Total Operating Revenues	12,172,097	1,771,192	-	-	13,943,289	2,611,338
Operating Expenses:						
Personnel services	507,582	-	-	-	507,582	-
Insurance claims and expenses	-	-	-	-	-	1,602,142
Administrative expenses	1,500,000	-	-	-	1,500,000	597,686
Wastewater treatment	3,814,612	-	-	-	3,814,612	-
Waste collection	-	1,157,129	-	-	1,157,129	-
Waste disposal	-	22,775	-	-	22,775	-
Utilities	488,320	-	-	-	488,320	-
Supplies	360,910	-	-	-	360,910	-
Other services and charges	1,624,369	58,147	-	-	1,682,516	-
Depreciation	1,660,117	-	-	-	1,660,117	-
Total Operating Expenses	9,955,910	1,238,051	-	-	11,193,961	2,199,828
Operating income (loss)	2,216,187	533,141	-	-	2,749,328	411,510
Non-Operating Revenues (Expenses)						
Interest and investment revenue	5,185	-	-	-	5,185	-
Interest Expense	(187,716)	-	-	-	(187,716)	-
Amortization of bond premium	5,214	-	-	-	5,214	-
Amortization of deferred savings on refunding bond	3,883	-	-	-	3,883	-
Gain of Sale of assets	(4,944)	-	-	-	(4,944)	-
Transfer Out	(3,000,000)	-	-	-	(3,000,000)	-
Total Non-Operating Revenues (Expenses)	(3,178,378)	-	-	-	(3,178,378)	-
Change in net position	(962,191)	533,141	-	-	(429,050)	411,510
Total net position - beginning	25,266,587	2,799,714	(7,859,725)	1,608,210	21,814,786	(608,733)
Total net position - ending	\$ 24,304,396	3,332,855	(7,859,725)	1,608,210	21,385,736	(197,223)

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, 2020

	Business-type Activities			Governmental Activities
	Major Funds		Non-Major	
	Pascagoula Utilities Fund	Solid Waste Fund	Transfer Station Fund	Total Business-type Activities
				Self Insurance Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 12,314,559	1,431,867	-	13,746,426
Cash received for premiums	-	-	-	-
Other operating receipts	6,736	243,759	-	250,495
Cash paid to employees	(614,065)	-	-	(614,065)
Cash paid to suppliers	(360,910)	-	-	(360,910)
Cash paid to contractors	(7,692,748)	(1,236,925)	-	(8,929,673)
Cash paid for judgements and claims	-	-	-	-
Cash paid for administrative services	-	-	-	-
Net cash provided by (used in) operating activities	3,653,572	438,701	-	4,092,273
Cash Flows From Non-Capital Financing Activities				
Advances from (to) other funds	(3,000,000)	-	-	(3,000,000)
Net cash flows provided by (used in) non-capital financing activities	(3,000,000)	-	-	(3,000,000)
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(133,418)	-	-	(133,418)
Repayment of debt	(752,276)	-	-	(752,276)
Interest and amortization on debt	(165,857)	-	-	(165,857)
Net cash provided by (used in) capital and related financing activities	(1,051,551)	-	-	(1,051,551)
Cash Flows From Investing Activities				
Interest received	5,185	-	-	5,185
Net cash flows provided by (used in) investing activities	5,185	-	-	5,185
Net increase (decrease) in cash	(392,794)	438,701	-	45,907
Cash - October 1	9,170,005	2,633,106	1,608,210	13,411,321
Cash - September 30	\$ 8,777,211	3,071,807	1,608,210	13,457,228

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, 2020

	Business-type Activities			Governmental Activities
	Major Funds		Non-Major	Self Insurance Fund
	Pascagoula Utilities Fund	Solid Waste Fund	Transfer Station Fund	
				Total Business-type Activities
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Unsed in)				
Operating Activities				
Operating income (loss)	\$ 2,164,475	533,141	-	2,697,616
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,660,117	-	-	1,660,117
(Increase) decrease in assets:				
Accounts receivable	163,817	(4,788)	-	159,029
Property tax receivable	-	(184)	-	(184)
Increase (decrease) in liabilities:				
Claims and wages payable	(268,338)	1,126	-	(267,212)
Unearned revenue	-	(90,594)	-	(90,594)
Customer deposits	(14,619)	-	-	(14,619)
Compensated absences	(19,999)	-	-	(19,999)
Pension liabilities and deferrals	(31,881)	-	-	(31,881)
Net cash provided by (used in) operating activities	\$ 3,653,572	438,701	-	4,092,273

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

City of Pascagoula, Mississippi
Statement of Fiduciary Net Position
September 30, 2020

		Private Purpose Trust Fund		Pascagoula Port Commission Fund	Total Fiduciary Funds
Assets	\$				
Cash				63,246	63,246
Total Assets				<u>63,246</u>	<u>63,246</u>
Net Position				<u>63,246</u>	<u>63,246</u>
Restricted for Port Commission	\$			<u>63,246</u>	<u>63,246</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, 2020

		Private Purpose Trust Fund		Pascagoula Port Commission Fund		Total Fiduciary Funds
Additions:						
Rental income	\$			1,696		1,696
Total additions				<u>1,696</u>		<u>1,696</u>
Change in net position				1,696		1,696
Net position - beginning of year				61,550		61,550
Net position - end of year	\$			<u><u>63,246</u></u>		<u><u>63,246</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

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City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

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, 2020

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.

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

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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 2019 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 11.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

F. Receivables

All trade receivables are shown net of an allowance for uncollectable. 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, 2020, 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, 2020

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, 2020

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, 2020

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, 2020

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. Reporting Changes and New Accounting Pronouncements for Future Implementation

Reporting Changes

Effective for fiscal year 2020 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*. Effective for reporting periods beginning after June 15, 2019.
- Statement No. 84, *Fiduciary Activities*. Effective for reporting periods beginning after December 15, 2019.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Effective for reporting periods beginning after June 15, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for reporting periods beginning after December 15, 2020.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*. Effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

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.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 3 – Cash

A summary of cash at September 30, 2020 is as follows:

	Deposits with Financial Institutions		Cash on Hand	Total
	Pooled	Non-Pooled		
Governmental funds:				
General Fund	\$ (10,667,103)	212,487	1,006	(10,453,610)
Parks & Recreation Bond	718,153	1,070,951	-	1,789,104
Capital Projects	2,877,235	-	-	2,877,235
Debt Service Fund	2,963,188	-	-	2,963,188
Other governmental fund	5,223,375	1,107,847	-	6,331,222
Total governmental funds	<u>1,114,848</u>	<u>2,391,285</u>	<u>1,006</u>	<u>3,507,139</u>
Proprietary funds:				
Pascagoula Utilities Fund	8,776,811	-	400	8,777,211
Solid Waste Fund	3,071,807	-	-	3,071,807
Transfer Station Fund	1,608,210	-	-	1,608,210
Total proprietary funds	<u>13,456,828</u>	<u>-</u>	<u>400</u>	<u>13,457,228</u>
Internal service fund:				
Self-Insurance Fund				
Total internal service funds	<u>351,092</u>	<u>-</u>	<u>-</u>	<u>351,092</u>
Fiduciary funds	<u>-</u>	<u>63,246</u>	<u>-</u>	<u>63,246</u>
Total cash	<u>\$ 14,922,768</u>	<u>2,454,531</u>	<u>1,406</u>	<u>17,378,705</u>

The carrying amount of the city's total deposits with financial institutions at September 30, 2020, was \$17,378,705, and the bank balance was \$17,849,381. Of this amount \$496,562 is restricted for utility customers' deposits and \$1,027,643 is restricted grant and bond proceeds held by the Pascagoula Redevelopment Authority. 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).

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, 2020

Note 4 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2020, consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 118,369
For future reporting period	11,998,581
Total property taxes receivable	<u>12,116,950</u>
Franchise taxes	476,967
Total taxes receivable	<u>12,593,917</u>
Intergovernmental receivable:	
Sales taxes	1,201,283
Shared revenue	75,812
Grants	147,863
Total intergovernmental receivable	<u>1,424,958</u>
Fines and forfeitures receivable:	
Court fines receivable	33,269,970
Less: allowance for doubtful accounts	(32,897,769)
Total fines and forfeitures receivable, net	<u>372,201</u>
Accounts receivable:	
Rentals receivable	11,282
Business licenses	88,286
Less: allowance for doubtful accounts	(80,897)
Total accounts receivable (net of allowance)	<u>18,671</u>
Miscellaneous receivables:	
Self-insurance claims receivable	<u>117,881</u>
Total receivables - governmental activities	<u>\$ 14,527,628</u>

B. Business-type Activities

Receivable in the business-type activities at September 30, 2020, consisted of the following:

Business-type activities	
Customer accounts receivable:	
Customer utility charges (billed)	\$ 2,080,667
Customer solid waste charges (billed)	294,464
Customer accounts, earned but unbilled	719,003
Less: allowance for doubtful accounts	(2,016,116)
Total customer accounts receivable, net	<u>1,078,018</u>
Property taxes receivable	<u>2,207.00</u>
Total receivables - business-type activities	<u>\$ 1,080,225</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

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, 2020 is \$25,717.

Note 6 – Interfund Transactions and Balances

A. 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.

B. Operating Transfers

Transfer in	Transfer out	Amount
General Fund	Other Governmental Funds	\$ 855,007
Debt service fund	Other Governmental Funds	808,831
Other Governmental Funds	General Fund	19,823
Other Governmental Funds	Pascagoula Utilities	3,000,000
		<u>\$ 4,683,661</u>

Transfers are indicative of the City's matching portion of various capital projects, lease payments, and debt service. The City closed several old funds and transferred the remaining fund balances of \$855,007 into the General fund. A transfer was made to the Debt service fund for principal and interest payments on the 2017 Recreation Bonds from the Special tax fund in the amount of \$808,831. A grant match of \$19,823 was transferred from the General fund into the CDBG grant fund. In addition, last year's proceeds of \$3,000,000 from the sale of the gas system was transferred into a special capital projects account.

C. Advances

Receivable	Payable	Amount
Governmental funds	Other governmental funds	<u>\$ 26,400</u>

A long-term advance was made from the general fund to the Employment Compensation Revolving Fund (Unemployment Fund) that is established in compliance with Miss. Code Ann. (1972) § 71-5-359. This amount is shown on the financial statements as an advance to other fund in the general fund and as amounts held in trust for benefit and other purposes in the other governmental funds in the amount of \$26,400 for the year ended September 30, 2020

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 7 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2020:

	Balance 10/1/2019	Additions	Adjustments/ Sales	Balance 9/30/2020
Capital assets not being Depreciated:				
Land	\$ 16,611,273	25,000	-	16,636,273
Construction in progress	6,968,354	4,449,348	(3,606,807)	7,810,895
Total capital assets not being depreciated	<u>23,579,627</u>	<u>4,474,348</u>	<u>(3,606,807)</u>	<u>24,447,168</u>
Capital assets being depreciated:				
Buildings	8,207,053	-	-	8,207,053
Improvements - Other	49,631,330	-	3,606,807	53,238,137
Infrastructure	44,015,913	-	-	44,015,913
Mobile Equipment	8,820,826	-	(328,428)	8,492,398
Other Furniture & Equipment	2,071,741	120,211	-	2,191,952
Equipment under capital leases	1,024,023	220,938	(39,550)	1,205,411
Total capital assets being depreciated	<u>113,770,886</u>	<u>341,149</u>	<u>3,238,829</u>	<u>117,350,864</u>
Less accumulated depreciation for:				
Buildings	5,419,149	256,067	-	5,675,216
Improvements - Other	9,557,541	2,034,760	-	11,592,301
Infrastructure	25,667,570	839,644	-	26,507,214
Mobile Equipment	7,741,480	407,739	(254,141)	7,895,078
Other Furniture & Equipment	1,944,319	57,244	-	2,001,563
Equipment under capital leases	535,675	219,851	(29,662)	725,864
Total accumulated depreciation	<u>50,865,734</u>	<u>3,815,305</u>	<u>(283,803)</u>	<u>54,397,236</u>
Total capital assets being depreciated, net	<u>62,905,152</u>	<u>(3,474,156)</u>	<u>3,522,632</u>	<u>62,953,628</u>
Total governmental activities - capital assets, net	<u>\$ 86,484,779</u>	<u>1,000,192</u>	<u>(84,175)</u>	<u>87,400,796</u>

Depreciation expense was charged to the following governmental functions:

General government	\$ 738,547
Public safety	546,229
Public works	1,680,722
Culture & recreation	819,846
Urban & economic development	29,961
	<u>\$ 3,815,305</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

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, 2020:

	Balance 10/1/2019	Additions	Adjustments/ Sales	Balance 9/30/2020
Capital assets not being Depreciated:				
Land	\$ 84,751	-	-	84,751
Construction in progress	678,360	117,888	(796,248)	-
Total capital assets not being depreciated	<u>763,111</u>	<u>117,888</u>	<u>(796,248)</u>	<u>84,751</u>
Capital assets being depreciated:				
Buildings	7,415,816	-	-	7,415,816
Infrastructure & Improvements - Other	47,076,369	-	796,248	47,872,617
Mobile Equipment	1,508,359	-	-	1,508,359
Other Furniture & Equipment	65,961	15,530	-	81,491
Equipment under capital leases	19,775	-	(19,775)	-
Total capital assets being depreciated	<u>56,086,280</u>	<u>15,530</u>	<u>776,473</u>	<u>56,878,283</u>
Less accumulated depreciation for:				
Buildings	2,780,930	370,791	-	3,151,721
Infrastructure & Improvements - Other	38,515,861	1,194,646	-	39,710,507
Mobile Equipment	(9,956,087)	90,725	-	(9,865,362)
Other Furniture & Equipment	31,993	-	-	31,993
Equipment under capital leases	10,876	3,955	(14,831)	-
Total accumulated depreciation	<u>31,383,573</u>	<u>1,660,117</u>	<u>(14,831)</u>	<u>33,028,859</u>
Total capital assets being depreciated, net	<u>24,702,707</u>	<u>(1,644,587)</u>	<u>791,304</u>	<u>23,849,424</u>
Total business-type activities capital assets, net	<u>\$ 25,465,818</u>	<u>(1,526,699)</u>	<u>(4,944)</u>	<u>23,934,175</u>

Depreciation expense of \$1,660,117 was charged to the Pascagoula Utilities Fund.

C. Construction in Progress

A summary of construction in progress transactions and remaining contractual commitments for the year ended September 30, 2020 are as follows:

	Expended to Date	Remaining Commitments
Amtrak Improvements	\$ 12,228	19,198
MCC Park	61,200	-
Riverfront Dock	51,020	-
Point Park Amenities	121,096	-
Brairwood Drainage	2,850	-
Boxwood Drainage	35,322	114,679
Ingall's Avenue Improvements	536,000	3,399,818
River Park Improvements	71,164	128,836
Pascagoula Sports Center	6,920,015	305,447
Total governmental activities	<u>\$ 7,810,895</u>	<u>3,967,978</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 8 – 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 2020, 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
2019-2020	\$ 296,442	2,063,386	(2,199,829)	159,999
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

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 Employee's 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, 2020

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, 2020, was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

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, 2020, the date of the most recent actuarial verification available, the MRS are 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, 2020

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, 2020, the plan has 66 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, 2020 valuation is 1.23 mills.

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

At September 30, 2020, the City reported a liability of \$27,964,450 in the governmental activities and \$1,282,504 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, 2020, 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, 2020, the City's proportion of PERS was .132%. For the year ended September 30, 2020, the City recognized PERS and MRS pension expense for governmental activities of \$1,570,582 and for the business-type activities of \$31,881.

At September 30, 2020, 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	\$ 211,514		211,514	11,132	222,646
Changes of assumptions	136,313		136,313	7,174	143,487
Net difference between projected and actual earnings on pension plan investments	1,000,927	195,355	1,196,282	52,680	1,248,962
Changes in proportion and differences between City contributions and proportionate share on contributions	(25,919)		(25,919)	(1,364)	(27,283)
City's contributions subsequent to the measurement date	322,758	19,358	342,116	16,987	359,103
Total deferred outflows related to pensions	\$ 1,645,593	214,713	1,860,306	86,609	1,946,915

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 9 – Pensions (continued)

At September 30, 2020, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources				
	Governmental Activities			Type	
	PERS	MRS	Total	Activities	Total
Differences between expected and actual experience	\$ -	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	-	-
Changes in proportion and differences between City contributions and proportionate share on contributions	3,426,435	-	3,426,435	171,322	3,597,757
Total deferred outflows related to pensions	<u>\$ 3,426,435</u>	<u>-</u>	<u>3,426,435</u>	<u>171,322</u>	<u>3,597,757</u>

Within the deferred outflows, an amount of \$359,103 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, 2020.

The remaining amounts reported as deferred outflows of resources related to pensions of \$1,587,812 of deferred inflows of resources related to pensions of \$3,597,757 netting to (\$2,009,945) will be recognized in pension expense as follows:

Year Ending September 30,	Future Amortization
2021	(1,334,578)
2022	(583,212)
2023	108,872
2024	(201,027)
	<u>\$ (2,009,945)</u>

Actuarial assumptions

The total pension liabilities in the June 30, 2020, 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	3.0 - 18.25 percent, including inflation	3.0 - 4.5 percent, including inflation
Investment rate of return	7.75 percent (net of pension plan investment expense, including inflation)	7.50 percent (net of pension plan investment expense, including inflation)

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

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, 2020, valuation were 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	.5
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0
Total	100.00 %	

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, 2020

Note 9 – Pensions (continued)

Actuarially determined contribution rates for MRS 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, 2020 were based on the June 30, 2018 actuarial valuation.

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	\$ 33,200,868	\$ 25,650,074	\$ 19,417,634
City's Proportionate share of MRS	4,331,043	3,596,880	2,949,150

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.

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
2020	\$ 1,509,064	726,862
2019	1,486,473	743,938
2018	1,661,758	670,140

Note 10- Other Post-Employment Benefits

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, 2020

Note 11 – Long-term Liabilities

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

Long-term liability activity for the year ended September 30, 2020 are as follows:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due within One Year
<u>Governmental Activities</u>					
Debt obligations					
General obligation debt	\$ 19,115,042	-	1,177,314	17,937,728	832,974
Notes payable	7,812,954	-	1,926,145	5,886,809	1,933,323
Capital leases	313,296	221,483	297,030	237,749	71,129
Total debt obligations	<u>27,241,292</u>	<u>221,483</u>	<u>3,400,489</u>	<u>24,062,286</u>	<u>2,837,426</u>
Other liabilities					
Compensated absences payable	703,772	490,903	508,879	685,796	1,799
Net pension liability	27,838,544	125,906	-	27,964,450	-
Total other liabilities	<u>28,542,316</u>	<u>616,809</u>	<u>508,879</u>	<u>28,650,246</u>	<u>1,799</u>
Total governmental activities	<u>\$ 55,783,608</u>	<u>838,292</u>	<u>3,909,368</u>	<u>52,712,532</u>	<u>2,839,225</u>
<u>Business-type Activities</u>					
Debt obligations					
Bonds payable	\$ 7,469,958	-	722,688	6,747,270	742,026
Notes payable	300,380	-	20,769	279,611	21,126
Energy Recovery Facility (ERF)	6,126,601	-	-	6,126,601	-
Capital leases	8,819	-	8,819	-	-
Total debt obligations	<u>13,905,758</u>	<u>-</u>	<u>752,276</u>	<u>13,153,482</u>	<u>763,152</u>
Other liabilities					
Compensated absences payable	48,277	17,206	37,205	28,278	479
Net pension liability	1,284,214	-	1,710	1,282,504	-
Total other liabilities	<u>1,332,491</u>	<u>17,206</u>	<u>38,915</u>	<u>1,310,782</u>	<u>479</u>
Total business-type activities	<u>15,238,249</u>	<u>17,206</u>	<u>791,191</u>	<u>14,464,264</u>	<u>763,631</u>
Total government - wide	<u>\$ 71,021,857</u>	<u>855,498</u>	<u>4,700,559</u>	<u>67,176,796</u>	<u>3,602,856</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 11 – Long-term Liabilities (continued)

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Original Issue Amount	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:				
A. General Obligation Bonds:				
General Obligation Refunding Bonds, Series 2006	\$ 4,255,000	\$ 275,000	3.53 - 4.2%	11/01/23
General Obligation Bonds, Series 2014 (53.33%)	8,000,000	6,282,728	1.31 - 3.291%	04/01/34
General Obligation Bonds, Series 2017	12,500,000	11,380,000	3.0 - 3.625%	07/01/40
Total General Obligation Bonds		<u>17,937,728</u>		
B. Notes Payable				
Community Disaster Loan	4,461,387	2,513,486	2.72%	09/30/35
Shortfall Note	4,479,000	1,533,323	4.75%	03/15/21
Tax Negotiable Note	2,300,000	1,840,000	4.82%	12/19/23
Total Notes Payable		<u>5,886,809</u>		
C. Capital Leases:				
The First Bank				
secured by Ford F150 police vehicle, \$738 monthly	95,885	32,566	3.15%	08/15/24
The First Bank				
secured by 5 Ford F150 police vehicles, \$4,187 montl	79,100	173,612	3.15%	09/05/24
Axon Enterprises, Inc.				
secured by 52 Axon Tasers, \$13,728 annually	64,138	27,456	0.00%	11/20/21
Ford Motor Credit				
secured by Ford F150 police vechicle, \$697 monthly	30,124	4,115	5.45%	04/21/21
Total Capital Leases		<u>237,749</u>		
Total governmental activities		<u>\$ 24,062,286</u>		
Business-type Activities:				
A. Bonds				
General Obligation Bonds, Series 2014 (46.67%)	\$ 4,160,000	\$ 1,250,000	2.0 - 2.5%	06/01/24
Revenue Refunding Bonds, Series 2012	7,000,000	5,497,270	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>12,873,871</u>		
B. Notes Payable				
State Revolving Fund Loan, 2013	429,865	279,611	1.75%	09/01/32
Total Notes Payable		<u>279,611</u>		
Total business-type activities		<u>\$ 13,153,482</u>		
Total Government		<u>\$ 37,215,768</u>		

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 11 – 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 2020, 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, 2020.

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
2021	\$ 832,974	601,286	742,026	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	865,641	492,193	359,359	126,757	-	-
2026-2030	4,825,860	1,974,460	1,974,140	457,537	-	-
2031-2035	5,137,992	1,096,564	1,822,006	121,819	-	-
2036-2040	3,620,000	400,143	-	-	-	-
Suspended	-	-	-	-	6,126,601	1,177,627
	<u>\$ 17,937,728</u>	<u>6,215,030</u>	<u>6,747,270</u>	<u>1,381,314</u>	<u>6,126,601</u>	<u>1,177,627</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 11 – 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 2019, 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, 2020.

Shortfall Note

In 2019, 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 2020 and carries an interest rate of 4.75%.

Tax Negotiable Note

In 2020, 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
2021	\$ 1,993,323	160,675	21,126	4,724
2022	460,000	66,516	21,498	4,352
2023	460,000	44,344	21,878	3,942
2024	460,000	22,172	22,264	3,586
2025	-	-	22,656	3,194
2026-2030	-	-	119,421	9,829
2031-2035	-	-	50,768	932
2036-2040	2,513,486	432,490	-	-
	<u>\$ 5,886,809</u>	<u>726,197</u>	<u>279,611</u>	<u>30,559</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 11 – 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, 2020:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 298,972	-
Other equipment	906,438	-
Less: accumulated depreciation	(725,865)	-
Leased property under capital leases, net	<u>\$ 479,545</u>	<u>-</u>

The following is a schedule by years of the future minimum lease payments due as of September 30, 2020:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 71,129	5,873	77,002
2022	68,741	4,082	72,823
2023	56,796	2,299	59,095
2024	41,083	527	41,610
	<u>\$ 237,749</u>	<u>12,781</u>	<u>250,530</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, 2020, the amount of outstanding debt was equal to 8.54% 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, 2020

Note 12 – Net Investment in Capital Assets

Governmental Activities:

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets \$ 24,447,168

Other capital assets 117,350,864

Less: accumulated depreciation (54,397,236)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds (17,937,728)

Notes payable (2,513,486)

Capital leases (237,749)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance 64,503

Deferred bond charges 49,701

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred premium (339,671)

Less: material accounts payable at year end (482,705)

Add: outstanding cash bond proceeds 882,635

Total Net Investment in Capital Assets - Governmental Activities \$ 66,886,296

Business-type Activities

Pascagoula Utilities Fund

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets \$ -

Other capital assets 56,878,283

Less: accumulated depreciation (33,028,859)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds (6,747,273)

Notes payable (279,611)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance 11,435

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred savings on refunding bond (15,507)

Deferred premium (20,852)

Net investment in capital assets - Pascagoula Utilities Fund 16,797,616

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 \$ 10,755,766

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 13 – 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, 2020 was 54.5 mills or \$54.50 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 \$5,954,280.

In addition, the State levies a 2% sales tax on prepared food 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, 2020 was \$1,317,525.

Note 14 – 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, 2020

Note 14 – 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, 2020, to January 1, 2021. 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, 2020. During the fiscal year ended September 30, 2020, the City paid a total of \$3,028,342 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 \$96,500 /month for the year ended September 30, 2020 and is billed on a per unit basis. This amount includes commercial and residential garbage collections. During the fiscal year ended September 30, 2020, the City paid a total of \$1,157,129 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 \$22,775.

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, 2020, the City paid a total of \$107,985.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 14 – Commitments and Contingencies (continued)

Contract for Grass Cutting and Beautification Services – In 2020, 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, 2020, the City paid a total of \$470,145 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 \$3,967,978. The majority of these commitments are being funded by bond funds. See Note 7(C) for more detailed information on these commitments.

Note 15 – 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 \$3,765,600 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 2020 financial statements should be soon on file at the administrative offices of the Authority which are located at 1225 Jackson Avenue, Pascagoula, MS 39567.

Note 16 – 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 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 1.25 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 \$253,598 to the Library for the year ended September 30, 2020.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 17 – Tax Abatements

As of September 30, 2020, 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.
Residential Renewal and Renovation District Tax Program	An exemption from property taxes on improvements to or renovations that are made in municipally designated residential renewal districts available for up to 10 years from the date of the completion. School taxes are not exempt.	Eligible to individuals and limited to specific residential areas designated as renewal districts. The City Council must approve the exemption.
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, 2020 are as follows:

Program	Term	Abatement Period Ends	Assessed Value	Estimated Tax Abated
Real and Personal Property Tax Exemptions	10 years	2021	\$ 596,427	\$ 32,505
	10 years	2022	1,840,104	100,286
	10 years	2023	1,333,138	72,656
	10 years	2024	1,511,964	82,402
	10 years	2025	1,293,941	70,520
	10 years	2026	2,036,460	110,987
Total tax abatements			<u>\$ 8,612,034</u>	<u>\$ 469,356</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2020

Note 18 – Worldwide Pandemic

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.

Note 19– 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 December 15, 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:

Prior to the release of this report, the City was notified that the Community Disaster Loan carrying a principal amount of \$2,513,486 and accrued interest of \$432,490 as of September 30, 2020 has been forgiven by the federal government. Once official notice has been given, the city will record a debt forgiveness in this amount during the fiscal year ended September 30, 2021.

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, 2020

	Original Budget	Final Budget	Actual Budgetary Basis	Variances	
				Favorable (Unfavorable) Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 8,138,274	8,428,574	8,826,152	290,300	397,578
Licenses and permits	1,532,000	1,714,300	1,670,741	182,300	(43,559)
Intergovernmental	7,511,420	8,892,160	8,679,987	1,380,740	(212,173)
Charges for services	1,906,650	1,861,150	1,842,719	(45,500)	(18,431)
Fines & Forfeitures	422,100	278,100	286,300	(144,000)	8,200
Miscellaneous	159,500	147,726	420,919	(11,774)	273,193
Investment earnings	40,000	40,000	251,515	-	211,515
Other financing sources	3,025,000	-	794,773	(3,025,000)	794,773
Transfers from/to other funds	3,575,000	-	-	(3,575,000)	-
Total available for appropriations	26,309,944	21,362,010	22,773,106	(4,947,934)	1,411,096
Expenditures:					
General Government:					
Personnel services	1,667,294	1,182,180	1,165,300	485,114	16,880
Supplies	59,800	45,397	30,879	14,403	14,518
Other services and charges	2,508,920	2,734,313	2,546,248	(225,393)	188,065
Capital outlay/Debt service	3,107,384	106,964	80,746	3,000,420	26,218
Total	7,343,398	4,068,854	3,823,173	3,274,544	245,681
Public Safety - Police					
Personnel services	6,287,712	6,284,946	5,831,782	2,766	453,164
Supplies	287,625	287,625	206,485	-	81,140
Other services and charges	580,455	527,871	465,099	52,584	62,772
Capital outlay/Debt service	355,290	243,290	237,002	112,000	6,288
Total	7,511,082	7,343,732	6,740,368	167,350	603,364
Public Safety - Fire					
Personnel services	4,304,075	4,284,710	4,402,126	19,365	(117,416)
Supplies	106,950	113,147	90,806	(6,197)	22,341
Other services and charges	80,100	74,099	58,629	6,001	15,470
Capital outlay/Debt service	-	-	-	-	-
Total	4,491,125	4,471,956	4,551,561	19,169	(79,605)
Planning, Bldg. & Code Enforcement					
Personnel services	569,894	573,615	572,493	(3,721)	1,122
Supplies	14,300	12,600	9,216	1,700	3,384
Other services and charges	110,950	205,929	193,540	(94,979)	12,389
Capital outlay/Debt service	6,700	-	-	6,700	-
Total	701,844	792,144	775,249	(90,300)	16,895
Public Works					
Supplies	245,600	174,892	110,196	70,708	64,696
Other services and charges	2,291,842	2,202,320	2,064,445	89,522	137,875
Capital outlay/Debt service	1,849,748	373,246	492,837	1,476,502	(119,591)
Total	4,387,190	2,750,458	2,667,478	1,636,732	82,980
Health & Welfare					
Personnel services	100,310	100,310	80,112	-	20,198
Supplies	11,200	11,200	3,790	-	7,410
Other services and charges	34,450	34,450	15,289	-	19,161
Total	145,960	145,960	99,191	-	46,769
Culture & Recreation					
Personnel services	545,010	431,338	481,334	113,672	(49,996)
Supplies	108,600	92,287	59,947	16,313	32,340
Other services and charges	844,350	777,382	910,524	66,968	(133,142)
Capital outlay/Debt Service	-	-	62,789	-	(62,789)
Total	1,497,960	1,301,007	1,514,594	196,953	(213,587)

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, 2020

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Favorable (Unfavorable)	
				Original to Final	Final to Actual
Economic, Urban & Comm. Dev.					
Personnel services	68,658	68,658	70,451	-	(1,793)
Supplies	48,300	500	308	47,800	192
Other services and charges	4,100	4,100	285	-	3,815
Capital outlay/Debt Service	-	-	-	-	-
Total	<u>121,058</u>	<u>73,258</u>	<u>71,044</u>	<u>47,800</u>	<u>2,214</u>
Transfer to other funds	-	583,313	775,184	(583,313)	(191,871)
Total charges to appropriations	<u>26,199,617</u>	<u>21,530,682</u>	<u>20,946,798</u>	<u>4,668,935</u>	<u>583,884</u>
Excess (Deficiency) of Available Resources over Use of Resources	<u>\$ 110,327</u>	<u>414,641</u>	<u>1,826,308</u>	<u>3,858,855</u>	<u>1,958,994</u>
Differences between budgetary and GAAP fund balances					
Change in fund balance - Budgetary Basis			\$ 1,826,308		
Accruals for expenses incurred but not paid			244,371		
Accruals for revenues recognized but not yet received			(646,199)		
Net Change in fund balance - Fund Financials			<u>\$ 1,424,480</u>		

City of Pascagoula, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedules
For the Fiscal Year Ended September 30, 2020

A. Budgetary Information.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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, 2020**
(UNAUDITED)

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.132%	0.146%	0.165%	0.170%	0.160%	0.160%
City's proportionate share of the net pension liability	\$ 25,650,074	25,684,280	27,444,402	28,259,770	28,579,995	24,732,844
City's covered payroll	\$ 8,822,705	9,481,206	10,552,857	10,845,992	10,390,535	10,255,519
City's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.90%	260.07%	260.55%	275.06%	241.17%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	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, 2020
(UNAUDITED)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,509,064	1,486,473	1,661,758	1,647,953	1,643,481	1,607,812
Contributions in relation to the contractually required contribution	1,509,064	1,486,473	1,661,758	1,647,953	1,643,481	1,607,812
Contribution deficiency (excess)	\$ -	-	-	-	-	-
City's covered payroll	\$ 8,672,771	9,198,472	10,550,844	10,463,194	10,434,800	10,208,330
Contributions as a percentage of covered payroll	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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, 2020

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-2019 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, 2020

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, 2018 valuation for the June 30, 2020 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	30.9 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, 2020**
(UNAUDITED)

	2020	2019	2018	2017	2016	2015
Total pension liability						
Interest	\$ 789,932	823,509	872,270	902,507	928,517	965,667
Differences between expected and actual experience	296,210	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	(1,276,295)	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
Net change in total pension liability	(190,153)	(440,225)	(658,120)	(404,980)	(341,653)	(111,090)
Total pension liability-beginning	10,830,821	11,271,046	11,929,166	12,334,146	12,672,799	12,786,889
Total pensions liability-ending	\$ 10,640,668	10,830,821	11,271,046	11,929,166	12,331,146	12,675,799
Plan fiduciary net position						
Contributions-employer	726,862	762,066	678,093	677,726	706,304	695,520
Net investment income	215,415	512,315	580,428	979,439	39,757	247,097
Benefit payments, including refunds of employee contributions	(1,276,295)	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
Administrative expense	(14,537)	(15,241)	(13,562)	(13,555)	(14,126)	(13,910)
Other costs	-	(195)	(693)	3,658	43,964	-
Net change in plan fiduciary net position	(348,555)	(31,309)	(103,865)	269,468	(613,970)	(503,396)
Plan fiduciary net position-beginning	7,392,343	7,423,652	7,527,517	7,258,049	7,872,019	8,375,415
Plan fiduciary net position-ending	\$ 7,043,788	7,392,343	7,423,652	7,527,517	7,258,049	7,872,019
Net pension liability-ending	\$ 3,596,880	3,438,478	3,847,394	4,401,649	5,073,097	4,803,780
Plan fiduciary net position as a percentage of the total pension liability	66.2%	68.3%	65.9%	63.1%	58.9%	62.1%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Commission's net pension liability as a percentage of covered employee payroll	N/A	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.

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, 2020

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 726,862	762,066	678,093	677,726	706,304	695,520
Contributions in relation to the contractually required contribution	726,862	762,066	678,093	677,726	706,304	695,520
Contribution deficiency (excess)	\$ -	-	-	-	-	-
City's covered payroll	N/A	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	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:

A. 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, 2020 were based on the June 30, 2018 actuarial valuation.

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value of assets
Price inflation	3.00 percent
Salary increase	3.25 percent to 4.75 percent, including inflation
Investment rate of return	6.5% percent, net of pension plan investment expense, including inflation

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SUPPLEMENTAL INFORMATION

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City of Pascagoula, Mississippi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures	Pass through to Sub Recipients
U.S. Department of Commerce				
National Oceanic and Atmospheric Administration				
<i>Passed through the Mississippi Department of Marine Resources</i>				
Costal Zone Management Administration Awards	11.419	FY2019-P04-05PA	\$ 121,096	-
Total U.S. Department of Commerce			<u>121,096</u>	
U.S. Department of Housing and Urban Development				
<i>Passed through Mississippi Development Authority</i>				
CDBG Entitlement Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-28-0005	7,756	-
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-28-0005	68,648	-
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-28-0005	26,762	-
Community Development Block Grants/HUD Disaster	14.219/14.228	R 109-290-06-KCR	<u>42,125</u>	
Total U.S. Department of Housing and Urban Development			<u>145,291</u>	
U.S. Department of Homeland Security				
Assistance to Firefighters Grant	97.044	EM W-208-FO-01863	70,535	-
FEMA	N/A	N/A	<u>37,425</u>	-
Total U.S. Department of Homeland Security			<u>107,960</u>	
U.S. Department of Interior Fish and Wildlife Service				
<i>Passed through the Mississippi Department of Environmental Quality</i>				
National Resource Damage Assessment, Restoration, and Implementation	15.658	MDEQ 15-00067	<u>48,356</u>	-
Total U.S. Department of Interior Fish and Wildlife Service			<u>48,356</u>	
U.S. Department of Justice				
Bureau of Justice Assistance				
State and Local Equitable Sharing**	16.922	N/A	11,769	-
<i>Passed through Mississippi Department of Public Safety</i>				
Edward Byrne Memorial Justice Assistance Grant Program:				
High Intensity Drug Trafficking Areas Program	16.738	G-20-GC0003A; G-19-GC0003A	52,890	-
Bulletproof Vest Grant	16.738	252030003	1,743	-
Justice Assistance Grant Coronavirus	16.738	2019-DJ-BX-0178	<u>10,012</u>	-
Total U.S. Department of Justice			<u>76,414</u>	

City of Pascagoula, Mississippi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures	Pass through to Sub Recipients
U.S. Department of Transportation				
National Highway Traffic Safety Administration				
<i>Passed through Mississippi Department of Highway Safety</i>				
National Priority Safety Programs	20.607	154-AL-2020-ST-2261	8,385	-
Federal Transit Administration				
<i>Passed through Mississippi Department of Highway Safety</i>				
Highway Planning and Construction	20.205	STP-8971-00(005)LPA/1064	957,854	-
Federal Railroad Administration				
<i>Passed through Mississippi Department of Highway Safety</i>				
Southern Rail Commission Station Improvements	20.314	69A36520501260RLDLA	7,759	-
Total U.S. Department of Transportation			<u>973,998</u>	
Total Expenditures of Federal Awards			<u>\$ 1,473,115</u>	

City of Pascagoula, Mississippi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

Note 1 – General

This schedule includes the federal award activity of the City of Pascagoula, Mississippi under programs of the federal government of the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents on a selected portion of the operations of the City, it is not intended to and does not present the financial position, or changes in nets assets of the City.

Note 2 – Basis of Accounting**

With the exception of the Department of Justice – Equity Sharing (CFDA# 16.922), the accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified-accrual basis of accounting. Differences between the granting-agency basis of accounting and the basis of accounting used by the City in preparing its financial fund statements may occur. Equity Sharing is reported on a cash basis of accounting.

Note 3 – Federal Loans

The City has the following federal loans outstanding as of September 30, 2020:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Current Year Expenditures</u>	<u>Unpaid Loan Balance</u>	<u>Original Loan Amount</u>
Environmental Protection Agency Passed-through the Mississippi Department of Environmental Quality				
SRF-08	66.458	\$ -	279,611	429,865
Total federal loans		<u>\$ -</u>	<u>\$ 279,611</u>	<u>\$ 429,865</u>

Note 4 – Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 – Indirect Cost Rate

No awards were passed through to subrecipients.

City of Pascagoula, Mississippi
Schedule of Surety Bonds
(Required by State of Mississippi)
For the Fiscal Year Ended September 30, 2020

<u>Position</u>	<u>Name</u>	<u>Amount</u>
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	Hyler Krebs	50,000
Comptroller	Vacant	

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

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.

City of Pascagoula, Mississippi's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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
December 15, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited City of Pascagoula, Mississippi's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Columbo, Harvey & Associates, P.A.

Gulfport, Mississippi
December 15, 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, 2020, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 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*.

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

This report is intended solely for the information 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.

Culumber, Harvey & Associates, P.A.
Certified Public Accountants
Gulfport, Mississippi

City of Pascagoula, Mississippi
Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2020

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None Reported |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | None |

7. Federal programs identified as major:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Department of Transportation Highway Planning & Construction

- | | | |
|-----|---|------------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? | No |

City of Pascagoula, Mississippi
Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2020

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

Finding 2020-001: Internal Controls on Employee Census Data

Criteria: Employee census data should be restricted to only payroll department and management.

Condition: Employees outside of payroll department and management are able to view and search employee census information, which includes names, addresses, and social security numbers.

The City will contact the software company, MUNIS, to remove access from unauthorized employees.

Cause: Access to employee census data granted to employees outside of payroll department and management.

Effect: Inadequate controls may lead to sensitive data being stolen.

Recommendation: We recommend that management contact MUNIS to restrict access to employee data on the software.

SECTION 3 – AUDITEE CORRECTIVE ACTION RESPONSE

Significant Deficiencies

2020-001: Internal Controls on Employee Census Data

Response: Human resource manager and city manager agrees with the recommendation and will contact MUNIS to restrict access of employee census data to only authorized employees.

SUMMARY OF PRIOR AUDIT FINDINGS

STEVE DEMETROPOULOS
MAYOR

MICHAEL SILVERMAN
CITY MANAGER



CITY COUNCIL

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
JENNIFER COLMER	Councilwoman at Large

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**SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Finding

Finding 2019-001: Municipal Compliance

Corrective Action: Corrected

Finding 2019-002: Public Depositor Annual Report

Corrective Action: Corrected