

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**CITY OF PASCAGOULA, MISSISSIPPI**

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2021

CITY OF PASCAGOULA, MISSISSIPPI  
TABLE OF CONTENTS  
For the Year Ended September 30, 2021

---

	<b>Pages</b>
<b>INTRODUCTORY SECTION</b>	
Listing of City Officials	ii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	3-5
Management's Discussion and Analysis	6-15
<b>Basic Financial Statements</b>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	18
Statement of Activities	19
<i>Fund Financial Statements</i>	
Governmental Funds	
Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Funds	
Statement of Net Position	24
Statement of Revenues, Expenses, and Changes in Net Position	25
Statement of Cash Flows	26-27
Fiduciary Funds	
Statement of Net Position	28
Statement of Changes in Net Position	29
<i>Notes to the Financial Statements</i>	30-64
<b>Required Supplementary Information</b>	66
Budgetary Schedules	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary Basis - General Fund	68-69
Notes to the Budgetary Comparison Schedule	70
Pension Schedules	
Mississippi Public Employees' Retirement System (PERS)	
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios	71
Schedule of City Contributions and Related Ratios	72
Notes to the PERS Pension Schedules	73-74
Mississippi Municipal Retirement System (MRS)	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	75
Schedule of City Contributions and Related Ratios and Notes	76
<b>Supplemental Information</b>	
Schedule of Expenditures of Federal Awards	80
Notes to the Schedule of Expenditures of Federal Awards	81
Schedule of Surety Bonds for City Officials	82
<b>SPECIAL REPORTS</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86-87
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	88-89
Independent Auditor's Report on Compliance with State Laws and Regulations	90
Schedule of Findings and Questioned Costs	91-92
Summary of Prior Year Finding	93-94

---

---

## INTRODUCTORY SECTION

---

---



**ELECTED OFFICIALS**  
**As of September 30, 2021**



**Jay Willis**  
**Mayor**



**Patrick Gatchell**  
**Councilman At-Large**



**Michael Hyde**  
**Councilman, Ward 1**



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



**Johnny Walker**  
**Councilman, Ward 3**



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



**Chris Blythe**  
**Councilman, Ward 5**

---

---

## FINANCIAL SECTION

---

---

This page left blank intentionally

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
Pascagoula, 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 Pascagoula, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi, as of September 30, 2021, and the changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pascagoula, Mississippi's basic financial statements. The introductory section and the Schedule of Surety Bonds for City Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

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

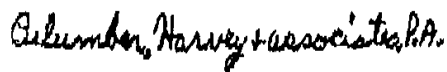
The introductory section and the Schedule of Surety Bonds for City Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of City of Pascagoula, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pascagoula, Mississippi's internal control over financial reporting and compliance.

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

In accordance with the State of Mississippi, we have also issued our report dated February 3, 2023, on our consideration of the City of Pascagoula's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Pascagoula's internal control over financial reporting and compliance.



Culumber, Harvey & Associates, P.A.  
Gulfport, Mississippi  
February 3, 2023

---

---

## MANAGEMENT DISCUSSION AND ANALYSIS

---

---

This page left blank intentionally

## CITY OF PASCAGOULA, MISSISSIPPI

### Management's Discussion and Analysis

This section of the City of Pascagoula, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2021 and 2020. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Pascagoula is located on the Mississippi Gulf Coast and is ranked as the 20<sup>th</sup> most populated city in the State of Mississippi. According to the United States Census Bureau, the estimated population of City of Pascagoula as of July 1, 2021 is 21,849. The median household income is \$41,167 with over 86% of persons 25 years or older holding a high school degree or higher.

#### **Government-wide Financial Highlights**

- Total assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources at the close of the current year by approximately \$72,964,011. This amount represents the total net position of the City's governmental and business-type activities. This amount increased from last's year's net position of \$57,595,262 by \$15,171,503 for current year activities and increased \$197,246 for prior period adjustments.
- General revenues amounted to \$26,203,141 or 50% of total revenues. This amount increased \$2,370,608 in 2021. Program revenues amounted to \$26,461,639 or 50% of total revenues, which increased \$8,272,782 in 2021. This increase was mostly due to the increase in capital grants received.
- Overall expenses for the City increased \$1,173,550 from the total expenses of \$37,493,277 reported in 2021. This increase is primarily due to a significant increase in capital project expenses in economic development.
- Capital assets, net of accumulated depreciation, increased by \$77,975 in the governmental activities and decreased \$1,275,858 in the business-type activities during 2021. Capital asset acquisitions, disposals and adjustments totaled \$4,308,781 while normal straight-line depreciation of capital assets totaled \$5,450,068.
- The City borrowed an additional \$33,208 in capital leases in 2021. Principal payments of \$3,665,831 were made to reduce outstanding debt. The SCDL loan in the amount of \$2,513,486 was forgiven in 2021.
- The City had \$4,038,126 in major construction in progress at the end of 2021 with a continuing commitment of \$4,441,042 in future years.

#### **Major Fund Highlights**

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$22,972,806 in revenues, which shows an increase of \$1,929,050 in 2021 and \$20,505,453 in expenditures, a decrease of \$196,974 in 2021. The general fund shows a deficit in fund balance of \$5,231,569, an improvement of \$3,586,325 from 2020.
- *Debt Service Fund* – This fund is used to account for the future payments of the City's governmental debt. The fund shows, at September 30, 2021, the remaining funds available for debt service is \$2,470,628.

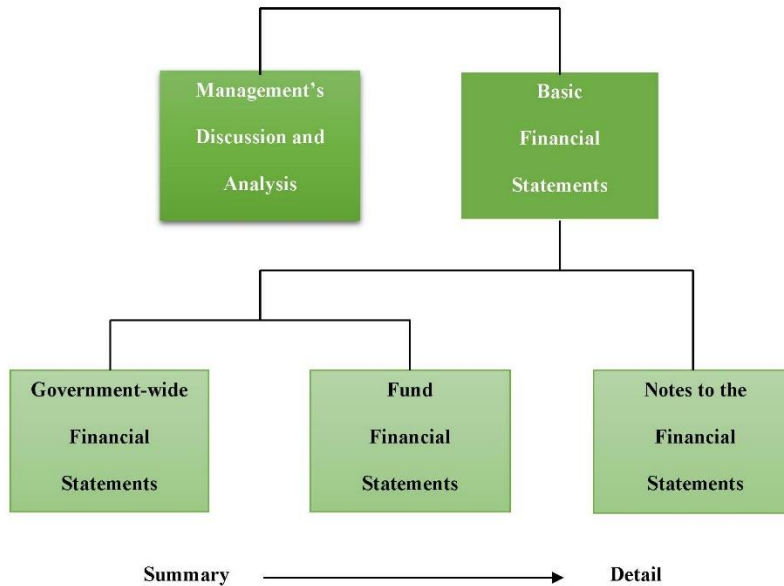
CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

**Using this Annual Financial Report**

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

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

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

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

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

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

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

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

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

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

Table 1 and Table 2 provide a summary of the City's net position and changes in net position for 2021 compared to 2020.

<p style="text-align: center;"><b>TABLE 1</b>  <b>Condensed Statement of Net Position</b>  <b>September 30, 2021 and 2020</b></p>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>						
Current assets	\$ 20,618,247	19,190,223	16,051,724	13,934,933	36,669,971	33,125,156
Noncurrent assets	3,236,868	25,717	2,206,567	-	5,443,435	25,717
Capital assets	87,478,771	87,473,686	22,658,317	23,934,175	110,137,088	111,407,861
<b>Total Assets</b>	<b>111,333,886</b>	<b>106,689,626</b>	<b>40,916,608</b>	<b>37,869,108</b>	<b>152,250,494</b>	<b>144,558,734</b>
<b>Deferred Outflows</b>	<b>2,454,847</b>	<b>1,910,007</b>	<b>124,241</b>	<b>34,897</b>	<b>2,579,088</b>	<b>1,944,904</b>
<b>Liabilities</b>						
Current liabilities	5,126,831	3,912,888	2,377,535	1,898,036	7,504,366	5,810,924
Noncurrent liabilities	39,268,846	52,712,532	13,251,105	14,464,264	52,519,951	67,176,796
<b>Total Liabilities</b>	<b>44,395,677</b>	<b>56,625,420</b>	<b>15,628,640</b>	<b>16,362,300</b>	<b>60,024,317</b>	<b>72,987,720</b>
<b>Deferred Inflows</b>	<b>21,425,308</b>	<b>15,764,687</b>	<b>415,946</b>	<b>207,681</b>	<b>21,841,254</b>	<b>15,972,368</b>
<b>Net Position</b>						
Investment in capital assets, net of related debt	69,940,252	66,886,296	10,251,341	16,797,616	80,191,593	83,683,912
Restricted net assets	3,659,909	4,998,597	1,608,210	1,608,210	5,268,119	6,606,807
Unrestricted	(25,632,413)	(35,675,367)	13,136,712	2,928,198	(12,495,701)	(32,747,169)
<b>Total Net Position</b>	<b>\$ 47,967,748</b>	<b>36,209,526</b>	<b>24,996,263</b>	<b>21,334,024</b>	<b>72,964,011</b>	<b>57,543,550</b>

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

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis

**TABLE 2**  
**Condensed Statement of Activities**  
**September 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 2,865,264	2,444,393	14,429,393	13,692,610	17,294,657	16,137,003
Operating grants and contributions	1,243,908	409,434	-	-	1,243,908	409,434
Capital grants and contributions	7,923,074	1,642,420	-	-	7,923,074	1,642,420
General revenues					-	-
Taxes	22,571,691	22,596,422	1,874	237,431	22,573,565	22,833,853
Grants and contributions - unrestricted	469,539	467,626	-	6,512	469,539	474,138
Investment earnings	422,324	303,474	-	5,185	422,324	308,659
Miscellaneous	2,732,617	209,147	5,096	6,736	2,737,713	215,883
Total revenues	<u>38,228,417</u>	<u>28,072,916</u>	<u>14,436,363</u>	<u>13,948,474</u>	<u>52,664,780</u>	<u>42,021,390</u>
Expenses:						
General government	5,218,162	5,685,503	-	-	5,218,162	5,685,503
Public safety	10,359,190	11,871,107	-	-	10,359,190	11,871,107
Public works	4,994,067	4,458,127	-	-	4,994,067	4,458,127
Culture and recreation	3,196,752	1,678,960	-	-	3,196,752	1,678,960
Urban renewal and economic development	1,939,405	460,532	-	-	1,939,405	460,532
Interest on long-term debt	762,619	787,974	234,495	187,716	997,114	975,690
Pascagoula Utilities	-	-	9,203,906	10,003,469	9,203,906	10,003,469
Solid waste and energy recovery	-	-	1,584,681	1,238,051	1,584,681	1,238,051
Transfer Station	-	-	-	-	-	-
Total expenses	<u>26,470,195</u>	<u>24,942,203</u>	<u>11,023,082</u>	<u>11,429,236</u>	<u>37,493,277</u>	<u>36,371,439</u>
Transfers	-	3,000,000	-	(3,000,000)	-	-
Changes in net position	11,758,222	6,130,713	3,413,281	(480,762)	15,171,503	5,649,951
Net Position - beginning, restated	<u>36,209,526</u>	<u>30,078,813</u>	<u>21,582,982</u>	<u>21,814,786</u>	<u>57,792,508</u>	<u>51,893,599</u>
Net Position - ending	<u>\$ 47,967,748</u>	<u>36,209,526</u>	<u>24,996,263</u>	<u>21,334,024</u>	<u>72,964,011</u>	<u>57,543,550</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$72,964,011 as of September 30, 2021. The City's net position increased by \$15,171,503 for the fiscal year ended September 30, 2021. However, the largest portion reflects the City's net investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities (See Note 11 for more detail).

An additional portion of the City's net position, \$5,268,119, represents resources that are subject to external restrictions on how they may be used.



# CITY OF PASCAGOULA, MISSISSIPPI

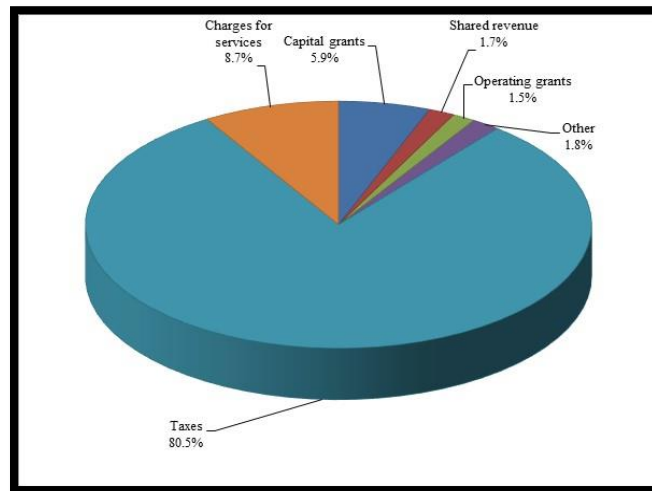
## Management's Discussion and Analysis

### *Governmental Activities*

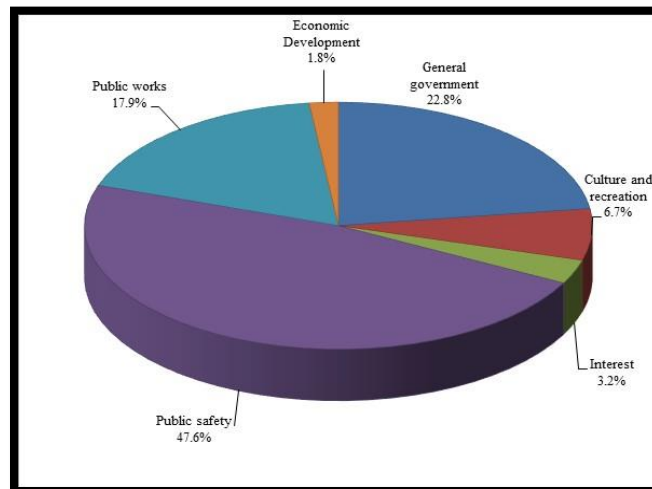
Total net position increased \$11,758,222 for current year activities as a result primarily due to a significant decrease in governmental activities spending and a significant increase in capital grant revenues. Under the accrual basis of accounting, governmental activities general revenues amounted to \$26,196,171 or 69% of total revenues. This amount increased \$2,619,502 in 2021. Program revenues amounted to \$12,032,246 or 31% of total revenues, which increased \$7,535,999 in 2021.

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

**Chart 1 – Governmental Activities Revenue Sources**



**Chart 2 – Governmental Activities**



### *Business-type activities*

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

Net position for the business-type activities was \$24,996,263 for the year ended September 30, 2021, an increase of \$3,610,527 in 2021, which includes a prior period adjustment of \$197,246 of capital expenditures expensed in 2020.

## CITY OF PASCAGOULA, MISSISSIPPI

### Management's Discussion and Analysis

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

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

##### ***Governmental Funds***

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

At the end of the year, the governmental funds reported a combined fund balance of \$6,717,498, an increase of \$3,636,962 current year activities in 2021.

Of the fund balance, \$3,807,571 is restricted and cannot be spent for any other purpose than that designated by the grant, bond proceeds or state statute. Another \$2,389,502 is committed to specific projects, and \$5,338,542 is assigned by the council to be spent only on capital projects. The result is a deficit of \$4,818,117 of available funds to meet future general requirements.

##### ***Proprietary Funds***

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

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

The net position of the Pascagoula Utilities Fund increased \$3,442,325, with an additional \$197,246 from prior year amounts expended that should have been capitalized during the fiscal year ended September 30, 2021. Operating income amounted to \$3,667,723 which includes \$1,584,796 of depreciation expense.

The net position of the Solid Waste Fund decreased \$29,044 with an operating loss of \$29,044. This loss is primarily due to an increase in solid waste contracts and the council's decision not to increase customer rates until 2022.

##### ***Fiduciary Funds***

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

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

**General Fund Budgeting Highlights**

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

During the course of 2021, the City amended its General Fund budget. All recommendations for a budget change come from the City Clerk to the Council for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without council approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over-spending by individual departments.

**Capital Assets**

Table 3 shows the changes in capital assets for the years ended September 30, 2021 and 2020.

<b>TABLE 3</b>						
<b>Schedule of Capital Assets (Net of Accumulated Depreciation)</b>						
<b>September 30, 2021 and 2020</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 16,885,756	16,636,273	84,751	84,751	16,970,507	16,721,024
Construction in progress	3,729,188	7,883,785	308,938	-	4,038,126	7,883,785
Buildings & improvements	2,275,770	2,531,837	3,893,304	4,264,095	6,169,074	6,795,932
Improvements - other	46,980,780	41,645,836	18,304,708	19,447,754	65,285,488	61,093,590
Infrastructure	16,669,054	17,508,699	-	-	16,669,054	17,508,699
Machinery & equipment	644,965	787,709	66,616	137,575	711,581	925,284
Equipment under capital leases	293,258	479,547	-	-	293,258	479,547
Total	<u>\$ 87,478,771</u>	<u>87,473,686</u>	<u>22,658,317</u>	<u>23,934,175</u>	<u>110,137,088</u>	<u>111,407,861</u>

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

**General Long-term Obligations**

At September 30, 2021, the City had \$31,069,659 outstanding debt obligations, along with \$749,988 in compensated absences payable and \$22,263,170 in net pension obligations.

<b>TABLE 4</b>						
<b>Schedule of Debt Obligations</b>						
<b>September 30, 2021 and 2020</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
General Obligation Bonds	\$ 17,104,753	17,937,728	830,000	1,250,000	17,934,753	19,187,728
Revenue Bonds	-	-	11,301,847	11,623,871	11,301,847	11,623,871
Note payable	1,380,000	5,886,809	258,485	279,611	1,638,485	6,166,420
Capital Leases	194,574	237,749	-	-	194,574	237,749
Total	<u>\$ 18,679,327</u>	<u>24,062,286</u>	<u>12,390,332</u>	<u>13,153,482</u>	<u>31,069,659</u>	<u>37,215,768</u>

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

**Economic Factors**

The City of Pascagoula continues to project mostly positive outlook in terms of its economic environment. It is the home to Huntington-Ingalls Shipbuilding, the largest single-site employer in Mississippi, as well as a plethora of other major industrial companies such as Chevron, Rolls Royce Naval Marine, and VT Halter Marine. Although its residential population hovers around 22,000, Pascagoula's daytime population swells to an estimated 45,000 with all of the people who commute to work.

Pascagoula's unemployment rate increased in 2021 5.6%, down from 7.3% in 2020. Mississippi's unemployment rate in September 2021 was 5.9%.

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

While Pascagoula continues to make strides in terms of its economic growth, it still faces some challenges as a municipal government. Its current economic growth comes after years of devastation left by Hurricane Katrina, the BP Oil Spill, the economic recession in 2008, numerous hurricanes and tropical storms, and COVID-19 currently. As a result, Pascagoula's transportation infrastructure, water and sewer system and recreation facilities are in need of considerable upgrades. The City is in the final stages of completing a \$10,315,000 bond for infrastructure improvement. At the end of 2021, the City had approximately \$4.0 million in construction in progress, with approximately \$4.4 million in remaining contract commitments for completion of the project phases. In 2021, the City was awarded approximately \$2.5 million in American Rescue Plan Act funds with another \$2.5 million to be received in fiscal year 2022. Plans are underway to upgrade much needed infrastructure throughout the City.

**Contact the City's Financial Management**

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

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

---

---

## BASIC FINANCIAL STATEMENTS

---

---

This page left blank intentionally.

**City of Pascagoula, Mississippi**

**Statement of Net Position**

**September 30, 2021**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash	\$ 3,503,790	15,131,850	18,635,640
Taxes receivables	13,310,392	-	13,310,392
Accounts receivable (net of allowance)	34,594	1,163,211	1,197,805
Intergovernmental receivables	2,643,936	-	2,643,936
Fines and forfeitures (net of allowance)	378,195	-	378,195
Interfund	253,955	(253,955)	-
Prepaid items	410,998	10,618	421,616
Insurance rebates receivable	74,417	-	74,417
Note receivable	7,970	-	7,970
Total Current Assets	<u>20,618,247</u>	<u>16,051,724</u>	<u>36,669,971</u>
Noncurrent Assets			
Cash	3,226,855	2,206,567	5,433,422
Note receivable	10,013	-	10,013
Capital assets, net of accumulated depreciation	87,478,771	22,658,317	110,137,088
Total Noncurrent Assets	<u>90,715,639</u>	<u>24,864,884</u>	<u>115,580,523</u>
Total Assets	<u>111,333,886</u>	<u>40,916,608</u>	<u>152,250,494</u>
Deferred Outflows of Resources			
Deferred bond charges	37,277	-	37,277
Deferred amounts on pension	2,417,570	124,241	2,541,811
Total Deferred Outflow of Resources	<u>2,454,847</u>	<u>124,241</u>	<u>2,579,088</u>
<b>Liabilities</b>			
Current liabilities:			
Claims and wages payable	2,360,522	377,857	2,738,379
Accrued interest payable	147,662	1,236,823	1,384,485
Judgements and insurance claims payable	158,444	-	158,444
Unearned revenue	1,056,653	-	1,056,653
Debt due within one year			
Capital debt	935,474	352,855	1,288,329
Noncapital debt	468,076	410,000	878,076
Total current liabilities	<u>5,126,831</u>	<u>2,377,535</u>	<u>7,504,366</u>
Noncurrent Liabilities:			
Payable from restricted assets			
Customer deposits	5,182	598,357	603,539
Debt due in more than one year			
Capital debt	16,363,853	11,207,477	27,571,330
Noncapital debt	1,632,769	449,143	2,081,912
Net pension liability	21,267,042	996,128	22,263,170
Total noncurrent liabilities	<u>39,268,846</u>	<u>13,251,105</u>	<u>52,519,951</u>
Total Liabilities	<u>44,395,677</u>	<u>15,628,640</u>	<u>60,024,317</u>
Deferred Inflows of Resources			
Property tax for future reporting period	12,709,203	-	12,709,203
Deferred amount on pensions	8,393,418	388,684	8,782,102
Deferred amounts associated with debt	322,687	27,262	349,949
Total Deferred Inflows of Resources	<u>21,425,308</u>	<u>415,946</u>	<u>21,841,254</u>
<b>Net Position</b>			
Investment in capital assets, net of related debt	69,940,252	10,251,341	80,191,593
Restricted Net Position:			
Restricted for grant/bond purposes	416,904	-	416,904
Restricted for debt service	2,322,966	1,608,210	3,931,176
Restricted for public safety	920,039	-	920,039
Unrestricted	(25,632,413)	13,136,712	(12,495,701)
Total Net Position	<u>\$ 47,967,748</u>	<u>24,996,263</u>	<u>72,964,011</u>

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

**City of Pascagoula, Mississippi**  
**Statement of Activities**  
**For the Year Ended September 30, 2021**

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	\$ 5,218,162	2,070,132	94,411	8,533	(3,045,086)		(3,045,086)
Public safety	10,359,190	474,473	978,887	52,541	(8,853,289)		(8,853,289)
Public works	4,994,067	-	170,610	6,722,085	1,898,628		1,898,628
Culture, recreation and community services	3,196,752	281,211	-	292,544	(2,622,997)		(2,622,997)
Urban renewal and economic development	1,939,405	39,448	-	847,371	(1,052,586)		(1,052,586)
Interest on long-term debt	762,619	-	-	-	(762,619)		(762,619)
Total governmental activities	26,470,195	2,865,264	1,243,908	7,923,074	(14,437,949)		(14,437,949)
Business-type activities:							
Pacagoula utilities	9,438,401	12,875,630	-	-		3,437,229	3,437,229
Solid waste	1,584,681	1,553,763	-	-		(30,918)	(30,918)
Total business-type activities	11,023,082	14,429,393	-	-		3,406,311	3,406,311
Total government	\$ 37,493,277	17,294,657	1,243,908	7,923,074		3,406,311	(11,031,638)
General Revenues:							
Taxes:							
Property taxes, general					9,846,684	-	9,846,684
Property taxes, debt service					2,214,499	-	2,214,499
Property taxes, special purpose					578,674	1,874	580,548
Property taxes in lieu - federal government					16,099	-	16,099
General sales taxes					6,292,431	-	6,292,431
Special sales taxes					1,186,550	-	1,186,550
Franchise taxes					1,429,903	-	1,429,903
County road taxes					1,006,851	-	1,006,851
Grants and contributions not restricted to a special purpose					469,539	-	469,539
Unrestricted investment earnings					422,324	-	422,324
Debt forgiveness					2,513,486	-	2,513,486
Miscellaneous					219,131	5,096	224,227
Total general revenues					26,196,171	6,970	26,203,141
Changes in net position					11,758,222	3,413,281	15,171,503
Net position - beginning, restated					36,209,526	21,582,982	57,792,508
Net position - ending					\$ 47,967,748	24,996,263	72,964,011

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



**City of Pascagoula, Mississippi**  
**Balance Sheet – Governmental Funds**  
**September 30, 2021**

	Major Funds			
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 619,580	1,972,366	7,811,883	10,403,829
Receivables-current			-	
Property tax	10,673,394	1,475,474	662,320	12,811,188
Franchise taxes	499,204	-	-	499,204
Intergovernmental	1,054,051	-	1,589,885	2,643,936
Court fines & fees	378,195	-	-	378,195
Accounts receivable, net	26,984	-	7,610	34,594
Due from other funds	1,053,955	-	-	1,053,955
Note receivable	-	-	17,983	17,983
Restricted Cash	-	480,559	2,746,296	3,226,855
Advance to other funds	26,400	-	-	26,400
Total Assets	<u>14,331,763</u>	<u>3,928,399</u>	<u>12,835,977</u>	<u>31,096,139</u>
<b>LIABILITIES</b>				
Interfund payable - pooled cash	7,111,242	-	-	7,111,242
Claims payable	488,195	-	1,054,116	1,542,311
Other accrued liabilities	223,904	-	-	223,904
Wages payable	594,307	-	-	594,307
Unearned revenue	26,984	-	1,014,117	1,041,101
Due to other funds	-	-	600,000	600,000
Compensated absences - current	8,076	-	-	8,076
Customer deposits	-	-	5,182	5,182
Advance from other funds	-	-	26,400	26,400
Total Liabilities	<u>8,452,708</u>	<u>-</u>	<u>2,699,815</u>	<u>11,152,523</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes for future reporting period	10,593,709	1,457,771	657,723	12,709,203
Unavailable revenue - fines and grants	516,915	-	-	516,915
Total Deferred Inflows of Resources	<u>11,110,624</u>	<u>1,457,771</u>	<u>657,723</u>	<u>13,226,118</u>
<b>FUND BALANCES</b>				
Restricted:				
Grant/bond purposes	-	-	266,492	266,492
Debt service	-	2,470,628	-	2,470,628
Public safety	-	-	920,039	920,039
Economic development (PRA)	-	-	150,412	150,412
Committed:				
Capital projects	-	-	1,964,482	1,964,482
Machpelah Cemetery	-	-	224,224	224,224
Lighthouse preservation	-	-	163,343	163,343
Historic preservation	-	-	1,880	1,880
Inner harbor	-	-	35,573	35,573
Assigned:				
Capital projects	-	-	5,338,542	5,338,542
Unassigned	(5,231,569)	-	413,452	(4,818,117)
Total Fund Balances	<u>(5,231,569)</u>	<u>2,470,628</u>	<u>9,478,439</u>	<u>6,717,498</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 14,331,763</u>	<u>3,928,399</u>	<u>12,835,977</u>	<u>31,096,139</u>

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

**City of Pascagoula, Mississippi**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2021**

**Total governmental funds balance** **\$ 6,717,498**

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	\$ 145,723,590	
Less: accumulated depreciation	<u>(58,244,819)</u>	87,478,771

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

Prepaid property and fire insurance	\$ 350,000	
Prepaid bond insurance	<u>60,998</u>	410,998

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

Court fines receivable	\$ 392,586	
Franchise fees receivable	<u>124,329</u>	516,915

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

Bonds payable	\$ (17,104,753)	
Notes payable	(1,380,000)	
Capital leases payable	(194,574)	
Compensated absences	(712,769)	
Net pension liability	<u>(21,267,042)</u>	(40,659,138)

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

Accrued interest payable		(147,662)
--------------------------	--	-----------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and are therefore not reported in the funds.

Deferred outflows of resources related to pensions	\$ 2,417,570	
Deferred inflows of resources related to pensions	<u>(8,393,418)</u>	(5,975,848)

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

Deferred bond charges	\$ 37,277	
Unamortized premium on bond	<u>(322,687)</u>	(285,410)

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

Current assets	\$ 285,620	
Amounts due to other funds	(200,000)	
Held for employees in Flex Account	(15,552)	
Estimated claims payable	<u>(158,444)</u>	<u>(88,376)</u>

**Net position of governmental activities** **\$ 47,967,748**

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

**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance – Governmental Funds**  
**For the Fiscal Year Ended September 30, 2021**

	Major Funds			
	General	Debt	Other	Total
	Fund	Service	Governmental	Governmental
		Fund	Funds	Funds
Revenues:				
Property taxes	\$ 9,862,783	2,214,499	578,673	12,655,955
Franchise fees	1,429,270	-	-	1,429,270
Fees and fines	316,093	-	327,776	643,869
Licenses and permit fees	241,526	-	-	241,526
Intergovernmental	8,647,512	60,390	9,177,631	17,885,533
Charges for services	1,949,462	-	59,520	2,008,982
Investment earnings	366,180	-	56,144	422,324
Miscellaneous	159,980	-	1,235	161,215
Total Revenues	<u>22,972,806</u>	<u>2,274,889</u>	<u>10,200,979</u>	<u>35,448,674</u>
Expenditures:				
General government	4,857,876	-	138,273	4,996,149
Public safety	11,182,898	-	652,616	11,835,514
Public works	2,199,558	-	1,011,514	3,211,072
Culture & recreation	1,989,243	-	466,795	2,456,038
Urban & economic development	73,920	-	1,787,186	1,861,106
Capital outlay	119,051	-	3,898,480	4,017,531
Debt service:				
Principal	76,383	2,826,298	-	2,902,681
Interest and other fiscal charges	6,524	770,897	-	777,421
Total Expenditures	<u>20,505,453</u>	<u>3,597,195</u>	<u>7,954,864</u>	<u>32,057,512</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>2,467,353</u>	<u>(1,322,306)</u>	<u>2,246,115</u>	<u>3,391,162</u>
Other Financing Sources (Uses):				
Proceeds from capital leases	33,208	-	-	33,208
Proceeds from sale of cemetery plots	-	-	112,000	112,000
Proceeds from insurance	100,592	-	-	100,592
Transfers In	985,172	802,132	-	1,787,304
Transfers Out	-	-	(1,787,304)	(1,787,304)
Total Other Financing Sources (Uses)	<u>1,118,972</u>	<u>802,132</u>	<u>(1,675,304)</u>	<u>245,800</u>
Net change in fund balances	3,586,325	(520,174)	570,811	3,636,962
Fund balances - beginning	<u>(8,817,894)</u>	<u>2,990,802</u>	<u>8,907,628</u>	<u>3,080,536</u>
Fund balances - ending	<u>\$ (5,231,569)</u>	<u>2,470,628</u>	<u>9,478,439</u>	<u>6,717,498</u>

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

**City of Pascagoula, Mississippi**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance to the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2021**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 3,636,962**

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

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

Capital outlay	\$ 4,017,531	
Depreciation	<u>(3,865,272)</u>	152,259

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (74,285)

The issuance of long-term debt provides current financial resources to the governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Issuance of debt	\$ (33,208)	
Debt retirement	<u>5,416,168</u>	5,382,960

Receivables that do not meet the "measurable and available" criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, they are recognized when levied and earned. 53,665

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

Pension expense and contributions made after measurement date		2,287,689
---	--	-----------

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

Accrued interest payable	\$ 13,747	
Prepaid insurance	224,094	
Compensated absences	<u>(28,771)</u>	209,070

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

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

Internal service funds are used by management to charge the costs of certain insurance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 108,847

**Change in net position of governmental activities** **\$ 11,758,222**

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

**City of Pascagoula, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2021**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major Funds			Non-Major		
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund	Total Business-type Activities	Self Insurance Fund
<b>Assets</b>						
Current assets						
Cash	\$ 12,440,516	2,691,334	-	-	15,131,850	211,203
Accounts receivable (net of allowance)	788,716	374,495	-	-	1,163,211	-
Property tax receivable	-	-	-	-	-	-
Insurance rebates receivable	-	-	-	-	-	74,417
Due from other fund	26,293	360,000	-	-	386,293	-
Prepaid items	10,618	-	-	-	10,618	-
Total current assets	13,266,143	3,425,829	-	-	16,691,972	285,620
Noncurrent assets						
Cash	598,357	-	-	1,608,210	2,206,567	-
Capital assets						
Nondepreciable capital assets	-	-	84,751	-	84,751	-
Other capital assets (net of accumulated depreciation)	22,573,566	-	-	-	22,573,566	-
Total noncurrent assets	23,171,923	-	84,751	1,608,210	24,864,884	-
Total Assets	\$ 36,438,066	3,425,829	84,751	1,608,210	41,556,856	285,620
<b>Deferred Outflow of Resources</b>						
Deferred amounts on pensions	124,241	-	-	-	124,241	-
Total Deferred Outflow of Resources	\$ 124,241	-	-	-	124,241	-
<b>Liabilities</b>						
Current liabilities:						
Claims payable	236,824	122,018	-	-	358,842	-
Wages and accrued liabilities payable	19,015	-	-	-	19,015	-
Accrued interest payable	59,196	-	1,177,627	-	1,236,823	-
Due to other funds	-	-	640,248	-	640,248	200,000
Judgements and claims payable	-	-	-	-	-	158,444
Unearned revenue	-	-	-	-	-	15,552
Debt due within one year						
Capital debt	352,855	-	-	-	352,855	-
Noncapital debt	410,000	-	-	-	410,000	-
Total current liabilities	1,077,890	122,018	1,817,875	-	3,017,783	373,996
Noncurrent Liabilities:						
Payable from restricted assets						
Customer deposits	598,357	-	-	-	598,357	-
Debt due in more than one year						
Capital debt	5,080,876	-	6,126,601	-	11,207,477	-
Noncapital debt	449,143	-	-	-	449,143	-
Net pension liability	996,128	-	-	-	996,128	-
Total noncurrent liabilities	7,124,504	-	6,126,601	-	13,251,105	-
Total Liabilities	\$ 8,202,394	122,018	7,944,476	-	16,268,888	373,996
<b>Deferred Inflows of Resources</b>						
Deferred amounts on pensions	388,684	-	-	-	388,684	-
Deferred amounts associated with debt	27,262	-	-	-	27,262	-
Total Deferred Inflows of Resources	\$ 415,946	-	-	-	415,946	-
<b>Net Position</b>						
Net investment in capital assets	16,293,191	-	(6,041,850)	-	10,251,341	-
Restricted for debt service				1,608,210	1,608,210	
Unrestricted	11,650,776	3,303,811	(1,817,875)	-	13,136,712	(88,376)
Total Net Position	\$ 27,943,967	3,303,811	(7,859,725)	1,608,210	24,996,263	(88,376)

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

**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2021**

	Business-type Activities					Governmental Activities
	Major Funds		Non-Major			
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund	Total Business-type Activities	Self Insurance Fund
Revenues:						
Charges for services	\$ 12,875,630	1,553,763	-	-	14,429,393	-
Property taxes	-	1,874	-	-	1,874	-
Intergovernmental	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	2,022,300
Employee and retiree contributions	-	-	-	-	-	295,481
Insurance claim reimbursements	-	-	-	-	-	142,528
Miscellaneous operating revenues	5,096	-	-	-	5,096	-
Total Operating Revenues	12,880,726	1,555,637	-	-	14,436,363	2,460,309
Operating Expenses:						
Personnel services	318,942	-	-	-	318,942	-
Insurance claims and expenses	-	-	-	-	-	1,748,232
Administrative expenses	1,500,000	100,000	-	-	1,600,000	603,230
Wastewater treatment	3,074,086	-	-	-	3,074,086	-
Waste collection	-	1,346,435	-	-	1,346,435	-
Waste disposal	-	53,740	-	-	53,740	-
Utilities	568,649	-	-	-	568,649	-
Supplies	389,356	-	-	-	389,356	-
Other services and charges	1,777,174	84,506	-	-	1,861,680	-
Depreciation	1,584,796	-	-	-	1,584,796	-
Total Operating Expenses	9,213,003	1,584,681	-	-	10,797,684	2,351,462
Operating income (loss)	3,667,723	(29,044)	-	-	3,638,679	108,847
Non-Operating Revenues (Expenses)						
Interest Expense	(234,495)	-	-	-	(234,495)	-
Amortization of bond premium	5,214	-	-	-	5,214	-
Amortization of deferred savings on refunding bond	3,883	-	-	-	3,883	-
Total Non-Operating Revenues (Expenses)	(225,398)	-	-	-	(225,398)	-
Change in net position	3,442,325	(29,044)	-	-	3,413,281	108,847
Total net position - beginning	24,304,396	3,332,855	(7,859,725)	1,608,210	21,385,736	(197,223)
Prior period adjustment	197,246	-	-	-	197,246	-
Total net position - ending	\$ 27,943,967	3,303,811	(7,859,725)	1,608,210	24,996,263	(88,376)

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

**City of Pascagoula, Mississippi**  
**Statement Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2021

	Business-type Activities			Governmental Activities
	Major Funds		Non-Major	
	Pascagoula Utilities Fund	Solid Waste Fund	Transfer Station Fund	Total Business-type Activities
				Self Insurance Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 12,898,179	1,527,816	-	14,425,995
Cash received for premiums	-	-	-	2,318,528
Other operating receipts	5,096	4,081	-	185,992
Cash paid to employees	(423,546)	-	-	-
Cash paid to suppliers	(389,356)	-	-	-
Cash paid to contractors	(6,747,714)	(1,572,370)	-	(8,320,084)
Cash paid for judgements and claims	-	-	-	(1,749,787)
Cash paid for administrative services	-	-	-	(603,230)
Net cash provided by (used in) operating activities	5,342,659	(40,473)	-	5,302,186
Cash Flows From Non-Capital Financing Activities				
Advances from (to) other funds	-	(340,000)	-	(291,392)
Net cash flows provided by (used in) non-capital financing activities	-	(340,000)	-	(291,392)
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(111,692)	-	-	(111,692)
Repayment of debt	(763,150)	-	-	(763,150)
Interest and amortization on debt	(206,155)	-	-	(206,155)
Net cash provided by (used in) capital and related financing activities	(1,080,997)	-	-	(1,080,997)
Cash Flows From Investing Activities				
Interest received	-	-	-	-
Net cash flows provided by (used in) investing activities	-	-	-	-
Net increase (decrease) in cash	4,261,662	(380,473)	-	4,221,189
Cash - October 1	8,777,211	3,071,807	1,608,210	13,457,228
Cash - September 30	\$ 13,038,873	2,691,334	1,608,210	17,678,417

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

**City of Pascagoula, Mississippi**  
**Statement Cash Flows**  
**Proprietary Funds (continued)**  
**For the Fiscal Year Ended September 30, 2021**

	Business-type Activities				Governmental Activities
	Major Funds		Non-Major		
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund	Total Business-type Activities
					Self Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 3,667,723	(49,044)	-	-	3,618,679
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,584,796	-	-	-	1,584,796
(Increase) decrease in assets:					
Accounts receivable	(79,246)	(5,947)	-	-	(85,193)
Property tax receivable	-	2,207	-	-	2,207
Customer deposits	101,795	-	-	-	101,795
Increase (decrease) in liabilities:					
Claims and wages payable	173,372	12,311	-	-	185,683
Unearned revenue	-	-	-	-	-
Compensated absences	865	-	-	-	865
Pension liabilities and deferrals	(106,646)	-	-	-	(106,646)
Net cash provided by (used in) operating activities	\$ 5,342,659	(40,473)	-	-	5,302,186
					151,503

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



**City of Pascagoula, Mississippi**  
Statement of Fiduciary Net Position  
September 30, 2021

		Private Purpose Trust Fund	
		Pascagoula Port Commission Fund	Total Fiduciary Funds
Assets	\$		
Cash		65,096	65,096
Total Assets		<u>65,096</u>	<u>65,096</u>
Net Position		65,096	65,096
Restricted for Port Commission	\$	<u>65,096</u>	<u>65,096</u>

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

**City of Pascagoula, Mississippi**  
Statement of Changes in Fiduciary Net Position  
September 30, 2021

	Private Purpose Trust Fund	Total Fiduciary Funds
	Pascagoula Port Commission Fund	
Additions:		
Rental income	\$ 4,933	4,933
Total additions	<u>4,933</u>	<u>4,933</u>
Change in net position	4,933	4,933
Net position - beginning of year	60,163	60,163
Net position - end of year	\$ <u><u>65,096</u></u>	<u><u>65,096</u></u>

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

---

---

## NOTES TO THE FINANCIAL STATEMENTS

---

---

This page left blank intentionally

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

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

**A. Financial Reporting Entity**

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

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

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

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

**Pascagoula Redevelopment Authority**

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**B. Basis of Presentation.**

The City's basic financial statements 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 are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

**Fund Financial Statements:**

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

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

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

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

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

**MAJOR FUNDS**

The City reports the following major Governmental Funds:

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

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

Parks and Recreation Bond Capital Project Fund – This fund accounts for the financial resources and expenditures of the 2021 General Obligation Bonds that are restricted to acquisition and/or construction of infrastructure to be used by the City's citizens for culture and recreation.

The City reports the following major Enterprise Funds:

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

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

Energy Recovery Fund – This fund is dormant; however, amounts owed on debt and accrued interest determines this to be a major fund. For more information on this debt, see Note 11.

Additionally, the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**PROPRIETARY FUNDS**

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

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

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

**FIDUCIARY FUNDS**

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

**D. Account Classifications**

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

**E. Deposits and Investments**

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

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



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**F. Receivables**

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

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

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

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

**H. Capital Assets**

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

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002 are not reported in the government-wide financial statements. However, as of September 30, 2021, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**H. Capital Assets (Continued)**

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

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

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

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

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

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

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

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

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

*Deferred amounts on pensions* – Deferred outflows and inflows of resources should be reported 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.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**I. Deferred Outflows/Inflows of Resources (Continued)**

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

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

**J. Pensions**

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

**K. Long-term Liabilities**

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

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

**L. Compensated Absences**

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

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

An employee may accumulate unused vacation leave hours up to two years generally, however, cash payments upon employee termination or retirement are limited to a maximum of 240 hours of an accumulated leave of pay.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**M. Fund Balance Policies**

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

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

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

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

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

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

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

**N. Net Position**

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

N. Net Position (Continued)

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

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

O. Intergovernmental Revenues in Governmental Funds

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

P. Property Tax Revenues

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

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

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

Q. Use of Estimates

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**R. Reporting Changes and New Accounting Pronouncements for Future Implementation**

Effective for fiscal year 2021 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

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

The effective dates of certain provisions contained in the following pronouncements are postponed by as follows:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for reporting periods beginning after December 15, 2021.
- Statement No. 87, *Leases*. Effective for fiscal years beginning after June 15, 2021 and all reporting periods thereafter.

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

**A. Budgetary Data**

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

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

**B. Budgetary – GAAP Reporting Reconciliations**

Annual budgets are adopted for the major and non-major governmental funds. Budgetary comparisons presented in the required supplementary information section of this report are on the budgetary basis. Certain adjustments are necessary to compare actual data on a GAAP versus budget basis. These reconciling adjustments can be found in the notes to the required supplementary information.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 3 – Cash**

A summary of cash at September 30, 2021 is as follows:

	<b>Deposits with Financial Institutions</b>		<b>Cash on Hand</b>	<b>Total</b>
	<b>Pooled</b>	<b>Non-Pooled</b>		
<b>Governmental funds:</b>				
General Fund	\$ (7,111,242)	618,574	1,006	(6,491,662)
Debt Service Fund	2,452,925	-	-	2,452,925
Other governmental fund	10,108,919	449,260	-	10,558,179
Total governmental funds	5,450,602	1,067,834	1,006	6,519,442
<b>Proprietary funds:</b>				
Pascagoula Utilities Fund	13,038,473	-	400	13,038,873
Solid Waste Fund	2,691,334	-	-	2,691,334
Transfer Station Fund	1,608,210	-	-	1,608,210
Total proprietary funds	17,338,017	-	400	17,338,417
<b>Internal service fund:</b>				
Self-Insurance Fund				
Total internal service funds	211,203	-	-	211,203
<b>Fiduciary funds</b>	-	65,096	-	65,096
Total cash	\$ 22,999,822	1,132,930	1,406	24,134,158

The carrying amount of the city's total deposits with financial institutions at September 30, 2021 was \$24,134,158 and the bank balance was \$24,388,578. Of this amount \$598,357 is restricted for utility customers' deposits, \$11,773 is restricted for unemployment payments, \$2,088,769 is restricted for future debt service payments and \$2,734,524 is restricted grant and bond purposes. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 4 – Receivables**

**A. Governmental Activities**

Receivables in the governmental activities at September 30, 2021 consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 101,985
For future reporting period	12,709,203
Total property taxes receivable	<u>12,811,188</u>
Franchise taxes	499,204
Total taxes receivable	<u>13,310,392</u>
Intergovernmental receivable:	
Sales taxes	1,244,601
Shared revenue	48,793
Grants	1,350,542
Total intergovernmental receivable	<u>2,643,936</u>
Fines and forfeitures receivable:	
Court fines receivable	33,727,856
Less: allowance for doubtful accounts	<u>(33,349,661)</u>
Total fines and forfeitures receivable, net	<u>378,195</u>
Accounts receivable:	
Rentals receivable	7,610
Business licenses	105,763
Less: allowance for doubtful accounts	<u>(78,779)</u>
Total accounts receivable (net of allowance)	<u>34,594</u>
Miscellaneous receivables:	
Self-insurance claims receivable	<u>74,417</u>
Total accounts receivables - governmental activities	<u><u>\$ 16,441,534</u></u>

**B. Business-type Activities**

Receivable in the business-type activities at September 30, 2021 consisted of the following:

Business-type activities	
Customer accounts receivable:	
Customer utility charges (billed)	\$ 2,208,420
Customer solid waste charges (billed)	298,255
Customer accounts, earned but unbilled	781,109
Less: allowance for doubtful accounts	<u>(2,124,573)</u>
Total receivables - business-type activities	<u><u>\$ 1,163,211</u></u>



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 5 – Note Receivable**

Effective December 2015, the Pascagoula Redevelopment Authority (blended component unit) sold a building in exchange for a \$90,000 unsecured promissory note. The note bears interest at 3% per annum for 30 years and requires monthly principal and interest payments over 360 months, beginning December 2015 and maturing November 2023. The outstanding balance of the note as of September 30, 2021 is \$17,983.

**Note 6 – Interfund Transactions and Balances**

A. Due From/To Other Funds

Receivable	Payable	Amount
General Fund	Energy Recovery Fund	\$ 640,248
General Fund	Group Health Insurance Fund	173,707
General Fund	Hurricane Fund	240,000
Pascagoula Utilities Fund	Group Health Insurance Fund	26,293
Solid Waste Fund	Hurricane Fund	360,000
		<u>\$ 1,440,248</u>

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

B. Operating Transfers

Transfer in	Transfer out	Amount
General Fund	Other Governmental Funds	\$ 985,172
Debt service fund	Other Governmental Funds	802,132
		<u>\$ 1,787,304</u>

Transfers are indicative of the City's matching portion of various capital projects, lease payments, and debt service. The City closed an old fund and transferred the remaining fund balances of \$7,019 into the General fund. A transfer was made to the Debt service fund for principal and interest payments on the 2017 Recreation Bonds from the Special tax fund in the amount of \$802,132. A grant match of \$41,383 was transferred from the General fund into the CDBG grant fund.

C. Advances

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

A long-term advance was made from the general fund to the Employment Compensation Revolving Fund (Unemployment Fund) that is established in compliance with Miss. Code Ann. (1972) § 71-5-359. This amount is shown on the financial statements as an advance to other fund in the general fund and as amounts held in trust for benefit and other purposes in the other governmental funds in the amount of \$26,400 for the year ended September 30, 2021.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 7 – Capital assets**

**A. Governmental Activities**

The following is a summary of governmental capital assets activity for the year ended September 30, 2021:

	Balance 10/1/2020	Additions	Adjustments/ Sales	Balance 9/30/2021
Capital assets not being Depreciated:				
Land	\$ 16,636,273	282,231	(32,748)	16,885,756
Construction in progress	7,810,895	3,441,812	(7,523,519)	3,729,188
Total capital assets not being depreciated	<u>24,447,168</u>	<u>3,724,043</u>	<u>(7,556,267)</u>	<u>20,614,944</u>
Capital assets being depreciated:				
Buildings	8,207,053	-	-	8,207,053
Improvements - Other	53,238,137	-	7,464,293	60,702,430
Infrastructure	44,015,913	-	-	44,015,913
Mobile Equipment	8,492,398	114,863	-	8,607,261
Other Furniture & Equipment	2,191,952	112,210	-	2,304,162
Equipment under capital leases	1,205,411	66,416	-	1,271,827
Total capital assets being depreciated	<u>117,350,864</u>	<u>293,489</u>	<u>7,464,293</u>	<u>125,108,646</u>
Less accumulated depreciation for:				
Buildings	5,675,216	256,067	-	5,931,283
Improvements - Other	11,592,301	2,147,038	(17,689)	13,721,650
Infrastructure	26,507,214	839,645	-	27,346,859
Mobile Equipment	7,895,078	316,879	-	8,211,957
Other Furniture & Equipment	2,001,563	52,938	-	2,054,501
Equipment under capital leases	725,864	252,705	-	978,569
Total accumulated depreciation	<u>54,397,236</u>	<u>3,865,272</u>	<u>(17,689)</u>	<u>58,244,819</u>
Total capital assets being depreciated, net	<u>62,953,628</u>	<u>(3,571,783)</u>	<u>7,481,982</u>	<u>66,863,827</u>
Total governmental activities - capital assets, net	<u>\$ 87,400,796</u>	<u>152,260</u>	<u>(74,285)</u>	<u>87,478,771</u>

Depreciation expense was charged to the following governmental functions:

General government	\$ 725,670
Public safety	525,844
Public works	1,782,995
Culture & recreation	808,751
Urban & economic development	22,012
	<u>\$ 3,865,272</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

**B. Business-type Activities**

The following is a summary of business-type capital assets activity for the year ended September 30, 2021:

	Balance 10/1/2020	Additions	Adjustments/ Sales	Balance 9/30/2021
Capital assets not being Depreciated:				
Land	\$ 84,751	-	-	84,751
Construction in progress	-	111,692	197,246	308,938
Total capital assets not being depreciated	<u>84,751</u>	<u>111,692</u>	<u>197,246</u>	<u>393,689</u>
Capital assets being depreciated:				
Buildings	7,415,816	-	-	7,415,816
Infrastructure & Improvements - Other	47,872,617	-	-	47,872,617
Mobile Equipment	1,508,359	-	-	1,508,359
Other Furniture & Equipment	81,491	-	-	81,491
Total capital assets being depreciated	<u>56,878,283</u>	<u>-</u>	<u>-</u>	<u>56,878,283</u>
Less accumulated depreciation for:				
Buildings	3,151,721	370,791	-	3,522,512
Infrastructure & Improvements - Other	39,710,507	1,143,046	-	40,853,553
Mobile Equipment	(9,865,362)	70,959	-	(9,794,403)
Other Furniture & Equipment	31,993	-	-	31,993
Total accumulated depreciation	<u>33,028,859</u>	<u>1,584,796</u>	<u>-</u>	<u>34,613,655</u>
Total capital assets being depreciated, net	<u>23,849,424</u>	<u>(1,584,796)</u>	<u>-</u>	<u>22,264,628</u>
Total business-type activities capital assets, net	<u>\$ 23,934,175</u>	<u>(1,473,104)</u>	<u>197,246</u>	<u>22,658,317</u>

Depreciation expense of \$1,584,796 was charged to the Pascagoula Utilities Fund.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

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

C. Construction in Progress

A summary of construction in progress transactions and remaining contractual commitments for the year ended September 30, 2021 are as follows:

	Expended to Date	Remaining Commitments
Governmental type projects		
Amtrak Improvements	\$ 47,026	39,900
Point Park Amenities	121,096	707,745
Lighthouse Park Improvements	123,269	128,831
Point Park Pier Repairs	25,391	52,500
Oakland Drainage	5,250	24,000
Brairwood Drainage	2,850	72,905
Boxwood Drainage	58,272	145,729
Beach Parking	8,000	111,650
Splash Pad	19,855	507
Hospital Road Widening	12,968	630,164
Ingall's Avenue Improvements	3,160,022	2,325,805
River Park Improvements	145,189	89,811
Total governmental activities	<u>\$ 3,729,188</u>	<u>4,329,547</u>
Business-type projects		
Buena Vista/Willams Drainage	215,183	26,758
South Buena Vista/Seacove	29,000	29,137
Ingall's Avenue Water Relocation	52,855	-
Telephone Road Water Well	11,900	55,600
Total business-type activities	<u>\$ 308,938</u>	<u>111,495</u>
Total Construction in Progress and Commitments	<u><u>\$ 4,038,126</u></u>	<u><u>4,441,042</u></u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 8 – Self Insurance**

*Group Health Insurance*

The City is exposed to risk of loss relating to employee health, accident and dental coverage. Pursuant to Section 25-15-101, Miss. Code Ann. (1972), the City established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The City's health insurance plan may be amended by the Council. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. Each employee/retiree pays a portion of his/her premium through a payroll deduction. The City pays the remaining portion of the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Processing of claims is accomplished through a contract with the claims administration firm. After the \$500 deductible the plan pays 80% of preferred provider allowable expenses up to the maximum out of pocket of \$2,500. Once a total out of pocket of \$2,500 coinsurance (this includes deductible and copays) is met, the plan pays 100% of preferred provider allowable expenses. There is no maximum benefit. The City has purchased reinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$75,000. For lasered individuals, the specific coverage begins when that individual participant's claim exceeds the lasered amount.

Changes in this claims liability during fiscal year 2021, 2020 and 2019 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal year
2020-2021	\$ 159,999	1,746,677	(1,748,232)	158,444
2019-2020	296,442	2,063,386	(2,199,829)	159,999
2018-2019	228,489	2,779,189	(2,711,236)	296,442

**Note 9 – Pensions**

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

**A. Public Employee's Retirement System (PERS)**

*Plan Description and Provisions*

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 9 – Pensions (continued)**

*Benefits Provided*

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

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

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

*Contributions*

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021, was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

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

*Plan Description and Provisions*

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At June 30, 2021, the date of the most recent actuarial verification available, the MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. Benefit provisions are established by Section 21-29, Articles 1,3,5,7, Mississippi Code Annotated (1972), and annual local and private legislation and may be amended only by the State of Mississippi Legislature.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 9 – Pensions (continued)**

*Benefits Provided*

Membership in the Fire and Police Disability and Relief Systems was granted to all City uniformed police officers and fire fighters who were not already members of PERS and who were hired prior to July 1, 1976. Employees hired after July 1, 1976 automatically become members of PERS. MRS was fully closed to new members July 1, 1976. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions. As of September 30, 2021, the plan has 66 inactive members or their beneficiaries are currently receiving benefits, no inactive members entitled to but not yet receiving benefits and no active members. Participating employees who retire regardless of age with at least 20 years of credited service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66-2/3 percent of average monthly compensation.

*Contributions*

Plan contributions are based on the value of taxable property adjusted to reflect all property-related contributions, and the millage rates applied to the assessed property. The certified millage rate from the June 30, 2021 valuation is 1.57 mills.

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

At September 30, 2021, the City reported a liability of \$21,267,042 in the governmental activities and \$996,128 in the business-type activities for its proportionate share of the PERS and MRS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS and MRS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion of PERS was .135%. For the year ended September 30, 2021, due to a significant reduction in overall net pension liability for the plan, the City recognized a reduction of pension expense in PERS of \$2,587,508 in the governmental activities and a \$106,646 in the business-type activities and MRS pension expense for governmental activities of \$299,819.

At September 30, 2021, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources				
	Governmental Activities			Type	
	PERS	MRS	Total	Activities	Total
Differences between expected and actual experience	\$ 302,633		302,633	15,928	318,561
Changes of assumptions	1,456,379		1,456,379	73,652	1,530,031
Changes in proportion and differences between City contributions and proportionate share on contributions	312,881		312,881	16,467	329,348
City's contributions subsequent to the measurement date	345,677	-	345,677	18,194	363,871
Total deferred outflows related to pensions	<u>\$ 2,417,570</u>	<u>-</u>	<u>2,417,570</u>	<u>124,241</u>	<u>2,541,811</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 9 – Pensions (continued)**

At September 30, 2021, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources				
	Governmental Activities			Business-Type Activities	Total
	PERS	MRS	Total		
Net difference between projected and actual earnings on pension plan investments	\$ 5,699,831	1,008,426	6,708,257	299,991	7,008,248
Changes in proportion and differences between City contributions and proportionate share on contributions	1,685,161	-	1,685,161	88,693	1,773,854
Total deferred outflows related to pensions	<u>\$ 7,384,992</u>	<u>1,008,426</u>	<u>8,393,418</u>	<u>388,684</u>	<u>8,782,102</u>

Within the deferred outflows, an amount of \$363,871 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, 2021.

The remaining amounts reported as deferred outflows of resources related to pensions of \$2,177,940 and deferred inflows of resources related to pensions of \$8,782,102 nets to (\$6,604,162) will be recognized in pension expense as follows:

Year Ending September 30,	Future Amortization
2020	\$ (2,157,761)
2021	(1,264,875)
2022	(1,085,138)
2023	(2,096,388)
	<u>\$ (6,604,162)</u>

*Actuarial assumptions*

The total pension liabilities in the June 30, 2021, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MRS
Inflation	2.40 percent	2.75 percent
Salary increases	2.65 - 17.90 percent, including inflation	3.00 - 4.50 percent, including inflation
Investment rate of return	7.55 percent (net of pension plan investment expense, including inflation)	6.25 percent (net of pension plan investment expense, including inflation)



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 9 – Pensions (continued)**

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash	1.00	(1.00)
Total	100.00 %	

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

*Discount rate*

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 9 – Pensions (continued)**

Actuarially determined contribution rates for MRS are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2021 were based on the June 30, 2021 actuarial valuation.

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

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

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1 % Increase (8.55%)
City's Proportionate share of PERS	\$ 28,215,003	\$ 19,922,553	\$ 13,088,911
City's Proportionate share of MRS	3,055,880	2,340,617	1,707,366

*Pension plan fiduciary net position*

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

*Three-year Trend Information*

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

Fiscal Years Ending	Employer Contributions PERS	MRS
2021	\$ 1,583,498	325,301
2020	1,509,064	726,862
2019	1,486,473	762,066

**Note 10- Other Post-Employment Benefits**

The Mississippi Public Employees' Retirement System (PERS) offers the City's employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 11 – Long-term Liabilities**

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

Long-term liability activity for the year ended September 30, 2021 are as follows:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due within One Year
<u><b>Governmental Activities</b></u>					
Debt obligations					
General obligation debt	\$ 17,937,728	-	832,975	17,104,753	858,643
Notes payable	5,886,809	-	4,506,809	1,380,000	460,000
Capital leases	237,749	33,208	76,383	194,574	76,831
Total debt obligations	<u>24,062,286</u>	<u>33,208</u>	<u>5,416,167</u>	<u>18,679,327</u>	<u>1,395,474</u>
Other liabilities					
Compensated absences payable	685,796	561,272	526,223	720,845	8,076
Net pension liability	27,964,450	-	6,697,408	21,267,042	-
Total other liabilities	<u>28,650,246</u>	<u>561,272</u>	<u>7,223,631</u>	<u>21,987,887</u>	<u>8,076</u>
Total governmental activities	<u>\$ 52,712,532</u>	<u>594,480</u>	<u>12,639,798</u>	<u>40,667,214</u>	<u>1,403,550</u>
<u><b>Business-type Activities</b></u>					
Debt obligations					
Bonds payable	\$ 6,747,270	-	742,024	6,005,246	741,357
Notes payable	279,611	-	21,126	258,485	21,498
Energy Recovery Facility (ERF)	6,126,601	-	-	6,126,601	-
Total debt obligations	<u>13,153,482</u>	<u>-</u>	<u>763,150</u>	<u>12,390,332</u>	<u>762,855</u>
Other liabilities					
Compensated absences payable	28,278	18,497	17,632	29,143	-
Net pension liability	1,282,504	-	286,376	996,128	-
Total other liabilities	<u>1,310,782</u>	<u>18,497</u>	<u>304,008</u>	<u>1,025,271</u>	<u>-</u>
Total business-type activities	<u>14,464,264</u>	<u>18,497</u>	<u>1,067,158</u>	<u>13,415,603</u>	<u>762,855</u>
Total government - wide	<u>\$ 67,176,796</u>	<u>612,977</u>	<u>13,706,956</u>	<u>54,082,817</u>	<u>2,166,405</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 11 – Long-term Liabilities (continued)**

Debt outstanding as of September 30, 2021, consisted of the following:

Description and Purpose	Original Issue Amount	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>				
A. General Obligation Bonds:				
General Obligation Refunding Bonds, Series 2006	\$ 4,255,000	\$ 210,000	3.53 - 4.2%	11/01/23
General Obligation Bonds, Series 2014 (53.33%)	8,000,000	5,914,753	1.31 - 3.291%	04/01/34
General Obligation Bonds, Series 2017	12,500,000	10,980,000	3.0 - 3.625%	07/01/40
Total General Obligation Bonds		<u>17,104,753</u>		
B. Notes Payable				
Tax Negotiable Note	2,300,000	<u>1,380,000</u>	4.82%	12/19/23
Total Notes Payable		<u>1,380,000</u>		
C. Capital Leases:				
The First Bank				
secured by Ford F150 police vehicle, \$738 monthly	95,885	24,634	3.15%	08/15/24
The First Bank				
secured by 5 Ford F150 police vehicles, \$4,187 monthly	79,100	128,258	3.15%	09/05/24
Axon Enterprises, Inc.				
secured by 52 Axon Tasers, \$13,728 annually	64,138	13,728	0.00%	11/20/21
The First Bank				
secured by Ford F150 police vehicle, \$738 monthly	30,124	<u>27,954</u>	5.45%	04/21/21
Total Capital Leases		<u>194,574</u>		
Total governmental activities		<u>\$ 18,679,327</u>		
<b>Business-type Activities:</b>				
A. Bonds				
General Obligation Bonds, Series 2014 (46.67%)	\$ 4,160,000	\$ 830,000	2.0 - 2.5%	06/01/24
Revenue Refunding Bonds, Series 2012	7,000,000	5,175,246	1.31 - 3.291%	04/01/34
Revenue Bonds:				
Incinerator System Revenue Bonds, Series 1981	6,430,000	5,626,601		
Incinerator System Revenue Bonds, Series 1983	500,000	<u>500,000</u>		
Total Bonds		<u>12,131,847</u>		
B. Notes Payable				
State Revolving Fund Loan, 2013	429,865	<u>258,485</u>	1.75%	09/01/32
Total Notes Payable		<u>258,485</u>		
Total business-type activities		<u>\$ 12,390,332</u>		
Total Government		<u>\$ 31,069,659</u>		

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 11 – Long-term Liabilities (continued)**

**A. Bonds Payable**

General Obligation Bonds

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

Revenue Refunding Bonds

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

Revenue Bonds

In 1979, the U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA) purchased the City of Pascagoula's 6% Incinerator System Revenue Bonds, the proceeds of which were used in prior years for the construction of a resource recovery facility. Incinerator System Revenue Bonds debt service is payable solely from revenues from system operations. The system has not produced sufficient revenues to meet maturing revenue bond principal and interest, or to meet required "cushion" accumulations. On November 18, 1992, the City entered into an agreement with NOAA to effectively suspend principal and interest payments and modify the loan requirements. Due to the closure of the Transfer Station in December 2012, the Incinerator System did not incur operating income or expense in fiscal year 2021, with the exception of small outstanding allocations of income. Moreover, based on the terms with the agreement with NOAA, no payment is due for the year ended September 30, 2021.

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

Year ended September 30	Governmental Activities		Business-type Activities			
	General Obligation Bonds		Pascagoula Utilities		ERF (Incinerator)	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 858,643	576,507	741,357	175,008	-	-
2023	881,643	550,513	548,357	160,913	-	-
2024	914,975	523,364	560,025	146,253	-	-
2025	865,641	492,193	359,359	126,757	-	-
2026	898,974	461,388	371,026	115,727	-	-
2027-2031	4,997,855	1,801,999	2,037,145	394,285	-	-
2032-2036	4,742,022	937,143	1,387,977	69,344	-	-
2037-2040	2,945,000	270,637	-	-	-	-
Suspended	-	-	-	-	6,126,601	1,177,627
	<u>\$ 17,104,753</u>	<u>5,613,744</u>	<u>6,005,246</u>	<u>1,188,287</u>	<u>6,126,601</u>	<u>1,177,627</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 11 – Long-term Liabilities (continued)**

B. Notes Payable

Community Disaster Loan – Debt Forgiveness

In fiscal year 2006, the City borrowed \$7,757,433 from the U.S. Department of Homeland Security (FEMA) under the Special Community Disaster Loan (SCDL) program. This is a shortfall note payable, and its purpose was to provide funds for a shortfall of the budget caused by damages to properties by Hurricane Katrina in August 2005 resulting in decreased tax assessments and related tax collection. Payments on the notes were deferred for a five-year period. In 2021, the City received another deferment of payments until an undesignated time. On February 27, 2011, pursuant to HR 2206 – Public Law 110-28, FEMA forgave \$2,924,496 with associated interest of \$411,116 of the City's SCDL. In June 2014, the City was notified by FEMA of additional debt cancellation for the remaining portion of the enterprise activity balance of \$352,689, along with a partial principal cancellation of the portion of the governmental activity balance of \$1,118,804.

On October 21, 2021, the City was notified that the balance of the SCDL loan was cancelled. Debt forgiveness in the amount of \$2,513,486 has been recorded in the governmental wide financial statements as general revenues.

Tax Negotiable Note

In 2021, the City borrowed \$2,300,000 for the purpose of providing funds for the operation and maintenance of the City and allocating such funds to the 2017 Construction Fund. The note is to be repaid in 5 years and carries an interest rate of 4.82%.

Annual debt service on notes payable are as follows:

Year ended September 30	Governmental Activities		Business-type Activities	
	Notes Payable		SRF Revolving Fund	
	Principal	Interest	Principal	Interest
2022	\$ 460,000	66,516	21,498	4,352
2023	460,000	44,344	21,878	3,942
2024	460,000	22,172	22,264	3,586
2025	-	-	22,656	3,194
2026	-	-	23,056	2,794
2027-2031	-	-	121,528	7,722
2032	-	-	25,605	245
	<u>\$ 1,380,000</u>	<u>133,032</u>	<u>258,485</u>	<u>25,835</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 11 – Long-term Liabilities (continued)**

**C. Capital Leases Payable**

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 332,181
Other equipment	906,438
Less: accumulated depreciation	<u>(975,771)</u>
Leased property under capital leases, net	<u>\$ 262,848</u>

The following is a schedule by years of the future minimum lease payments due as of September 30, 2021:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 76,831	4,846	81,677
2023	65,144	2,805	67,949
2024	49,698	766	50,464
2025	2,901	17	2,918
	<u>\$ 194,574</u>	<u>8,434</u>	<u>203,008</u>

**D. Legal Debt Margin**

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2021, the amount of outstanding debt was equal to 8.54% of the latest property assessments.

**E. Compensated Absences**

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 12 – Net Investment in Capital Assets**

**Governmental Activities:**

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets \$ 20,614,944

Other capital assets 125,108,646

Less: accumulated depreciation (58,244,819)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds (17,104,753)

Capital leases (194,574)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance 60,998

Deferred bond charges 37,277

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred premium (322,687)

Less: material accounts payable at year end (473,147)

Add: outstanding cash bond proceeds 458,367

**Total Net Investment in Capital Assets - Governmental Activities**

\$ 69,940,252

**Business-type Activities**

*Pascagoula Utilities Fund*

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets \$ 308,938

Other capital assets 56,878,283

Less: accumulated depreciation (34,613,655)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds (6,005,246)

Notes payable (258,485)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance 10,618

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred savings on refunding bond (11,624)

Deferred premium (15,638)

Net investment in capital assets - Pascagoula Utilities Fund

16,293,191

*Energy Recovery Fund*

Net investment in capital assets:

Nondepreciable capital assets 84,751

Less: outstanding balances of borrowings for capital asset acquisition:

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

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

**Total Net Investment in Capital Assets - Business-type Activities**

\$ 10,251,341



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 13 – Property and Sales Tax Revenue**

**A. Property Tax Revenues**

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

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2021 was 54.5 mills or \$54.50 per \$1,000 of assessed valuation.

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

**B. Sales Tax Revenues**

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Pascagoula) back to the City monthly. General sales tax revenue reported in the General Fund was \$6,243,992.

In addition, the State levies a 2% sales tax on prepared food a 3% hotel/motel tax for the promotion of recreation, economic development and tourism. Sales tax revenue reported in the other governmental funds for the year ended September 30, 2021 was \$1,186,550.

**Note 14 – Commitments and Contingencies**

**A. Risk Management**

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 14 – Commitments and Contingencies (continued)**

However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2021, to January 1, 2021. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

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

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

**B. Commitments/Service Contracts**

Contract for Operations of Utility Management, Operations and Public Works Maintenance Services – The City renewed a contract with Utility Partners, LLC for operation and maintenance of the City's water and sewer systems. In addition, the City contracted with Utility Partners, LLC to perform public works services including ditch maintenance. The fees under these contracts are approximately \$252,361/month for the year ended September 30, 2021. During the fiscal year ended September 30, 2021 the City paid a total of \$3,028,342 to Utility Partners, LLC under these contracts.

Contract for Operations of Solid Waste Collections – The City entered into a contract with Waste Pro/Delta Sanitation for the operations of solid waste collections. The fee under the contract is approximately \$96,500 /month for the year ended September 30, 2021 and is billed on a per unit basis. This amount includes commercial and residential garbage collections. During the fiscal year ended September 30, 2021 the City paid a total of \$1,346,435 to Waste Pro/Delta Sanitation of MS, LLC under this contract. In addition, the City contracts with MacLand Ash Disposal, Inc. and Applewhite Recycling System, LLC for trash disposal. Expenses incurred for trash disposal for the year totaled \$53,741.

Contract for Computer Software Maintenance – The City renewed a contract with Tyler Technologies to maintain the city-wide computer software programs. The fee under the contract is \$1,036/month for miscellaneous software maintenance and \$20,240 every three months for support of the city-wide accounting software. During the fiscal year ended September 30, 2021 the City paid a total of \$109,728.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 14 – Commitments and Contingencies (continued)**

Contract for Grass Cutting and Beautification Services – In 2021, the City eliminated its public works personnel and beautification departments in lieu of contracting with Turf Masters to provide grass cutting, weeding and general beautification projects for the city. This contract is by unit cost. During the fiscal year ended September 30, 2021, the City paid a total of \$586,147 to Turf Masters for these services.

**C. Construction Contracts**

The City has entered into various construction contracts for infrastructure improvements with an estimated remaining commitment of \$4,441,042. The majority of these commitments are being funded by bond funds. See Note 7(C) for more detailed information on these commitments.

**Note 15 – Joint Ventures**

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

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$3,074,086 for the year.

The City's obligation to pay operational costs of the Authority is joint and several with the obligations of all other public agencies similarly contracting with the Authority. A complete copy of the 2021 financial statements should be soon on file at the administrative offices of the Authority which are located at 1225 Jackson Avenue, Pascagoula, MS 39567.

**Note 16 – Jointly Governed Organizations**

Jointly Governed Organization - On November 2, 1970, the City entered into an agreement with the Board of Trustees of the Jackson George Regional Library System, the City of Moss Point, City of Ocean Springs, City of Lucedale, and the Board of Supervisors of Jackson County to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Jackson George Regional Library System. There are no specific monetary terms in the agreement and the City of Pascagoula has no equity interest in the organization; however, the city maintains a 1.25 millage rate for library purposes. A budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$261,581 to the Library for the year ended September 30, 2021.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 17 – Tax Abatements**

As of September 30, 2021, the City provides tax abatements through various state and local programs subject to the requirements of GASB Statement No. 77. State programs are authorized through Section §57-75-5(f) of Mississippi Code Ann. (1972) and local programs are authorized through resolutions by the Jackson County Supervisors and City Council. These programs are as follows:

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

Total tax abatements as of September 30, 2021 are as follows:

Programs	Term	Abatement Period Ends	Assessed Value	Estimated Tax Abated
Real and Personal Property Tax Exemptions	5-10 years	2022	\$ 18,776,396	\$ 417,617
and Residential Renewal and Renovation	5-10 years	2023	17,989,780	417,145
District Tax Program	5-10 years	2024	13,383,467	432,856
	5-10 years	2025	13,685,175	377,891
	10 years	2026	12,389,937	274,794
	10 years	2027-2032	35,393,183	517,275
Total tax abatements			<u>\$ 111,617,938</u>	<u>\$ 2,437,578</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2021

**Note 18 – Worldwide Pandemic**

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

As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**Note 19– Subsequent Events**

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

Management of the City of Pascagoula, Mississippi evaluated the activity of the City through February 3, 2023, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statement:

On June 15, 2022, the City issued \$10,315,000 Special Obligation, Series 2022 Bonds. The bonds are to be paid from proceeds received from the Modern Use Infrastructure tax received bi-annually from the State. The bonds carry an interest rate of 3.5% and mature August 1, 2037.

**Note 20 – Prior Period Adjustments**

During the current year, beginning net position and fund balances were restated from fiscal year ended September 30, 2021 as follows:

<i><b>Statement of Net Position</b></i>	
<i><b>Business-type Activities</b></i>	
Amounts for construction in progress expensed in 2020	\$ 197,246
Overall restatement of Net Position	<u>\$ 197,246</u>
<i><b>Fund Balance</b></i>	
<i><b>Pascagoula Utilities</b></i>	
Amounts for construction in progress expensed in 2020	\$ 197,246
Overall restatement of Fund Balances	<u>\$ 197,246</u>

This page left blank intentionally

---

---

## REQUIRED SUPPLEMENTARY INFORMATION

---

---

This page left blank intentionally



**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund**  
**Budget to Actual - (Prepared on the Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2021**

	Original Budget	Final Budget	Actual Budgetary Basis	Variances	
				Favorable (Unfavorable) Original to Final	Final to Actual
<b>Revenues:</b>					
Property taxes	\$ 9,401,055	9,401,055	9,867,229	-	466,174
Licenses and permits	1,651,000	1,651,000	1,634,350	-	(16,650)
Intergovernmental	8,071,748	8,636,803	8,604,591	565,055	(32,212)
Charges for services	1,935,150	1,935,150	1,950,662	-	15,512
Fines & Forfeitures	273,500	273,500	342,893	-	69,393
Miscellaneous	78,000	99,600	259,371	21,600	159,771
Investment earnings	40,000	40,000	359,625	-	319,625
Other financing sources	25,000	25,000	-	-	(25,000)
Transfers from/to other funds	-	100,000	985,172	100,000	885,172
Total available for appropriations	21,475,453	22,162,108	24,003,893	686,655	1,841,785
<b>Expenditures:</b>					
General Government:					
Personnel services	1,113,590	1,127,757	1,119,003	(14,167)	8,754
Supplies	34,950	35,200	29,149	(250)	6,051
Other services and charges	2,679,750	2,926,748	2,665,452	(246,998)	261,296
Capital outlay/Debt service	25,000	53,200	50,780	(28,200)	2,420
Total	3,853,290	4,142,905	3,864,384	(289,615)	278,521
Public Safety - Police					
Personnel services	5,996,752	6,388,162	6,064,649	(391,410)	323,513
Supplies	237,975	229,665	215,045	8,310	14,620
Other services and charges	521,450	537,900	465,684	(16,450)	72,216
Capital outlay/Debt service	76,588	88,598	82,906	(12,010)	5,692
Total	6,832,765	7,244,325	6,828,284	(411,560)	416,041
Public Safety - Fire					
Personnel services	4,454,333	4,597,403	4,638,144	(143,070)	(40,741)
Supplies	105,450	122,950	113,916	(17,500)	9,034
Other services and charges	25,100	29,600	20,132	(4,500)	9,468
Total	4,584,883	4,749,953	4,772,192	(165,070)	(22,239)
Planning, Bldg. & Code Enforcement					
Personnel services	574,610	587,870	576,623	(13,260)	11,247
Supplies	9,060	9,760	7,880	(700)	1,880
Other services and charges	156,950	86,250	90,676	70,700	(4,426)
Total	740,620	683,880	675,179	56,740	8,701
Public Works					
Supplies	165,800	165,800	138,574	-	27,226
Other services and charges	2,164,742	2,164,742	1,917,469	-	247,273
Capital outlay/Debt service	301,038	416,378	47,596	(115,340)	368,782
Total	2,631,580	2,746,920	2,103,639	(115,340)	643,281
Health & Welfare					
Personnel services	98,326	89,846	87,261	8,480	2,585
Supplies	8,400	8,100	6,202	300	1,898
Other services and charges	25,450	24,150	22,694	1,300	1,456
Total	132,176	122,096	116,157	10,080	5,939
Culture & Recreation					
Personnel services	553,799	641,474	547,559	(87,675)	93,915
Supplies	120,350	120,650	107,285	(300)	13,365
Other services and charges	1,141,106	1,334,006	1,102,604	(192,900)	231,402
Capital outlay/Debt Service	-	64,700	61,360	(64,700)	3,340
Total	1,815,255	2,160,830	1,818,808	(345,575)	342,022

**City of Pascagoula, Mississippi**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund**  
**Budget to Actual - (Prepared on the Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2021**

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Favorable (Unfavorable)	
				Original to Final	Final to Actual
Economic, Urban & Comm. Dev.					
Personnel services	70,635	72,250	72,258	(1,615)	(8)
Supplies	500	500	267	-	233
Other services and charges	44,950	45,000	1,408	(50)	43,592
Total	<u>116,085</u>	<u>117,750</u>	<u>73,933</u>	<u>(1,665)</u>	<u>43,817</u>
Transfer to other funds	<u>160,000</u>	<u>-</u>	<u>-</u>	<u>160,000</u>	<u>-</u>
Total charges to appropriations	<u>20,866,654</u>	<u>21,868,659</u>	<u>20,252,481</u>	<u>(1,102,005)</u>	<u>2,549,331</u>
Excess (Deficiency) of Available Resources over Use of Resources	<u>\$ 608,799</u>	<u>193,449</u>	<u>3,751,412</u>	<u>1,788,660</u>	<u>(752,546)</u>
Differences between budgetary and GAAP fund balances					
Change in fund balance - Budgetary Basis			\$ 3,751,412		
Accruals for expenses incurred but not paid			121,093		
Accruals for revenues recognized but not yet received			<u>(286,180)</u>		
Net Change in fund balance - Fund Financials			<u>\$ 3,586,325</u>		

**City of Pascagoula, Mississippi**  
Notes to the Required  
Supplementary Information-Budgetary Schedules  
For the Fiscal Year Ended September 30, 2021

A. Budgetary Information.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

D. Budgetary Data

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

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

**City of Pascagoula, Mississippi**  
Schedule of the City's Proportionate Share of the  
Net Pension Liability and Related Ratios  
Mississippi Public Employees' Retirement System (PERS)  
Last 10 Fiscal Years\*  
For the Fiscal Year Ended September 30, 2021\*\*  
(UNAUDITED)

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.135%	0.132%	0.146%	0.165%	0.170%	0.160%	0.160%
City's proportionate share of the net pension liability (asset)	\$ 19,922,553	25,650,074	24,400,066	27,444,402	28,259,770	28,579,995	24,732,844
City's covered payroll	\$ 8,961,914	8,822,705	9,481,206	10,552,857	10,845,992	10,390,535	10,255,519
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	222.30%	290.73%	257.35%	260.07%	260.55%	275.06%	241.17%
Plan fiduciary net position as a percentage of the total pension liability	70.40%	61.59%	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

**City of Pascagoula, Mississippi**  
Schedule of the City's Contributions  
and Related Ratios  
Mississippi Public Employees' Retirement System (PERS)  
Last 10 Fiscal Years\*  
For the Fiscal Year Ended September 30, 2021  
(UNAUDITED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,583,498	1,509,064	1,486,473	1,661,758	1,647,953	1,643,481	1,607,812
Contributions in relation to the contractually required contribution	<u>1,583,498</u>	<u>1,509,064</u>	<u>1,486,473</u>	<u>1,661,758</u>	<u>1,647,953</u>	<u>1,643,481</u>	<u>1,607,812</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 9,100,563	8,672,771	9,198,472	10,550,844	10,463,194	10,434,800	10,208,330
Contributions as a percentage of covered payroll	17.40%	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

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

**City of Pascagoula, Mississippi**  
Notes to the Required Supplementary Information  
Mississippi Public Employees' Retirement System (PERS)  
For the Fiscal Year Ended September 30, 2021

PERS Pension Schedules

**A. Changes in Assumptions**

➤ 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
  - For females, 84% of female rates up to age 72, 100% for ages above 76.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 134% of male rates at all ages.
  - For females, 121% of female rates at all ages.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, 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 9% to 12%.
- The percentage of active member deaths assumed to be in in the line of duty was decreased from 6% to 4%.

➤ 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2019 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

**City of Pascagoula, Mississippi**  
Notes to the Required Supplementary Information  
Mississippi Public Employees' Retirement System (PERS)  
For the Fiscal Year Ended September 30, 2021

**B. Changes in Benefit Provisions**

None in the past three years.

**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, 2016 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

**City of Pascagoula, Mississippi**  
**Schedule of Changes in the Net Pension Liability**  
**Municipal Retirement System (MRS)**  
**Last 10 Fiscal Years\***  
**For the Fiscal Year Ended September 30, 2021\*\***  
**(UNAUDITED)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>							
Interest	\$ 775,685	\$ 789,932	823,509	872,270	902,507	928,517	965,667
Differences between expected and actual experience	495,985	296,210	90,598	(182,259)	17,501	119,699	(40,288)
Changes of assumptions	(145,016)	-	(64,078)	-	52,812	-	395,634
Benefit payments, including refunds of employee contributions	(1,263,656)	(1,276,295)	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
<b>Net change in total pension liability</b>	<b>(137,002)</b>	<b>(190,153)</b>	<b>(440,225)</b>	<b>(658,120)</b>	<b>(404,980)</b>	<b>(341,653)</b>	<b>(111,090)</b>
<b>Total pension liability-beginning</b>	<b>10,640,668</b>	<b>10,830,821</b>	<b>11,271,046</b>	<b>11,929,166</b>	<b>12,334,146</b>	<b>12,672,799</b>	<b>12,786,889</b>
<b>Total pensions liability-ending</b>	<b>\$ 10,503,666</b>	<b>\$ 10,640,668</b>	<b>10,830,821</b>	<b>11,271,046</b>	<b>11,929,166</b>	<b>12,331,146</b>	<b>12,675,799</b>
<b>Plan fiduciary net position</b>							
Contributions-employer	352,301	726,862	762,066	678,093	677,726	706,304	695,520
Net investment income	2,037,662	215,415	512,315	580,428	979,439	39,757	247,097
Benefit payments, including refunds of employee contributions	(1,263,656)	(1,276,295)	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
Administrative expense	(7,046)	(14,537)	(15,241)	(13,562)	(13,555)	(14,126)	(13,910)
Other costs	-	-	(195)	(693)	3,658	43,964	-
<b>Net change in plan fiduciary net position</b>	<b>1,119,261</b>	<b>(348,555)</b>	<b>(31,309)</b>	<b>(103,865)</b>	<b>269,468</b>	<b>(613,970)</b>	<b>(503,396)</b>
<b>Plan fiduciary net position-beginning</b>	<b>7,043,788</b>	<b>7,392,343</b>	<b>7,423,652</b>	<b>7,527,517</b>	<b>7,258,049</b>	<b>7,872,019</b>	<b>8,375,415</b>
<b>Plan fiduciary net position-ending</b>	<b>\$ 8,163,049</b>	<b>\$ 7,043,788</b>	<b>7,392,343</b>	<b>7,423,652</b>	<b>7,527,517</b>	<b>7,258,049</b>	<b>7,872,019</b>
<b>Net pension liability-ending</b>	<b>\$ 2,340,617</b>	<b>\$ 3,596,880</b>	<b>3,438,478</b>	<b>3,847,394</b>	<b>4,401,649</b>	<b>5,073,097</b>	<b>4,803,780</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>77.7%</b>	<b>66.2%</b>	<b>68.3%</b>	<b>65.9%</b>	<b>63.1%</b>	<b>58.9%</b>	<b>62.1%</b>
<b>Covered-employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Commission's net pension liability as a percentage of covered employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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

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



**City of Pascagoula, Mississippi**  
**Schedule of the City's Contributions**  
**and Related Ratios and Notes**  
**Municipal Retirement System (MRS)**  
**For the Fiscal Year Ended September 30, 2021**

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 352,301	726,862	762,066	678,093	677,726	706,304
Contributions in relation to the contractually required contribution	<u>352,301</u>	<u>726,862</u>	<u>762,066</u>	<u>678,093</u>	<u>677,726</u>	<u>706,304</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

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

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

*Notes to the Municipal Retirement System Pension Schedules:*

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

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2021 were based on the June 30, 2017 actuarial valuation.

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value of assets
Price inflation	2.75 percent
Salary increase	3.00 percent to 4.50 percent, including inflation
Investment rate of return	6.25% percent, net of pension plan investment expense, including inflation

This page left blank intentionally

---

---

## SUPPLEMENTAL INFORMATION

---

---

This page left blank intentionally

**City of Pascagoula, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2021**

<b>Federal Grantor/ Passed-through Grantor/ Program Title or Cluster</b>	<b>Federal CFDA Number</b>	<b>Grant No. / Pass-Through Number</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>US Department of Commerce</b>				
<b>National Oceanic and Atmospheric Administration</b>				
<i>Passed through MS Department of Marine Resources</i>				
Costal Zone Management Administration Awards	11.419	FY20-P604-1	\$ 130,771	-
<b>Total U.S. Department of Commerce</b>			<u>130,771</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through MS Development Authority</i>				
CDBG Entitlement Clusters				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-28-0005	322,461	9,606
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-28-0005	35,609	27,482
CDBG CARES Act Coronavirus Recovery -COVID 19	14.218	B-20-MW-28-0005	75,047	75,047
Community Development Block Grants/HUD Disaster	14.219/14.228	R-109-290-06-KCR	1,266,172	-
<b>Total U.S. Department of Interior</b>			<u>1,699,289</u>	<u>112,135</u>
<b>U.S. Department of Justice</b>				
State and Local Equitable Sharing*	16.922	MS0300300	16,839	-
<i>Passed through Mississippi Department of Public Safety</i>				
Edward Byrne Memorial Justice Assistance Grant Program:				
High Intensity Drug Trafficking Area Programs	16.738	G21-GC0003A	81,556	-
Justice Assistance Grants-COVID 19	16.738	2020-DJ-BX-0950	6,335	-
Justice Assistance Grants	16.738	2020-VD-BX-0006	13,382	-
<b>Total U.S. Department of Justice</b>			<u>118,112</u>	<u>-</u>
<b>U.S. Department of Labor</b>				
<i>Passed through Mississippi Department of Employment Security</i>				
Unemployment Insurance Program - CARES Act - COVID 19	17.225	92-00222-0-00	2,821	-
<b>Total U.S. Department of Labor</b>			<u>2,821</u>	<u>-</u>
<b>US Department of Transportation</b>				
<b>Federal Transit Administration</b>				
<i>Passed through MS Dept of Transportation</i>				
Highway Planning and Construction	20.205	STP-9194	12,968	-
Highway Planning and Construction	20.514	STP-7872-00(005)LPA	403,281	-
<b>Federal Railroad Administration</b>				
<i>Passed through MS Dept of Highway Safety</i>				
Southern Rail Commission Station Improvements	20.314	69A36520501260RLDLA	39,267	-
<b>Total U.S. Department of Transportation</b>			<u>455,516</u>	<u>-</u>
<b>US Department of The Treasury</b>				
<i>Passed through MS Emergency Management Agency</i>				
Coronavirus Relief Fund - COVID 19	21.019	N/A	524,465	-
<b>Total U.S. Department of The Treasury</b>			<u>524,465</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
<i>Passed through MS Emergency Management Agency</i>				
Disaster Grants - Public Assistance - H. Zeta	97.036	FEMA-4576-DR	592,865	-
Disaster Grants - Public Assistance - H. Ida	97.036	FEMA-4626-DR	32,214	-
<b>Total U.S. Department of Homeland Security</b>			<u>625,079</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,556,053</u>	<u>112,135</u>

**City of Pascagoula, Mississippi**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2021

Note 1 – General

This schedule includes the federal award activity of the City of Pascagoula, Mississippi under programs of the federal government of the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of the City, it is not intended to and does not present the financial position, or changes in net assets of the City.

Note 2 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified-accrual basis of accounting. Differences between the granting-agency basis of accounting and the basis of accounting used by the City in preparing its financial fund statements may occur.

Note 3 – Federal Loans

The City has the following federal loans outstanding as of September 30, 2021:

Program Title	CFDA Number	Current Year Expenditures	Unpaid Loan Balance	Original Amount
Environmental Protection Agency Passed-through the Mississippi Department of Environmental Quality				
SRF-08	66.458	\$ -	258,485	429,865
Total federal loans		<u>\$ -</u>	<u>\$ 258,485</u>	<u>429,865</u>

Note 4 – Indirect Cost Rate

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

Note 5 – Subrecipients.

Awards passed through to subrecipients are as follows:

Organization	Amount
The Salvation Army	\$ 16,141
Gulf Coast Women's Center	19,202
Singing River Health System Foundation	33,350
Open Doors Homeless Coalition	32,388
Anchored Heart Community	2,804
New Beginnings	8,250
Total passed through	<u>\$ 112,135</u>

**City of Pascagoula, Mississippi**  
Schedule of Surety Bonds  
(Required by State of Mississippi)  
For the Fiscal Year Ended September 30, 2021

Position	Name	Amount
Mayor	Jay Willis	\$ 100,000
Council	Patrick Gatchell	100,000
Council	Michael Hyde	100,000
Council	Felix Fornett, Sr.	100,000
Council	Johnny Walker	100,000
Council	Matt Parker	100,000
Council	Chris Blythe	100,000
City Manager	Michael Silverman	50,000
City Clerk	Karen Kennedy	50,000
Police Chief	Matt Chapmen	50,000
Fire Chief	Hylar Krebs	50,000
Comptroller	Vacant	

This page left blank intentionally



---

---

## SPECIAL REPORTS

---

---

This page left blank intentionally

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi (the “City”) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 3, 2023.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pascagoula, Mississippi’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

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

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

Gulfport, Mississippi  
February 3, 2023

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

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

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

We have audited City of Pascagoula, Mississippi's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on the City's major federal program for the year ended September 30, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each of the Other Major Federal Programs***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

## Report on Internal Control over Compliance

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

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

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

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

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

Gulfport, Mississippi  
February 3, 2023

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

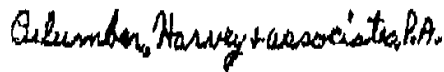
To the Honorable Mayor and City Council  
City of Pascagoula, Mississippi

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi as of and for the year ended September 30, 2021, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 3, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

This report is intended solely for the information and use of the City of Pascagoula, Mississippi's mayor, council, and management, federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



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

**City of Pascagoula, Mississippi**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2021**

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

Financial Statements:

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified    |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weaknesses identified?                           | No            |
|    | b. Significant deficiencies identified?                      | None Reported |
| 3. | Noncompliance material to the financial statements noted?    | No            |

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major programs:                                  | Unmodified    |
| 5. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Significant deficiencies identified?  | None Reported |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | None          |
| 7. | Federal programs identified as major:  |               |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	U.S. Department of Treasury Coronavirus Relief Fund-COVID 19
14.228	U.S. Department of Housing and Urban Development Community Development Block Grants/HUD Disaster

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



**City of Pascagoula, Mississippi**  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2021

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

None

**SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

## **SUMMARY OF PRIOR AUDIT FINDING**

**City of Pascagoula, Mississippi**  
Summary Schedule of Prior Audit Finding  
Year Ended September 30, 2021

**JAY WILLIS**  
MAYOR

**MICHAEL SILVERMAN**  
CITY MANAGER

**MICHAEL MOORE**  
CITY ATTORNEY



**CITY COUNCIL**

<b>MICHAEL HYDE</b>	Councilman, Ward 1
<b>FELIX FORNETT</b>	Councilman, Ward 2
<b>JOHNNY WALKER</b>	Councilman, Ward 3
<b>MATT PARKER</b>	Councilman, Ward 4
<b>CHRIS BLYTHE</b>	Councilman, Ward 5
<b>PATRICK GATCHELL</b>	Councilman at Large

603 WATTS AVE. • P.O. DRAWER 908  
PASCAGOULA, MS 39568-0908 • TELEPHONE 228-762-1020  
FAX 228-938-6749

**SUMMARY OF PRIOR AUDIT FINDING  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Finding

**Finding 2020-001: Internal Controls on Employee Census Data**

*Corrective Action:* Corrected