

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, 2022

CITY OF PASCAGOULA, MISSISSIPPI
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For the Year Ended September 30, 2022

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INTRODUCTORY SECTION



ELECTED OFFICIALS
As of September 30, 2022



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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Pascagoula, Mississippi

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management 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.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 the financial reporting. 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 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.

Supplementary Information

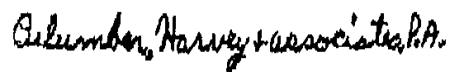
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is

presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of the City internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Culumber, Harvey & Associates, P.A.
Gulfport, Mississippi
January 16, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

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CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

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, 2022 and 2021. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that follow.

City of Pascagoula is located on the Mississippi Gulf Coast and is ranked as the 20th most populated city in the State of Mississippi. According to the United States Census Bureau, the estimated population of City of Pascagoula as of July 1, 2022, is 21,650. The median household income is \$43,243 with over 87% 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 \$91,284,802. This amount represents the total net position of the City's governmental and business-type activities. This amount increased from last year's net position of \$72,964,011 by \$18,299,523 for current year activities and increased \$21,268 for prior period adjustments.
- General revenues amounted to of \$29,068,617 or 49% of total revenues. This amount increased \$2,865,476 in 2022. This increase is primarily due to an increase in ad valorem taxes as a result of a county-wide reappraisal. Program revenues amounted to \$30,802,398 or 51% of total revenues, which increased \$4,340,759 from 2021. This increase was mostly due to the increase in capital grants received.
- Overall expenses for the City increased \$4,078,215 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 \$2,690,489 in the governmental activities and decreased \$1,122,885 in the business-type activities during 2022. Capital asset acquisitions totaled \$6,185,675 while normal straight-line depreciation and amortization of capital assets totaled \$5,722,395.
- The City issued special obligation bonds in the amount of \$10,315,000 and borrowed an additional \$248,567 in capital leases in 2022. Principal payments of \$2,158,329 were made to reduce outstanding debt.
- The City had \$7,742,701 in major construction in progress at the end of 2022 with a continuing commitment of \$4,341,458 in future years.

Major Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$25,115,944 in revenues, which shows an increase of \$2,143,138 from 2021 and \$21,147,473 in expenditures, an increase of \$642,020 from 2021, in the current year. The general fund shows a deficit in fund balance of \$796,315 an improvement of \$4,435,254 from 2021.
- *Capital Projects Fund* – This fund is used to account for the current and committed future infrastructure projects of the City. The fund shows at September 30, 2022 committed fund balance (signed contracts) of \$1,458,353 and assigned fund balance (set aside by Council) of \$3,367,588.
- *ARPA Fund* – This fund is used to account for receipts and expenditures of the American Rescue Plan Act funds the City received in 2021 and 2022. In 2022, the City opted to claim the "revenue loss" option available to release these federal funds for a majority of the restrictions originally placed. The fund shows at September 30, 2022 committed fund balance (signed contracts) of \$154,875 and assigned fund balance (set aside by Council) of \$4,908,410.
- *2022 Bond Fund* – This fund is used to account for the proceeds of the Mississippi Development Bank Special Obligation Bonds, Series 2022 (Pascagoula, Mississippi Capital Improvements Project) in the amount of 10,315,000.
- *Pascagoula Redevelopment Fund* – This fund is used to account for the blended component unit, the Pascagoula Redevelopment Authority.

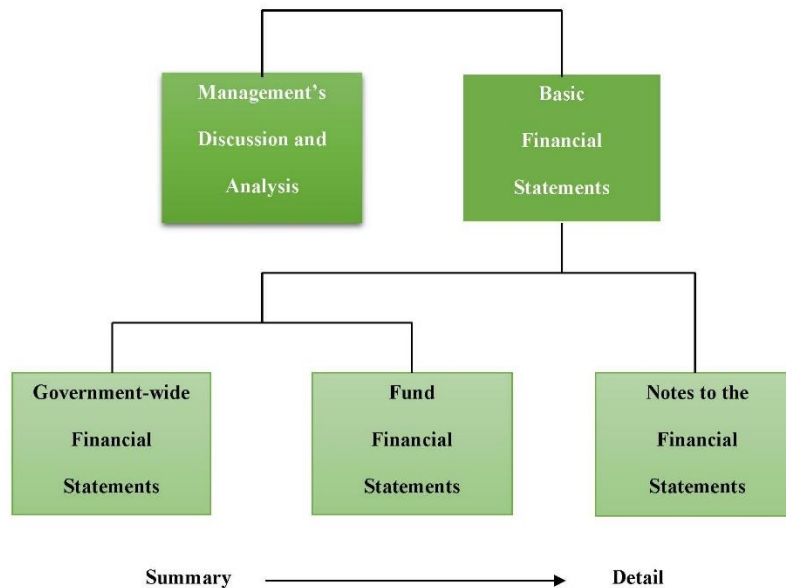
CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

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
For the Year Ended September 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements (Statement of Net Position and the Statement of Activities)

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

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

Table 1 provides a summary of the City's net position for 2022 compared to 2021.

<p style="text-align: center;">TABLE 1 Condensed Statement of Net Position September 30, 2022 and 2021</p>						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$ 27,295,156	\$ 20,618,247	16,149,772	16,051,724	43,444,928	36,669,971
Noncurrent assets	21,131,294	3,236,868	2,247,047	2,206,567	23,378,341	5,443,435
Capital assets	90,169,260	87,478,771	21,535,432	22,658,317	111,704,692	110,137,088
Total Assets	138,595,710	111,333,886	39,932,251	40,916,608	178,527,961	152,250,494
 Deferred Outflows	 3,425,267	 2,454,847	 167,591	 124,241	 3,592,858	 2,579,088
Liabilities						
Current liabilities	4,897,406	5,126,831	2,124,156	2,377,535	7,021,562	7,504,366
Noncurrent liabilities	56,813,113	39,268,846	13,102,208	13,251,105	69,915,321	52,519,951
Total Liabilities	61,710,519	44,395,677	15,226,364	15,628,640	76,936,883	60,024,317
 Deferred Inflows	 13,854,535	 21,425,308	 44,599	 415,946	 13,899,134	 21,841,254
Net Position						
Investment in capital assets, net of related debt	70,887,959	69,940,252	9,899,591	10,251,341	80,787,550	80,191,593
Restricted net assets	18,340,272	3,659,909	1,608,210	1,608,210	19,948,482	5,268,119
Unrestricted	(22,772,308)	(25,632,413)	13,321,078	13,136,712	(9,451,230)	(12,495,701)
Total Net Position	\$ 66,455,923	\$ 47,967,748	24,828,879	24,996,263	91,284,802	72,964,011

CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Activities

Total net position increased \$18,466,907 as a result primarily due to an increase in grant and bond driven capital projects and land purchases.

Unrestricted cash increased significantly due to the City electing to recognize American Rescue Act funds as revenue loss under the standard issued in 2022 rather than the original restrictions placed on the funds for capital outlay only. In addition, current liabilities decreased \$229,425 primarily due to expenditure payments timing of 2022 expenditures versus 2021 expenditures.

Business-type activities

Net position for the business-type activities was \$24,828,879 a decrease of \$167,384, primarily due to a council approved transfer of \$2,000,000 from the Solid Waste Fund to the Capital Projects Fund for drainage and other improvements.

Table 2 provides a summary of the City's statement of activities for 2022 compared to 2021.

<p style="text-align: center;">TABLE 2 Condensed Statement of Activities September 30, 2022 and 2021</p>						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,637,327	\$ 2,865,264	13,741,919	14,429,393	16,379,246	17,294,657
Operating grants and contributions	456,609	1,243,908	-	-	456,609	1,243,908
Capital grants and contributions	13,966,543	7,923,074	-	-	13,966,543	7,923,074
General revenues					-	-
Taxes	24,909,109	22,571,691	236	1,874	24,909,345	22,573,565
Grants and contributions - unrestricted	3,080,511	469,539	-	-	3,080,511	469,539
Investment earnings	258,505	422,324	86,851	-	345,356	422,324
Miscellaneous	726,392	2,732,617	7,013	5,096	733,405	2,737,713
Total revenues	<u>46,034,996</u>	<u>38,228,417</u>	<u>13,836,019</u>	<u>14,436,363</u>	<u>59,871,015</u>	<u>52,664,780</u>
Expenses:						
General government	5,994,962	5,218,162	-	-	5,994,962	5,218,162
Public safety	11,717,730	10,359,190	-	-	11,717,730	10,359,190
Public works	4,142,493	4,994,067	-	-	4,142,493	4,994,067
Culture and recreation	3,511,202	3,196,752	-	-	3,511,202	3,196,752
Urban renewal and economic development	3,141,257	1,939,405	-	-	3,141,257	1,939,405
Interest on long-term debt	1,060,445	762,619	188,539	234,495	1,248,984	997,114
Pascagoula Utilities	-	-	10,020,119	9,203,906	10,020,119	9,203,906
Solid waste and energy recovery	-	-	1,794,745	1,584,681	1,794,745	1,584,681
Transfer Station	-	-	-	-	-	-
Total expenses	<u>29,568,089</u>	<u>26,470,195</u>	<u>12,003,403</u>	<u>11,023,082</u>	<u>41,571,492</u>	<u>37,493,277</u>
Transfers	<u>2,000,000</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	18,466,907	11,758,222	(167,384)	3,413,281	18,299,523	15,171,503
Net Position - beginning, restated	47,989,016	36,209,526	24,996,263	21,582,982	72,985,279	57,792,508
Net Position - ending	<u>\$ 66,455,923</u>	<u>\$ 47,967,748</u>	<u>24,828,879</u>	<u>24,996,263</u>	<u>91,284,802</u>	<u>72,964,011</u>

CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Activities

Capital grant income increased significantly in 2022 as the City has begun to receive reimbursement for capital projects and additional federal grants for infrastructure. As a result, expenditures increase for additional costs for repairs to old infrastructure.

City personnel costs continue to rise as the City attempts to keep pace with the cost of living increases.

Business-type activities

Charges for services decreased \$687,474, primarily due to the Council agreeing to use cash reserves to cover the cost of a significant price increase in solid waste collection during the last quarter of 2022. In addition, wastewater treatment costs continue to rise. An increase of \$577,823 was incurred in 2022.

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.

Proprietary Funds

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

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

Fiduciary Funds

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

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and nonspendable resources. Such information may be useful in assessing the City's financing requirements. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

General Fund

The City's General Fund is the main operating fund and accounts for the sources and uses that make up the City's administrative, public safety, general public works, cultural and recreation and economic development services provided by the City to and for the general public. The unassigned fund balance of the general fund may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year.

Table 3 provides a condensed summary of the City's changes in general fund sources and uses in 2022 compared to 2021.

TABLE 3
Condensed Sources, Uses and Changes in Fund Balance - General Fund
For the year ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Sources:				
<i>Revenues:</i>				
Property taxes	12,029,382	9,862,783	2,166,599	22%
Franchise fees	1,529,187	1,429,270	99,917	7%
Fees and fines	366,492	316,093	50,399	16%
Licenses and permit fees	229,637	241,526	(11,889)	-5%
Intergovernmental	8,623,557	8,647,512	(23,955)	0%
Charges for services	1,946,784	1,949,462	(2,678)	0%
Interest earned	189,227	366,180	(176,953)	-48%
Miscellaneous	201,678	159,980	41,698	26%
<i>Other Sources:</i>				
Proceeds from issuance of debt	-	33,208	(33,208)	<100%
Proceeds from sale of assets	167,800	-	167,800	>100%
Proceeds from insurance	53,611	100,592	(46,981)	-47%
Transfers in	260,000	985,172	(725,172)	-74%
Total sources	<u>25,597,355</u>	<u>24,091,778</u>	<u>1,505,577</u>	6%
Uses:				
<i>Expenditures:</i>				
Personnel services	12,910,493	13,173,785	(263,292)	-2%
Supplies	812,402	619,470	192,932	31%
Contractual	7,145,353	6,510,240	635,113	10%
Capital outlay	197,548	119,051	78,497	66%
Debt service	81,677	82,907	(1,230)	-1%
<i>Other Uses:</i>				
Transfers out	14,628	-	14,628	>100%
Total uses	<u>21,162,101</u>	<u>20,505,453</u>	<u>656,648</u>	3%
Change in Fund Balance	4,435,254	3,586,325	848,929	24%
Beginning Fund Balance	<u>(5,231,569)</u>	<u>(8,817,894)</u>		
Ending Fund Balance	<u><u>(796,315)</u></u>	<u><u>(5,231,569)</u></u>		

CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

General Fund Budgeting Highlights

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

During the course of 2022, 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 4 shows the Changes in Capital Assets for the years ended September 30, 2022 and 2021.

<p style="text-align: center;">TABLE 4 Schedule of Capital Assets (Net of Accumulated Depreciation) September 30, 2022 and 2021</p>						
	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021	2022	2021
Land	\$ 16,820,205	16,885,756	84,751	84,751	16,904,956	16,970,507
Construction in progress	7,427,965	3,729,188	314,736	308,938	7,742,701	4,038,126
Buildings & improvements	2,020,179	2,275,770	3,522,513	3,893,304	5,542,692	6,169,074
Improvements - other	45,712,178	46,980,780	17,497,693	18,304,708	63,209,871	65,285,488
Infrastructure	15,829,767	16,669,054	-	-	15,829,767	16,669,054
Machinery & equipment	1,401,445	938,223	115,739	66,616	1,517,184	1,004,839
Right to use assets	957,521	1,201,985	-	-	957,521	1,201,985
Total	\$ 90,169,260	88,680,756	21,535,432	22,658,317	111,704,692	111,339,073

The primary increase in capital assets occurred due to implementation on new GASB standard recognizing right to use assets.

General Long-term Obligations

At September 30, 2022, the City had \$40,780,859 outstanding debt obligations, along with \$692,112 in compensated absences payable and \$30,607,831 in net pension obligations.

<p style="text-align: center;">TABLE 5 Schedule of Debt Obligations September 30, 2022 and 2021</p>						
	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021	2022	2021
General and Special Obligation Bonds	\$ 26,866,813	\$ 17,427,440	430,424	830,000	27,297,237	18,257,440
Revenue Bonds	-	-	10,970,490	10,970,490	10,970,490	10,970,490
Lease Liability	989,835	1,229,197	-	-	989,835	1,229,197
Note payable	920,000	1,380,000	236,987	258,485	1,156,987	1,638,485
Capital Leases	366,310	194,574	-	-	366,310	194,574
Total	\$ 29,142,958	\$ 20,231,211	11,637,901	12,058,975	40,780,859	32,290,186

CITY OF PASCAGOULA, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

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 Bollinger Shipbuilding. 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 decreased in 2022 4.3%, down from 5.6% as reported in 2021. Mississippi's unemployment rate in September 2022 was 4%.

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

While Pascagoula continues to make strides in terms of its economic growth, it still faces some challenges as a municipal government. Its current economic growth comes after years of devastation left by Hurricane Katrina, the BP Oil Spill, and the economic recession in 2008, numerous hurricanes and tropical storms, and COVID-19 currently. As a result, Pascagoula's transportation infrastructure and water and sewer system are in need of considerable upgrades. The City has issued a \$10,315,000 bond for infrastructure improvement. At the end of 2022, the City had approximately \$7.7 million in construction in progress at the end of the year with approximately \$4.3 million in remaining contract commitments for completion of the project phases. In 2022, the City was awarded the second part of approximately \$2.5 million in American Rescue Plan Act funds. 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:

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

BASIC FINANCIAL STATEMENTS

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City of Pascagoula, Mississippi

Statement of Net Position

September 30, 2022

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 8,526,823	15,444,906	23,971,729
Taxes receivables	13,814,899	-	13,814,899
Accounts receivable (net of allowance)	61,517	985,323	1,046,840
Intergovernmental receivables	3,517,847	-	3,517,847
Fines and forfeitures (net of allowance)	390,668	-	390,668
Interfund	290,258	(290,258)	-
Prepaid items	591,601	9,801	601,402
Insurance rebates receivable	92,635	-	92,635
Note receivable	8,908	-	8,908
Total Current Assets	<u>27,295,156</u>	<u>16,149,772</u>	<u>43,444,928</u>
Noncurrent Assets			
Cash	21,130,188	2,247,047	23,377,235
Note receivable	1,106	-	1,106
Capital assets, net of accumulated depreciation/amortization	90,169,260	21,535,432	111,704,692
Total Noncurrent Assets	<u>111,300,554</u>	<u>23,782,479</u>	<u>135,083,033</u>
Total Assets	<u>138,595,710</u>	<u>39,932,251</u>	<u>178,527,961</u>
Deferred Outflows of Resources			
Deferred bond charges	24,853	-	24,853
Deferred amounts on pension	3,400,414	167,591	3,568,005
Total Deferred Outflow of Resources	<u>3,425,267</u>	<u>167,591</u>	<u>3,592,858</u>
Liabilities			
Current liabilities:			
Claims and wages payable	1,994,300	311,999	2,306,299
Accrued interest payable	146,200	1,241,922	1,388,122
Judgements and insurance claims payable	194,678	-	194,678
Unearned revenue	328,145	-	328,145
Debt due within one year			
Capital debt	1,518,180	360,235	1,878,415
Noncapital debt	471,222	210,000	681,222
Lease liability	244,681	-	244,681
Total current liabilities	<u>4,897,406</u>	<u>2,124,156</u>	<u>7,021,562</u>
Noncurrent Liabilities:			
Payable from restricted assets			
Customer deposits	-	638,837	638,837
Debt due in more than one year			
Capital debt	25,714,943	10,857,666	36,572,609
Noncapital debt	1,111,002	239,888	1,350,890
Lease liability	745,154	-	745,154
Net pension liability	29,242,014	1,365,817	30,607,831
Total noncurrent liabilities	<u>56,813,113</u>	<u>13,102,208</u>	<u>69,915,321</u>
Total Liabilities	<u>61,710,519</u>	<u>15,226,364</u>	<u>76,936,883</u>
Deferred Inflows of Resources			
Property tax for future reporting period	13,154,225	-	13,154,225
Deferred amount on pensions	700,310	36,858	737,168
Deferred amounts associated with debt	-	7,741	7,741
Total Deferred Inflows of Resources	<u>13,854,535</u>	<u>44,599</u>	<u>13,899,134</u>
Net Position			
Investment in capital assets, net of related debt	70,887,959	9,899,591	80,787,550
Restricted Net Position:			
Restricted for grant/bond purposes	15,421,911	-	15,421,911
Restricted for debt service	2,918,361	1,608,210	4,526,571
Unrestricted	<u>(22,772,308)</u>	<u>13,321,078</u>	<u>(9,451,230)</u>
Total Net Position	\$ <u>66,455,923</u>	<u>24,828,879</u>	<u>91,284,802</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, 2022

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	\$ 5,994,962	1,922,306	115,556	-	(3,957,100)		(3,957,100)
Public safety	11,717,730	428,148	42,359	367,064	(10,880,159)		(10,880,159)
Public works	4,142,493	-	-	4,787,487	644,994		644,994
Culture, recreation and community services	3,511,202	272,459	298,694	1,451,351	(1,488,698)		(1,488,698)
Urban renewal and economic development	3,141,257	14,414	-	7,360,641	4,233,798		4,233,798
Interest on long-term debt	1,060,445	-	-	-	(1,060,445)		(1,060,445)
Total governmental activities	29,568,089	2,637,327	456,609	13,966,543	(12,507,610)		(12,507,610)
Business-type activities:							
Pacagoula utilities	10,208,658	12,220,082	-	-		2,011,424	2,011,424
Solid waste	1,794,745	1,521,837	-	-		(272,908)	(272,908)
Total business-type activities	12,003,403	13,741,919	-	-		1,738,516	1,738,516
Total government	\$ 41,571,492	16,379,246	456,609	13,966,543		1,738,516	(10,769,094)
General Revenues:							
Taxes:							
Property taxes, general					12,008,442	-	12,008,442
Property taxes, debt service					1,708,228	-	1,708,228
Property taxes, special purpose					746,652	236	746,888
Property taxes in lieu - federal government					20,940	-	20,940
General sales taxes					6,299,255	-	6,299,255
Special sales taxes					1,494,607	-	1,494,607
Franchise taxes					1,539,987	-	1,539,987
County road taxes					1,090,998	-	1,090,998
Grants and contributions not restricted to a special purpose					3,080,511	-	3,080,511
Unrestricted investment earnings					258,505	86,851	345,356
Miscellaneous					726,392	7,013	733,405
Total general revenues					28,974,517	94,100	29,068,617
Transfers					2,000,000	(2,000,000)	-
Total general revenues and transfers					30,974,517	(1,905,900)	29,068,617
Changes in net position					18,466,907	(167,384)	18,299,523
Net position - beginning, restated					47,989,016	24,996,263	72,985,279
Net position - ending					\$ 66,455,923	24,828,879	91,284,802

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

City of Pascagoula, Mississippi
Balance Sheet – Governmental Funds
September 30, 2022

	Major Funds					Other	Total
	General	Capital Projects	ARPA	2022 Bond	Pascagoula	Governmental	Governmental
	Fund	Fund	Fund	Fund	Redevelopment	Funds	Funds
					Fund		
ASSETS							
Cash	\$ 376,895	\$ 4,782,151	\$ 5,075,935	\$ -	\$ 116,172	\$ 1,044,957	\$ 11,396,110
Receivables							
Property tax	11,975,163	-	-	-	-	1,303,593	13,278,756
Franchise taxes	536,143	-	-	-	-	-	536,143
Intergovernmental	1,087,431	102,801	-	-	-	2,327,615	3,517,847
Court fines & fees	390,668	-	-	-	-	-	390,668
Accounts receivable, net	57,992	-	-	-	24	3,501	61,517
Due from other funds	1,184,477	-	-	-	-	-	1,184,477
Note receivable	-	-	-	-	10,014	-	10,014
Restricted cash	-	-	-	9,916,126	4,625,290	6,628,772	21,170,188
Advance to other fund	26,400	-	-	-	-	-	26,400
Total Assets	15,635,169	4,884,952	5,075,935	9,916,126	4,751,500	11,308,438	51,572,120
LIABILITIES							
Interfund payable - pooled cash	3,049,864	-	-	-	-	-	3,049,864
Claims payable and accrued liabilities	659,489	59,011	12,650	6,300	-	1,030,742	1,768,192
Wages payable	226,110	-	-	-	-	-	226,110
Unearned revenue	57,992	-	-	-	1,400	253,193	312,585
Due to other fund	82,828	-	-	10	-	611,381	694,219
Compensated absences - current	11,222	-	-	-	-	-	11,222
Advance from other fund	-	-	-	-	-	26,400	26,400
Total Liabilities	4,087,505	59,011	12,650	6,310	1,400	1,921,716	6,088,592
DEFERRED INFLOWS OF RESOURCES							
Property taxes for future reporting period	11,870,180	-	-	-	-	1,284,045	13,154,225
Unavailable revenue - fines and grants	473,799	-	-	-	-	-	473,799
Total Deferred Inflows of Resources	12,343,979	-	-	-	-	1,284,045	13,628,024
FUND BALANCES							
Restricted:							
State and federal restrictions	-	-	-	9,613,666	4,585,290	1,250,315	15,449,271
Debt service	-	-	-	-	-	3,064,561	3,064,561
Committed:							
Capital projects	-	1,458,353	154,875	296,150	-	2,448,328	4,357,706
Special purposes	-	-	-	-	164,810	634,784	799,594
Assigned:							
Capital projects	-	3,367,588	4,908,410	-	-	1,627	8,277,625
Unassigned	(796,315)	-	-	-	-	703,062	(93,253)
Total Fund Balances	(796,315)	4,825,941	5,063,285	9,909,816	4,750,100	8,102,677	31,855,504
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,635,169	\$ 4,884,952	\$ 5,075,935	\$ 9,916,126	\$ 4,751,500	\$ 11,308,438	\$ 51,572,120

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, 2022

Total governmental funds balance **\$ 31,855,504**

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 and right to use assets	\$ 152,929,647	
Less: accumulated depreciation/amortization	<u>(62,760,387)</u>	90,169,260

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	\$ 534,108	
Prepaid bond insurance	<u>57,493</u>	591,601

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

Court fines receivable	\$ 338,670	
Franchise fees receivable	<u>135,130</u>	473,800

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

Bonds payable	\$ (26,561,110)	
Unamortized premium on bond	(305,703)	
Notes payable	(920,000)	
Capital leases payable	(366,310)	
Lease liability	(989,835)	
Compensated absences	(651,001)	
Net pension liability	<u>(29,242,014)</u>	(59,035,973)

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

Accrued interest payable		(146,200)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	\$ 3,400,414	
Deferred inflows of resources related to pensions	<u>(700,310)</u>	2,700,104

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		24,853
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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

Current assets	\$ 233,212	
Amounts due to other funds	(200,000)	
Held for employees in Flex Account	(15,560)	
Estimated claims payable	<u>(194,678)</u>	<u>(177,026)</u>

Net position of governmental activities **\$ 66,455,923**

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, 2022

	Major Funds					Other	Total
	General	Capital Projects	ARPA	2022 Bond	Pascagoula	Governmental	Governmental
	Fund	Fund	Fund	Fund	Redevelopment	Funds	Funds
					Fund		
Revenues:							
Property taxes	\$ 12,029,382	\$ -	\$ -	\$ -	\$ -	\$ 2,454,880	\$ 14,484,262
Franchise fees	1,529,187	-	-	-	-	-	1,529,187
Fees and fines	366,492	-	-	-	-	-	366,492
Licenses and permit fees	229,637	-	-	-	-	-	229,637
Intergovernmental	8,623,557	58,531	2,583,647	-	7,360,641	7,877,727	26,504,103
Charges for services	1,946,784	-	-	-	14,414	18,340	1,979,538
Interest earned	189,227	-	19,966	20,508	8,990	19,814	258,505
Miscellaneous	201,678	-	-	-	-	-	201,678
Total Revenues	<u>25,115,944</u>	<u>58,531</u>	<u>2,603,613</u>	<u>20,508</u>	<u>7,384,045</u>	<u>10,370,761</u>	<u>45,553,402</u>
Expenditures:							
General government	5,115,024	-	-	-	-	230,067	5,345,091
Public safety	11,299,637	-	-	-	-	605,640	11,905,277
Public works	2,098,481	72,690	-	-	-	-	2,171,171
Culture & recreation	2,003,562	6,000	-	-	-	622,269	2,631,831
Urban & economic development	87,544	-	-	-	-	125,036	212,580
Capital outlay	197,548	537,262	123,975	21,550	2,884,357	4,850,597	8,615,289
Debt service:							
Principal	76,831	-	-	-	-	1,318,643	1,395,474
Lease payments	264,000	-	-	-	-	-	264,000
Interest and other fiscal charges	4,846	-	-	404,142	-	653,973	1,062,961
Total Expenditures	<u>21,147,473</u>	<u>615,952</u>	<u>123,975</u>	<u>425,692</u>	<u>2,884,357</u>	<u>8,406,225</u>	<u>33,603,674</u>
Excess (Deficiency) of Revenues							
Over Expenditures	<u>3,968,471</u>	<u>(557,421)</u>	<u>2,479,638</u>	<u>(405,184)</u>	<u>4,499,688</u>	<u>1,964,536</u>	<u>11,949,728</u>
Other Financing Sources (Uses):							
Proceeds from debt issuances	-	-	-	10,315,000	-	248,567	10,563,567
Proceeds from sale of assets	167,800	-	-	-	100,000	303,300	571,100
Proceeds from insurance	53,611	-	-	-	-	-	53,611
Transfers in	260,000	2,491,678	-	-	-	853,802	3,605,480
Transfers out	(14,628)	-	-	-	-	(1,590,852)	(1,605,480)
Total Other Financing Sources (Uses)	<u>466,783</u>	<u>2,491,678</u>	<u>-</u>	<u>10,315,000</u>	<u>100,000</u>	<u>(185,183)</u>	<u>13,188,278</u>
Net change in fund balances	4,435,254	1,934,257	2,479,638	9,909,816	4,599,688	1,779,353	25,138,006
Fund balances - beginning	<u>(5,231,569)</u>	<u>2,891,684</u>	<u>2,583,647</u>	<u>-</u>	<u>150,412</u>	<u>6,323,324</u>	<u>6,717,498</u>
Fund balances - ending	<u>\$ (796,315)</u>	<u>\$ 4,825,941</u>	<u>\$ 5,063,285</u>	<u>\$ 9,909,816</u>	<u>\$ 4,750,100</u>	<u>\$ 8,102,677</u>	<u>\$ 31,855,504</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, 2022

Net Change in Fund Balances - total governmental funds **\$ 25,138,006**

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

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

Capital outlay	\$ 5,730,933	
Depreciation	<u>(3,900,304)</u>	1,830,629

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 th (146,141)

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

Issuance of debt	\$ (10,563,567)	
Debt retirement	<u>1,395,474</u>	(9,168,093)

Recievables that do not meet the "measurable and available critieria 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. (43,115)

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

Pension expense and contributions made after measurement date		700,980
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	\$ 1,462	
Prepaid insurance	184,108	
Compensated absences	<u>61,768</u>	247,338

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 lease liability net of lease payments	(5,102)	
Amortization of prepaid bond insurance	(3,505)	
Amortization of deferred charges	<u>(12,424)</u>	(4,047)

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. (88,650)

Change in net position of governmental activities **\$ 18,466,907**

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, 2022

	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
Assets						
Current assets						
Cash	\$ 14,896,258	548,648	-	-	15,444,906	140,577
Accounts receivable (net of allowance)	635,325	349,998	-	-	985,323	-
Property tax receivable	-	-	-	-	-	-
Insurance rebates receivable	-	-	-	-	-	92,635
Due from other fund	26,293	360,000	-	-	386,293	-
Prepaid items	9,801	-	-	-	9,801	-
Total current assets	15,567,677	1,258,646	-	-	16,826,323	233,212
Noncurrent assets						
Cash	638,837	-	-	1,608,210	2,247,047	-
Capital assets						
Nondepreciable capital assets	314,736	-	84,751	-	399,487	-
Other capital assets (net of accumulated depreciation)	21,135,945	-	-	-	21,135,945	-
Total noncurrent assets	22,089,518	-	84,751	1,608,210	23,782,479	-
Total Assets	\$ 37,657,195	1,258,646	84,751	1,608,210	40,608,802	233,212
Deferred Outflow of Resources						
Deferred amounts on pensions	167,591	-	-	-	167,591	-
Total Deferred Outflow of Resources	\$ 167,591	-	-	-	167,591	-
Liabilities						
Current liabilities:						
Claims payable	95,861	209,962	-	-	305,823	-
Wages and accrued liabilities payable	6,176	-	-	-	6,176	-
Accrued interest payable	64,295	-	1,177,627	-	1,241,922	-
Due to other fund	36,303	-	640,248	-	676,551	200,000
Judgements and claims payable	-	-	-	-	-	194,678
Unearned revenue	-	-	-	-	-	15,560
Debt due within one year						
Capital debt	360,235	-	-	-	360,235	-
Noncapital debt	210,000	-	-	-	210,000	-
Total current liabilities	772,870	209,962	1,817,875	-	2,800,707	410,238
Noncurrent Liabilities:						
Payable from restricted assets						
Customer deposits	638,837	-	-	-	638,837	-
Debt due in more than one year						
Capital debt	4,731,065	-	6,126,601	-	10,857,666	-
Noncapital debt	239,888	-	-	-	239,888	-
Net pension liability	1,365,817	-	-	-	1,365,817	-
Total noncurrent liabilities	6,975,607	-	6,126,601	-	13,102,208	-
Total Liabilities	\$ 7,748,477	209,962	7,944,476	-	15,902,915	410,238
Deferred Inflows of Resources						
Deferred amounts on pensions	36,858	-	-	-	36,858	-
Deferred amounts associated with debt	7,741	-	-	-	7,741	-
Total Deferred Inflows of Resources	\$ 44,599	-	-	-	44,599	-
Net Position						
Net investment in capital assets	15,941,441	-	(6,041,850)	-	9,899,591	-
Restricted for debt service				1,608,210	1,608,210	
Unrestricted	14,090,269	1,048,684	(1,817,875)	-	13,321,078	(177,026)
Total Net Position	\$ 30,031,710	1,048,684	(7,859,725)	1,608,210	24,828,879	(177,026)

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, 2022

	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	\$ 12,220,082	1,521,837	-	-	13,741,919
Property taxes	-	236	-	-	236
Intergovernmental	-	-	-	-	-
Employer contributions	-	-	-	-	2,047,500
Employee and retiree contributions	-	-	-	-	309,798
Insurance claim reimbursements	-	-	-	-	283,005
Miscellaneous operating revenues	7,013	-	-	-	7,013
Total Operating Revenues	12,227,095	1,522,073	-	-	13,749,168
Operating Expenses:					
Personnel services	421,179	-	-	-	421,179
Insurance claims and expenses	-	-	-	-	2,112,258
Administrative expenses	1,500,000	88,000	-	-	1,588,000
Wastewater treatment	3,651,909	-	-	-	3,651,909
Waste collection	-	1,624,053	-	-	1,624,053
Waste disposal	-	16,845	-	-	16,845
Utilities	538,539	-	-	-	538,539
Supplies	463,501	-	-	-	463,501
Other services and charges	1,876,461	65,847	-	-	1,942,308
Depreciation	1,577,627	-	-	-	1,577,627
Total Operating Expenses	10,029,216	1,794,745	-	-	11,823,961
Operating income (loss)	2,197,879	(272,672)	-	-	1,925,207
Non-Operating Revenues (Expenses)					
Interest expense	(188,539)	-	-	-	(188,539)
Interest earnings	69,306	17,545	-	-	86,851
Amortization of bond premium	5,214	-	-	-	5,214
Amortization of deferred savings on refunding bond	3,883	-	-	-	3,883
Transfers out	-	(2,000,000)	-	-	(2,000,000)
Total Non-Operating Revenues (Expenses)	(110,136)	(1,982,455)	-	-	(2,092,591)
Change in net position	2,087,743	(2,255,127)	-	-	(167,384)
Total net position - beginning	27,943,967	3,303,811	(7,859,725)	1,608,210	24,996,263
Total net position - ending	\$ 30,031,710	1,048,684	(7,859,725)	1,608,210	24,828,879

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, 2022

	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	\$ 12,413,953	1,546,334	-	13,960,287
Cash received for premiums	-	-	-	-
Other operating receipts	7,013	236	-	7,249
Cash paid to employees	(458,761)	-	-	(458,761)
Cash paid to suppliers	(463,501)	-	-	(463,501)
Cash paid to contractors	(7,707,872)	(1,706,801)	-	(9,414,673)
Cash paid for judgements and claims	-	-	-	-
Cash paid for administrative services	-	-	-	-
Net cash provided by (used in) operating activities	3,790,832	(160,231)	-	3,630,601
Cash Flows From Non-Capital Financing Activities				
Advances from (to) other funds	36,303	(2,000,000)	-	(1,963,697)
Net cash flows provided by (used in) non-capital financing activities	36,303	(2,000,000)	-	(1,963,697)
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(454,742)	-	-	(454,742)
Repayment of debt	(762,855)	-	-	(762,855)
Interest and amortization on debt	(182,622)	-	-	(182,622)
Net cash provided by (used in) capital and related financing activities	(1,400,219)	-	-	(1,400,219)
Cash Flows From Investing Activities				
Interest received	69,306	17,545	-	86,851
Net cash flows provided by (used in) investing activities	69,306	17,545	-	86,851
Net increase (decrease) in cash	2,496,222	(2,142,686)	-	353,536
Cash - October 1	13,038,873	2,691,334	1,608,210	17,338,417
Cash - September 30	\$ 15,535,095	548,648	1,608,210	17,691,953

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, 2022

	Business-type Activities					Governmental
	Major Funds			Non-Major	Total	Activities
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund		Self Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Unsed in)						
Operating Activities						
Operating income (loss)	\$ 2,197,879	(272,672)	-	-	1,925,207	(88,650)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,577,627	-	-	-	1,577,627	-
(Increase) decrease in assets:						
Accounts receivable	153,391	24,497	-	-	177,888	(18,218)
Customer deposits	40,480	-	-	-	40,480	-
Increase (decrease) in liabilities:						
Claims and wages payable	(153,802)	87,944	-	-	(65,858)	36,234
Unearned revenue	-	-	-	-	-	8
Compensated absences	744	-	-	-	744	-
Pension liabilities and deferrals	(25,487)	-	-	-	(25,487)	-
Net cash provided by (used in) operating activities	<u>\$ 3,790,832</u>	<u>(160,231)</u>	<u>-</u>	<u>-</u>	<u>3,630,601</u>	<u>(70,626)</u>

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

City of Pascagoula, Mississippi
Statement of Fiduciary Net Position
September 30, 2022

		Private Purpose Trust Fund		Total Fiduciary Funds
		Pascagoula Port Commission Fund		
Assets	\$			
Cash		66,496		66,496
Total Assets		<u>66,496</u>		<u>66,496</u>
Net Position		66,496		66,496
Restricted for Port Commission	\$	<u>66,496</u>		<u>66,496</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, 2022

	Private Purpose Trust Fund	
	Pascagoula Port Commission Fund	Total Fiduciary Funds
Additions:		
Rental income	\$ 1,400	1,400
Total additions	1,400	1,400
Change in net position	1,400	1,400
Net position - beginning of year	65,096	65,096
Net position - end of year	\$ 66,496	66,496

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

NOTES TO THE FINANCIAL STATEMENTS

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City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

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, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

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.

ARPA Fund – This is used to account for financial resources received from the American Rescue Plan Act funds. In 2022, the city opted to use the “revenue loss” option that released these funds from the federal restrictions of the act. These funds will be used to repair infrastructure.

2022 Bond Fund – This fund accounts for the financial resources and expenditures of the 2022 General Obligation Bonds that are restricted to acquisition and/or construction of infrastructure to be used by the City's citizens.

Pascagoula Redevelopment Fund – The Pascagoula Redevelopment Authority (PRA) is a blended component unit of the City. This fund shows the transactions of the PRA.

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.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

GOVERNMENTAL FUND TYPES (Continued)

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Deposits and Investments

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

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

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

F. Receivables

All trade receivables are shown net of an allowance for uncollectible. 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, 2022, 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, 2022

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. Leases

Lessee

Capital Assets and Right to Use Lease Assets Capital assets and right to use lease assets purchased or acquired with an original cost as set in the Capital Assets capitalization policy are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Lessor

The City is a lessor for leases of land, mainly consisting of cell tower leases. The City recognizes a lease receivable and deferred inflow of lease receipts in both the fund level and government-wide financial statements. The City recognizes lease receivables with an initial, individual value of \$10,000 or more. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

I. Leases (Continued)

Key estimates and judgments related to leases include how the City determines:

- the discount rate it uses to discount the expected lease payments to present value,
- lease term, and,
- lease payments

The City uses the interest rate as the discount rate. When the interest rate is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments and purchase option prices that the lessee is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow if certain changes occur that are expected to significantly affect the amount of the lease receivable. Deferred inflows of lease receipts are reported with other deferred inflows related to pension and lease receivables are reported with current assets on the Statement of Net Position.

J. 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, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

K. 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.

L. 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.

M. 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, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

N. Post Employment Benefits Other than Pensions

COBRA

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

Deferred Compensation Plan

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

O. Fund Balance Policies

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

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

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

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

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

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

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

O. Fund Balance Policies (Continued)

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.

P. Net Position

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

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

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

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

Q. 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.

R. 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.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

S. 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.

T. Reporting Changes and New Accounting Pronouncements for Future Implementation

Effective for fiscal year 2022 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

In June 2017, the GASB issued Statement No. 87, *Leases* was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

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, 2022

Note 3 – Cash

A summary of cash at September 30, 2022 is as follows:

	Deposits with Financial Institutions		Cash on Hand	Total
	Pooled	Non-Pooled		
Governmental funds:				
General Fund	\$ (3,049,864)	375,889	1,006	(2,672,969)
Capital Projects Fund	4,782,151	-	-	4,782,151
ARAP Fund	5,075,935	-	-	5,075,935
2022 Bond Fund	(15,240)	9,931,366	-	9,916,126
Pascagoula Redevelopment Authority	-	4,741,462	-	4,741,462
Other governmental funds	7,662,404	11,325	-	7,673,729
Total governmental funds	14,455,386	15,060,042	1,006	29,516,434
Proprietary funds:				
Pascagoula Utilities Fund	15,534,695	-	400	15,535,095
Solid Waste Fund	548,648	-	-	548,648
Transfer Station Fund	1,608,210	-	-	1,608,210
Total proprietary funds	17,691,553	-	400	17,691,953
Internal service fund:				
Self-Insurance Fund				
Total internal service funds	140,577	-	-	140,577
Fiduciary funds	-	66,496	-	66,496
Total cash	\$ 32,287,516	15,126,538	1,406	47,415,460

The carrying amount of the city's total deposits with financial institutions at September 30, 2022, was \$47,415,460, and the bank balance was \$47,753,934. Of this amount \$638,837 is restricted for utility customers' deposits, \$26,400 is restricted for unemployment payments, \$3,051,100 is restricted for future debt service payments and \$19,700,897 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, 2022

Note 4 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2022, consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 124,531
For future reporting period	13,154,225
Total property taxes receivable	<u>13,278,756</u>
Franchise taxes	536,143
Total taxes receivable	<u>13,814,899</u>
Intergovernmental receivable:	
Sales taxes	1,261,908
Shared revenue	54,911
Grants	2,201,028
Total intergovernmental receivable	<u>3,517,847</u>
Fines and forfeitures receivable:	
Court fines receivable	34,686,068
Less: allowance for doubtful accounts	<u>(34,295,400)</u>
Total fines and forfeitures receivable, net	<u>390,668</u>
Accounts receivable:	
Rentals receivable	3,524
Business licenses	154,242
Less: allowance for doubtful accounts	<u>(96,249)</u>
Total accounts receivable (net of allowance)	<u>61,517</u>
Miscellaneous receivables:	
Self-insurance claims receivable	<u>92,635</u>
Total accounts receivables - governmental activities	<u><u>\$ 17,877,566</u></u>

B. Business-type Activities

Receivable in the business-type activities at September 30, 2022, consisted of the following:

Business-type activities	
Customer accounts receivable:	
Customer utility charges (billed)	\$ 2,224,115
Customer solid waste charges (billed)	274,890
Customer accounts, earned but unbilled	668,459
Less: allowance for doubtful accounts	<u>(2,182,141)</u>
Total receivables - business-type activities	<u><u>\$ 985,323</u></u>

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, 2022 is \$10,014.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

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
General Fund	2022 Bond Fund	10
General Fund	Child Care Grant Fund	11,381
General Fund	Pascagoula Utilities Fund	36,303
Pascagoula Utilities Fund	Group Health Insurance Fund	26,293
Solid Waste Fund	Hurricane Fund	360,000
		<u>\$ 1,487,942</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	Special Tax Fund	\$ 260,000
Recreation Bond Fund	CDBG Fund	34,043
Capital Projects Fund	2014 Recreation Bond Fund	100,629
Capital Projects Fund	2006 Bond Fund	41,049
Capital Projects Fund	Modern Use Infrastructure Fund	350,000
Capital Projects Fund	Solid Waste Fund	2,000,000
Debt service fund	Special Tax Fund	805,131
Unemployment Fund	General Fund	14,628
		<u>\$ 3,605,480</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.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 7 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2022:

	Balance 10/1/2021*	Additions	Adjustments/ Sales	Balance 9/30/2022
Capital assets not being depreciate/amortized:				
Land	\$ 16,885,756	-	(65,551)	16,820,205
Construction in progress	3,729,188	4,886,316	(1,187,539)	7,427,965
Total capital assets not being depreciated	<u>20,614,944</u>	<u>4,886,316</u>	<u>(1,253,090)</u>	<u>24,248,170</u>
Capital assets being depreciated/amortized:				
Buildings	8,207,053	-	(138,500)	8,068,553
Improvements - Other	60,702,430	-	1,155,429	61,857,859
Infrastructure	44,015,913	-	-	44,015,913
Mobile Equipment	8,972,650	680,742	-	9,653,392
Other Furniture & Equipment	3,210,600	163,875	-	3,374,475
Right to Use Assets	1,711,285	-	-	1,711,285
Total capital assets being depreciated	<u>126,819,931</u>	<u>844,617</u>	<u>1,016,929</u>	<u>128,681,477</u>
Less accumulated depreciation/amortization for:				
Buildings	5,931,283	255,591	(138,500)	6,048,374
Improvements - Other	13,721,650	2,424,031	-	16,145,681
Infrastructure	27,346,859	839,287	-	28,186,146
Mobile Equipment	8,344,764	266,224		8,610,988
Other Furniture & Equipment	2,900,263	115,171		3,015,434
Amortization of Right to Use Assets	509,300	244,464		753,764
Total accumulated depreciation/amortization	<u>58,754,119</u>	<u>4,144,768</u>	<u>(138,500)</u>	<u>62,760,387</u>
Total capital assets being depreciated/amortized, net	<u>68,065,812</u>	<u>(3,300,151)</u>	<u>1,155,429</u>	<u>65,921,090</u>
Total governmental activities - capital assets, net	<u>\$ 88,680,756</u>	<u>1,586,165</u>	<u>(97,661)</u>	<u>90,169,260</u>

* restated to comply with new GASB pronouncement

Depreciation and amortization expense was charged to the following governmental functions:

General government	\$ 834,720
Public safety	414,270
Public works	1,971,321
Culture & recreation	879,565
Urban & economic development	44,892
	<u>\$ 4,144,768</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

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, 2022:

	Balance 10/1/2021	Additions	Adjustments/ Sales	Balance 9/30/2022
Capital assets not being Depreciated:				
Land	\$ 84,751	-	-	84,751
Construction in progress	308,938	341,829	(336,031)	314,736
Total capital assets not being depreciated	<u>393,689</u>	<u>341,829</u>	<u>(336,031)</u>	<u>399,487</u>
Capital assets being depreciated:				
Buildings	7,415,816	-	-	7,415,816
Infrastructure & Improvements - Other	47,872,617	-	336,031	48,208,648
Mobile Equipment	1,508,359	-	-	1,508,359
Other Furniture & Equipment	81,491	112,913	-	194,404
Total capital assets being depreciated	<u>56,878,283</u>	<u>112,913</u>	<u>336,031</u>	<u>57,327,227</u>
Less accumulated depreciation for:				
Buildings	3,522,512	370,791	-	3,893,303
Infrastructure & Improvements - Other	29,567,909	1,143,046	-	30,710,955
Mobile Equipment	1,457,273	51,086	-	1,508,359
Other Furniture & Equipment	65,961	12,704	-	78,665
Total accumulated depreciation	<u>34,613,655</u>	<u>1,577,627</u>	<u>-</u>	<u>36,191,282</u>
Total capital assets being depreciated, net	<u>22,264,628</u>	<u>(1,464,714)</u>	<u>336,031</u>	<u>21,135,945</u>
Total business-type activities capital assets, net	<u>\$ 22,658,317</u>	<u>(1,122,885)</u>	<u>-</u>	<u>21,535,432</u>

Depreciation expense of \$1,577,627 was charged to the Pascagoula Utilities Fund.

C. Construction Commitments (Signed Contracts)

A summary of remaining significant contractual commitments for the year ended September 30, 2022 are as follows:

	Expended to Date	Remaining Commitments
Governmental type projects		
Woodhaven Drainage Project	\$ 7,538	105,078
Brairwood Drainage Project	56,992	1,208,247
Boxwood Drainage Project	73,722	128,779
Eastlawn & Pinecrest ARPA Project	123,975	154,875
Northwood Street Drainage Project	12,800	258,400
Live Oak Cross Drainage Project	8,750	37,750
Point Park Projects	635,278	61,555
River Park Pier Projects	589,887	1,591,158
Senior Center/Durden St Project - CDBG	8,750	102,520
Amtrak Project	66,426	20,500
Splash Pad	20,362	134,438
Oakland Drainage Project	17,100	9,150
Quiet Zone Project	52,800	17,000
Ingall's Avenue Improvements	<u>4,938,596</u>	<u>512,008</u>
Total Construction Commitments	<u>\$ 6,612,976</u>	<u>4,341,458</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

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. The City does not issue a publicly available financial report for the Plan. Each employee pays a portion of his/her premium through a payroll deduction. The City pays the remaining portion of the premium policy for its respective employees.

Processing of claims is accomplished through a contract with the claims administration firm. After the \$500 deductible for individuals and \$1,500 for families, the plan pays 80% of preferred provider allowable expenses up to the maximum out of pocket of \$2,500 for individuals and \$7,500 for families. Once a total out of pocket of \$2,500/\$7,500 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 judgements and insurance claims liability during fiscal year 2022, 2021 and 2020 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal year
2021-2022	\$ 158,444	2,148,492	(2,112,258)	194,678
2020-2021	159,999	1,746,677	(1,748,232)	158,444
2019-2020	296,442	2,063,386	(2,199,829)	159,999

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, 2022

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, 2022, 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, 2022, 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, 2022

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, 2022, 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, 2022 valuation is 1.57 mills.

C. Combined PERS and MRS Financial Information

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

At September 30, 2022, the City reported a liability of \$29,242,014 in the governmental activities and \$1,365,817 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, 2022, 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, 2022, the City's proportion of PERS was .133%. For the year ended September 30, 2022, the City recognized a pension expense of \$612,463 in the governmental activities and an overall pension expense reduction of \$105 in the business-type activities.

At September 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources				
	Governmental Activities			Business-Type	
	PERS	MRS	Total	Activities	Total
Differences between expected and actual experience	\$ 367,441	-	367,441	19,339	386,780
Changes of assumptions	897,529	-	897,529	47,238	944,767
Net difference between projected and actual earnings on pension plan investments	1,363,048	216,174	1,579,222	71,739	1,650,961
Changes in proportion and differences between City contributions and proportionate share on contributions	204,241	-	204,241	10,750	214,991
City's contributions subsequent to the measurement date	351,981	-	351,981	18,525	370,506
Total deferred outflows related to pensions	<u>\$ 3,184,240</u>	<u>216,174</u>	<u>3,400,414</u>	<u>167,591</u>	<u>3,568,005</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 9 – Pensions (continued)

At September 30, 2022, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources				
	Governmental Activities			Business-Type	
	PERS	MRS	Total	Activities	Total
Changes in proportion and differences between City contributions and proportionate share on contributions	\$ 700,310	-	700,310	36,858	737,168
Total deferred outflows related to pensions	\$ 700,310	-	700,310	36,858	737,168

Within the deferred outflows, an amount of \$370,506 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, 2022.

The remaining amounts reported as deferred outflows of resources related to pensions of \$3,197,499 of deferred inflows of resources related to pensions of \$737,168 netting to 2,460,331 will be recognized in pension expense as follows:

Year Ending September 30,	Future Amortization
2023	\$ 450,780
2024	634,092
2025	(354,289)
2026	1,729,748
	<u>\$ 2,460,331</u>

Actuarial assumptions

The total pension liabilities in the June 30, 2022, 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, 2022

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, 2022, 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	25.00 %	4.60 %
International Equity	20.00	4.50
Global Equity	12.00	4.85
Fixed Income	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
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, 2022

Note 9 – Pensions (continued)

Actuarially determined contribution rates for MRS are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2020 were based on the June 30, 2022 actuarial valuation.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.55 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	\$ 35,650,615	\$ 27,316,342	\$ 20,445,157
City's Proportionate share of MRS	358,381	3,291,489	2,699,949

Pension plan fiduciary net position

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

Three-year Trend Information

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

Fiscal Years Ending	Employer Contributions PERS	MRS
2022	\$ 1,589,683	411,190
2021	1,583,498	352,301
2020	1,509,064	726,862

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, 2022

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, 2022 are as follows:

	Balance 10/1/2021*	Additions	Reductions	Balance 9/30/2022	Due within One Year
<u>Governmental Activities</u>					
Debt obligations					
General obligation debt	\$ 17,104,753	-	858,643	16,246,110	881,643
Special obligation debt		10,315,000		10,315,000	492,000
Notes payable	1,380,000	-	460,000	920,000	460,000
Capital leases	194,574	248,567	76,831	366,310	144,537
Lease liability	1,229,197	-	239,362	989,835	244,681
Add: Unamortized bond premium	322,687	-	16,984	305,703	-
Total debt obligations	<u>20,231,211</u>	<u>10,563,567</u>	<u>1,651,820</u>	<u>29,142,958</u>	<u>2,222,861</u>
Other liabilities					
Compensated absences payable	720,845	544,781	603,402	662,224	11,222
Net pension liability	<u>21,267,042</u>	<u>7,974,972</u>	<u>-</u>	<u>29,242,014</u>	<u>-</u>
Total other liabilities	<u>21,987,887</u>	<u>8,519,753</u>	<u>603,402</u>	<u>29,904,238</u>	<u>11,222</u>
Total governmental activities	<u>\$ 42,219,098</u>	<u>19,083,320</u>	<u>2,255,222</u>	<u>59,047,196</u>	<u>2,234,083</u>
* Restated for implementation of new GASB standard					
<u>Business-type Activities</u>					
Debt obligations					
Bonds payable	\$ 6,005,246	-	741,357	5,263,889	548,357
Notes payable	258,485	-	21,498	236,987	21,878
Energy Recovery Facility (ERF)	6,126,601	-	-	6,126,601	-
Add: Unamortized bond premium	15,638	-	5,214	10,424	-
Total debt obligations	<u>12,405,970</u>	<u>-</u>	<u>768,069</u>	<u>11,637,901</u>	<u>570,235</u>
Other liabilities					
Compensated absences payable	29,143	17,898	17,153	29,888	-
Net pension liability	<u>996,128</u>	<u>369,689</u>	<u>-</u>	<u>1,365,817</u>	<u>-</u>
Total other liabilities	<u>1,025,271</u>	<u>387,587</u>	<u>17,153</u>	<u>1,395,705</u>	<u>-</u>
Total business-type activities	<u>\$ 13,431,241</u>	<u>387,587</u>	<u>785,222</u>	<u>13,033,606</u>	<u>570,235</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 11 – Long-term Liabilities (continued)

Debt outstanding as of September 30, 2022, consisted of the following:

Description and Purpose	Original Issue Amount	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:				
A. Bonds:				
General Obligation Bonds:				
General Obligation Refunding Bonds, Series 2006	\$ 4,255,000	\$ 145,000	3.53 - 4.2%	11/01/23
General Obligation Bonds, Series 2014 (53.33%)	8,000,000	5,536,110	1.31 - 3.291%	04/01/34
General Obligation Bonds, Series 2017	12,500,000	10,565,000	3.0 - 3.625%	07/01/40
Total General Obligation Bonds		<u>16,246,110</u>		
Special Obligation Bonds:				
Special Obligation Bonds, Series 2022	10,315,000	10,315,000	3.50%	08/01/37
Total Special Obligation Bonds		<u>10,315,000</u>		
B. Notes Payable				
Tax Negotiable Note	2,300,000	920,000	4.82%	12/19/23
Total Notes Payable		<u>920,000</u>		
C. Capital Leases:				
The First Bank				
secured by Ford F150 police vehicle, \$738 monthly	33,208	19,864	3.15%	01/20/25
The First Bank				
secured by Ford F150 police vehicle, \$738 monthly	33,208	16,445	3.15%	08/15/24
The First Bank				
secured by 5 Ford F150 police vehicles, \$4,187 monthly	188,275	81,434	3.40%	09/05/24
PNC National Association				
secured by fire truck, \$90,081 annually	248,567	248,567	4.30%	06/24/25
Total Capital Leases		<u>366,310</u>		
D. Lease Liability				
Mississippi Power Company				
Sportsplex lights, \$22,000 monthly		989,835	2.20%	08/31/26
Total governmental activities		<u>\$ 28,837,255</u>		
Business-type Activities:				
A. Bonds				
General Obligation Bonds, Series 2014 (46.67%)	\$ 4,160,000	\$ 420,000	2.0 - 2.5%	06/01/24
Revenue Refunding Bonds, Series 2012	7,000,000	4,843,889	1.31 - 3.291%	04/01/34
Revenue Bonds:				
Incinerator System Revenue Bonds, Series 1981	6,430,000	5,626,601		
Incinerator System Revenue Bonds, Series 1983	500,000	500,000		
Total Bonds		<u>11,390,490</u>		
B. Notes Payable				
State Revolving Fund Loan, 2013	429,865	236,987	1.75%	09/01/32
Total Notes Payable		<u>236,987</u>		
Total business-type activities		<u>\$ 11,627,477</u>		
Total Government		<u>\$ 40,464,732</u>		

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

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.

Special Obligation Bonds

In 2022, the City issued \$10,315,000 of Mississippi Development Bank Special Obligation Bonds, Series 2022 (Pascagoula, Mississippi Capital Improvements Project). The proceeds of these bonds are being used for the purpose of providing projects as authorized under the City Act, including but not limited to (i) constructing, maintaining, reconstructing, improving, and repairing roads and streets and acquiring rights-of-way therefore if necessary; (ii) erecting, repairing, improving, extending or maintaining waterworks or water distribution systems, and repairing, improving and extending the same; (iii) establishing erecting, repairing, improving, extending or maintaining sanitary, storm, drainage or sewerage systems; (iv) constructing, maintaining, reconstructing, improving, and repairing bridges and culverts; (v) for other authorized purposes under the Act (the “City Project”); and (vi) financing the costs of issuance of the Series 2022 Bonds. These bonds carry an interest rate of 3.5% and bond issuance costs amounted to \$341,615. Debt service of these bonds will be paid from the Modern Use Infrastructure Fund using funds received by the City from the Mississippi Infrastructure Modernization Act of 2018.

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 2022, 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, 2022.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 11 – Long-term Liabilities (continued)

A. Bonds Payable (Continued)

Governmental Activities

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

Year ended September 30	Governmental Activities				Total Bonds	
	General Obligation Bonds		Special Obligation Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 881,643	550,513	492,000	407,156	1,373,643	957,669
2024	914,975	523,364	556,000	343,805	1,470,975	867,169
2025	865,641	492,193	575,000	324,345	1,440,641	816,538
2026	898,974	461,388	595,000	304,220	1,493,974	765,608
2027	932,306	429,157	616,000	283,395	1,548,306	712,552
2028-2032	5,167,516	1,628,166	3,420,000	1,078,000	8,587,516	2,706,166
2033-2037	4,340,055	787,700	4,061,000	436,205	8,401,055	1,223,905
2038-2040	2,245,000	164,756	-	-	2,245,000	164,756
	\$ 16,246,110	5,037,237	10,315,000	3,177,126	26,561,110	8,214,363

Business-type Activities

Annual debt service requirements to maturity for bonds payable-business-type activities are as follows:

Year ended September 30	General Obligation Bonds		Business-type Activities		Total Bonds	
	Principal	Interest	ERF (Incinerator)		Principal	Interest
			Principal	Interest		
2023	548,357	160,913	-	-	548,357	160,913
2024	560,025	146,253	-	-	560,025	146,253
2025	359,359	126,757	-	-	359,359	126,757
2026	371,026	115,727	-	-	371,026	115,727
2027	382,694	104,148	-	-	382,694	104,148
2028-2032	2,102,483	328,303	-	-	2,102,483	328,303
2033-2037	939,945	31,178	-	-	939,945	31,178
Suspended	-	-	6,126,601	1,177,627	6,126,601	1,177,627
	5,263,889	1,013,279	6,126,601	1,177,627	11,390,490	2,190,906

B. Notes Payable

Tax Negotiable Note

In 2022, 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%.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 11 – Long-term Liabilities (continued)

B. Notes Payable

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
2023	\$ 460,000	44,344	21,878	3,972
2024	460,000	22,172	22,264	3,586
2025	-	-	22,656	3,194
2026	-	-	23,056	2,794
2027	-	-	23,463	2,387
2028-2032	-	-	123,670	5,580
	<u>\$ 920,000</u>	<u>66,516</u>	<u>236,987</u>	<u>21,513</u>

C. Capital Leases Payable

The following is a schedule by years of the future minimum lease payments due as of September 30, 2022:

September 30,	Principal	Interest	Total
2023	\$ 144,537	13,493	158,030
2024	132,505	8,041	140,546
2025	89,268	3,731	92,999
	<u>\$ 366,310</u>	<u>25,265</u>	<u>391,575</u>

D. Lease Liability (Right to Use Asset)

The City is a lessee for various non-cancellable leases of building and equipment. For leases that have a maximum possible term of 12 months or less at commencement, the City recognizes expense based on the provisions of the lease contract. For all other leases, other than short-term, the City recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The City uses the interest rate as the discount rate. When the interest rate is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments and purchase option prices that the lessee is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow if certain changes occur that are expected to significantly affect the amount of the lease receivable. Deferred inflows of lease receipts are reported with other deferred inflows related to pension and lease receivables are reported with current assets on the Statement of Net Position.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 11 – Long-term Liabilities (continued)

D. Lease Liability (Right to Use Asset)

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow if certain changes occur that are expected to significantly affect the amount of the lease receivable. Deferred inflows of lease receipts are reported with other deferred inflows related to pension and lease receivables are reported with current assets on the Statement of Net Position.

On August 20, 2019, the City entered into an lease agreement with Mississippi Power Company for the installation and lease of the Sportsplex lights. Under this agreement, the City pays \$22,000 a month for a 7-year term, to be renegotiated at the end of the term. The lease matures in 2026 and carries no interest. In accordance with GASB 87 *Leases* the present value of the lease payments was recorded as a right to use asset in the amount of \$1,711,285. This right to use asset will be amortized on a straight-line basis for the length of the lease. The City used the estimated incremental borrowing rate of 2.2% to discount rate.

The following is a schedule by years of the future principal and interest lease payments due as of September 30, 2022:

Year ended September 30	Lease Liability		
	Principal	Interest	Total
2023	\$ 244,681	19,319	264,000
2024	250,119	13,881	264,000
2025	255,677	8,323	264,000
2026	239,358	2,681	242,039
	<u>\$ 989,835</u>	<u>44,204</u>	<u>1,034,039</u>

E. 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, 2022, the amount of outstanding debt was equal to 8.58% of the latest property assessments.

F. Compensated Absences

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

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 12 – Net Investment in Capital Assets

Governmental Activities:

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 24,248,170
Other capital/right to use assets	128,681,477
Less: accumulated depreciation/amortization	(62,760,387)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds	(16,246,110)
Special obligation bonds	(10,315,000)
Capital leases	(336,310)
Lease liability	(989,835)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance	57,493
Deferred bond charges	24,853

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred premium	(305,703)
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Less: material accounts payable at year end

Add: outstanding cash bond proceeds

Total Net Investment in Capital Assets - Governmental Activities	\$ 70,887,959
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Business-type Activities

Pascagoula Utilities Fund

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 314,736
Other capital assets	57,327,227
Less: accumulated depreciation	(36,191,282)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds	(5,263,889)
Notes payable	(236,987)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance	9,801
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Less: deferred inflows of resources attributable to capital asset acquisition

Deferred savings on refunding bond	(7,741)
Deferred premium	(10,424)

Net investment in capital assets - Pascagoula Utilities Fund	15,941,441
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Energy Recovery Fund

Net investment in capital assets:

Nondepreciable capital assets	84,751
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Less: outstanding balances of borrowings for capital asset acquisition:

Revenue bonds used to purchase capital assets	(6,126,601)
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Net investment in capital assets - Energy Recovery Fund	(6,041,850)
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Total Net Investment in Capital Assets - Business-type Activities	\$ 9,899,591
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City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

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, 2022 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 \$6,299,255.

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, 2022 was \$1,494,607.

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, 2022

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, 2022, to January 1, 2022. 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 \$259,935/month for the year ended September 30, 2022. During the fiscal year ended September 30, 2022 the City paid a total of \$3,119,220 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 \$135,338/month for the year ended September 30, 2022 and is billed on a per unit basis. This amount includes commercial and residential garbage collections. During the fiscal year ended September 30, 2022 the City paid a total of \$1,624,051 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 \$16,845.

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 \$1,236/month for miscellaneous software maintenance and \$24,301 every three months for support of the city-wide accounting software. During the fiscal year ended September 30, 2022 the City paid a total of \$111,997.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 14 – Commitments and Contingencies (continued)

Contract for Grass Cutting and Beautification Services – In 2018, 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, 2022, the City paid a total of \$855,557 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 \$4,341,458. 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 \$3,650,568 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 2022 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 \$250,000 to the Library for the year ended September 30, 2022.

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 17 – Tax Abatements

As of September 30, 2022, 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, 2022 are as follows:

Programs	Term	Abatement Period Ends	Assessed Value	Estimated Tax Abated
Real and Personal Property Tax Exemptions	5-10 years	2023	\$ 17,989,780	\$ 417,145
and Residential Renewal and Renovation	5-10 years	2024	13,383,467	432,856
District Tax Program	5-10 years	2025	13,685,175	377,891
	5-10 years	2026	12,389,937	274,794
	10 years	2027	9,998,123	149,046
	10 years	2028-2032	25,395,060	368,228
Total tax abatements			<u>\$ 92,841,542</u>	<u>\$ 2,019,960</u>

City of Pascagoula, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 18– Subsequent Events

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

Management of the City of Pascagoula, Mississippi evaluated the activity of the City through January 16, 2024, (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:

In November 2022, the City issued \$696,000 Taxable Tax Increment Limited Obligation Bonds, Series 2022 for the purpose of paying the cost of the infrastructure improvements for the LaFont Inn. The bonds are to be paid from sales tax diversion and ad valorem taxes paid by the developer. A reserve requirement of \$77,000 is required to be maintained. The bonds carry an interest rate of 7.07% and mature in fiscal year 2037.

Note 19 – Prior Period Adjustments

During the current year, beginning net position and fund balances were restated from fiscal year ended September 30, 2022 as follows:

<i>Statement of Net Position</i>	
<i>Governmental Activities</i>	
Amounts for construction in progress expensed in 2021	\$ (48,480)
Amounts for recording right of use asset, net of amortization	(1,201,985)
Amounts for lease liability with implementation of GASB 87	<u>1,229,197</u>
Overall restatement of Net Position	<u>\$ (21,268)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Pascagoula, Mississippi
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund
Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2022

	Original Budget	Final Budget	Actual Budgetary Basis	Variances	
				Favorable (Unfavorable) Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 11,126,796	11,126,796	12,169,737	-	1,042,941
Licenses and permits	1,707,000	1,713,000	1,732,690	6,000	19,690
Intergovernmental	7,411,600	8,534,697	8,419,250	1,123,097	(115,447)
Charges for services	1,886,600	1,899,300	2,361,534	12,700	462,234
Fines & Forfeitures	329,000	279,000	301,250	(50,000)	22,250
Miscellaneous	104,000	104,000	145,493	-	41,493
Investment earnings	60,000	15,000	27,744	(45,000)	12,744
Other financing sources	45,000	11,800	11,800	(33,200)	-
Transfers from/to other funds	260,000	260,000	260,000	-	-
Total available for appropriations	22,929,996	23,943,593	25,429,498	1,013,597	1,485,905
Expenditures:					
General Government:					
Personnel services	1,109,977	1,149,087	139,927	(39,110)	1,009,160
Supplies	36,050	43,385	37,837	(7,335)	5,548
Other services and charges	2,973,585	3,086,045	2,876,753	(112,460)	209,292
Capital outlay/Debt service	-	87,940	70,787	(87,940)	17,153
Total	4,119,612	4,366,457	3,125,304	(246,845)	1,241,153
Public Safety - Police					
Personnel services	6,735,430	6,735,430	6,059,692	-	675,738
Supplies	280,775	305,825	280,021	(25,050)	25,804
Other services and charges	504,400	578,915	522,452	(74,515)	56,463
Capital outlay/Debt service	81,685	204,055	142,389	(122,370)	61,666
Total	7,602,290	7,824,225	7,004,554	(221,935)	819,671
Public Safety - Fire					
Personnel services	4,592,940	4,771,945	4,794,778	(179,005)	(22,833)
Supplies	126,200	143,480	130,240	(17,280)	13,240
Other services and charges	33,300	33,550	26,999	(250)	6,551
Total	4,950,040	5,136,575	5,022,867	(186,535)	113,708
Planning, Bldg. & Code Enforcement					
Personnel services	542,560	591,060	591,009	(48,500)	51
Supplies	34,650	36,850	21,171	(2,200)	15,679
Other services and charges	119,200	132,443	114,892	(13,243)	17,551
Total	696,410	797,338	762,457	(100,928)	34,881
Public Works					
Supplies	176,050	230,950	204,443	(54,900)	26,507
Other services and charges	2,042,180	2,040,299	1,986,960	1,881	53,339
Capital outlay/Debt service	195,000	563,780	143,363	(368,780)	420,417
Total	2,413,230	2,835,029	2,334,766	(421,799)	500,263
Health & Welfare					
Personnel services	93,900	93,900	79,976	-	13,924
Supplies	9,450	9,450	7,598	-	1,852
Other services and charges	26,650	26,950	25,157	(300)	1,793
Total	130,000	130,300	112,731	(300)	17,569
Culture & Recreation					
Personnel services	717,478	717,478	535,692	-	181,786
Supplies	152,800	170,750	147,905	(17,950)	22,845
Other services and charges	1,423,000	1,534,475	1,350,969	(111,475)	183,506
Capital outlay/Debt Service	100,000	117,838	32,300	(17,838)	85,538
Total	2,393,278	2,540,541	2,066,866	(147,263)	473,675

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, 2022

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Favorable (Unfavorable)	
				Original to Final	Final to Actual
Economic, Urban & Comm. Dev.					
Personnel services	72,898	74,498	74,470	(1,600)	28
Supplies	400	400	308	-	92
Other services and charges	10,000	22,100	13,135	(12,100)	8,965
Total	<u>83,298</u>	<u>96,998</u>	<u>87,912</u>	<u>(13,700)</u>	<u>9,086</u>
Transfer to other funds	<u>186,838</u>	<u>86,838</u>	<u>-</u>	<u>100,000</u>	<u>86,838</u>
Total charges to appropriations	<u>22,574,996</u>	<u>23,814,301</u>	<u>20,517,457</u>	<u>(1,239,305)</u>	<u>3,296,844</u>
Excess (Deficiency) of Available Resources over Use of Resources	<u>\$ 355,000</u>	<u>129,292</u>	<u>4,912,041</u>	<u>225,708</u>	<u>4,782,749</u>
Differences between budgetary and GAAP fund balances					
Change in fund balance - Budgetary Basis			\$ 4,912,041		
Accruals for expenses incurred but not paid			(177,861)		
Accruals for revenues recognized but not yet received			(298,926)		
Net Change in fund balance - Fund Financials			<u>\$ 4,435,254</u>		

City of Pascagoula, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedules
For the Fiscal Year Ended September 30, 2022

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, 2022**
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.133%	0.135%	0.132%	0.146%	0.165%	0.170%	0.160%	0.160%
City's proportionate share of the net pension liability	\$ 27,316,342	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	\$ 9,174,247	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 as a percentage of its covered payroll	297.75%	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	59.90%	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, 2022
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,589,683	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>1,589,683</u>	<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>	<u>-</u>
City's covered payroll	\$ 9,136,109	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%	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, 2022

PERS Pension Schedules

A. Changes in Assumptions

➤ 2022

- 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-2021 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, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2021 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 decrease 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-2022 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-2022 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, 2022

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, 2022 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, 2022**
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Interest	\$ 746,936	775,685	789,932	823,509	872,270	902,507	928,517	965,667
Differences between expected and actual experience	(42,808)	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	(1,220,940)	(1,263,656)	(1,276,295)	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
Net change in total pension liability	(516,812)	(137,002)	(190,153)	(440,225)	(658,120)	(404,980)	(341,653)	(111,090)
Total pension liability-beginning	10,503,666	10,640,668	10,830,821	11,271,046	11,929,166	12,334,146	12,672,799	12,786,889
Total pensions liability-ending	<u>\$ 9,986,854</u>	<u>10,503,666</u>	<u>10,640,668</u>	<u>10,830,821</u>	<u>11,271,046</u>	<u>11,929,166</u>	<u>12,331,146</u>	<u>12,675,799</u>
Plan fiduciary net position								
Contributions-employer	413,437	352,301	726,862	762,066	678,093	677,726	706,304	695,520
Net investment income	(651,912)	2,037,662	215,415	512,315	580,428	979,439	39,757	247,097
Benefit payments, including refunds of employee contributions	(1,220,940)	(1,263,656)	(1,276,295)	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
Administrative expense	(8,269)	(7,046)	(14,537)	(15,241)	(13,562)	(13,555)	(14,126)	(13,910)
Other costs	-	-	-	(195)	(693)	3,658	43,964	-
Net change in plan fiduciary net position	(1,467,684)	1,119,261	(348,555)	(31,309)	(103,865)	269,468	(613,970)	(503,396)
Plan fiduciary net position-beginning	8,163,049	7,043,788	7,392,343	7,423,652	7,527,517	7,258,049	7,872,019	8,375,415
Plan fiduciary net position-ending	<u>\$ 6,695,365</u>	<u>8,163,049</u>	<u>7,043,788</u>	<u>7,392,343</u>	<u>7,423,652</u>	<u>7,527,517</u>	<u>7,258,049</u>	<u>7,872,019</u>
Net pension liability-ending	<u>\$ 3,291,489</u>	<u>2,340,617</u>	<u>3,596,880</u>	<u>3,438,478</u>	<u>3,847,394</u>	<u>4,401,649</u>	<u>5,073,097</u>	<u>4,803,780</u>
Plan fiduciary net position as a percentage of the total pension liability	67.0%	77.7%	66.2%	68.3%	65.9%	63.1%	58.9%	62.1%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Commission's net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

City of Pascagoula, Mississippi
Schedule of the City's Contributions
and Related Ratios and Notes
Municipal Retirement System (MRS)
For the Fiscal Year Ended September 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 411,190	352,301	726,862	743,938	678,093
Contributions in relation to the contractually required contribution	<u>411,190</u>	<u>352,301</u>	<u>726,862</u>	<u>743,938</u>	<u>678,093</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
Contractually required contribution	\$ 677,726	706,304	695,520		
Contributions in relation to the contractually required contribution	<u>677,726</u>	<u>706,304</u>	<u>695,520</u>		
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>		
City's covered payroll	N/A	N/A	N/A		
Contributions as a percentage of covered payroll	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, 2022 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

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SUPPLEMENTAL INFORMATION

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City of Pascagoula, Mississippi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
US Department of Commerce				
National Oceanic and Atmospheric Administration				
<i>Passed through MS Department of Marine Resources</i>				
Costal Zone Management Administration Awards	11.419			-
Tidelands 2022		FY22-P604-08	400,000	
Tidelands 2020		FY2020-P604-06	173,514	
Tidelands 2019		FY19-P04-05PA	66,360	
Tidelands 2018		FY18-P604-06PA	17,230	
Tidlands 2017		FY2017-P604-1	10,600	
Gulf of Mexico Energy Security Act of 2006-GOMESA		30000031073	169,964	
Gulf of Mexico Energy Security Act of 2006-GOMESA		30000031071	414,026	
Point Park Paving and Amenities 2021		FY21-P604-01	300,000	
Total U.S. Department of Commerce			1,551,694	-
U.S. Department of Housing and Urban Development				
<i>Passed through MS Development Authority</i>				
CDBG Entitlement Clusters				
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-28-0005	21,583	6,390
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-28-0005	197,931	
CDBG CARES Act Coronavirus Recovery -COVID 19	14.218	B-20-MW-28-0005	81,531	81,531
Community Development Block Grants/HUD Disaster	14.219/14.228	R-109-290-06-KCR	1,403,819	-
Total U.S. Department of Interior			1,704,864	87,921
U.S. Department of Justice				
Bureau of Justice				
<i>Passed through Mississippi Department of Public Safety</i>				
Edward Byrne Memorial Justice Assistance Grant Program:				
High Intensity Drug Trafficking Area Programs	16.738	G22-GC0003A	20,161	-
Justice Assistance Grants	16.738	2021-15PBJA-21-GG-01625	11,828	-
Total U.S. Department of Justice			31,989	-
US Department of Transportation				
Federal Transit Administration				
<i>Passed through MS Dept of Transportation</i>				
Highway Planning and Construction	20.205	STP-8971-00(005)LPA	103,167	-
Highway Planning and Construction	20.514	STP-7872-00(005)LPA	34,628	-
Federal Railroad Administration				
<i>Passed through MS Dept of Highway Safety</i>				
Southern Rail Commission Station Improvements	20.314	69A36520501260RLDLA	28,640	-
Total U.S. Department of Transportation			166,435	-
US Department of The Treasury				
<i>Passed through MS Development Authority</i>				
American Rescue Plan - COVID 19	21.027	SLT-2046	123,975	-
Total U.S. Department of The Treasury			123,975	-
U.S. Department of Homeland Security				
<i>Passed through MS Emergency Management Agency</i>				
Disaster Grants - Public Assistance - H. Zeta	97.036	FEMA-4576-DR	71,683	-
FY21 Port Security Grant	97.044	EMW-2021-PU-00100	29,702	-
Total U.S. Department of Homeland Security			101,385	-
Total Expenditures of Federal Awards			\$ 3,680,342	87,921

City of Pascagoula, Mississippi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022

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, 2022. 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, 2022:

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	-	236,987	429,865
Total federal loans		\$ -	\$ 236,987	\$ 429,865

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	\$ 8,671
Gulf Coast Women's Center	42,207
Singing River Health System Foundation	7,793
United Way of Jackson & George Co	24,500
New Beginnings	4,750
Total passed through	\$ 87,921

City of Pascagoula, Mississippi
Schedule of Surety Bonds
(Required by State of Mississippi)
For the Fiscal Year Ended September 30, 2022

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	

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SPECIAL REPORTS

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**Independent Auditors' 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 as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise of the City's basic financial statements, and have issued our report thereon dated January 16, 2024.

Report on Internal Control over Financial Reporting

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

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

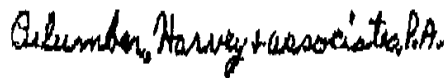
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants
Gulfport, Mississippi
January 16, 2024

**Independent Auditors' 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

Opinion on Each Major Federal Program

We have audited City of Pascagoula, Mississippi's compliance with the types of compliance requirements identified as a subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material compliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the

Auditor's Responsibilities for the Audit Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

DeLumber, Harvey & Associates, P.A.

Certified Public Accountants
Gulfport, Mississippi
January 16, 2024

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

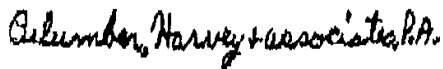
To the Honorable Mayor and City Council
City of Pascagoula, Mississippi

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, 2022, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 16, 2024. 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, 2022

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? | No |
| 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>
11.419	Coastal Zone Management Administration Awards

- | | | |
|-----|---|------------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |
| 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, 2022

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None

SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None