

## 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, 2023**

**MAY 30 2025**

CITY OF PASCAGOULA, MISSISSIPPI  
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For the Year Ended September 30, 2023

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## INTRODUCTORY SECTION



**ELECTED OFFICIALS**  
**As of September 30, 2023**



**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**

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## 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, 2023, 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, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those 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.
- Conclude whether, in our judgment, 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 a reasonable period of time.

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 April 21, 2025, 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.*

Culumber, Harvey & Associates, P.A.  
Gulfport, Mississippi  
April 21, 2025

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## MANAGEMENT DISCUSSION AND ANALYSIS

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2023**

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, 2023 and 2022. 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 20<sup>th</sup> most populated city in the State of Mississippi. According to the United States Census Bureau, the estimated population of City of Pascagoula as of July 1, 2023, is 21,582. The median household income is \$43,286 with over 88% 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 \$95,236,548. 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 \$91,284,802 by \$3,951,746 for current year activities.
- General revenues amounted to of \$26,887,802 or 52% of total revenues. This amount decreased \$2,180,815 in 2023. This decrease is primarily due to a decrease in grants and contributions and shared revenue. Program revenues amounted to \$24,916,101 or 48% of total revenues, which decreased \$5,886,297 from 2023. This decrease was mostly due to the decrease in capital grants received.
- Overall expenses for the City increased \$6,280,665 from the total expenses of \$41,571,492 reported in 2022. This increase is primarily due to a significant increase in capital project expenses.
- Capital assets, net of accumulated depreciation, increased by \$7,361,717 in the governmental activities and decreased \$503,629 in the business-type activities during 2023. Capital asset acquisitions, including right-of use and SIBTA assets totaled \$12,766,290, while normal straight-line depreciation and amortization of capital assets totaled \$5,908,202.
- The City issued limited obligation tax incremental financing bonds in the amount of \$696,000 and borrowed an additional \$670,865 in equipment installment loans in 2023. Principal payments of \$2,757,824 were made to reduce outstanding debt.
- The City had \$4,875,485 in major construction in progress at the end of 2023 with a continuing commitment of \$4,025,830 in future years.

**Major Fund Highlights**

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$25,952,161 in revenues, which shows an increase of \$836,217 from 2023 and \$24,374,442 in expenditures, an increase of \$3,226,969 from 2023, in the current year. The general fund shows a fund balance of \$275,727 an improvement of \$1,072,042 from 2022.
- *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, 2023 committed fund balance (signed contracts) of \$834,036 and assigned fund balance (set aside by Council) of \$1,618,757.
- *2022 Bond Fund* – This fund is used to account for the proceeds of the Mississippi Development Bank Special Obligation Bonds, Series 2023 (Pascagoula, Mississippi Capital Improvements Project) in the amount of \$10,315,000. As of September 30, 2023, \$9,809,378 of these funds are still available for capital improvements.

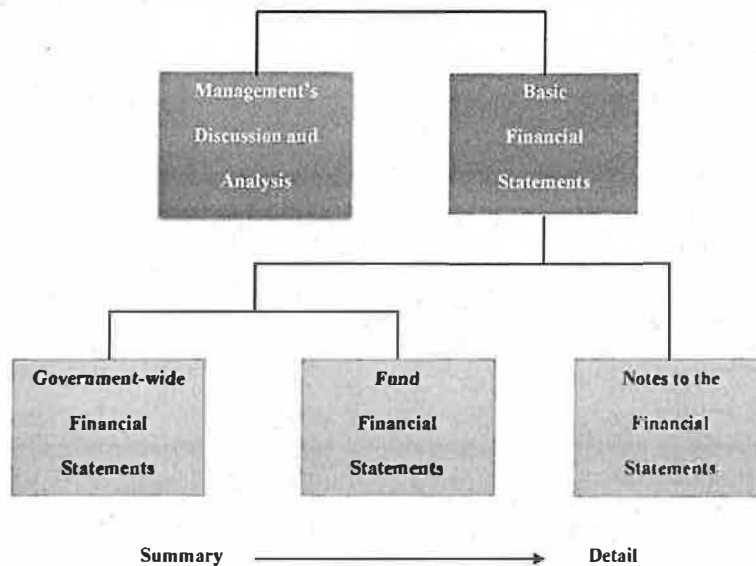
CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2023

## 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, 2023

## 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 2023 compared to 2022.

<b>TABLE 1</b>						
<b>Condensed Statement of Net Position</b>						
<b>September 30, 2023 and 2022</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Assets</b>						
Current assets	\$ 25,975,447	\$ 27,295,156	16,535,187	16,149,772	42,510,634	43,444,928
Noncurrent assets	27,928,582	21,131,294	4,446,069	2,247,047	32,374,651	23,378,341
Capital assets	97,530,977	90,169,260	21,031,803	21,535,432	118,562,780	111,704,692
<b>Total Assets</b>	<b>151,435,006</b>	<b>138,595,710</b>	<b>42,013,059</b>	<b>39,932,251</b>	<b>193,448,065</b>	<b>178,527,961</b>
<b>Deferred Outflows</b>	<b>6,365,674</b>	<b>3,425,267</b>	<b>322,698</b>	<b>167,591</b>	<b>6,688,372</b>	<b>3,592,858</b>
<b>Liabilities</b>						
Current liabilities	11,097,586	4,897,406	2,235,209	2,124,156	13,332,795	7,021,562
Noncurrent liabilities	61,559,814	56,813,113	13,872,839	13,102,208	75,432,653	69,915,321
<b>Total Liabilities</b>	<b>72,657,400</b>	<b>61,710,519</b>	<b>16,108,048</b>	<b>15,226,364</b>	<b>88,765,448</b>	<b>76,936,883</b>
<b>Deferred Inflows</b>	<b>16,086,957</b>	<b>13,854,535</b>	<b>47,484</b>	<b>44,599</b>	<b>16,134,441</b>	<b>13,899,134</b>
<b>Net Position</b>						
Investment in capital assets, net of related debt	90,181,021	70,887,959	9,974,477	9,899,591	100,155,498	80,787,550
Restricted net assets	10,680,749	18,340,272	1,177,628	1,608,210	11,858,377	19,948,482
Unrestricted	(31,805,447)	(22,772,308)	15,028,120	13,321,078	(16,777,327)	(9,451,230)
<b>Total Net Position</b>	<b>\$ 69,056,323</b>	<b>\$ 66,455,923</b>	<b>26,180,225</b>	<b>24,828,879</b>	<b>95,236,548</b>	<b>91,284,802</b>

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2023

**Governmental Activities**

Total net position increased \$2,600,400 as a result primarily due to an increase in grant and bond driven capital projects and land purchases. Capital asset increased significantly due to the City adopting GASB Statement No.96, *Subscription-Based Information Technology Arrangements* which requires governments to include as assets subscription based information technology (SBITA) See Note 6. As a result of GASB 96, current liabilities also increase due to the inclusion of SBITA liabilities for future payments. And in addition, unearned revenue of \$5,500,000 that was received in advance of project costs was included in current liabilities as this amount will be spent to make improvements to City hall and the police substation.

**Business-type activities**

Net position for the business-type activities was \$26,180,225 an increase of \$1,351,346, primarily due to an increase in solid waste bills to offset additional costs.

Table 2 provides a summary of the City's statement of activities for 2023 compared to 2022.

<p style="text-align: center;"><b>TABLE 2</b> <b>Condensed Statement of Activities</b> <b>September 30, 2023 and 2022</b></p>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,806,155	\$ 2,637,327	15,330,775	13,741,919	18,136,930	16,379,246
Operating grants and contributions	283,038	456,609	-	-	283,038	456,609
Capital grants and contributions	6,496,133	13,966,543	-	-	6,496,133	13,966,543
General revenues						
Taxes	25,460,625	24,909,109	219	236	25,460,844	24,909,345
Grants and contributions - unrestricted	539,327	3,080,511	-	-	539,327	3,080,511
Investment earnings	538,595	258,505	21,217	86,851	559,812	345,356
Miscellaneous	271,730	726,392	56,089	7,013	327,819	733,405
Total revenues	<u>36,395,603</u>	<u>46,034,996</u>	<u>15,408,300</u>	<u>13,836,019</u>	<u>51,803,903</u>	<u>59,871,015</u>
<b>Expenses:</b>						
General government	6,429,896	5,994,962	-	-	6,429,896	5,994,962
Public safety	14,629,260	11,717,730	-	-	14,629,260	11,717,730
Public works	4,344,372	4,142,493	-	-	4,344,372	4,142,493
Culture and recreation	4,695,082	3,511,202	-	-	4,695,082	3,511,202
Urban renewal and economic development	2,416,191	3,141,257	-	-	2,416,191	3,141,257
Interest on long-term debt	1,280,402	1,060,445	161,694	188,539	1,442,096	1,248,984
Pascagoula Utilities	-	-	11,285,522	10,020,119	11,285,522	10,020,119
Solid waste and energy recovery	-	-	2,609,738	1,794,745	2,609,738	1,794,745
Transfer Station	-	-	-	-	-	-
Total expenses	<u>33,795,203</u>	<u>29,568,089</u>	<u>14,056,954</u>	<u>12,003,403</u>	<u>47,852,157</u>	<u>41,571,492</u>
Transfers	-	2,000,000	-	(2,000,000)	-	-
Changes in net position	2,600,400	18,466,907	1,351,346	(167,384)	3,951,746	18,299,523
Net Position - beginning, restated	66,455,923	47,989,016	24,828,879	24,996,263	91,284,802	72,985,279
Net Position - ending	<u>\$ 69,056,323</u>	<u>\$ 66,455,923</u>	<u>26,180,225</u>	<u>24,828,879</u>	<u>95,236,548</u>	<u>91,284,802</u>

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**



CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2023

**Governmental Activities**

Capital grant income decreased significantly in 2023 as the City has received reimbursement for capital projects and additional federal grants for infrastructure in FY 2022.

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 increased \$1,588,856, 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. Revenues in 2023 reflect the additional increase to offset the \$814,447 in costs. In addition, wastewater treatment costs continue to rise. An increase of \$577,823 was incurred in 2023.

**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 non-spendable 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.

**General Fund**

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2023

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 2023 compared to 2022.

**TABLE 3**  
**Condensed Sources, Uses and Changes in Fund Balance - General Fund**  
**For the year ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
<b>Sources:</b>				
<i>Revenues:</i>				
Property taxes	13,264,877	12,029,382	1,235,495	10%
Franchise fees	1,577,278	1,529,187	48,091	3%
Fees and fines	269,963	366,492	(96,529)	-26%
Licenses and permit fees	152,573	229,637	(77,064)	-34%
Intergovernmental	8,537,446	8,623,557	(86,111)	-1%
Charges for services	1,924,507	1,946,784	(22,277)	-1%
Interest earned	181,062	189,227	(8,165)	-4%
Miscellaneous	44,455	201,678	(157,223)	-78%
<i>Other Sources:</i>				
Proceeds from issuance of debt	670,865	-	670,865	>100%
Proceeds from sale of assets	15,764	167,800	(152,036)	-91%
Proceeds from insurance	44,891	53,611	(8,720)	-16%
Transfers in	<u>260,002</u>	<u>260,000</u>	<u>2</u>	0%
Total sources	<u>26,943,683</u>	<u>25,597,355</u>	<u>1,346,328</u>	5%
<b>Uses:</b>				
<i>Expenditures:</i>				
Personnel services	13,833,545	12,910,493	923,052	7%
Supplies	964,255	812,402	151,853	19%
Contractual	7,866,355	7,145,353	721,002	10%
Capital outlay	849,175	197,548	651,627	330%
Debt service	861,112	81,677	779,435	954%
<i>Other Uses:</i>				
Transfers out	<u>1,497,199</u>	<u>14,628</u>	<u>1,482,571</u>	>100%
Total uses	<u>25,871,641</u>	<u>21,162,101</u>	<u>4,709,540</u>	22%
Change in Fund Balance	1,072,042	4,435,254	(3,363,212)	-76%
Beginning Fund Balance	<u>(796,315)</u>	<u>(5,231,569)</u>		
Ending Fund Balance	<u>275,727</u>	<u>(796,315)</u>		

CITY OF PASCAGOULA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2023

**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 2023, 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, 2023 and 2022.

<b>TABLE 4</b>						
<b>Schedule of Capital Assets (Net of Accumulated Depreciation)</b>						
<b>September 30, 2023 and 2022</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 16,836,543	16,820,205	84,751	84,751	16,921,294	16,904,956
Construction in progress	4,692,977	7,427,965	316,061	314,736	5,009,038	7,742,701
Buildings & improvements	1,959,062	2,020,179	3,151,722	3,522,513	5,110,784	5,542,692
Improvements - other	54,529,672	45,712,178	16,466,708	17,497,693	70,996,380	63,209,871
Infrastructure	15,056,897	15,829,767	-	-	15,056,897	15,829,767
Machinery & equipment	2,044,029	1,401,445	159,967	115,739	2,203,996	1,517,184
Right to use and SBITA assets	2,411,797	957,521	852,594	-	3,264,391	957,521
Total	<u>\$ 97,530,977</u>	<u>90,169,260</u>	<u>21,031,803</u>	<u>21,535,432</u>	<u>118,562,780</u>	<u>111,704,692</u>

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

**Long-term Obligations**

At September 30, 2023, the City had \$38,377,867 outstanding debt obligations, along with \$692,577 in compensated absences payable, \$3,451,220 in Right-of-use and SBITA liabilities and \$35,496,713 in net pension obligations.

<b>TABLE 5</b>						
<b>Schedule of Debt Obligations</b>						
<b>September 30, 2023 and 2022</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Obligation Bonds and Premium	\$ 26,172,186	26,866,813	215,210	430,424	26,387,396	27,297,237
Revenue Bonds and Premium			10,632,133	10,970,490	10,632,133	10,970,490
Note payable	460,000	920,000	215,109	236,987	675,109	1,156,987
Equipment installment loans	683,229	366,310	-	-	683,229	366,310
Total	<u>\$ 27,315,415</u>	<u>28,153,123</u>	<u>11,062,452</u>	<u>11,637,901</u>	<u>38,377,867</u>	<u>39,791,024</u>

**CITY OF PASCAGOULA, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2023**

**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 2023 3.6%, down from 4.3% as reported in 2022. Mississippi's unemployment rate in September 2023 was 3.2%.

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. For the first time in over a decade the general fund reported a positive fund balance. The city's focus has been and will continue to be to increase the general fund balance to a "healthy" amount and continue to adopt balanced budgets that do not allow expenditures to exceed estimated revenues.

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 issued a \$10,315,000 bond for infrastructure improvement in 2022 with many of these projects beginning in 2023. At the end of 2023, the City had approximately \$4 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.

**Contact the City's Financial Management**

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

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

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## BASIC FINANCIAL STATEMENTS

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**City of Pascagoula, Mississippi**  
**Statement of Net Position**  
**September 30, 2023**

	Governmental	Business-Type	Total
<b>Assets</b>			
Current assets			
Cash	\$ 5,084,424	14,571,122	19,655,546
Taxes receivables	15,931,670	-	15,931,670
Accounts receivable (net of allowance)	48,554	1,778,454	1,827,008
Intergovernmental receivables	3,752,098	-	3,752,098
Fines and forfeitures (net of allowance)	401,673	-	401,673
Interfund	(176,627)	176,627	-
Prepaid items	682,583	8,984	691,567
Insurance rebates receivable	251,072	-	251,072
Total Current Assets	<u>25,975,447</u>	<u>16,535,187</u>	<u>42,510,634</u>
Noncurrent Assets			
Cash	27,928,582	4,446,069	32,374,651
Capital assets, net of accumulated depreciation/amortizaion	97,530,977	21,031,803	118,562,780
Total Noncurrent Assets	<u>125,459,559</u>	<u>25,477,872</u>	<u>150,937,431</u>
Total Assets	<u>151,435,006</u>	<u>42,013,059</u>	<u>193,448,065</u>
Deferred Outflows of Resources			
Deferred bond charges	12,429	-	12,429
Deferred amounts on pension	6,353,245	322,698	6,675,943
Total Deferred Outflow of Resources	<u>6,365,674</u>	<u>322,698</u>	<u>6,688,372</u>
<b>Liabilities</b>			
Current liabilities:			
Claims payable and accrued liabilities	2,313,568	441,020	2,754,588
Wages payable	279,155	8,781	287,936
Accrued interest payable	153,241	1,202,752	1,355,993
Unearned revenue	5,564,676	-	5,564,676
Debt due within one year			
Capital debt	1,756,797	372,289	2,129,086
Noncapital debt	576,441	210,367	786,808
Lease and SBITA liability	453,708	-	453,708
Total current liabilities	<u>11,097,586</u>	<u>2,235,209</u>	<u>13,332,795</u>
Noncurrent Liabilities:			
Payable from restricted assets			
Customer deposits	-	783,878	783,878
Debt due in more than one year			
Capital debt	25,098,618	10,270,163	35,368,781
Noncapital debt	547,252	238,517	785,769
Lease and SBITA liability	2,029,406	968,106	2,997,512
Net pension liability	33,884,538	1,612,175	35,496,713
Total noncurrent liabilities	<u>61,559,814</u>	<u>13,872,839</u>	<u>75,432,653</u>
Total Liabilities	<u>72,657,400</u>	<u>16,108,048</u>	<u>88,765,448</u>
Deferred Inflows of Resources			
Property tax for future reporting period	15,258,066	-	15,258,066
Deferred amount on pensions	828,891	43,626	872,517
Deferred amounts associated with debt	-	3,858	3,858
Total Deferred Inflows of Resources	<u>16,086,957</u>	<u>47,484</u>	<u>16,134,441</u>
<b>Net Position</b>			
Investment in capital assets, net of related debt	90,181,021	9,974,477	100,155,498
Restricted Net Position:			
Restricted for grant/bond purposes	7,845,109	-	7,845,109
Restricted for debt service	2,835,640	1,177,628	4,013,268
Unrestricted	(31,805,447)	15,028,120	(16,777,327)
Total Net Position	<u>\$ 69,056,323</u>	<u>26,180,225</u>	<u>95,236,548</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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:					\$		
General government	\$ 6,429,896	1,927,241	-	20,695	(4,481,960)		(4,481,960)
Public safety	14,629,260	606,984	21,089	202,581	(13,798,606)		(13,798,606)
Public works	4,344,372	-	54,003	2,551,671	(1,738,698)		(1,738,698)
Culture, recreation and community services	4,695,082	271,930	207,946	3,012,175	(1,203,031)		(1,203,031)
Urban renewal and economic development	2,416,191	-	-	709,011	(1,707,180)		(1,707,180)
Interest on long-term debt	1,280,402	-	-	-	(1,280,402)		(1,280,402)
Total governmental activities	33,795,203	2,806,155	283,038	6,496,133	(24,209,877)		(24,209,877)
Business-type activities:							
Pacagoula utilities	11,447,216	12,845,169	-	-		1,397,953	1,397,953
Solid waste	2,609,738	2,485,606	-	-		(124,132)	(124,132)
Total business-type activities	14,056,954	15,330,775	-	-		1,273,821	1,273,821
Total government	\$ 47,852,157	18,136,930	283,038	6,496,133		1,273,821	(22,936,056)
General Revenues:							
Taxes:							
Property taxes, general					13,244,946	-	13,244,946
Property taxes, debt service					845,313	-	845,313
Property taxes, special purpose					720,084	219	720,303
Property taxes in lieu - federal government					19,931	-	19,931
General sales taxes					6,480,793	-	6,480,793
Special sales taxes					1,617,354	-	1,617,354
Franchise taxes					1,559,128	-	1,559,128
County road taxes					973,076	-	973,076
Grants and contributions not restricted to a special purpose					539,327	-	539,327
Unrestricted investment earnings					538,595	21,217	559,812
Miscellaneous					271,730	56,089	327,819
Total general revenues					26,810,277	77,525	26,887,802
Changes in net position					2,600,400	1,351,346	3,951,746
Net position - beginning, restated					66,455,923	24,828,879	91,284,802
Net position - ending					\$ 69,056,323	26,180,225	95,236,548

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



**City of Pascagoula, Mississippi**  
**Balance Sheet – Governmental Funds**  
**September 30, 2023**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	2022 Bond Fund		
<b>ASSETS</b>					
Cash	\$ 295,692	\$ -	\$ -	\$ 4,524,319	\$ 4,820,011
Receivables					
Property tax	14,106,731	-	-	1,283,831	15,390,562
Franchise taxes	541,108	-	-	-	541,108
Intergovernmental	1,090,413	-	-	2,661,685	3,752,098
Court fines & fees	401,673	-	-	-	401,673
Accounts receivable, net	47,764	-	-	790	48,554
Due from other funds	776,159	1,000,000	-	-	1,776,159
Note receivable	-	-	-	-	-
Restricted cash	-	7,529,928	10,809,378	10,523,981	28,863,287
Advance to other fund	26,400	-	-	-	26,400
<b>Total Assets</b>	<b>17,285,940</b>	<b>8,529,928</b>	<b>10,809,378</b>	<b>18,994,606</b>	<b>55,619,852</b>
<b>LIABILITIES</b>					
Interfund payable - pooled cash	934,705	-	-	-	934,705
Claims payable and accrued liabilities	1,218,853	577,105	94,644	248,312	2,138,914
Wages payable	279,155	-	-	-	279,155
Unearned revenue	47,764	5,500,000	-	790	5,548,554
Due to other fund	-	30	1,000,000	602,756	1,602,786
Compensated absences - current	26,273	-	-	-	26,273
Advance from other fund	-	-	-	26,400	26,400
<b>Total Liabilities</b>	<b>2,506,750</b>	<b>6,077,135</b>	<b>1,094,644</b>	<b>878,258</b>	<b>10,556,787</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes for future reporting period	13,987,026	-	-	1,271,040	15,258,066
Unavailable revenue - fines and grants	516,437	-	-	-	516,437
<b>Total Deferred Inflows of Resources</b>	<b>14,503,463</b>	<b>-</b>	<b>-</b>	<b>1,271,040</b>	<b>15,774,503</b>
<b>FUND BALANCES</b>					
Restricted:					
State and federal restrictions	26,400	-	8,890,862	7,846,109	16,763,371
Debt service	-	-	-	2,835,640	2,835,640
Committed:					
Capital projects	-	834,036	823,872	1,851,832	3,509,740
Special purposes	-	-	-	548,676	548,676
Assigned:					
Capital projects	-	1,618,757	-	2,955,883	4,574,640
Unassigned	249,327	-	-	807,168	1,056,495
<b>Total Fund Balances</b>	<b>275,727</b>	<b>2,452,793</b>	<b>9,714,734</b>	<b>16,845,308</b>	<b>29,288,562</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 17,285,940</b>	<b>\$ 8,529,928</b>	<b>\$ 10,809,378</b>	<b>\$ 18,994,606</b>	<b>\$ 55,619,852</b>

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

**City of Pascagoula, Mississippi**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2023**

**Total governmental funds balance**

**\$ 29,288,562**

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

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

Governmental capital assets	\$ 160,885,447	
Right-to-use and SBITA assets	3,669,857	
Less: accumulated depreciation/amortization	<u>(67,024,327)</u>	97,530,977

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	\$ 628,595	
Prepaid bond insurance	<u>53,988</u>	682,583

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

Court fines receivable	\$ 399,457	
Franchise fees receivable	<u>116,979</u>	516,436

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

Bonds payable	\$ (25,883,467)	
Unamortized premium on bond	(288,719)	
Notes payable	(460,000)	
Equipment installment loans	(683,229)	
Lease liability	(745,154)	
SBITA liability	(1,737,960)	
Compensated absences	(637,419)	
Net pension liability	<u>(33,884,538)</u>	(64,320,486)

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

Accrued interest payable		(153,241)
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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	\$ 6,353,245	
Deferred inflows of resources related to pensions	<u>(828,891)</u>	5,524,354

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		12,429
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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	\$ 515,485	
Amounts due to other funds	(350,000)	
Held for employees in Flex Account	(16,122)	
Estimated claims payable	<u>(174,654)</u>	(25,291)

**Net position of governmental activities**

**\$ 69,056,323**

*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, 2023**

	Major Funds			Other	Total
	General	Capital Projects	2022 Bond	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Property taxes	\$ 13,264,877	\$ -	\$ -	\$ 1,565,397	\$ 14,830,274
Franchise fees	1,577,278	-	-	-	1,577,278
Fees and fines	269,963	-	-	-	269,963
Licenses and permit fees	152,573	-	-	-	152,573
Intergovernmental	8,537,446	-	-	8,209,950	16,747,396
Charges for services	1,924,507	-	-	18,223	1,942,730
Interest earned	181,062	631	392,515	67,033	641,241
Miscellaneous	44,455	-	-	-	44,455
Total Revenues	25,952,161	631	392,515	9,860,603	36,205,910
Expenditures:					
General government	5,205,553	15,250	-	280,733	5,501,536
Public safety	11,914,916	-	-	527,565	12,442,481
Public works	2,433,778	3,531	-	-	2,437,309
Culture & recreation	3,021,762	12,605	-	461,691	3,496,058
Urban & economic development	88,146	-	-	2,276,859	2,365,005
Capital outlay	849,175	3,589,592	587,597	4,640,721	9,667,085
Debt service:					
Principal	274,553	-	-	1,913,036	2,187,589
Lease and SITTA payments	525,509	-	-	-	525,509
Interest and other fiscal charges	61,050	-	-	1,076,150	1,137,200
Total Expenditures	24,374,442	3,620,978	587,597	11,176,755	39,759,772
Excess (Deficiency) of Revenues					
Over Expenditures	1,577,719	(3,620,347)	(195,082)	(1,316,152)	(3,553,862)
Other Financing Sources (Uses):					
Proceeds from debt issuances	670,865	-	-	696,000	1,366,865
Payments to bond trustee	-	-	-	(77,000)	(77,000)
Proceeds from sale of assets	15,764	-	-	86,400	102,164
Proceeds from insurance	44,891	-	-	-	44,891
Transfers in	260,002	1,247,199	-	1,863,804	3,371,005
Transfers out	(1,497,199)	-	-	(2,323,806)	(3,821,005)
Total Other Financing Sources (Uses)	(505,677)	1,247,199	-	245,398	986,920
Net change in fund balances	1,072,042	(2,373,148)	(195,082)	(1,070,754)	(2,566,942)
Fund balances - beginning	(796,315)	4,825,941	9,909,816	17,916,062	31,855,504
Fund balances - ending	\$ 275,727	\$ 2,452,793	\$ 9,714,734	\$ 16,845,308	\$ 29,288,562

*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, 2023**

**Net Change in Fund Balances - total governmental funds** **\$ (2,566,942)**

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	\$ 9,667,085	
Depreciation	<u>(3,759,644)</u>	5,907,441

In the Statement of Activities, amounts paid for leases and IT subscriptions are recorded at the present value of future lease payments as a liability and interest expense. This amount is amortized over the estimated useful life of the subscription.

Subscription lease and SBITA payments	525,509	
Interest Expense	(60,216)	
Amortization	<u>(504,296)</u>	(39,003)

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

Issuance of debt	\$ (1,366,865)	
Debt retirement	<u>2,187,589</u>	820,724

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

42,638

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		(1,818,274)
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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	\$ (7,042)	
Prepaid insurance	94,487	
Compensated absences	<u>13,581</u>	101,026

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

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

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

151,735

<b>Change in net position of governmental activities</b>		<b><u>\$ 2,600,400</u></b>
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*The notes to these financial statements are an integral part of this statement.*

**City of Pascagoula, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2023**

	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	\$ 14,263,479	307,643	-	-	14,571,122	264,413
Accounts receivable (net of allowance)	1,306,250	472,204	-	-	1,778,454	-
Property tax receivable	-	-	-	-	-	-
Insurance rebates receivable	-	-	-	-	-	251,072
Due from other fund	26,293	360,000	-	-	386,293	-
Prepaid items	8,984	-	-	-	8,984	-
Total current assets	15,605,006	1,139,847	-	-	16,744,853	515,485
Noncurrent assets						
Cash	3,268,441	-	-	1,177,628	4,446,069	-
Capital assets						
Nondepreciable capital assets	316,061	-	84,751	-	400,812	-
Other capital assets (net of accumulated depreciation)	19,778,397	-	-	-	19,778,397	-
Subscription IT assets, (net of accumulated amortization)	852,594	-	-	-	852,594	-
Total noncurrent assets	24,215,493	-	84,751	1,177,628	25,477,872	-
Total Assets	\$ 39,820,499	1,139,847	84,751	1,177,628	42,222,725	515,485
Deferred Outflow of Resources						
Deferred amounts on pensions	322,698	-	-	-	322,698	-
Total Deferred Outflow of Resources	\$ 322,698	-	-	-	322,698	-
Liabilities						
Current liabilities:						
Claims payable	230,230	210,790	-	-	441,020	174,654
Wages and accrued liabilities payable	8,781	-	-	-	8,781	-
Accrued interest payable	25,125	-	1,177,627	-	1,202,752	-
Due to other fund	-	-	209,666	-	209,666	350,000
Unearned revenue	-	-	-	-	-	16,122
Debt due within one year						
Capital debt	372,289	-	-	-	372,289	-
Noncapital debt	210,367	-	-	-	210,367	-
Total current liabilities	846,792	210,790	1,387,293	-	2,444,875	540,776
Noncurrent Liabilities:						
Payable from restricted assets						
Customer deposits	783,878	-	-	-	783,878	-
Debt due in more than one year						
Capital debt	4,143,562	-	6,126,601	-	10,270,163	-
Noncapital debt	238,517	-	-	-	238,517	-
Subscription liability	968,106	-	-	-	968,106	-
Net pension liability	1,612,175	-	-	-	1,612,175	-
Total noncurrent liabilities	7,746,238	-	6,126,601	-	13,872,839	-
Total Liabilities	\$ 8,593,030	210,790	7,513,894	-	16,317,714	540,776
Deferred Inflows of Resources						
Deferred amounts on pensions	43,626	-	-	-	43,626	-
Deferred amounts associated with debt	3,858	-	-	-	3,858	-
Total Deferred Inflows of Resources	\$ 47,484	-	-	-	47,484	-
Net Position						
Net investment in capital assets	16,016,327	-	(6,041,850)	-	9,974,477	-
Restricted for debt service				1,177,628	1,177,628	-
Unrestricted	15,486,356	929,057	(1,387,293)	-	15,028,120	(25,291)
Total Net Position	\$ 31,502,683	929,057	(7,429,143)	1,177,628	26,180,225	(25,291)

*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, 2023**

	Business-type Activities					Governmental Activities
	Major Funds			Non-Major	Total	
	Pascagoula Utilities Fund	Solid Waste Fund	Energy Recovery Fund	Transfer Station Fund	Business-type Activities	Self Insurance Fund
Revenues:						
Charges for services	\$ 12,845,169	2,485,606	-	-	15,330,775	-
Property taxes	-	219	-	-	219	-
Intergovernmental	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	1,974,000
Employee and retiree contributions	-	-	-	-	-	307,954
Insurance claim reimbursements	-	-	-	-	-	253,718
Miscellaneous operating revenues	56,089	-	-	-	56,089	-
Total Operating Revenues	12,901,258	2,485,825	-	-	15,387,083	2,535,672
Operating Expenses:						
Personnel services	561,396	-	-	-	561,396	-
Insurance claims and expenses	-	-	-	-	-	2,205,098
Administrative expenses	1,500,000	88,000	-	-	1,588,000	628,839
Wastewater treatment	4,229,772	-	-	-	4,229,772	-
Waste collection	-	2,438,500	-	-	2,438,500	-
Waste disposal	-	17,207	-	-	17,207	-
Utilities	609,275	-	-	-	609,275	-
Supplies	706,693	-	-	-	706,693	-
Other services and charges	2,043,221	66,031	-	-	2,109,252	-
Depreciation/Amortization	1,644,262	-	-	-	1,644,262	-
Total Operating Expenses	11,294,619	2,609,738	-	-	13,904,357	2,833,937
Operating income (loss)	1,606,639	(123,913)	-	-	1,482,726	(298,265)
Non-Operating Revenues (Expenses)						
Interest expense	(161,694)	-	-	-	(161,694)	-
Interest earnings	16,931	4,286	-	-	21,217	-
Amortization of bond premium	5,214	-	-	-	5,214	-
Amortization of deferred savings on refunding bond	3,883	-	-	-	3,883	-
Transfers	-	-	430,582	(430,582)	-	450,000
Total Non-Operating Revenues (Expenses)	(135,666)	4,286	430,582	(430,582)	(131,380)	450,000
Change in net position	1,470,973	(119,627)	430,582	(430,582)	1,351,346	151,735
Total net position - beginning	30,031,710	1,048,684	(7,859,725)	1,608,210	24,828,879	(177,026)
Total net position - ending	\$ 31,502,683	929,057	(7,429,143)	1,177,628	26,180,225	(25,291)

*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, 2023**

	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
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 12,319,285	2,363,400	-	14,682,685	-
Cash received for premiums	-	-	-	-	1,974,562
Other operating receipts	56,089	219	-	56,308	403,235
Cash paid to employees	(461,776)	-	-	(461,776)	-
Cash paid to suppliers	(706,693)	-	-	(706,693)	-
Cash paid to contractors	(8,247,899)	(2,608,910)	-	(10,856,809)	-
Cash paid for judgements and claims	-	-	-	-	(2,225,122)
Cash paid for administrative services	-	-	-	-	(628,839)
<b>Net cash provided by (used in) operating activities</b>	<u>2,959,006</u>	<u>(245,291)</u>	<u>-</u>	<u>2,713,715</u>	<u>(476,164)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Advances from (to) other funds	(36,303)	4,286	(430,582)	(462,599)	600,000
<b>Net cash flows provided by (used in) non-capital financing activities</b>	<u>(36,303)</u>	<u>4,286</u>	<u>(430,582)</u>	<u>(462,599)</u>	<u>600,000</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchase of capital assets	(202,780)	-	-	(202,780)	-
Repayment of debt	(570,235)	-	-	(570,235)	-
Interest and amortization on debt	(169,794)	-	-	(169,794)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(942,809)</u>	<u>-</u>	<u>-</u>	<u>(942,809)</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>					
Interest received	16,931	-	-	16,931	-
<b>Net cash flows provided by (used in) investing activities</b>	<u>16,931</u>	<u>-</u>	<u>-</u>	<u>16,931</u>	<u>-</u>
Net increase (decrease) in cash	1,996,825	(241,005)	(430,582)	1,325,238	123,836
Cash - October 1	15,535,095	548,648	1,608,210	17,691,953	140,577
<b>Cash - September 30</b>	<u>\$ 17,531,920</u>	<u>307,643</u>	<u>1,177,628</u>	<u>19,017,191</u>	<u>264,413</u>

*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, 2023**

	Business-type Activities			Governmental	
	Major Funds		Non-Major	Activities	
	Pascagoula Utilities Fund	Solid Waste Fund	Transfer Station Fund	Total Business-type Activities	Self Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Unsed in) Operating Activities					
Operating income (loss)	\$ 1,606,639	(123,913)	-	1,482,726	(298,265)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,644,262	-	-	1,644,262	-
(Increase) decrease in assets:					
Accounts receivable	(670,925)	(122,206)	-	(793,131)	(158,437)
Customer deposits	145,041	-	-	145,041	-
Increase (decrease) in liabilities:					
Claims and wages payable	136,974	828	-	137,802	(20,024)
Unearned revenue	-	-	-	-	562
Compensated absences	(1,004)	-	-	(1,004)	-
Pension liabilities and deferrals	98,019	-	-	98,019	-
Net cash provided by (used in) operating activities	\$ 2,959,006	(245,291)	-	2,713,715	(476,164)

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



**City of Pascagoula, Mississippi**  
**Statement of Fiduciary Net Position**  
**September 30, 2023**

		Private Purpose Trust Fund		Total Fiduciary Funds
		Pascagoula Port Commission Fund		
Assets	\$			
Cash		68,796		68,796
Total Assets		68,796		68,796
Net Position		68,796		68,796
Restricted for Port Commission	\$	68,796		68,796

*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, 2023**

		Private Purpose Trust Fund <u>Pascagoula Port Commission Fund</u>	<u>Total Fiduciary Funds</u>
Additions:			
Rental income	\$	<u>3,700</u>	<u>3,700</u>
Total additions		<u>3,700</u>	<u>3,700</u>
Change in net position		3,700	3,700
Net position - beginning of year		<u>65,096</u>	<u>65,096</u>
Net position - end of year	\$	<u><u>68,796</u></u>	<u><u>68,796</u></u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

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**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**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 and sewer 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."

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, 2023

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

**B. Basis of Presentation.**

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

*Government-wide Financial Statements:*

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

Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues 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, 2023

**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.

Capital Projects Fund – This fund is used to track financial resources transferred in from other funds and grants along with capital expenditures for major City projects.

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.

The City reports the following major Enterprise Funds:

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

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

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

Additionally, the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**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, 2023

**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 and sewer and solid waste departments since the City started providing these services to citizens.

**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."

**H. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

**I. Noncurrent Assets**

Certain Governmental Fund and Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as noncurrent assets. In addition, assets that are not available, due to various restrictions, to satisfy current liabilities are also reported as noncurrent assets.

**J. 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.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

**J. Capital Assets (Continued)**

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, 2023, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

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.

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 County's financial statements.

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 and Proprietary Funds. 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

**K. Leases**

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

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

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

**K. Leases (Continued)**

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.

**L. Subscription-Based Information Technology Arrangements (SBITA)**

The Governmental Accounts Standards Board (GASB) issued Statement No.96, *Subscription-Based Information Technology Arrangements* (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements amount governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs.

**M. 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.

*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.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

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

*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.

**O. 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.

**P. 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.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Q. 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.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

**R. 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.

**S. 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 that has been 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, 2023

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

**T. 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.

**U. 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."

**V. 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.

**W. 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, 2023

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

**X. 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.

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

Effective for fiscal year 2023 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB 96, *Subscription-Based Information Technology Arrangements*, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance, and consistency of information about SBITAs.

**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, 2023

**Note 3 – Cash**

A summary of cash at September 30, 2023 is as follows:

	Deposits with Financial Institutions		Cash on Hand	Total
	Pooled	Non-Pooled		
<b>Governmental funds:</b>				
General Fund	\$ (934,705)	295,486	206	(639,013)
Capital Projects Fund	7,529,928	-	-	7,529,928
2022 Bond Fund		10,809,378	-	10,809,378
Other governmental funds	11,045,536	4,002,764	-	15,048,300
Total governmental funds	17,640,759	15,107,628	206	32,748,593
<b>Proprietary funds:</b>				
Pascagoula Utilities Fund	17,531,520	-	400	17,531,920
Solid Waste Fund	307,643	-	-	307,643
Transfer Station Fund	1,177,628	-	-	1,177,628
Total proprietary funds	19,016,791	-	400	19,017,191
<b>Internal service fund:</b>				
Self-Insurance Fund				
Total internal service funds	264,413	-	-	264,413
<b>Fiduciary funds</b>				
	-	68,796	-	68,796
Total cash	\$ 36,921,963	15,176,424	606	52,098,993

The carrying amount of the city's total deposits with financial institutions at September 30, 2023, was \$52,098,993, and the bank balance was \$52,081,708. Of this amount \$783,878 is restricted for utility customers' deposits, \$26,400 is restricted for unemployment payments, \$3,864,428 is restricted for future debt service payments and \$28,634,648 is restricted grant and bond and committed capital project 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, 2023**

**Note 4 – Receivables**

**A. Governmental Activities**

Receivables in the governmental activities at September 30, 2023, consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 132,496
For future reporting period	<u>15,258,066</u>
Total property taxes receivable	15,390,562
Franchise taxes	<u>541,108</u>
Total taxes receivable	<u>15,931,670</u>
Intergovernmental receivable:	
Sales taxes	1,311,036
Shared revenue	673,207
Grants	<u>1,767,855</u>
Total intergovernmental receivable	<u>3,752,098</u>
Fines and forfeitures receivable:	
Court fines receivable	35,527,564
Less: allowance for doubtful accounts	<u>(35,125,891)</u>
Total fines and forfeitures receivable, net	<u>401,673</u>
Accounts receivable:	
Rentals receivable	790
Business licenses	170,376
Less: allowance for doubtful accounts	<u>(122,612)</u>
Total accounts receivable (net of allowance)	<u>48,554</u>
Miscellaneous receivables:	
Self-insurance claims receivable	<u>251,072</u>
Total accounts receivables - governmental activities	<u>\$ 20,385,067</u>

**B. Business-type Activities**

Receivable in the business-type activities at September 30, 2023, consisted of the following:

Business-type activities	
Customer accounts receivable:	
Customer utility charges (billed)	\$ 2,319,744
Customer solid waste charges (billed)	353,826
Customer accounts, earned but unbilled	744,199
Less: allowance for doubtful accounts	<u>(1,639,315)</u>
Total receivables - business-type activities	<u>\$ 1,778,454</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 5 – Interfund Transactions and Balances**

**A. Due From/To Other Funds**

Receivable	Payable	Amount
General Fund	Capital Projects Fund	\$ 30
General Fund	Group Health Insurance Fund	323,707
General Fund	ERF Fund	209,666
General Fund	Hurricane Fund	240,000
General Fund	LaFont Inn TIF Fund	2,756
Capital Project Fund	2022 Bond Fund	1,000,000
Pascagoula Utilities Fund	Group Health Insurance Fund	26,293
Solid Waste Fund	Hurricane Fund	360,000
		<u>\$ 2,162,452</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	SMMET Fund	\$ 2
General Fund	Special Tax Fund	260,000
Forfeiture & Seizure Fund	SMMET Fund	11,343
Debt Service fund	Special Tax Fund	802,680
Debt Service fund	Modern Use Infrastructure Fund	899,156
Recreation Bond Fund	Bond Fund	625
2019 Infrastructure Fund	General Fund	150,000
Capital Projects Fund	General Fund	897,199
Capital Projects Fund	Modern Use Infrastructure Fund	350,000
Transfer Station Fund	ERF Fund	430,582
Health Insurance Fund	General Fund	450,000
		<u>\$ 4,251,587</u>

Transfers are indicative of the City's matching portion of various capital projects, lease payments, and debt service. 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 \$802,680.

**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, 2023

**Note 6 – Capital assets**

**A. Governmental Activities**

The following is a summary of governmental capital assets activity for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Adjustments/ Sales	Balance 9/30/2023
Capital assets not being depreciated:				
Land	\$ 16,820,205	-	16,338	16,836,543
Construction in progress	7,427,965	8,706,230	(11,441,218)	4,692,977
Total capital assets not being depreciated	<u>24,248,170</u>	<u>8,706,230</u>	<u>(11,424,880)</u>	<u>21,529,520</u>
Capital assets being depreciated:				
Buildings	8,068,553	-	189,923	8,258,476
Improvements - Other	61,857,859	-	11,234,957	73,092,816
Infrastructure	44,015,913	-	-	44,015,913
Mobile Equipment	9,653,392	471,035	-	10,124,427
Other Furniture & Equipment	3,374,475	489,820	-	3,864,295
Total capital assets being depreciated	<u>126,970,192</u>	<u>960,855</u>	<u>11,424,880</u>	<u>139,355,927</u>
Less accumulated depreciation for:				
Buildings	6,048,374	251,040	-	6,299,414
Improvements - Other	16,145,681	2,417,463	-	18,563,144
Infrastructure	28,186,146	772,870	-	28,959,016
Mobile Equipment	8,610,988	204,969	-	8,815,957
Other Furniture & Equipment	3,015,434	113,302	-	3,128,736
Total accumulated depreciation	<u>62,006,623</u>	<u>3,759,644</u>	<u>-</u>	<u>65,766,267</u>
Total capital assets being depreciated, net	<u>64,963,569</u>	<u>(2,798,789)</u>	<u>11,424,880</u>	<u>73,589,660</u>
Total governmental activities - capital assets, net	<u>\$ 89,211,739</u>	<u>5,907,441</u>	<u>-</u>	<u>95,119,180</u>
Lease and subscription IT assets (See Note 6-C)				<u>2,411,797</u>
Total capital assets, net, as reported in the statement of net position-governmental activities				<u>\$ 97,530,977</u>

Depreciation expense was charged to the following governmental functions:

General government	\$ 585,790
Public safety	375,858
Public works	1,907,063
Culture & recreation	863,729
Urban & economic development	27,204
	<u>\$ 3,759,644</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 6 – Capital assets (continued)**

**B. Business-type Activities**

The following is a summary of business-type capital assets activity for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Adjustments/ Sales	Balance 9/30/2023
Capital assets not being Depreciated:				
Land	\$ 84,751	-	-	84,751
Construction in progress	314,736	127,780	(126,455)	316,061
Total capital assets not being depreciated	399,487	127,780	(126,455)	400,812
Capital assets being depreciated:				
Buildings	7,415,816	-	-	7,415,816
Infrastructure & Improvements - Other	48,208,648	-	126,455	48,335,103
Mobile Equipment	1,508,359	75,000	-	1,583,359
Other Furniture & Equipment	194,404	-	-	194,404
Total capital assets being depreciated	57,327,227	75,000	126,455	57,528,682
Less accumulated depreciation for:				
Buildings	3,893,303	370,791	-	4,264,094
Infrastructure & Improvements - Other	30,710,955	1,157,440	-	31,868,395
Mobile Equipment	1,508,359	18,068	-	1,526,427
Other Furniture & Equipment	78,665	12,704	-	91,369
Total accumulated depreciation	36,191,282	1,559,003	-	37,750,285
Total capital assets being depreciated, net	21,135,945	(1,484,003)	126,455	19,778,397
Total business-type activities capital assets, net	\$ 21,535,432	(1,356,223)	-	20,179,209
Lease and subscription IT assets (See Note 6-C)				852,594
Total capital assets, net, as reported in the statement of net position-business-type activities				\$ 21,031,803

Depreciation expense of \$1,559,003 was charged to the Pascagoula Utilities Fund.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 6 – Capital assets (continued)**

**C. Intangible Right-to-Use Leases and Subscription Based IT Assets.**

A summary of lease and subscription IT asset activity during the year ended September 30, 2023 is as follows:

	Balance 10/1/2022	Additions	Adjustments/ Sales	Balance 9/30/2023
Governmental activities				
Leased assets (Right to use)				
Other Furniture & Equipment	\$ 1,711,285	-		1,711,285
Subscription IT assets	-	1,958,572	-	1,958,572
Less accumulated amortization	(753,764)	(504,296)	-	(1,258,060)
Total lease and subscription IT assets- governmental activities, net	<u>\$ 957,521</u>	<u>1,454,276</u>	<u>-</u>	<u>2,411,797</u>
Business-type activities				
Subscription IT assets	\$ -	937,853	-	937,853
Less amortization	-	(85,259)	-	(85,259)
Total lease and subscription IT assets- business-type activities, net	<u>\$ -</u>	<u>852,594</u>	<u>-</u>	<u>852,594</u>

Amortization expense was charged to governmental and business-type functions as follows:

Governmental-type functions	
General government	\$ 122,675
Public safety	137,157
Culture and recreation	244,464
Total governmental -type	<u>504,296</u>
Business-type functions	
Pascagoula utilities	85,259
Total amortization expense	<u>\$ 589,555</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 6 – Capital assets (continued)**

**D. Construction Commitments (Signed Contracts)**

A summary of remaining significant contractual commitments with respect to unfinished capital projects for the year ended September 30, 2023 are as follows:

	<u>Expended to Date</u>	<u>Remaining Commitments</u>
Governmental type projects		
Point Park Projects	50,259	6,773
Point Park Projects-GOMESA	191,849	36,229
River Park Piers Project	14,742	34,008
East Police Substation	12,400	102,492
Amtrak Project	66,426	20,500
Quiet Zone Project	52,800	17,000
East Beach Blvd Parking Project	8,750	16,250
East Police Substation	478,350	150,000
Briarwood Drainage Project	1,129,774	181,976
Boxwood Drainage Project	1,179,233	485,810
Eastlawn & Pinecrest Project	1,162,738	1,634,830
Old Mobile Hwy E Drainage Project	73,471	275,279
Hilltop Street Drainage Project	53,195	231,180
Brookwood Subdivision Improvements Project	74,375	175,000
Paul Harvey Avenue Project	6,250	28,750
Buena Vista Williams North Project	39,609	113,663
Total governmental-type	<u>4,594,221</u>	<u>3,509,740</u>
Business-type projects		
Buena Vista/Williams Project	229,233	100,909
Telephone Road Water Well	19,693	27,808
Water Main Replacement	3,320	42,860
Hwy 90 West Rehab	8,410	90,120
Chicot St. Sewer Rehab	12,875	137,125
Bates to Washington Sewer Rehab	7,733	117,268
Total business-type	<u>281,264</u>	<u>516,090</u>
Total commitments	<u><u>4,875,485</u></u>	<u><u>4,025,830</u></u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 7 – 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 2023, 2022 and 2021 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal year
2022-2023	\$ 194,678	2,185,074	(2,205,098)	174,654
2021-2022	158,444	2,148,492	(2,112,258)	194,678
2020-2021	159,999	1,746,677	(1,748,232)	158,444

**Note 8 – 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, 2023

**Note 8 – 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, 2023, 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, 2023, 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, 2023

**Note 8 – 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, 2023, 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, 2023 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, 2023, the City reported a liability of \$33,884,538 in the governmental activities and \$1,612,175 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, 2023, 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, 2023, the City's proportion of PERS was .128%. For the year ended September 30, 2023, the City recognized a pension expense of \$3,688,530 in the governmental activities and \$196,454 in the business-type activities.

At September 30, 2023, 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	\$ 766,963	-	766,963	40,366	807,329
Changes of assumptions	3,596,691	-	3,596,691	189,300	3,785,991
Net difference between projected and actual earnings on pension plan investments	1,198,436	221,998	1,420,434	63,076	1,483,510
Changes in proportion and differences between City contributions and proportionate share on contributions	160,049	-	160,049	8,424	168,473
City's contributions subsequent to the measurement date	409,108	-	409,108	21,532	430,640
Total deferred outflows related to pensions	<u>\$ 6,131,247</u>	<u>221,998</u>	<u>6,353,245</u>	<u>322,698</u>	<u>6,675,943</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 8 – Pensions (continued)**

At September 30, 2023, 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	\$ 828,891	-	828,891	43,626	872,517
Total deferred outflows related to pensions	\$ 828,891	-	828,891	43,626	872,517

Within the deferred outflows, an amount of \$430,640 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, 2023.

The remaining amounts reported as deferred outflows of resources related to pensions of \$6,245,303 of deferred inflows of resources related to pensions of \$872,517 netting to 5,372,786 will be recognized in pension expense as follows:

Year Ending September 30,	Future Amortization
2024	\$ 1,927,487
2025	968,279
2026	2,461,592
2027	15,428
	<u>\$ 5,372,786</u>

*Actuarial assumptions*

The total pension liabilities in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MRS
Inflation	2.40 percent	2.40 percent
Salary increases	2.65 - 17.90 percent, including inflation	N/A
Investment rate of return	7.00 percent (net of pension plan investment expense, including inflation)	6.05 percent (net of pension plan investment expense, including inflation)

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 8 – 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, 2023, valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2022. The experience report is dated April 21, 2023.

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 Equities	27.00 %	4.75 %
International Equities	22.00	4.75
Global Equities	12.00	4.95
Fixed Income	20.00	1.75
Real Estate	10.00	3.25
Private Equity	8.00	6.00
Cash Equivalents	1.00	0.25
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 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be phased in to 22.40 percent over three fiscal years (17.40 percent for fiscal year end 2024, 19.40 percent for fiscal year end 2025, 21.40 percent for fiscal year end 2026, and 22.40 percent for fiscal year end 2027). 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 8 – 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, 2023 were based on the June 30, 2021 actuarial valuation.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1 % Increase (8.00%)
City's Proportionate share of PERS	\$ 41,578,797	\$ 32,243,490	\$ 24,582,832
City's Proportionate share of MRS	3,901,441	3,253,222	2,679,274

*Pension plan fiduciary net position*

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

*Three-year Trend Information*

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

Fiscal Years Ending	Employer Contributions PERS	MRS
2023	\$ 1,674,243	289,369
2022	1,589,683	411,190
2021	1,583,498	352,301

**Note 9- 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, 2023

**Note 10 – Long-term Liabilities**

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

Long-term liability activity for the year ended September 30, 2023 are as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due within One Year
<b><u>Governmental Activities</u></b>					
Debt obligations					
General obligation debt	\$ 16,246,110	-	881,643	15,364,467	914,975
Limited obligation debt	-	696,000	-	696,000	28,000
Special obligation debt	10,315,000	-	492,000	9,823,000	556,000
Notes payable	920,000	-	460,000	460,000	460,000
Equipment installment loans	366,310	670,865	353,946	683,229	257,822
Add: Unamortized bond premium	305,703	-	16,984	288,719	-
Total debt obligations	<u>28,153,123</u>	<u>1,366,865</u>	<u>2,204,573</u>	<u>27,315,415</u>	<u>2,216,797</u>
Other liabilities					
Compensated absences payable	662,224	1,231,099	1,229,630	663,693	116,441
Lease liability	989,835	-	244,681	745,154	250,119
SBITA liability	-	1,958,572	220,612	1,737,960	203,589
Net pension liability	<u>29,242,014</u>	<u>4,642,524</u>	<u>-</u>	<u>33,884,538</u>	<u>-</u>
Total other liabilities	<u>30,894,073</u>	<u>7,832,195</u>	<u>1,694,923</u>	<u>37,031,345</u>	<u>570,149</u>
Total governmental activities	<u>\$ 59,047,196</u>	<u>9,199,060</u>	<u>3,899,496</u>	<u>64,346,760</u>	<u>2,786,946</u>
<b><u>Business-type Activities</u></b>					
Debt obligations					
Bonds payable	\$ 5,263,889	-	548,357	4,715,532	560,025
Notes payable	236,987	-	21,878	215,109	22,264
Energy Recovery Facility (ERF)	6,126,601	-	-	6,126,601	-
Add: Unamortized bond premium	10,424	-	5,214	5,210	-
Total debt obligations	<u>11,637,901</u>	<u>-</u>	<u>575,449</u>	<u>11,062,452</u>	<u>582,289</u>
Other liabilities					
Compensated absences payable	29,888	46,733	47,737	28,884	367
SBITA liability	-	968,106	-	968,106	(11,040)
Net pension liability	<u>1,365,817</u>	<u>246,358</u>	<u>-</u>	<u>1,612,175</u>	<u>-</u>
Total other liabilities	<u>1,395,705</u>	<u>1,261,197</u>	<u>47,737</u>	<u>2,609,165</u>	<u>(10,673)</u>
Total business-type activities	<u>\$ 13,033,606</u>	<u>1,261,197</u>	<u>623,186</u>	<u>13,671,617</u>	<u>571,616</u>

**City of Pascagoula, Mississippi**  
**Notes to the Financial Statements**  
**September 30, 2023**

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

Debt outstanding as of September 30, 2023, consisted of the following:

Description and Purpose	Original Issue Amount	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>				
A. Bonds:				
General Obligation Bonds:				
General Obligation Refunding Bonds, Series 2006	\$ 4,255,000	\$ 75,000	3.53 - 4.2%	11/01/23
General Obligation Bonds, Series 2014 (53.33%)	8,000,000	5,149,467	1.31 - 3.291%	04/01/34
General Obligation Bonds, Series 2017	12,500,000	10,140,000	3.0 - 3.625%	07/01/40
Total General Obligation Bonds		<u>15,364,467</u>		
Limited Obligation Bonds:				
Limited Obligation Bonds, TIF, Series 2022	696,000	696,000	7.07%	10/25/37
Total Limited Obligation Bonds		<u>696,000</u>		
Special Obligation Bonds:				
Special Obligation Bonds, Series 2022	10,315,000	9,823,000	3.50%	08/01/37
Total Special Obligation Bonds		<u>9,823,000</u>		
B. Notes Payable				
Tax Negotiable Note	2,300,000	460,000	4.82%	12/19/23
Total Notes Payable		<u>460,000</u>		
C. Equipment Installment Loans				
The First Bank:				
secured by Ford F150 police vehicle, \$738 monthly	33,208	11,516	3.15%	01/20/25
secured by Ford F150 police vehicle, \$738 monthly	33,208	7,990	3.15%	08/15/24
secured by 5 Ford F150 police vehicles, \$4,187 monthly	188,275	33,094	3.40%	09/05/24
secured by 5 Ford police vehicles, \$5,205 monthly	222,550	193,229	5.70%	02/10/27
secured by 5 Ford police vehicles, \$5,205 monthly	178,275	147,997	5.70%	12/15/26
Axom Enterprises, Inc.				
secured by axom tasers \$30,057 monthly	150,286	120,229	0.00%	08/31/26
PNC National Association				
secured by fire truck, \$90,081 annually	248,567	169,174	4.30%	06/24/25
Total Equipment Installment Loans		<u>683,229</u>		
Total governmental activities		<u>\$ 27,026,696</u>		
<b>Business-type Activities:</b>				
A. Bonds				
General Obligation Bonds, Series 2014 (46.67%)	\$ 4,160,000	\$ 210,000	2.0 - 2.5%	06/01/24
Revenue Refunding Bonds, Series 2012	7,000,000	4,505,532	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>10,842,133</u>		
B. Notes Payable				
State Revolving Fund Loan, 2013	429,865	215,109	1.75%	09/01/32
Total Notes Payable		<u>215,109</u>		
Total business-type activities		<u>\$ 11,057,242</u>		
Total Government		<u>\$ 38,083,938</u>		

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

**A. Bonds Payable**

**General Obligation Bonds**

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

**Limited Obligation Bonds – Tax Increment Financing**

In November 2022, the City issued \$696,000 of Mississippi Taxable Tax Increment Limited Obligation Bonds, Series 2022 (LaFont Inn Redevelopment Project) under Sections 21-45-1 through 21-45-21, Mississippi Code of 1972, as amended. The proceeds of these bonds are to be used to improve infrastructure of the businesses within the Tax Increment Financing District. These bonds carry an interest rate of 7.07% and bond issuance costs amounted to \$64,475. Debt service of these bonds will be paid from tax diversions, 100% of ad valorem taxes and 50% of sales tax diversion. In addition, \$77,000 was transferred to the bond trustee to be held in reserve until such time the bonds mature.

**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 infrastructure projects. 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 2023, 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, 2023.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 10 – 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							
	General Obligation Bonds		Special Obligation Bonds		TIF Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 914,975	523,364	556,000	343,805	28,000	48,217	1,498,975	915,386
2025	865,641	492,193	575,000	324,345	29,000	46,202	1,469,641	862,740
2026	898,974	461,388	595,000	304,220	32,000	44,046	1,525,974	809,654
2027	932,306	429,157	616,000	283,395	34,000	41,713	1,582,306	754,265
2028	965,639	395,514	638,000	261,835	36,000	39,239	1,639,639	696,588
2029-2033	5,339,845	1,451,820	3,539,000	958,300	223,000	152,606	9,101,845	2,562,726
2034-2038	3,922,087	649,913	3,304,000	294,070	314,000	58,540	7,540,087	1,002,523
2039-2040	1,525,000	83,375	-	-	-	-	1,525,000	83,375
	<u>\$ 15,364,467</u>	<u>4,486,724</u>	<u>9,823,000</u>	<u>2,769,970</u>	<u>696,000</u>	<u>430,563</u>	<u>25,883,467</u>	<u>7,687,257</u>

*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 ERF (Incinerator)		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	394,361	92,036	-	-	394,361	92,036
2029-2033	2,170,155	259,574	-	-	2,170,155	259,574
2034-2037	477,913	7,871	-	-	477,913	7,871
Suspended	-	-	6,126,601	1,177,627	6,126,601	1,177,627
	<u>4,715,533</u>	<u>852,366</u>	<u>6,126,601</u>	<u>1,177,627</u>	<u>10,842,134</u>	<u>2,029,993</u>

**B. Notes Payable**

Tax Negotiable Note

In 2023, 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, 2023

**Note 10 – 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
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	-	-	23,877	1,973
2029-2032	-	-	99,793	3,607
	<u>\$ 460,000</u>	<u>22,172</u>	<u>215,109</u>	<u>17,541</u>

**C. Equipment Installment Loans**

The city entered into various equipment installment loans for various equipment including public safety vehicles, a pumper truck, tasers and a file server. These purchases were financed at a fixed simple interest rate. All titles are held by the City with lien holders as follows: the vehicles and file server has The First Bank as lien holder; the tasers has Axon Enterprises Inc. as the lien holder; and, the pumper truck has PNC National Association as the lien holder.

The following is a schedule of equipment installment loans as of September 30, 2023:

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. Intangible Right-to-Use Leases and Subscription Based IT Assets**

A summary of lease and subscription IT liabilities during the year ended September 30, 2023 is as follows:

	Balance 10/1/2022	Additions	Deductions	Balance 9/30/2023	Due within One Year
<b>Governmental activities</b>					
Lease liabilities	\$ 989,835	-	(244,681)	745,154	250,119
Subscription IT liabilities	-	1,958,572	(220,612)	1,737,960	203,589
Total governmental activities	<u>989,835</u>	<u>1,958,572</u>	<u>(465,293)</u>	<u>2,483,114</u>	<u>453,708</u>
<b>Business-type activities</b>					
Subscription IT liabilities	-	968,106	-	968,106	(11,040)
Total business-type activities	<u>-</u>	<u>968,106</u>	<u>-</u>	<u>968,106</u>	<u>(11,040)</u>
Total right-to-use leases and subscription assets	<u>\$ 989,835</u>	<u>2,926,678</u>	<u>(465,293)</u>	<u>3,451,220</u>	<u>442,668</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

**D. Intangible Right-to-Use Leases and Subscription Based IT Assets (Continued)**

*Lease Liabilities*

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.

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, 2023:

Year ended September 30	Lease Liability		
	Principal	Interest	Total
2024	\$ 250,119	13,881	264,000
2025	255,677	8,323	264,000
2026	239,358	2,681	242,039
	<u>\$ 745,154</u>	<u>24,885</u>	<u>770,039</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

**D. Intangible Right-to-Use Leases and Subscription Based IT Assets (Continued)**

*Subscription IT Assets-(SBITA)*

The City has contracts for multiple subscription-based IT arrangements for items such as software, user seats and various site licenses. For contracts that have a maximum possible term of 12 months or less at commencement, the City recognizes expense based on the provisions of the contract. For all other contracts, other than short-term, the City recognized a subscription liability and a right to use subscription asset.

At commencement, the City initially measures the liability at the present value of payments expected to be made during the subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before commencement of the subscription term. Subsequently, the subscription asset is amortized in amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT asset.

The City generally uses the Federal Prime Borrowing Rate at subscription inception as the discount rate unless the rate that the vendor charges is known. This rate is the rate the City would be charged for borrowing the subscription payment amounts during the subscription term.

The subscription term includes the non-cancellable period of the contract plus any additional periods covered by either a city or vendor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the county and the vendor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

The following schedule contains details of the City's Subscription-based IT Arrangements:

Description	Discount Rate	Term Remaining	Issue Date	Maturity Date	9/30/2023 Annual Payment	Liability Outstanding
<i>Governmental activities</i>						
General accounting software	4%	10 years	1/13/1998	9/30/2033	\$ 101,982	1,106,881
Court accounting software	4%	10 years	1/17/2006	9/30/2033	14,834	166,621
BodyCam software	4%	5 years	12/31/2022	12/31/2026	88,308	320,549
Police radios software	4%	3 years	10/1/2022	10/1/2024	37,952	77,003
Court citation software	4%	5 years	12/1/2022	12/1/2026	18,432	66,906
Total governmental activities					<u>261,508</u>	<u>1,737,960</u>
<i>Business-type activities</i>						
Meter reading software	4%	10 years	9/30/2022	9/30/2033	7,828	968,106
Total business-type activities					<u>7,828</u>	<u>968,106</u>
Total government wide					<u>\$ 269,336</u>	<u>2,706,066</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

The following is a schedule by years of the future principal and interest SBITA payments due as of September 30, 2023:

Year ended September 30	SBITA Payments					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 203,589	68,361	271,950	\$ (11,040)	39,049	28,009
2025	220,055	60,075	280,130	63,158	38,120	101,278
2026	193,746	51,117	244,863	78,184	35,216	113,400
2027	208,568	43,201	251,769	87,144	31,926	119,070
2028	117,601	34,680	152,281	96,758	28,265	125,023
2029	130,111	29,784	159,895	107,067	24,207	131,274
2030	143,515	24,374	167,889	118,115	19,724	137,839
2031	157,870	18,414	176,284	129,947	14,784	144,731
2032	173,235	11,864	185,099	142,612	9,355	151,967
2033	189,670	4,683	194,353	156,161	3,404	159,565
	<u>\$ 1,737,960</u>	<u>346,553</u>	<u>2,084,513</u>	<u>\$ 968,106</u>	<u>244,050</u>	<u>1,212,156</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, 2023, 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, 2023

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

**Governmental Activities:**

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 21,529,520
Depreciable capital assets	139,355,927
Other capital -right to use assets/SBITA	3,669,857
Less: accumulated depreciation/amortization	(67,024,327)

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	53,988
Deferred bond charges	12,429

Less: deferred inflows of resources attributable to capital asset acquisition

Deferred premium	(288,719)
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Less: material accounts payable at year end

(854,406)

Add: outstanding cash restricted for capital projects

21,614,007

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

\$ 90,181,021

**Business-type Activities**

*Pascagoula Utilities Fund*

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 316,061
Depreciable capital assets	57,528,682
Other capital -right to use assets/SBITA	937,853
Less: accumulated depreciation/amortization	(37,835,544)

Less: outstanding balances of borrowings for capital asset acquisition:

General obligation bonds	(4,715,532)
Notes payable	(215,109)

Add: deferred outflows of resources attributable to capital asset acquisition

Prepaid bond insurance	8,984
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Less: deferred inflows of resources attributable to capital asset acquisition

Deferred savings on refunding bond	(3,858)
Deferred premium	(5,210)

Net investment in capital assets - Pascagoula Utilities Fund

16,016,327

*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)

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

\$ 9,974,477

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**Note 12 – Effects of Deferred Amounts on Net Position**

The governmental activities' unrestricted net position amount of \$(31,808,952) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$409,108 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. The \$5,944,137 balance of the deferred outflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next 4 years. The \$828,892 balance of the deferred inflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next 4 years.

The governmental activities' net investment in capital assets net position of \$90,181,021 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of City debt. The \$12,429 balance of deferred outflows of resources at September 30, 2023.

The business-type activities' unrestricted net position amount of \$15,028,120 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$21,532 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. The \$301,166 balance of the deferred outflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next 4 years. The \$53,626 balance of the deferred inflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next 4 years.

The business-type activities' net investment in capital assets net position of \$9,974,477 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of City debt. The \$3,858 of balance of deferred outflows of resources at September 30, 2023.

**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, 2023 was 54.5 mills or \$54.50 per \$1,000 of assessed valuation.

**City of Pascagoula, Mississippi**  
**Notes to the Financial Statements**  
**September 30, 2023**

**Note 13– Property and Sales Tax Revenue (Continued)**

**A. Property Tax Revenues**

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 \$6,480,793.

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, 2023 was \$1,337,551.

**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.

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, 2023, to January 1, 2024. 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.

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

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

**A. Risk Management (Continued)**

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 \$264,698/month for the year ended September 30, 2023. During the fiscal year ended September 30, 2023 the City paid a total of \$3,176,377 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 \$30 per household per month for the year ended September 30, 2023. This amount includes commercial and residential garbage collections. During the fiscal year ended September 30, 2023 the City paid a total of \$2,437,500 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 \$17,207.

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 \$28,838 per months for support of the city-wide accounting software, miscellaneous support and off-site computer backup. During the fiscal year ended September 30, 2023 the City paid a total of \$286,048.

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, 2023, the City paid a total of \$1,359,850 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 \$4,025,830. The majority of these commitments are being funded by bond and grant funds. See Note 6(D) for more detailed information on these commitments.



**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**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 \$4,229,772 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 2023 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 1.75 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, 2023.

**Note 17 – Tax Abatements**

As of September 30, 2023, 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.

Total tax abatements as of September 30, 2023 are as follows:

Programs	Term	Abatement Period Ends	Assessed Value	Estimated Tax Abated
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>\$ 74,851,762</u>	<u>\$ 1,602,815</u>

**City of Pascagoula, Mississippi**  
Notes to the Financial Statements  
September 30, 2023

**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 April 21, 2025, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statement:

On June 18, 2024, Mississippi Legislature passed Senate Bill 3231 setting a yearly increase of .5% to the employer's contribution into the PERS retirement system. Effective July 1, 2024, and three years after, the employer contribution will be as follows: As of July 1, 2024, the employer rate will be 17.40%; as of July 1, 2025 the employer rate will be 17.90%; as of July 1, 2026 the employer's rate will be 18.40%; and starting July 1, 2028, the employer rate will be 18.90%.

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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, 2023**

	Original Budget	Final Budget	Actual Budgetary Basis	Variances	
				Favorable (Unfavorable) Original to Final	Final to Actual
<b>Revenues:</b>					
Property taxes	\$ 12,267,440	12,998,250	13,444,938	730,810	446,688
Licenses and permits	1,690,000	1,690,000	1,707,347	-	17,347
Intergovernmental	7,967,300	8,309,272	8,511,096	341,972	201,824
Charges for services	1,807,100	1,807,100	1,925,707	-	118,607
Fines & Forfeitures	293,500	283,500	319,747	(10,000)	36,247
Miscellaneous	358,150	109,052	138,394	(249,098)	29,342
Investment earnings	45,000	45,000	34,963	-	(10,037)
Other financing sources	25,000	15,000	15,764	(10,000)	764
Transfers from/to other funds	260,000	260,000	260,000	-	-
Total available for appropriations	24,713,490	25,517,174	26,357,956	803,684	840,782
<b>Expenditures:</b>					
General Government:					
Personnel services	1,122,785	1,125,253	1,095,857	(2,468)	29,396
Supplies	43,550	61,550	55,655	(18,000)	5,895
Other services and charges	3,193,950	3,273,952	3,111,517	(80,002)	162,435
Capital outlay/Debt service	175,000	175,000	134,083	-	40,917
Total	4,535,285	4,635,755	4,397,112	(100,470)	238,643
Public Safety - Police					
Personnel services	6,589,260	6,667,616	6,482,788	(78,356)	184,828
Supplies	300,875	300,875	290,376	-	10,499
Other services and charges	580,320	596,620	547,509	(16,300)	49,111
Capital outlay/Debt service	173,778	299,705	261,847	(125,927)	37,858
Total	7,644,233	7,864,816	7,582,520	(220,583)	282,296
Public Safety - Fire					
Personnel services	4,883,705	4,975,220	4,744,911	(91,515)	230,309
Supplies	143,400	140,400	115,374	3,000	25,026
Other services and charges	35,850	38,850	34,924	(3,000)	3,926
Capital outlay/Debt service	77,985	65,010	53,381	12,975	11,629
Total	5,140,940	5,219,480	4,948,590	(78,540)	270,890
Planning, Bldg. & Code Enforcement					
Personnel services	608,650	617,817	602,059	(9,167)	15,758
Supplies	16,650	17,044	13,563	(394)	3,481
Other services and charges	138,750	129,583	81,402	9,167	48,181
Total	764,050	764,444	697,024	(394)	67,420
Public Works					
Supplies	270,750	305,777	275,271	(35,027)	30,506
Other services and charges	2,163,425	2,091,625	1,969,638	71,800	121,987
Capital outlay/Debt service	-	225,418	16,467	(225,418)	208,951
Total	2,434,175	2,622,820	2,261,376	(188,645)	361,444
Health & Welfare					
Personnel services	109,205	109,205	97,002	-	12,203
Supplies	15,900	15,900	11,745	-	4,155
Other services and charges	58,300	59,300	52,461	(1,000)	6,839
Total	183,405	184,405	161,208	(1,000)	23,197
Culture & Recreation					
Personnel services	798,960	809,817	677,129	(10,857)	132,688
Supplies	182,750	186,656	177,771	(3,906)	8,885
Other services and charges	1,730,845	2,081,745	1,997,433	(350,900)	84,312
Capital outlay/Debt Service	-	48,394	48,394	(48,394)	-
Total	2,712,555	3,126,612	2,900,727	(414,057)	225,885

**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, 2023**

	Original Budget	Final Budget	Actual Budgetary Basis	Variances Favorable (Unfavorable)	
				Original to Final	Final to Actual
Economic, Urban & Comm Dev.					
Personnel services	80,645	80,645	80,329	-	316
Supplies	500	500	117	-	383
Other services and charges	20,250	9,250	8,980	11,000	270
Total	101,395	90,395	89,426	11,000	969
Transfers to other funds	1,450,000	1,500,000	1,497,199	50,000	2,801
Total charges to appropriations	24,965,768	26,008,727	24,535,182	(942,959)	1,473,545
Excess (Deficiency) of Available Resources over Use of Resources	\$ (252,278)	(481,553)	1,822,774	229,275	2,304,327
Differences between budgetary and GAAP fund balances					
Change in fund balance - Budgetary Basis			\$ 1,822,774		
Accruals for expenses incurred but not paid			345,140		
Proceeds from debt issue			670,865		
Accruals for revenues recognized but not yet received			(1,766,737)		
Net Change in general fund balance - Fund Financials			\$ 1,072,042		

**City of Pascagoula, Mississippi**  
Notes to the Required  
Supplementary Information-Budgetary Schedules  
For the Fiscal Year Ended September 30, 2023

**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, 2023\*\***  
**(UNAUDITED)**

	As of June 30	2023	2022	2021	2020	2019
City's proportion of the net pension liability		0.128%	0.133%	0.135%	0.132%	0.146%
City's proportionate share of the net pension liability		\$ 32,243,490	\$ 27,316,342	\$ 19,922,553	\$ 25,650,074	\$ 24,400,066
City's covered-employee payroll		\$ 9,503,011	\$ 9,374,247	\$ 8,961,914	\$ 882,205	\$ 9,481,206
City's proportionate share of the net pension liability as a percentage of its covered payroll		339.3%	291.4%	222.3%	257.5%	257.4%
Plan fiduciary net position as a percentage of the total pension liability		55.7%	59.9%	70.4%	59.0%	61.6%

	As of June 30	2018	2017	2016	2015
City's proportion of the net pension liability		0.165%	0.170%	0.160%	0.160%
City's proportionate share of the net pension liability		\$ 27,444,402	\$ 28,259,770	\$ 28,579,995	\$ 24,732,844
City's covered-employee payroll		\$ 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		260.1%	260.6%	275.1%	241.2%
Plan fiduciary net position as a percentage of the total pension liability		62.5%	61.5%	57.5%	61.7%

\*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, 2023**  
**(UNAUDITED)**

As of September 30	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 1,674,234	\$ 1,589,683	\$ 1,583,498	\$ 1,509,064	\$ 1,486,473
Contributions in relation to the actuarially determine contribution	<u>1,674,234</u>	<u>1,589,683</u>	<u>1,583,498</u>	<u>1,509,064</u>	<u>1,486,473</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	9,622,034	9,136,109	9,100,563	8,672,782	9,198,472
Contributions as a percentage of covered- employee payroll	17.40%	17.40%	17.40%	17.40%	16.16%
As of September 30	2018	2017	2016	2015	
Actuarially determined contribution	\$ 1,661,758	\$ 1,647,953	\$ 1,643,481	\$ 1,607,812	
Contributions in relation to the actuarially determine contribution	<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>	
Covered-employee payroll	10,550,844	10,463,194	10,434,800	10,208,330	
Contributions as a percentage of covered- employee payroll	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, 2023

**PERS Pension Schedules**

**A. Changes in Assumptions**

➤ 2023

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

➤ 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
  - For females, 84% of female rates up to age 72, 100% for ages above 76.
  - Projection scale MP-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, 134% of male rates at all ages.
  - For females, 121% 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 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 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-2023 will be used to project future improvements in life expectancy generationally.

**City of Pascagoula, Mississippi**  
Notes to the Required Supplementary Information  
Mississippi Public Employees' Retirement System (PERS)  
For the Fiscal Year Ended September 30, 2023

➤ 2019 (Continued)

- 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-2023 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

➤ 2017

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

➤ 2016

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

➤ 2015

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

**B. Changes in Benefit Provisions**

➤ 2016

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

**City of Pascagoula, Mississippi**  
**Notes to the Required Supplementary Information**  
**Mississippi Public Employees' Retirement System (PERS)**  
**For the Fiscal Year Ended September 30, 2023**

**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, 2021 valuation for the June 30, 2023 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	26.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 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, 2023\*\***  
**(UNAUDITED)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>									
Interest	\$ 710,595	\$ 746,936	775,685	789,932	823,509	872,270	902,507	928,517	965,667
Differences between expected and actual experience	(337,449)	(42,808)	495,985	296,210	90,598	(182,259)	17,501	119,699	(40,288)
Changes of assumptions	324,082	-	(145,016)	-	(64,078)	-	52,812	-	395,634
Benefit payments, including refunds of employee contributions	(1,150,011)	(1,220,940)	(1,263,656)	(1,276,295)	(1,290,254)	(1,348,131)	(1,377,800)	(1,389,869)	(1,432,103)
<b>Net change in total pension liability</b>	<b>(452,783)</b>	<b>(516,812)</b>	<b>(137,002)</b>	<b>(190,153)</b>	<b>(440,225)</b>	<b>(658,120)</b>	<b>(404,980)</b>	<b>(341,653)</b>	<b>(111,090)</b>
<b>Total pension liability-beginning</b>	<b>9,986,854</b>	<b>10,503,666</b>	<b>10,640,668</b>	<b>10,830,821</b>	<b>11,271,046</b>	<b>11,929,166</b>	<b>12,334,146</b>	<b>12,672,799</b>	<b>12,786,889</b>
<b>Total pensions liability-ending</b>	<b>\$ 9,534,071</b>	<b>\$ 9,986,854</b>	<b>10,503,666</b>	<b>10,640,668</b>	<b>10,830,821</b>	<b>11,271,046</b>	<b>11,929,166</b>	<b>12,331,146</b>	<b>12,675,799</b>
<b>Plan fiduciary net position</b>									
Contributions-employer	297,549	413,437	352,301	726,862	762,066	678,093	677,726	706,304	695,520
Net investment income	443,897	(651,912)	2,037,662	215,415	512,315	580,428	979,439	39,757	247,097
Benefit payments, including refunds of employee contributions	(1,150,011)	(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	(5,951)	(8,269)	(7,046)	(14,537)	(15,241)	(13,562)	(13,555)	(14,126)	(13,910)
Other costs	-	-	-	-	(195)	(693)	3,658	43,964	-
<b>Net change in plan fiduciary net position</b>	<b>(414,516)</b>	<b>(1,467,684)</b>	<b>1,119,261</b>	<b>(348,555)</b>	<b>(31,309)</b>	<b>(103,865)</b>	<b>269,468</b>	<b>(613,970)</b>	<b>(503,396)</b>
<b>Plan fiduciary net position-beginning</b>	<b>6,695,365</b>	<b>8,163,049</b>	<b>7,043,788</b>	<b>7,392,343</b>	<b>7,423,652</b>	<b>7,527,517</b>	<b>7,258,049</b>	<b>7,872,019</b>	<b>8,375,415</b>
<b>Plan fiduciary net position-ending</b>	<b>\$ 6,280,849</b>	<b>\$ 6,695,365</b>	<b>8,163,049</b>	<b>7,043,788</b>	<b>7,392,343</b>	<b>7,423,652</b>	<b>7,527,517</b>	<b>7,258,049</b>	<b>7,872,019</b>
<b>Net pension liability-ending</b>	<b>\$ 3,253,222</b>	<b>\$ 3,291,489</b>	<b>2,340,617</b>	<b>3,596,880</b>	<b>3,438,478</b>	<b>3,847,394</b>	<b>4,401,649</b>	<b>5,073,097</b>	<b>4,803,780</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>65.9%</b>	<b>67.0%</b>	<b>77.7%</b>	<b>66.2%</b>	<b>68.3%</b>	<b>65.9%</b>	<b>63.1%</b>	<b>58.9%</b>	<b>62.1%</b>
<b>Covered-employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Commission's net pension liability as a percentage of covered employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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

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

**City of Pascagoula, Mississippi**  
**Schedule of the City's Contributions**  
**and Related Ratios and Notes**  
**Municipal Retirement System (MRS)**  
**For the Fiscal Year Ended September 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 271,422	339,658	352,301	346,471	424,217
Contributions in relation to the contractually required contribution	<u>291,598</u>	<u>405,168</u>	<u>325,301</u>	<u>726,862</u>	<u>762,066</u>
Contribution deficiency (excess)	\$ <u>(20,176)</u>	<u>(65,510)</u>	<u>27,000</u>	<u>(380,391)</u>	<u>(337,849)</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 438,500	390,822	395,530	500,774
Contributions in relation to the contractually required contribution	<u>678,093</u>	<u>677,726</u>	<u>706,304</u>	<u>695,520</u>
Contribution deficiency (excess)	\$ <u>(239,593)</u>	<u>(286,904)</u>	<u>(310,774)</u>	<u>(194,746)</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:*

***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, 2023 were based on the June 30, 2021 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	2.40 percent
Salary increase	N/A
Investment rate of return	6.05% 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, 2023**

<b>Federal Grantor/ Passed-through Grantor/ Program Title or Cluster</b>	<b>Federal CFDA Number</b>	<b>Grant No. / Pass-Through Number</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>US Department of Commerce</b>				
<b>National Oceanic and Atmospheric Administration</b>				
<i>Passed through MS Department of Marine Resources</i>				
Coastal Zone Management Administration Clusters				
Coastal Zone Management Administration Awards	11.419	FY23-P604-10	\$ 14,742	\$ -
Coastal Zone Management Administration Awards	11.419	FY2020-P604-06	65	
Coastal Zone Management Administration Awards	11.419	30000031073	21,885	
<b>Total U.S. Department of Commerce</b>			<u>36,692</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through MS Development Authority</i>				
CDBG Entitlement Clusters				
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-28-0005	42,100	21,000
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-28-0005	103,796	-
Community Development Block Grants/HUD Disaster	14.219/14.228	R-109-290-06-KCR	987,777	-
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,133,673</u>	<u>21,000</u>
<b>U.S. Department of Justice</b>				
State and Local Equitable Sharing	16.922	MS0300300	65,648	-
<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	67,158	-
Justice Assistance Grants	16.738	2022-15PBJA-21-GG-01625-JAGX	9,898	
<b>Total U.S. Department of Justice</b>			<u>142,704</u>	<u>-</u>
<b>US Department of Transportation</b>				
<b>Federal Transit Administration</b>				
<i>Passed through MS Dept of Transportation</i>				
Highway Planning and Construction	20.205	SP-9401-00(003)LPA/108864-701000	1,392,150	-
<b>Total U.S. Department of Transportation</b>			<u>1,392,150</u>	<u>-</u>
<b>US Department of The Treasury</b>				
<i>Passed through MS Emergency Management Agency</i>				
Coronavirus Relief Fund - COVID 19	21.027	SLT-2046	987,254	
<b>Total U.S. Department of The Treasury</b>			<u>987,254</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
<i>Passed through MS Emergency Management Agency</i>				
Disaster Grants - Public Assistance - H. Zeta	97.036	FEMA-4576-DR	224,143	-
<b>Total U.S. Department of Homeland Security</b>			<u>224,143</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,916,616</u>	<u>\$ 21,000</u>

**City of Pascagoula, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended September 30, 2023**

**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, 2023. 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, 2023:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Current Year Expenditures</u>	<u>Unpaid Loan Balance</u>	<u>Original Amount</u>
Environmental Protection Agency Passed-through the Mississippi Department of Environmental Quality				
SRF-08	66.458	-	215,109	429,865
Total federal loans		\$ -	\$ 215,109	\$ 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:

<u>Organization</u>	<u>Amount</u>
The Salvation Army	\$ 4,500
Gulf Coast Women's Center	4,500
Singing River Health System Foundation	4,500
Court Appointed Special Advocates (CASA)	7,500
Total passed through	\$ 21,000

**City of Pascagoula, Mississippi**  
**Schedule of Surety Bonds**  
**(Required by State of Mississippi)**  
**For the Fiscal Year Ended September 30, 2023**

<u>Position</u>	<u>Name</u>	<u>Amount</u>
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	Hyler 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, 2023, 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 April 21, 2025.

**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.

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

Certified Public Accountants  
Gulfport, Mississippi  
April 21, 2025

**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, 2023. 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, 2023.

***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.

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

Certified Public Accountants  
Gulfport, Mississippi  
April 21, 2025

**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, 2023, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 21, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

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

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

**City of Pascagoula, Mississippi**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2023**

**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>
20.205	Highway Planning and Construction
14.219 & 14.228	HUD Disaster Community Development Block Grant

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

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

None

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

None