

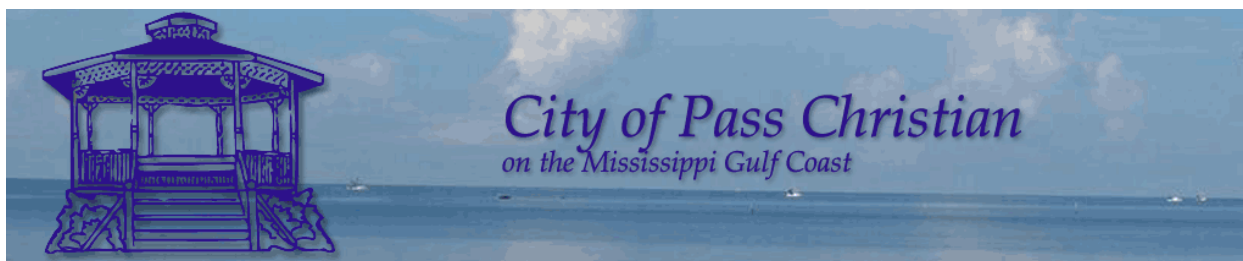


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# **CITY OF PASS CHRISTIAN, MISSISSIPPI**

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2020



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## FINANCIAL SECTION

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# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Board of Alderman  
City of Pass Christian, Mississippi

### Report on the Financial Statements

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 Pass Christian, 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 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Pass Christian, Mississippi, as of September 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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's basic financial statements. The Schedule of Surety Bonds, required by the State of Mississippi in compliance with §21-17-5 of Mississippi Code of 1972, presented on page 58, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

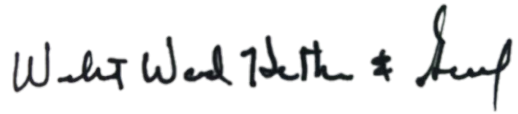
The Schedule of Surety Bonds is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial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

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

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2021, on our consideration of the City of Pass Christian'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 result 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 the City of Pass Christian's internal control over financial reporting and compliance.

### **Other Reporting Required by State of Mississippi**

In accordance with the State of Mississippi, we have also issued our report dated June 15, 2021, on our consideration of the City of Pass Christian'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 Pass Christian's internal control over financial reporting and compliance.



Wright, Ward, Hatten & Guel, CPAs  
June 15, 2021

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## MANAGEMENT DISCUSSION AND ANALYSIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pass Christian, 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 Pass Christian is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of the City of Pass Christian as of July 1, 2020 is 6,307. The median household income is \$46,779 with 88% of persons or older holding a high school degree or higher.

### Government-wide Financial Highlights

- Total net position decreased \$2,339,592 or 2% as a result primarily due to additional pension costs associated with GASB Statement No. 68 and additional capital outlay.
- General revenues amounted to of \$6,374,378 or 65% of total revenues. This amount increased \$793,823 from 2019, primarily due to an increase in taxes collected for the year and additional insurance settlements received. Program revenues amounted to \$3,456,802 or 35% of total revenues, which decreased \$801,940 from 2019 primarily due to decrease in operating and capital grants received in 2019.
- Capital assets, net of accumulated depreciation, increased \$302,792 in the governmental activities and decreased \$1,560,416 in the business-type activities during 2020. These changes are primarily due to the depreciation expense of \$2,765,274 and additional assets purchased totaling \$1,513,684.
- Bonds payable decreased by \$110,000 in the governmental activities, and compensated absences payable increased \$6,869. The City entered into a new note payable in the amount of \$462,066 during the year, with \$440,043 remaining at the end of the year. Other notes payables decreased by \$23,827 in the business-type activities and compensated absences payable increased \$5,264. The City's total debt outstanding at September 30, 2020 is \$1,689,397 of which the liability for compensated absences is \$123,975.

### Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$6,199,824 in revenues, which shows an increase of \$96,296 from 2019 and \$5,881,683 in expenditures, a decrease of \$201,418 from 2019, in the current year. The General Fund's fund balance increased by \$413,644.
- *Building Construction Fund* – This fund is used to account for insurance proceeds received as a result of Hurricane Katrina and amounts set-aside by the Board to cover the City's portion of construction projects not reimbursed by federal grants. The fund balance of \$4,088,478 represents monies still available for construction, repair and capital outlay.

## **Using this Annual Financial Report**

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

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

## **Reporting the City of Pass Christian as a Whole**

### ***Statement of Net Position and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

In the Statement of Net Position and the Statement of Activities, the City's activities are reported as governmental and business-type activities, which include all of the City's services including general government, police, fire, public works, culture and recreations, community services, water and sewer utility and harbor. The City of Pass Christian has no component units.

Table 1 and Table 2 on the following page provide a summary of the City's net position and changes in net position for 2020 compared to 2019.

**TABLE 1**  
**City of Pass Christian, Mississippi**  
**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	\$ 14,935,079	14,204,037	4,225,104	4,044,399	19,160,183	18,248,436
Capital assets	25,935,752	25,632,960	63,490,961	65,051,377	89,426,713	90,684,337
Total Assets	40,870,831	39,836,997	67,716,065	69,095,776	108,586,896	108,932,773
Deferred Outflows	785,018	626,830	77,639	54,507	862,657	681,337
Liabilities						
Current liabilities	708,972	168,953	393,813	436,928	1,102,785	605,881
Non-current liabilities	9,568,306	8,540,518	883,676	746,917	10,451,982	9,287,435
Total Liabilities	10,277,278	8,709,471	1,277,489	1,183,845	11,554,767	9,893,316
Deferred Inflows	3,713,790	3,426,754	8,118	19,320	3,721,908	3,446,074
Net Position						
Investment in capital assets, net of related debt	24,450,709	24,477,960	63,490,961	65,051,377	87,941,670	89,529,337
Restricted net assets	148,609	168,435	12,177	2,333	160,786	170,768
Unrestricted	3,065,463	3,681,207	3,004,959	2,893,408	6,070,422	6,574,615
Total Net Position	\$ 27,664,781	28,327,602	66,508,097	67,947,118	94,172,878	96,274,720

**TABLE 2**  
**City of Pass Christian, Mississippi**  
**Condensed Statement of Activities**  
**September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues	\$ 492,256	1,332,176	2,964,546	2,926,566	3,456,802	4,258,742
General revenues	6,233,030	5,527,157	141,347	52,898	6,374,377	5,580,055
Total revenues	6,725,286	6,859,333	3,105,893	2,979,464	9,831,179	9,838,797
Expenses:						
General government	1,325,037	1,367,916	-	-	1,325,037	1,367,916
Public safety	3,835,818	3,815,186	-	-	3,835,818	3,815,186
Public works	1,656,853	1,645,850	-	-	1,656,853	1,645,850
Recreation and community svcs	461,377	790,423	-	-	461,377	790,423
Beautification	248,715	256,354	-	-	248,715	256,354
Economic Development	64,694	72,725	-	-	64,694	72,725
Interest on long-term debt	27,669	23,404	-	-	27,669	23,404
Water and sewer	-	-	3,058,309	2,620,327	3,058,309	2,620,327
Harbor	-	-	1,492,300	1,633,893	1,492,300	1,633,893
Total expenses	7,620,163	7,971,858	4,550,609	4,254,220	12,170,772	12,226,078
Transfers	(5,695)	-	5,695	-	-	-
Increase (Decrease) in net assets	(900,572)	(1,112,525)	(1,439,021)	(1,274,756)	(2,339,593)	(2,387,281)
Net Position - beginning, restated	28,565,353	29,440,127	67,947,118	69,221,874	96,512,471	98,662,001
Net Position - ending	\$ 27,664,781	28,327,602	66,508,097	67,947,118	94,172,878	96,274,720

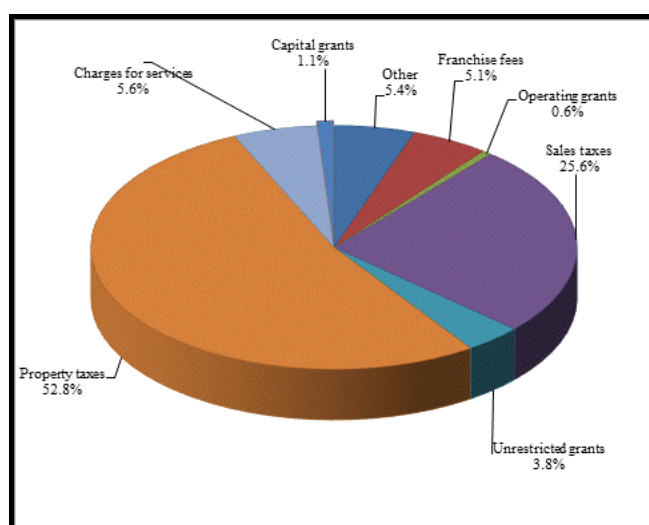
## Governmental Activities

Total net position decreased \$900,572 as a result primarily due to capital outlay, depreciation expense and additional pension expense.

Under the accrual basis of accounting, general revenues amounted to of \$6,233,030 or 93% of total revenues. This amount increased \$705,373 from 2019 primarily due to increase in taxes collected and insurance settlements. Program revenues amounted to \$492,256 or 7% of total revenues, which decreased \$839,920 from 2019 primarily due to a reduction in grant income.

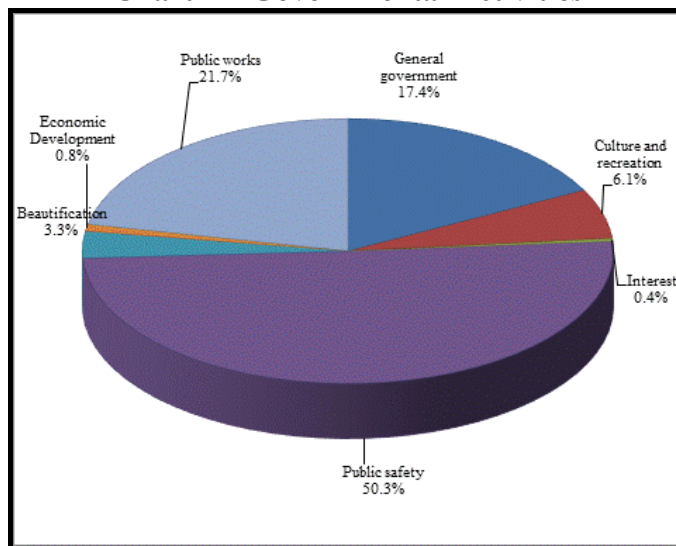
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

**Chart 1 – Governmental Revenue Sources**



Major governmental expense activities are shown in the following chart.

**Chart 2 – Governmental Activities**



### *Business-type activities*

Net position for the business-type activities was \$66,508,097 a decrease of \$1,439,021 primarily due to an increase in depreciation expense and additional pension expense.

## **Reporting the City of Pass Christian's Most Significant Funds**

### ***Fund Financial Statements***

Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Pass Christian, the City's major funds are the General, Emergency Disaster, and Building Insurance Construction Funds.

### ***Governmental Funds***

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

### ***Proprietary Funds***

The City's proprietary funds focus on business-type activities conducted by the City. These funds are reported using the accrual method of 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 when the service is performed or the goods are received regardless of when the invoice is paid. Proprietary Fund information helps you to determine whether business-type activities are self-maintaining or if they are being subsidized by general government revenues. The proprietary funds show operating revenues and expenses that support the primary operations of the fund.

### ***Fiduciary Funds***

Fiduciary Funds show amounts held by the City for the benefit of others and clearing accounts used by the city to track payroll expenditures and property tax receipts and disbursements.

## The City's Funds

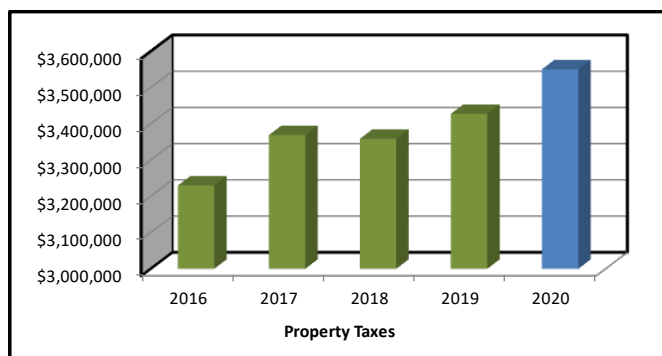
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and non-spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure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

Information about the City's major governmental funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting.

## 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 Board of Alderman for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

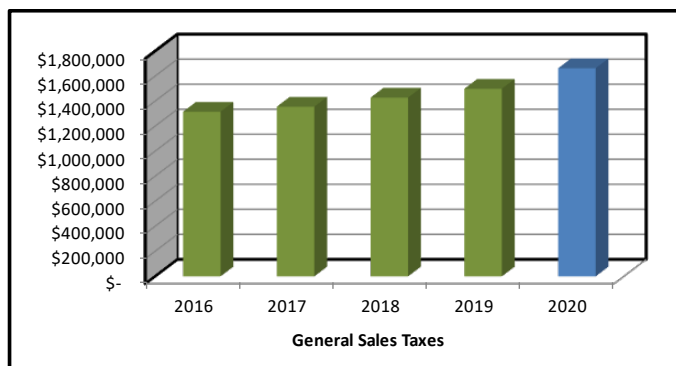


### *Property Tax Revenue*

This chart depicts property tax revenue for the past five years. Amounts represent taxes collected in each fiscal year.

### *General Sales Tax Revenue*

This chart depicts general sales tax revenue received in the past five years. General Sales Tax revenue has increased in 2020 as new business start to open in the City.



## Capital Assets

Table 3 shows the changes in capital assets for the years ended September 30, 2020 and 2019.

**TABLE 3**  
**City of Pass Christian, Mississippi**  
**Schedule of Capital Assets (Net of Accumulated Depreciation)**  
**September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,790,775	1,790,775	142,135	142,135	1,932,910	1,932,910
Buildings	12,509,182	12,824,767	1,116,484	1,160,822	13,625,666	13,985,589
Infrastructure	8,939,769	9,370,350	61,937,329	63,466,511	70,877,098	72,836,861
Mobile equipment	2,251,758	1,358,857	54,813	29,735	2,306,571	1,388,592
Furniture and equipment	444,268	288,211	240,200	252,174	684,468	540,385
Total	<u>\$ 25,935,752</u>	<u>25,632,960</u>	<u>63,490,961</u>	<u>65,051,377</u>	<u>89,426,713</u>	<u>90,684,337</u>

The primary increase in capital assets occurred in construction in progress and completed infrastructure.

## General Long-term Obligations

At September 30, 2020, the City had \$1,689,397 outstanding debt obligations, which included \$123,975 of compensated absences payable and \$8,762,585 in net pension liability.

**TABLE 4**  
**City of Pass Christian, Mississippi**  
**Schedule of Long-term Debt**  
**September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 1,045,000	1,265,000	-	-	1,045,000	1,265,000
Note Payable	440,043	-	-	-	440,043	-
Revolving Loans	-	-	80,379	127,620	80,379	127,620
Compensated Absences	109,311	78,692	14,664	6,095	123,975	84,787
Net Pension Liability	7,973,952	7,283,076	788,633	633,311	8,762,585	7,916,387
Total	<u>\$ 9,568,306</u>	<u>8,626,768</u>	<u>883,676</u>	<u>767,026</u>	<u>10,451,982</u>	<u>9,393,794</u>

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

## **Contact the City's Financial Management**

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

Marian Governor, City Clerk/Finance Director  
City of Pass Christian, Mississippi  
200 West Scenic Drive  
Pass Christian, MS 39571  
(228) 452-3310

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## FINANCIAL STATEMENTS

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# City of Pass Christian, Mississippi

## Statement of Net Position September 30, 2020

	Governmental	Business-Type	Total
<b>Assets</b>			
Current assets			
Cash	\$ 9,828,410	4,164,850	13,993,260
Taxes receivable	3,944,671	-	3,944,671
Intergovernmental receivables	22,290	70,618	92,908
Receivables (net of allowance for bad debt)	483,006	156,992	639,998
Loans and advances between activities	508,094	(321,823)	186,271
Prepaid insurance	148,609	12,177	160,786
Restricted current asset - cash	-	142,290	142,290
Total current assets	14,935,080	4,225,104	19,160,184
Capital assets, net of accumulated depreciation:			
Land and construction in progress	1,790,775	142,135	1,932,910
Other depreciable capital assets	24,144,977	63,348,826	87,493,803
Total capital assets	25,935,752	63,490,961	89,426,713
Total assets	40,870,832	67,716,065	108,586,897
<b>Deferred outflow of resources</b>			
Deferred amount on pensions	785,018	77,639	862,657
Total deferred outflow of resources	785,018	77,639	862,657
<b>Liabilities</b>			
Current liabilities			
Claims and wages payable	698,632	189,500	888,132
Unearned revenue	-	62,023	62,023
Accrued interest payable	10,341	-	10,341
Payable from restricted assets - customer deposits	-	142,290	142,290
Total current liabilities	708,973	393,813	1,102,786
Non-current liabilities			
Net pension liability	7,973,952	788,633	8,762,585
Due within one year:			
Capital debt	204,202	-	204,202
Noncapital debt	23,266	25,302	48,568
Due in more than one year:			
Capital debt	1,280,841	-	1,280,841
Noncapital debt	86,045	69,741	155,786
Total non-current liabilities	9,568,306	883,676	10,451,982
Total liabilities	10,277,279	1,277,489	11,554,768
<b>Deferred inflows of resources</b>			
Property tax for future reporting period	3,631,709	-	3,631,709
Deferred amount on pensions	82,081	8,118	90,199
Total deferred inflows of resources	3,713,790	8,118	3,721,908
<b>Net position</b>			
Investment in capital assets, net of related debt	24,450,709	63,490,961	87,941,670
Restricted net position			
Nonexpendable			
Prepaid	148,609	12,177	160,786
Expendable:			
Unrestricted	3,065,463	3,004,959	6,070,422
Total net position	\$ 27,664,781	66,508,097	94,172,878

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



# City of Pass Christian, Mississippi

## Statement of Activities For Fiscal Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (1,325,037)	51,444	1,933	-	\$ (1,271,660)		(1,271,660)
Public safety	(3,835,818)	158,669	39,580	27,829	(3,609,740)		(3,609,740)
Public works	(1,656,853)	-	-	47,105	(1,609,748)		(1,609,748)
Recreation and community services	(461,377)	13,855	-	-	(447,522)		(447,522)
Beautification	(248,715)	-	-	-	(248,715)		(248,715)
Economic development	(64,694)	151,841	-	-	87,147		87,147
Interest on long-term debt	(27,669)	-	-	-	(27,669)		(27,669)
Total governmental activities	<u>(7,620,163)</u>	<u>375,809</u>	<u>41,513</u>	<u>74,934</u>	<u>(7,127,907)</u>		<u>(7,127,907)</u>
Business-type activities:							
Water and sewer	(3,058,309)	2,564,928	-	-		(493,381)	(493,381)
Harbor	(1,492,300)	399,618	-	-		(1,092,682)	(1,092,682)
Total business-type activities	<u>(4,550,609)</u>	<u>2,964,546</u>	<u>-</u>	<u>-</u>		<u>(1,586,063)</u>	<u>(1,586,063)</u>
Total government	<u>\$ (12,170,772)</u>	<u>3,340,355</u>	<u>41,513</u>	<u>74,934</u>		<u>(1,586,063)</u>	<u>(8,713,970)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,385,831	-	3,385,831
Property taxes, levied for special purposes					164,761	-	164,761
Sales and use taxes					1,719,392	-	1,719,392
Franchise taxes					346,098	-	346,098
Grants and contributions, unrestricted					256,235	-	256,235
Unrestricted investment earnings					227,148	87,612	314,760
Miscellaneous					133,565	53,735	187,300
Total general revenues					<u>6,233,030</u>	<u>141,347</u>	<u>6,374,377</u>
Transfers					(5,695)	5,695	-
Total general revenues and transfers					<u>6,227,335</u>	<u>147,042</u>	<u>6,374,377</u>
Changes in net position					(900,572)	(1,439,021)	(2,339,593)
Net position - beginning of year, restated					<u>28,565,353</u>	<u>67,947,117</u>	<u>96,512,470</u>
Net position - end of year					<u>\$ 27,664,781</u>	<u>\$ 66,508,096</u>	<u>\$ 94,172,877</u>

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



# City of Pass Christian, Mississippi

## Balance Sheet – Governmental Activities September 30, 2020

	Major			
	General	Building	Other	Total
	Fund	Construction	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>ASSETS</b>				
Cash	\$ 5,039,556	4,531,964	256,890	9,828,410
Receivables:				
Property tax	3,497,240	-	163,908	3,661,148
Sales tax	132,610	-	-	132,610
Franchise taxes	150,913	-	-	150,913
Intergovernmental	1,125	-	21,165	22,290
Court fines & fees	483,006	-	-	483,006
Prepaid insurance	148,609	-	-	148,609
Loans and advances due from other funds	558,961	58,902	-	617,863
Total assets	<u>10,012,020</u>	<u>4,590,866</u>	<u>441,963</u>	<u>15,044,849</u>
<b>LIABILITIES</b>				
Accounts payable	91,095	502,388	12,543	606,026
Accrued wages payable	88,946	-	-	88,946
Amounts held for others	-	-	3,660	3,660
Loans and advances due to other funds	109,769	-	-	109,769
Total Liabilities	<u>289,810</u>	<u>502,388</u>	<u>16,203</u>	<u>808,401</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	3,469,273	-	162,436	3,631,709
Unavailable revenue - fines	483,006	-	-	483,006
Total Deferred Inflows of Resources	<u>3,952,279</u>	<u>-</u>	<u>162,436</u>	<u>4,114,715</u>
<b>FUND BALANCES</b>				
Nonexpendable				
Prepaid	148,609	-	-	148,609
Restricted:				
Grant purpose	-	-	21,645	21,645
Public safety	-	-	49,467	49,467
Assigned:				
Community support	-	-	54,473	54,473
Capital projects	-	4,088,478	137,739	4,226,217
Unassigned	5,621,322	-	-	5,621,322
Total Fund Balances	<u>\$ 5,769,931</u>	<u>4,088,478</u>	<u>263,324</u>	<u>10,121,733</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,012,020</u>	<u>4,590,866</u>	<u>441,963</u>	<u>15,044,849</u>

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



## City of Pass Christian, Mississippi

### Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position September 30, 2020

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 10,121,733
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	\$ 36,946,624	
Less: accumulated depreciation	<u>(11,010,872)</u>	25,935,752
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Court fines receivable		483,006
Long-term debt is not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (1,045,000)	
Note payable	(440,043)	
Compensated absences	<u>(109,311)</u>	(1,594,354)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		
		(10,341)
Other long-term liabilities, including net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(7,973,952)
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	\$ 785,018	
Deferred inflows of resources related to pensions	<u>(82,081)</u>	<u>702,937</u>
Net Position of Governmental Activities		<u><u>\$ 27,664,781</u></u>

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



## City of Pass Christian, Mississippi

### Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds For the Fiscal Year Ended September 30, 2020

	Major		Other	Total
	General	Building	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Property taxes	\$ 3,385,831	-	164,761	3,550,592
General sales taxes	1,719,392	-	-	1,719,392
Franchise fees	346,098	-	-	346,098
Licenses and permit fees	151,991	-	-	151,991
Intergovernmental	285,115	-	67,409	352,524
Charges for services	66,396	-	-	66,396
Fines and forfeitures	95,278	-	-	95,278
Investment earnings	115,701	104,541	6,906	227,148
Miscellaneous	34,022	-	3,671	37,693
Total revenues	<u>6,199,824</u>	<u>104,541</u>	<u>242,747</u>	<u>6,547,112</u>
Expenditures:				
General government	1,111,030	66,143	3,005	1,180,178
Public safety	3,196,791	48,077	38,255	3,283,123
Public works	889,630	98,617	132,282	1,120,529
Culture & recreation	87,191	-	161,800	248,991
Beautification	241,182	-	-	241,182
Economic development	63,394	-	-	63,394
Capital outlay	156,340	1,112,560	89,527	1,358,427
Debt service:				
Principal	110,000	22,023	-	132,023
Interest and other fiscal charges	26,125	2,633	-	28,758
Total expenditures	<u>5,881,683</u>	<u>1,350,053</u>	<u>424,869</u>	<u>7,656,605</u>
Excess (deficiency) of revenues over expenditures	<u>318,141</u>	<u>(1,245,512)</u>	<u>(182,122)</u>	<u>(1,109,493)</u>
Other financing sources (uses):				
Proceeds from sale of assets	2,157	-	-	2,157
Proceeds from insurance	114,765	-	-	114,765
Proceeds from capital lease	462,066	-	-	462,066
Transfers In	-	462,066	21,419	483,485
Transfers Out	(483,485)	-	(5,695)	(489,180)
Total other financing sources (uses)	<u>95,503</u>	<u>462,066</u>	<u>15,724</u>	<u>573,293</u>
Net change in fund balances	413,644	(783,446)	(166,398)	(536,200)
Fund balances - beginning, restated	<u>5,356,287</u>	<u>4,871,924</u>	<u>429,722</u>	<u>10,657,933</u>
Fund balances - ending	<u>\$ 5,769,931</u>	<u>4,088,478</u>	<u>263,324</u>	<u>10,121,733</u>

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



## City of Pass Christian, 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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (536,200)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$1,358,429 and the depreciation expense amounted to \$1,049,603.	308,826
In the statement of activities, only the gain or loss of the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sales increase financial resources.	(6,034)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Issuance of note payable	\$ (462,066)
Repayment of principal	<u>132,023</u>
	(330,043)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting.	61,252
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.	
Additional pension expense	(392,594)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Accrued interest payable on long-term debt	1,089
Changes in compensated absences	<u>(6,868)</u>
Change in net position of governmental activities	\$ <u>(900,572)</u>

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



## City of Pass Christian, Mississippi

### Statement of Net Position Proprietary Funds September 30, 2020

	Proprietary Funds		
	Water and Sewer	Harbor	Total
<b>Assets</b>			
Current assets:			
Cash	\$ 4,164,750	100	4,164,850
Intergovernmental receivables	-	70,618	70,618
Customer accounts receivable, net	142,999	13,993	156,992
Loans and advances due from other funds	50,867	-	50,867
Prepaid insurance	9,333	2,844	12,177
Restricted current asset - cash	142,290	-	142,290
Total current assets	4,510,239	87,555	4,597,794
Non-current assets			
Capital assets:			
Land	1,548	140,587	142,135
Buildings	-	1,385,557	1,385,557
Infrastructure	39,069,194	42,328,593	81,397,787
Mobile equipment	40,980	157,389	198,369
Furniture and equipment	245,327	238,123	483,450
Less accumulated depreciation	(11,099,908)	(9,016,429)	(20,116,337)
Total non-current assets	28,257,141	35,233,820	63,490,961
Total Assets	32,767,380	35,321,375	68,088,755
Deferred outflow of resources			
Deferred outflow - pension liability	15,528	62,111	77,639
Total deferred outflow of resources	15,528	62,111	77,639
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	161,787	19,164	180,951
Accrued wages	3,796	4,753	8,549
Loans and advances due to other funds	707	371,983	372,690
Unearned revenue	26,750	35,273	62,023
Notes payable	24,247	-	24,247
Customer deposits	142,290	-	142,290
Total current liabilities	359,577	431,173	790,750
Non-current liabilities:			
Notes payable	56,132	-	56,132
Net pension liability	157,727	630,906	788,633
Compensated absences	5,644	9,020	14,664
Total non-current liabilities	219,503	639,926	859,429
Total liabilities	579,080	1,071,099	1,650,179
Deferred inflow of resources			
Deferred inflow - pension liability	1,624	6,494	8,118
Total deferred inflow of resources	1,624	6,494	8,118
<b>Net position</b>			
Investment in capital assets, net of related debt	28,257,141	35,233,820	63,490,961
Restricted -Nonexpendable	9,333	2,844	12,177
Unrestricted	3,935,730	(930,771)	3,004,959
Total net position	\$ 32,202,204	34,305,893	66,508,097

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



## City of Pass Christian, Mississippi

### Statement of Revenues, Expenditures and Changes in Net Position Proprietary Funds

For the Fiscal Year Ended September 30, 2020

	Proprietary Funds		
	Water and Sewer	Harbor	Total
Revenues:			
Charges for services	\$ 2,528,297	303,354	2,831,651
Tap and connection fees	36,631	-	36,631
Lease income	-	96,264	96,264
Miscellaneous operating revenues	1,236	12,287	13,523
Total operating revenues	<u>2,566,164</u>	<u>411,905</u>	<u>2,978,069</u>
Operating expenses:			
Personal services	286,431	281,197	567,628
Contractual services	1,495,526	28,643	1,524,169
Utilities	122,811	104,342	227,153
Repairs and maintenance	407,521	44,214	451,735
Other supplies and expenses	27,695	34,925	62,620
Depreciation	716,692	998,979	1,715,671
Total operating expenses	<u>3,056,676</u>	<u>1,492,300</u>	<u>4,548,976</u>
Operating income (loss)	<u>(490,512)</u>	<u>(1,080,395)</u>	<u>(1,570,907)</u>
Non-operating revenues (expenses)			
Interest and investment revenue	87,612	-	87,612
Settlement	40,212	-	40,212
Interest expense	(1,633)	-	(1,633)
Transfers in	-	5,695	5,695
Total non-operating revenues (expenses)	<u>126,191</u>	<u>5,695</u>	<u>131,886</u>
Change in net position	(364,321)	(1,074,700)	(1,439,021)
Net Position - beginning	<u>32,566,525</u>	<u>35,380,593</u>	<u>67,947,118</u>
Total net position - ending	<u>\$ 32,202,204</u>	<u>34,305,893</u>	<u>66,508,097</u>

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



## City of Pass Christian, Mississippi

### Statement Cash Flows Proprietary Funds For the Fiscal Year Ended September 30, 2020

	Water and Sewer	Harbor	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 2,488,629	578,051	3,066,680
Other operating receipts	1,237	12,287	13,524
Cash paid to suppliers and contractors	(1,946,892)	(305,168)	(2,252,060)
Cash paid to employees	(133,168)	(327,215)	(460,383)
Net cash provided by (used in) operating activities	409,806	(42,045)	367,761
Cash Flows From Non-Capital Financing Activities			
Advances from (to) other funds	(327)	150,627	150,300
Judgements and settlements	40,212	-	40,212
Net cash flows from non-capital financing activities	39,885	150,627	190,512
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	(40,979)	(108,582)	(149,561)
Repayment of notes payable	(23,827)	-	(23,827)
Interest on notes payable	(1,633)	-	(1,633)
Net cash used in capital and related financing activities	(66,439)	(108,582)	(175,021)
Cash Flows From Investing Activities			
Interest received	87,612	-	87,612
Net cash flows from investing activities	87,612	-	87,612
Net increase (decrease) in cash	470,864	-	470,864
Cash - October 1	3,836,176	100	3,836,276
Cash - September 30	\$ 4,307,040	100	4,307,140

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



## City of Pass Christian, Mississippi

### Statement Cash Flows Proprietary Funds (continued) For the Fiscal Year Ended September 30, 2020

	Water and Sewer	Harbor	Total
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used In) Operating Activities:			
Operating income (loss)	\$ (490,511)	(1,080,395)	(1,570,906)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	716,692	998,979	1,715,671
(Increase) decrease in assets:			
Accounts receivable	(5,697)	29,155	23,458
Intergovernmental receivable	-	126,245	126,245
Prepaid insurance	(9,333)	(511)	(9,844)
Pension related assets	(15,528)	(7,604)	(23,132)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	106,661	(114,580)	(7,919)
Wages payable	3,796	(756)	3,040
Unearned revenue	6,066	23,033	29,099
Customer deposits	(67,335)	-	(67,335)
Pension related liabilities	159,351	(15,231)	144,120
Compensated absences	5,644	(380)	5,264
Net cash provided by (used in) operating activities	\$ 409,806	(42,045)	367,761

#### Reconciliation of Cash Per Statement of Cash Flows to the Statement of Net Position

	Current Assets	Restricted Current Assets	Total
Cash - October 1			
Water and sewer	\$ 3,626,551	209,625	3,836,176
Harbor	100	-	100
Total cash - October 1	3,626,651	209,625	3,836,276
Net increase (decrease)	538,199	(67,335)	470,864
Cash - September 30			
Water and sewer	4,164,750	142,290	4,307,040
Harbor	100	-	100
Total cash - September 30	\$ 4,164,850	142,290	4,307,140

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



## City of Pass Christian, Mississippi

### Combining Statement of Assets and Liabilities – Fiduciary Funds September 30, 2020

	Unemployment Escrow	Agency Clearing Accounts	Total
Assets	\$		
Cash	26,761	160,079	186,840
Intergovernmental receivable		88,185	88,185
Total Assets	<u>26,761</u>	<u>248,264</u>	<u>275,025</u>
Liabilities			
Loans and advances due to other activities	26,761	159,510	186,271
Accounts payable	-	88,185	88,185
Accrued liabilities	-	569	569
Total Liabilities	<u>26,761</u>	<u>248,264</u>	<u>275,025</u>
Net Position			
Held in trust for benefits and other purposes	\$ <u>-</u>	<u>-</u>	<u>-</u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

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## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 1 - Summary of Significant Accounting Policies

The City of Pass Christian, Mississippi, (the "City") was incorporated February 21, 1848 under the laws of the State of Mississippi. The City operates under a Code Charter form of government, which provides for an elected mayor and a five-member board of Alderman. The following services are authorized by the City's charter: Public Safety (Police, Fire, Civil Defense and Protection Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture, Recreation and Community Services, Public Improvements, Planning and Zoning, and General Administrative Services. The accounting and reporting policies of the City relating to the funds and accounts groups included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

#### A. Financial Reporting Entity

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

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

The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the reporting entity:

Pass Christian Municipal Separate School District, Pass Christian Historical Society, Pass Christian Recovery, Inc., Pass Christian Housing Authority and Pass Christian Main Street.

These potential component units have separate elected and/or appointed boards and provide services to residents, generally within the geographic boundaries of the City. These are excluded from the reporting entity because the City does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

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

#### Harrison County Utility Authority

This potential component unit was established by State Code and its governing board is appointed jointly by the area governments' governing bodies. This is an independent unit that selects management staff, sets user charges, establishes budgets and controls all aspects of its daily activities. The District has been determined to be a joint venture of the participating agencies. See Note 11 for details.

#### B. Basis of Presentation.

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

#### 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.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

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

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

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

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

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

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

The City reports the following major Governmental Funds:

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

Building Construction Fund – This is a capital projects fund created for the purpose of accounting for insurance proceeds and board approved construction projects using those funds.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

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

Additionally, the City reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### PROPRIETARY FUNDS

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

It is the intent of the Board of Alderman 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.

#### FIDUCIARY FUNDS

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### 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 did not invest in any governmental securities during the fiscal year.



## City of Pass Christian, 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 uncollectibles. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by customers of the water and sewer department and the harbor fund 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 has 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 allow 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. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.



## City of Pass Christian, 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 and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	5-10 years
Leased 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. Unearned Revenue.

Receipts from revenues and grants for which the earning process is not complete are classified as deferred revenue, a liability, on the statement of net position.

#### J. 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.

#### K. Compensated Absences.

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



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

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

The City's vacation policy provides for two weeks of vacation after two years of employment. An employee may accumulate unused vacation leave hours without limitation, however, cash payments upon employee termination or retirement are limited to a maximum of two weeks 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.

#### L. Deferred Outflows/Inflows of Resources

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

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

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

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

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

#### M. Postemployment Benefits Other than Pensions (OPEB)

##### *COBRA*

In compliance with federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the state offers health and dental benefits on a temporary basis to qualified beneficiaries whose benefit coverage would otherwise end because of a qualifying event such as loss of employment. COBRA coverage is available on a self-paid basis and is the same medical and dental coverage available to state employees.



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

*Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS's 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.

**N. Fund Balance Policies**

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

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

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

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

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

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



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

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

#### M. Net Position

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

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

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

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

#### N. 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.

#### O. Property Tax Revenues

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

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



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

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

#### P. Intergovernmental Revenues in Governmental Funds

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

#### Q. Capital Contributions

Assets contributed by other organizations and governmental agencies are recorded at fair value at the time of the contribution. In the governmental fund statements, an equal amount of expense by function is recorded for capital assets that will not be capitalized because it does not meet the capitalization threshold. The fair value of these assets is recorded as operating grants in the Statement of Activities. Those assets received that will be capitalized are recorded as capital outlay in the fund statements and capital grant revenues in the Statement of Activities.

#### R. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

#### S. Unearned Revenue.

Receipts from revenues and grants for which the earning process is not complete are classified as unearned revenue, a liability, on the statement of net position.

#### T. 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.

#### V. 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):

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.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

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

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 Mayor submits to the Board of Alderman 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 Pass Christian, 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
	Unrestricted	Restricted		
<b>Governmental funds:</b>				
General Fund	\$ 5,037,981	-	1,575	5,039,556
Building Construction Fund	4,531,964	-	-	4,531,964
Other governmental fund	256,890	-	-	256,890
Total governmental funds	9,826,835	-	1,575	9,828,410
<b>Proprietary funds:</b>				
Water & Sewer Fund	4,164,750	142,290	-	4,307,040
Harbor Fund	-	-	100	100
Total proprietary funds	4,164,750	142,290	100	4,307,140
<b>Fiduciary Funds</b>	160,079	26,761	-	186,840
Total cash	\$ 14,151,664	169,051	1,675	14,322,390

The carrying amount of the city's total deposits with financial institutions at September 30, 2020, was \$14,322,390, and the bank balance was \$14,427,329. Of this amount \$142,290 and \$26,761 is restricted for utility customer's deposits and unemployment trust, respectively. 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 §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 Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 4 – Interfund Transactions and Balances

#### Fund Financial Statements

##### A. Loans and Advances - Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 707
General Fund	Harbor Fund	371,983
General Fund	Unemployment Escrow	26,761
General Fund	Agency Clearing Funds	159,510
Building Construction Fund	General Fund	58,902
Water & Sewer Fund	General Fund	50,867
		<u>\$ 668,730</u>

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

##### *Long-term Advances*

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 fiduciary funds in the amount of \$26,760 for the year ended September 30, 2020. In addition, the General fund made a long-term advance to the Water & Sewer fund of \$500 to establish a new checking account to account for the Water & Sewer credit card collections.

##### B. Transfers

In addition to the above due to/from balances, the following transfers were made between funds during the year ended September 30, 2020:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Building Construction Fund	General Fund	\$ 462,066
Other Governmental Funds	General Fund	21,419
Harbor	Other Governmental Funds	5,695
Total		<u>\$ 489,180</u>

Transfers are indicative of the City’s matching portion of various capital projects, lease payments, and debt service. The general fund transferred \$462,066 to the Building Construction Fund for principal and interest payments on leased capital assets purchased during the year.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 5 – Receivables

#### A. Governmental Activities

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

Taxes receivable:	
Property taxes	\$ 3,661,148
Sales taxes	132,610
Franchise taxes	150,913
Total taxes receivable	<u>3,944,671</u>
Intergovernmental receivable:	
State grants	21,165
State aid	1,125
Total intergovernmental	<u>22,290</u>
Court fines receivable	1,298,652
Less: allowance for doubtful accounts	<u>(815,646)</u>
Total court fines receivable, net	<u>483,006</u>
Total receivable - governmental activities	<u>\$ 4,449,967</u>

*Property tax for future reporting period* – Of the \$3,661,148 reported as property taxes receivable, \$3,631,709 has been deferred in the funds. 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.

*Court fines receivables* – Court fines are recorded as deferred inflow of sources in the fund financial statements due to the funds using modified accrual basis. However, revenues received during the year are recorded in the government-wide financial statements on the full-accrual basis of accounting.

#### B. Business-type Activities

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

Intergovernmental receivable:	
Mississippi Tideland Grant	\$ 70,618
Total intergovernmental	<u>70,618</u>
Customer accounts receivable:	
Customer utility charges (billed)	386,118
Customer berth rentals	92,855
Customer accounts, earned but unbilled	106,042
Less: allowance for doubtful accounts	<u>(428,023)</u>
Total customer accounts receivable, net	<u>156,992</u>
Total receivable - business-type activities	<u>\$ 227,610</u>

All trade receivables are shown net of an allowance for bad debt. As of September 30, 2020, an allowance in the amount of \$349,161 has been provided in the Water and Sewer Enterprise Fund for estimated uncollectible utility charges and an allowance in the amount of \$78,862 has been provided for the Harbor Fund for estimated uncollectible harbor berth rentals.



# City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

## Note 5 – Receivables (Continued)

Unearned revenue as of September 30, 2020, in the amount of \$26,750 in the Water & Sewer Fund and \$35,273 in the Harbor Fund represents customer account receivables that have been prepaid or amounts to be refunded.

## Note 6 – Capital assets

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

### A. Governmental Activities

	Balance 10/1/2019	Additions	Disposals	Balance 9/30/2020
<u>Non-depreciable capital assets:</u>				
Land	1,790,775	-	-	1,790,775
Total non-depreciable capital assets	1,790,775	-	-	1,790,775
<u>Depreciable capital assets:</u>				
Building	15,805,254	-	-	15,805,254
Infrastructure	12,302,321	-	-	12,302,321
Mobile equipment	4,353,696	1,180,447	(52,892)	5,481,251
Furniture and equipment	1,396,491	177,982	(7,450)	1,567,023
Total depreciable capital assets	33,857,762	1,358,429	(60,342)	35,155,849
<u>Depreciation</u>				
Building	2,980,487	315,585	-	3,296,072
Infrastructure	2,931,971	430,581	-	3,362,552
Mobile equipment	2,994,839	282,257	(47,603)	3,229,493
Furniture and equipment	1,108,280	21,180	(6,705)	1,122,755
Total accumulated depreciation	10,015,577	1,049,603	(54,308)	11,010,872
Total depreciable capital assets, net	23,842,185	308,826	(6,034)	24,144,977
Governmental activities capital assets, net	\$ 25,632,960	308,826	(6,034)	25,935,752

Depreciation expense was charged to the following governmental functions:

General government	\$ 80,813
Public safety	278,117
Public works	488,855
Culture and recreation	196,594
Beautification	5,224
Total depreciation - government-type activities	\$ 1,049,603



# City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

## Note 6 – Capital assets (continued)

### B. Business-type Activities

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

	Balance 10/1/2019	Additions	Disposals	Balance 9/30/2020
<u>Non-depreciable capital assets:</u>				
Land	142,135	-	-	142,135
Total non-depreciable capital assets	142,135	-	-	142,135
<u>Depreciable capital assets:</u>				
Building	1,385,557	-	-	1,385,557
Infrastructure	81,289,208	108,580	-	81,397,788
Mobile equipment	157,389	40,980	-	198,369
Furniture and equipment	477,755	5,695	-	483,450
Total depreciable capital assets	83,309,909	155,255	-	83,465,164
<u>Depreciation</u>				
Building	224,735	44,338	-	269,073
Infrastructure	17,822,697	1,637,761	-	19,460,458
Mobile equipment	127,654	15,902	-	143,556
Furniture and equipment	225,581	17,670	-	243,251
Total accumulated depreciation	18,400,667	1,715,671	-	20,116,338
Total depreciable capital assets, net	64,909,242	(1,560,416)	-	63,348,826
Governmental activities capital assets, net	\$ 65,051,377	(1,560,416)	-	63,490,961

Depreciation expense was charged to the following governmental functions:

Water and Sewer	\$ 716,692
Harbor	998,979
Total depreciation - business-type activities	\$ 1,715,671



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 7– Long-term Debt

#### A. Governmental Activities

Transactions for the year ended September 30, 2020 are summarized as follows:

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020	Due Within one Year
General Obligation Bonds	\$ 1,155,000	-	(110,000)	1,045,000	115,000
Notes Payable - MDA	-	462,066	(22,023)	440,043	89,202
Compensated Absences	102,442	146,908	(140,039)	109,311	23,266
Net Pension Liability	7,283,076	690,876	-	7,973,952	-
	<u>\$ 8,540,518</u>	<u>1,299,850</u>	<u>(272,062)</u>	<u>9,568,306</u>	<u>227,468</u>

General Obligation – Public Improvement Bonds, Series 2020 – On January 30, 2013, the City issued \$1,700,000 in general obligation bonds to be used for public improvements in the City. The bond is to be repaid over 15 years and carries a fixed interest rate of 2.375%. Payment on this bond will be made from general ad valorem tax collections.

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

September 30	Principal	Interest	Total
2021	\$ 115,000	23,453	138,453
2022	120,000	20,662	140,662
2023	125,000	17,753	142,753
2024	130,000	14,725	144,725
2025	135,000	6,590	141,590
2026-2028	420,000	10,093	430,093
	<u>\$ 1,045,000</u>	<u>93,276</u>	<u>1,138,276</u>

Note Payable – Mississippi Development Authority - On June 2, 2020, the City borrowed \$462,066 from the Mississippi Development Authority to be used for the purchase of a new fire truck. The note is to be repaid over 5 years and carries a fixed interest rate of 2%. Payment on this note will be made from fire rebate insurance funds.

September 30	Principal	Interest	Total
2021	\$ 89,202	7,986	97,188
2022	91,002	6,186	97,188
2023	92,839	4,349	97,188
2024	94,713	2,475	97,188
2025	72,287	604	72,891
	<u>\$ 440,043</u>	<u>21,600</u>	<u>461,643</u>



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 7– Long-term Debt (Continued)

#### B. Business-type Activities

Transactions for the year ended September 30, 2020 are summarized as follows:

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020	Due Within one Year
Revolving Loans	\$ 104,206	-	(23,827)	80,379	24,247
Compensated Absences	9,400	18,041	(12,777)	14,664	1,055
Net Pension Liability	633,311	155,322	-	788,633	-
	<u>\$ 746,917</u>	<u>173,363</u>	<u>(36,604)</u>	<u>883,676</u>	<u>25,302</u>

Revolving Loans - The City's utility enterprise fund finances extensions and improvements to its system through note obligations, which are subordinate to the revenue bonds.

The utility currently has one state revolving loan, which enabled the City to provide sewer services in needed areas. The loan is to be repaid over a period of twenty years, bearing an interest rate of 1.75%. Payment on this loan is made by way of sales tax reductions from amounts due to the City for sales tax collected in the City. The Water and Sewer Fund then reimburses the General Fund for the amount of the deduction.

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

September 30	Principal	Interest	Total
2021	24,247	1,213	25,460
2022	24,675	785	25,460
2023	25,110	350	25,460
2024	6,347	19	6,366
	<u>\$ 80,379</u>	<u>2,367</u>	<u>82,746</u>

#### C. Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2020, the amount of outstanding debt was equal to 1.40% of the latest property assessments.

#### D. Compensated Absences

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



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 8 – 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 Harrison County tax assessor from information extracted from the City assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as January 1. Taxes on real and personal property are levied by the Board of Alderman at the first regular meeting in September. In accordance with the Mississippi Code of 1972, as amended, the Board of Alderman 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 48.74 mills or \$48.74 per \$1,000 of assessed valuation.

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

#### B. General Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Pass Christian) back to the City monthly. General sales tax revenue reported in the General Fund was \$1,663,654.

#### C. Infrastructure Modernization Use Tax Revenue

In 2018, the State began its Modern Infrastructure Use Tax Program. The bill allows for the State to capture 35% of use tax and distribute these amounts as follows: 5% to the Local System Bridge Program; 15% to municipalities; and 15% to counties. These funds assist municipalities in paying cost associated with repair, maintenance and/or reconstruction of roads, streets and bridges and also with repair, maintenance and/or other improvements to water and sewer infrastructure. The City received \$55,738 of Infrastructure Modernization use tax and is reported under General Sales Tax in the General Fund.

### Note 9 – Unemployment Compensation Fund

The City maintains a revolving fund for unemployment compensation benefits with a balance of approximately 2% of the first \$6,000 of employee wages paid in the preceding calendar year. These contributions are in lieu of making payments to the Mississippi Employment Security Commission.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 10 – Retirement Plan

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

#### *Plan Description and Provisions*

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

#### *Benefits Provided*

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

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

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



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 10 – Retirement Plan (continued)

#### *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. The City's contributions to PERS for the fiscal years ending September 30, 2020, 2019 and 2018 were \$541,295, \$463,948, and \$459,592, respectively, which equaled the required contributions for each year.

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

At September 30, 2020, the City reported a liability of \$7,973,952 in the governmental activities and \$788,633 in the business-type activities for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 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 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 was .045%. For the year ended September 30, 2020, the City recognized PERS pension expense for governmental activities of \$950,025 and for business-type activities \$93,959.

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

	Deferred Outflows of Resources		
	Governmental	Business-type	Total
Differences between expected and actual experience	\$ 69,215	6,845	76,060
Changes of assumptions	44,606	4,412	49,018
Net difference between projected and actual earnings on pension plan investments	327,539	32,394	359,933
Changes in proportion and differences between City contributions and proportionate share of contributions	205,263	20,301	225,564
City contributions subsequent to the measurement date	138,395	13,687	152,082
Total deferred outflows of resources	<u>\$ 785,018</u>	<u>77,639</u>	<u>862,657</u>

	Deferred Inflows of Resources		
	Governmental	Business-type	Total
Changes in proportion and differences between City contributions and proportionate share of contributions	\$ 82,081	8,118	90,199
Total deferred inflows of resources	<u>\$ 82,081</u>	<u>\$ 8,118</u>	<u>\$ 90,199</u>

Deferred liabilities and assets, with the exception of differences between projected and actual investment earnings, are amortized over the average of expected remaining service lives. Differences between projected and actual investment earnings are amortized over 5 years.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 10 – Retirement Plan (continued)

Within the deferred outflows, a net amount of \$152,082 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 net amount (\$710,575 of deferred outflows and \$90,199 of deferred inflows) of \$620,376 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2021	\$ 182,875
2022	143,551
2023	177,967
2024	115,983
	<u>\$ 620,376</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:

Inflation	2.75 percent
Salary increases	3.00 - 18.50 percent, including inflation
Investment rate of return	7.75 percent (net of pension plan investment expense, including inflation)

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

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

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



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 10 – Retirement Plan (continued)

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	.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	N/A
Total	100.00 %	

#### *Discount rate*

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

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 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 the net pension liability	\$ 11,342,089	\$ 8,762,585	\$ 6,633,457

#### *Pension plan fiduciary net position*

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



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 11 – Commitments and Contingencies

#### A. Risk Management

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

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

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

#### B. Commitments

Contract for "Turn-key" Operations of Water and Wastewater Systems – The City maintains a contract with WPSCO, Inc. for operation and maintenance of the City's water and sewer systems and utility billing of water and sewer systems. The fee under the contract was \$42,303/mo for the year ended September 30, 2020. In December 2019, the city modified its contract with WPSCO, Inc. to eliminate water and sewer billing, of which the City hired and established its own billing department. The new fee under the contract is \$30,642/mo. Annually, the amount shall be adjusted by the consumer price index by the U.S. Department of Labor Statistics. During the fiscal year ended September 30, 2020 the City paid a total of \$441,346 to WPSCO under this contract.

Agreement for Emergency Communications – In March 2009, as provided by Miss. Code Ann. (1972) §17-13-1 and §17-17-5 et. seq., the City entered into an interlocal cooperation agreement with Harrison County, Mississippi (the "County"), whereby the County will provide all emergency communications, including 911 services to the City upon payment of monthly fees to cover 23% of all direct salaries and fringe benefits for all dispatchers operating within the Sheriff's dispatch units for all jurisdictions and 100% of all overtime and holiday pay for dispatchers working on City matters. Amounts under this agreement for the year ended September 30, 2020 were \$96,834.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 11 – Commitments and Contingencies (continued)

Cooperative Agreement with Mississippi Regional Housing Authority - In July 1980, the City entered into an agreement with Mississippi Regional Housing Authority No. VIII, authorizing "in lieu of taxes" on housing projects operated by the housing authority within the municipality.

#### C. Jointly Governed Organizations and Joint Ventures

Joint Venture - The City of Pass Christian contracts with the Harrison County Utility Authority (the "Authority"), whereby the Authority picks up and disposes the City's solid waste and 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 \$485,781 for solid waste pickup and \$392,943 for wastewater treatment for the year.

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2020:

#### CONDENSED STATEMENT OF NET POSITION

##### ASSETS AND DEFERRED OUTFLOWS

Current assets	\$ 10,942,348
Restricted assets	13,321,461
Capital assets, net	220,803,237
Deferred outflows	20,613,771
Total assets and deferred outflows	<u>265,680,817</u>

##### LIABILITIES AND DEFERRED INFLOWS

Current liabilities	16,299,545
Noncurrent liabilities	101,929,884
Deferred inflows	-
Total liabilities and deferred inflows	<u>118,229,429</u>

##### NET POSITION

147,451,388

#### CONDENSED STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

Operating revenue	\$ 20,724,287
Operating expenses	(19,544,199)
Depreciation and amortization	(14,544,977)
Nonoperating revenues and expense (net)	5,380,908
Change in net position	<u>\$ (7,983,981)</u>



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 11 – Commitments and Contingencies (continued)

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. Whenever any public City shall default in the payment to the Authority of its respective payment, the Authority may adjust the contract sums of the remaining public agencies, which are not in default so as to increase their contract sums by a proportional amount.

A complete copy of these financial statements is on file at the administrative offices of the District which are located at 14108 Airport Road, Pass Christian, Mississippi 39503, or may be obtained by calling (228) 868-8752.

Jointly Governed Organization - On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Pass Christian Public Library, the City of Pass Christian, the Board of Supervisors of Harrison County, The Board of Trustees of the Pass Christian-Harrison County Library, the City of Biloxi, and the Board of Trustees of the Biloxi Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement. However, 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 \$161,800 to the Library for the year ended September 30, 2020.

### Note 12 – Tax Abatements

As of September 30, 2020, the City provides tax abatements and exemptions under Miss. Code Ann. § 17-21-7, that allows municipalities to exempt certain structures in specific economic development districts to encourage economic development and facilitate reconstruction and redevelopment of certain businesses and residential property for a period no longer than 7 years.

Property owners make an application for abatement by submitting documentation to substantiate the qualifying investment with the City pursuant to an economic recovery or redevelopment plan of the City to Harrison County. The abatement agreement stipulates a percentage reduction of property taxes, which can be as much as 100%. The City will then pass a resolution granting the exemption once an application has been approved and all requirements have been met. The Board of Supervisors can then choose to abate the county ad valorem tax based on the City's recommendation and resolution. The amount of the abatement is deducted from the recipient's tax bill.

It is estimated for the year ended September 30, 2020, that approximately \$1,837 ad valorem real property taxes have been abated. All City tax abatements expired on January 1, 2022.



## City of Pass Christian, Mississippi

Notes to the Financial Statements  
September 30, 2020

### Note 13 – Prior Period Adjustment

During the year, old outstanding encumbrances from prior years was cleared from fund balance. This resulted in an adjusting prior period adjustment in the amount of \$237,251. The effect of this adjustment is an increase of \$237,251 in the beginning General Fund balance and in beginning Government-wide net position.

### Note 14 – Subsequent Events

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 15, 2021, (the date the financial statements were available to be issued), and determined that the following significant subsequent event has occurred that requiring disclosure in the notes to the financial statement:

In October 2020, the City cancelled its contract with Harrison County Sheriff's Office for dispatching services. The City has taken over the dispatching services and hired personnel. The City has contracted with RMS Software, Inc. to develop a customized dispatch software for the City in the amount of \$214,000.

In October 2020, the City entered into a lease agreement with People's Bank for the purchase of a new pumper truck. The loan amount of \$480,075 carries a 2.15% interest rate over 5 years. The City will make \$102,296 annual payment beginning October 26, 2021.

### Note 15 – Worldwide Pandemic

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state, and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the City is not estimable at this time.

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## REQUIRED SUPPLEMENTARY INFORMATION

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# City of Pass Christian, 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

	Budgeted Amounts		Actual Budgetary Basis	Variances Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 3,503,013	3,503,013	3,384,945	-	(118,068)
General sales and use tax	1,558,319	1,558,319	1,713,687	-	155,368
Fines and forfeitures	115,000	115,000	86,928	-	(28,072)
Licenses and permits	161,700	161,700	168,190	-	6,490
Intergovernmental	190,500	190,500	187,364	-	(3,136)
Charges for services	83,075	83,075	57,252	-	(25,823)
Franchise fees	370,500	370,500	295,436	-	(75,064)
Investment earnings	50,075	50,075	115,821	-	65,746
Miscellaneous	33,250	33,250	63,458	-	30,208
Total Revenues	6,065,432	6,065,432	6,073,081	-	7,649
Expenditures:					
General government:					
Personnel services	717,785	670,583	639,047	47,202	31,536
Supplies	24,950	22,686	13,738	2,264	8,948
Contractual	449,527	514,415	468,323	(64,888)	46,092
Capital outlay	1,500	1,500	377	-	1,123
Total general government	1,193,762	1,209,184	1,121,485	(15,422)	87,699
Public safety:					
Personnel services	2,685,112	2,710,748	2,710,211	(25,636)	537
Supplies	231,350	208,301	181,571	23,049	26,730
Contractual	334,100	338,743	331,277	(4,643)	7,466
Capital outlay	135,819	192,736	57,481	(56,917)	135,255
Total public safety	3,386,381	3,450,528	3,280,540	(64,147)	169,988
Public works:					
Personnel services	511,899	511,899	504,391	-	7,508
Supplies	104,750	96,996	88,367	7,754	8,629
Contractual	324,100	326,440	298,419	(2,340)	28,021
Capital outlay	135,819	138,319	4,851	(2,500)	133,468
Total public works	1,076,568	1,073,654	896,028	2,914	177,626
Culture, recreation, and community services					
Personnel services	79,582	79,582	58,453	-	21,129
Supplies	29,200	29,915	17,042	(715)	12,873
Contractual	16,500	16,780	16,752	(280)	28
Total culture and recreation and community services	-	-	-	-	-
	125,282	126,277	92,247	(995)	34,030

Continued on Next Page



## City of Pass Christian, 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

	Budgeted Amounts		Actual Budgetary Basis	Variances Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Beautification:					
Personnel services	206,989	207,980	202,211	(991)	5,769
Supplies	41,500	40,505	24,259	995	16,246
Contractual	19,310	19,310	15,826	-	3,484
Capital outlay	-	-	-	-	-
Total beautification	267,799	267,795	242,296	4	25,499
Economic Development					
Personnel services	61,675	61,675	55,329	-	6,346
Supplies	750	750	114	-	636
Contractual	9,000	9,000	7,951	-	1,049
Capital outlay	-	-	-	-	-
Total beautification	71,425	71,425	63,394	-	8,031
Debt service	136,125	136,125	136,125	-	-
Total Expenditures	6,185,917	6,263,563	5,768,721	(77,646)	494,842
Excess (Deficiency) of Revenues Over Expenditures	(120,485)	(198,131)	304,360	(77,646)	502,491
Other Financing Sources (Uses):					
Proceeds from sale of surplus	25,000	25,000	2,157	-	(22,843)
Transfers from other funds	-	-	30,000		30,000
Insurance proceeds	12,500	12,500	114,765		102,265
Total Other Financing Sources (Uses)	37,500	37,500	146,922	-	109,422
Net change in fund balances	\$ (82,985)	(160,631)	451,282	(77,646)	611,913

#### Reconciliation of Cash-basis Budget to Statement of Revenues, Expenditures and Changes in Fund Balance

Net Change in fund balance - Budget-Cash Basis	\$ 451,282
Revenues and other financing sources per Budget-Cash-basis	6,220,003
Additional accrued revenues	558,809
Revenues and other financing sources per Fund Financial Statements	6,778,812
Expenditures and other financing uses per Cash-basis Budget	5,768,721
Additional accrued expenses	596,447
Expenditures and other financing uses per Fund Financial Statement	6,365,168
Net Change in fund balance - Fund Financials	\$ 413,644



## City of Pass Christian, Mississippi

### Notes to the Required Supplementary Information 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).



## City of Pass Christian, Mississippi

### Schedule of City's Proportionate Share of the Net Pension Liability Last 10 Fiscal Years\* For Fiscal Year Ended September 30, 2020

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.045%	0.045%	0.046%	0.041%	0.038%	0.036%
City's proportionate share of the net pension liability (asset)	\$ 8,762,585	7,916,387	7,651,166	6,815,591	6,787,750	5,637,543
City's covered payroll	\$ 2,641,333	2,843,570	2,918,044	2,614,635	2,572,737	2,278,432
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	331.75%	278.40%	262.20%	260.67%	263.83%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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



## City of Pass Christian, Mississippi

### Schedule of City's Contributions Last 10 Fiscal Years\* For the Fiscal Year Ended September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 541,295	463,948	459,592	411,805	405,206	358,853
Contributions in relation to the contractually required contribution	<u>541,295</u>	<u>463,948</u>	<u>459,592</u>	<u>411,805</u>	<u>405,206</u>	<u>358,853</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 3,110,891	2,870,521	2,918,044	2,614,635	2,572,737	2,278,432
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 Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the City has only presented information for the years in which information is available.



## City of Pass Christian, Mississippi

### Schedule of City's Contributions Notes to the Required Supplementary Information – Pension Schedules For the Fiscal Year Ended September 30, 2020

#### Pension Schedules

##### ***A. Changes in assumptions***

###### ➤ 2019

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

###### ➤ 2017

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

###### ➤ 2016

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

###### ➤ 2015

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



## City of Pass Christian, Mississippi

### Schedule of City's Contributions Notes to the Required Supplementary Information – Pension Schedules 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

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## SUPPLEMENTAL INFORMATION

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## City of Pass Christian, Mississippi

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

Position	Surety	Amount
Mayor	CNA Surety	\$ 100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Assistant Court Clerk	CNA Surety	50,000
Assistant Police Chief	CNA Surety	50,000
Beautification Director	CNA Surety	50,000
City Clerk/Payroll	CNA Surety	50,000
Code Enforcement Officer	CNA Surety	50,000
Code Office Clerk	CNA Surety	50,000
Court Clerk	CNA Surety	50,000
Harbor Clerk	CNA Surety	50,000
Harbor Master	CNA Surety	50,000
Harbor Security	CNA Surety	50,000
Harbor Security	CNA Surety	50,000
Harbor Security	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
Police Chief	CNA Surety	50,000
Purchasing/Accounts Payable Clerk	CNA Surety	50,000
Records Clerk - Police Dept.	CNA Surety	50,000
Records Clerk - Police Dept.	CNA Surety	50,000
Recreation Director	CNA Surety	50,000
Senior Center Director	CNA Surety	50,000
Water/Sewer Clerk	CNA Surety	50,000
Water/Sewer Clerk	CNA Surety	50,000
Undercover Drug Officer	CNA Surety	50,000

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## SPECIAL REPORTS

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# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

HANCOCK BANK BUILDING

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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*

Honorable Mayor and  
Board of Alderman  
City of Pass Christian, 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 City of Pass Christian, Mississippi's (the "City") governmental activities, business-type activities, each major fund and the aggregate remaining fund information as of 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 June 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

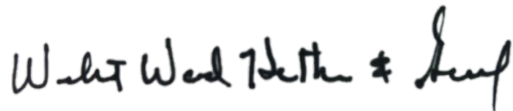
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

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



Wright, Ward, Hatten & Guel, CPAs  
June 15, 2021

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Honorable Mayor and  
Board of Alderman  
City of Pass Christian, Mississippi

In planning and performing our audit of the financial statements of the City of Pass Christian, Mississippi for the year ended September 30, 2020, we considered the City's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Pass Christian, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 15, 2021, on the financial statements of the City of Pass Christian, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with §7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of procedures performed to test compliance with certain state laws and regulations disclosed the following immaterial instance of noncompliance as follows:

### ***Finding* – Fixed assets not properly tagged and recorded in the fixed asset ledger.**

*Criteria* - State law requires that fixed assets be properly tagged and accounted recorded in a fixed asset ledger maintained by the City.

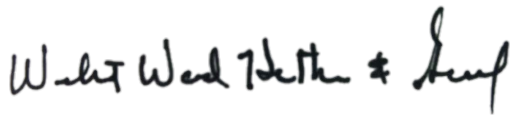
*Condition* – Multiple instances were noted in our reading of the minutes that several of the fixed assets submitted for surplus auction or disposal had no tagged and had not been previously listed in the fixed asset ledger.

*Effect* – By not recorded fixed assets and tagging upon receipt, a proper accounting for fixed assets cannot be maintained by the City, leaving a possibility for misappropriation of fixed assets.

*Recommendation* – We recommend that the City put measures in place to ensure that all fixed assets are properly recorded and tagged upon purchase in compliance with state regulations and that all existing assets are reconciled to the fixed asset ledger and ensured that all are tagged properly.

**City's Response** – At present, the Fixed Asset Clerk tags all new fixed assets and enters them into the fixed asset ledger upon purchase. Annually, the Fixed Asset Clerk sends out a detailed listing of all State mandated tagged fixed assets to all departments. Departmental inventory clerks are to ensure that all assets are listed, properly tagged and report any changes to the Inventory clerk for adjustment to the fixed asset ledger. During the present fiscal year, the Fixed Asset Clerk will ensure that the annual inventory submitted to her office from departmental inventory clerks is accurate by selecting a test sample from each department to test accuracy in reporting. Any and all untagged fixed assets will be recorded and tagged as required by State law.

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



Wright, Ward, Hatten & Guel, CPAs  
June 15, 2021



## City of Pass Christian, Mississippi

### Schedule of Findings and Questioned Costs

For the Fiscal Year Ended September 30, 2020

#### **SECTION 1 – SUMMARY OF AUDITOR'S RESULTS**

##### Financial Statements:

- |    |   |            |
|----|---|------------|
| 1. | Type of auditors' report issued on the financial statements:                              |            |
|    | Governmental activities   | Unmodified |
|    | Business-type activities  | Unmodified |
|    | General and other major funds   | Unmodified |
|    | Aggregate remaining fund information  | Unmodified |
| 2. | Internal control over financial reporting:  |            |
|    | a. Material weaknesses identified?  | No         |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements noted?                                 | None noted |

#### **SECTION 2 – FINANCIAL STATEMENT FINDINGS**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Governmental Auditing Standards*.