

CITY OF PEARL, MISSISSIPPI

Audited Financial Statements

September 30, 2023

CITY OF PEARL, MISSISSIPPI
Audited Financial Statements
September 30, 2023

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the Board
of Aldermen, and City Clerk
City of Pearl, Mississippi

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Pearl, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pearl, Mississippi's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Pearl, Mississippi, as of September 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Pearl, Mississippi 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 audit opinions.

Basis for Qualified Opinion on Governmental Activities and Business-type Activities

As discussed in Note 9 to the financial statements, the City of Pearl, Mississippi has not recorded a liability for other postemployment benefits in the governmental activities and the business-type activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses of the governmental activities and business-type activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities and business-type activities is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter discussed in "Basis for Qualified Opinions on Governmental Activities and Business-type Activities", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, of the City of Pearl, Mississippi, as of September 30, 2023, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, except for the effects of the matters discussed in the preceding sections, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of September 30, 2023, and the respective changes in financial position, and where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 City of Pearl, Mississippi'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' Responsibilities 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 opinions. 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 GAAS and *Government 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 a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government 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 City of Pearl, Mississippi'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 City of Pearl, Mississippi'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules, the City of Pearl, Mississippi's Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of the City of Pearl, Mississippi's Contributions, and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

The City of Pearl, Mississippi, has omitted the Management’s Discussion and Analysis and the Schedule of Funding Progress-Other Postemployment Benefits that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Pearl, Mississippi’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. Such information 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2024, on our consideration of City of Pearl, Mississippi’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Pearl, Mississippi’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 City of Pearl, Mississippi’s internal control over financial reporting and compliance.



Ridgeland, Mississippi
September 16, 2024

CITY OF PEARL, MISSISSIPPI
Statement of Net Position
September 30, 2023

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 21,007,812 | \$ 1,512,650 | \$ 22,520,462 |
| Property Tax Receivable | 8,644,381 | - | 8,644,381 |
| Fines Receivable (Net of Allowance for Uncollectibles of \$7,199,425) | 467,164 | - | 467,164 |
| Accounts Receivable, (Net of Allowance For Uncollectibles of \$59,644) | - | 1,695,861 | 1,695,861 |
| Other Receivables | 235,533 | - | 235,533 |
| Other Current Assets | - | 36,874 | 36,874 |
| Due from Other Governments | 3,711,447 | - | 3,711,447 |
| Internal Balances | (221,118) | 176,066 | (45,052) |
| Sales Tax Receivable | 2,617,049 | - | 2,617,049 |
| Total Current Assets | 36,462,268 | 3,421,451 | 39,883,719 |
| Noncurrent Assets: | | | |
| Restricted Cash | 11,077,751 | - | 11,077,751 |
| Capital Assets, Net | 82,589,943 | 13,429,309 | 96,019,252 |
| Total Noncurrent Assets | 93,667,694 | 13,429,309 | 107,097,003 |
| Total Assets | 130,129,962 | 16,850,760 | 146,980,722 |
| Deferred Outflows of Resources: | | | |
| Deferred Outflows Related to Pension | 4,680,657 | 1,072,140 | 5,752,797 |
| Total Deferred Outflows Resources | 4,680,657 | 1,072,140 | 5,752,797 |
| Total Assets and Deferred Outflows Resources | \$ 134,810,619 | \$ 17,922,900 | \$ 152,733,519 |

CITY OF PEARL, MISSISSIPPI
Statement of Net Position
September 30, 2023

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>LIABILITIES AND NET POSITION</u> | | | |
| Liabilities: | | | |
| Claims Payable | \$ 1,281,228 | \$ 120,557 | \$ 1,401,785 |
| Retainage Payable | 48,698 | - | 48,698 |
| Accrued Interest Payable | 345,209 | 14,240 | 359,449 |
| Accrued Wages Payable | 498,531 | 111,412 | 609,943 |
| Other Liabilities | 454,976 | 3,179 | 458,155 |
| Current Portion of Non-Capital Related Long-Term Debt | 651,858 | - | 651,858 |
| Current Portion of Capital Related | | | |
| Long-Term Debt | 3,678,886 | 553,698 | 4,232,584 |
| Current Portion of Lease Liabilities | 1,198,516 | 1,138 | 1,199,654 |
| Total Current Liabilities | 8,157,902 | 804,224 | 8,962,126 |
| Noncurrent Liabilities: | | | |
| Long-Term Capital Related Liabilities | | | |
| Due in More Than One Year | 30,045,580 | 3,177,216 | 33,222,796 |
| Long-Term Non-Capital Related Liabilities | | | |
| Due in More Than One Year | 381,694 | - | 381,694 |
| Long-term Portion - Lease Liabilities | 7,595,588 | 32,355 | 7,627,943 |
| Compensated Absences Payable | 462,240 | 116,064 | 578,304 |
| Customer Meter Deposits Payable | - | 746,528 | 746,528 |
| Escrowed Seizure Funds Payable | 110,973 | - | 110,973 |
| Net Pension Liability | 32,477,042 | 7,439,109 | 39,916,151 |
| Total Noncurrent Liabilities | 71,073,117 | 11,511,272 | 82,584,389 |
| Total Liabilities | 79,231,019 | 12,315,496 | 91,546,515 |
| Deferred Inflows of Resources: | | | |
| Property Tax for Future Reporting Period | 8,248,846 | - | 8,248,846 |
| Deferred Inflows Related to Pension | 409,333 | 93,761 | 503,094 |
| Total Deferred Inflows of Resources | 8,658,179 | 93,761 | 8,751,940 |
| Total Liabilities and Deferred Inflows of Resources | 87,889,198 | 12,409,257 | 100,298,455 |
| Net Position: | | | |
| Net Investments in Capital Assets | 48,865,477 | 9,698,395 | 58,563,872 |
| Restricted for: | | | |
| Debt Service | 515,152 | - | 515,152 |
| Capital Improvements | 7,625,148 | - | 7,625,148 |
| Unrestricted | (10,084,356) | (4,184,752) | (14,269,108) |
| Total Net Position | 46,921,421 | 5,513,643 | 52,435,064 |
| Total Liabilities, Deferred Inflows of Resources and Net Assets | \$ 134,810,619 | \$ 17,922,900 | \$ 152,733,519 |

The Notes to Financial Statements are an integral part of these statements.

CITY OF PEARL, MISSISSIPPI
Statement of Activities
Year Ended September 30, 2023

| Function / Programs Primary Government | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|------------------------|--------------------------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|
| | Expenses | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ (5,885,758) | \$ - | \$ - | \$ - | \$ (5,885,758) | \$ - | \$ (5,885,758) |
| Public Safety | (11,803,956) | 1,639,830 | 188,687 | - | (9,975,439) | - | (9,975,439) |
| Public Works | (19,552,298) | 2,542,877 | - | 12,100,401 | (4,909,020) | - | (4,909,020) |
| Health and Welfare | (672,297) | - | - | - | (672,297) | - | (672,297) |
| Culture and Recreation | (4,104,290) | 878,361 | - | - | (3,225,929) | - | (3,225,929) |
| Interest on Long-term Debt | (919,715) | - | - | - | (919,715) | - | (919,715) |
| Pension Expense | (4,865,112) | - | - | - | (4,865,112) | - | (4,865,112) |
| Total Governmental Activities | (47,803,426) | 5,061,068 | 188,687 | 12,100,401 | (30,453,270) | - | (30,453,270) |
| Business-Type Activities: | | | | | | | |
| Water/Sewer | (9,872,636) | 11,256,122 | - | - | - | 1,383,486 | 1,383,486 |
| Pension Expense | (1,114,390) | - | - | - | - | (1,114,390) | (1,114,390) |
| Total Business-Type Activities | (10,987,026) | 11,256,122 | - | - | - | 269,096 | 269,096 |
| Total Primary Government | \$ (58,790,452) | \$ 16,317,190 | \$ 188,687 | \$ 12,100,401 | \$ (30,453,270) | \$ 269,096 | \$ (30,184,174) |

CITY OF PEARL, MISSISSIPPI
Statement of Activities
Year Ended September 30, 2023

| | Net (Expense) Revenue and Changes in Net Position | | |
|--|--|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| General Revenues and Transfers Taxes: | | | |
| Property Tax | \$ 8,153,419 | \$ - | \$ 8,153,419 |
| Road and Bridge Privilege Taxes | 1,173,516 | - | 1,173,516 |
| Sales Tax | 18,568,081 | - | 18,568,081 |
| Franchise Taxes | 1,150,196 | - | 1,150,196 |
| Grants and Contributions not Restricted to Specific Programs | 4,967,046 | - | 4,967,046 |
| Unrestricted Investment Income | 129,185 | 5,950 | 135,135 |
| Miscellaneous | 4,209,461 | 8,436 | 4,217,897 |
| Total General Revenues and Transfers | 38,350,904 | 14,386 | 38,365,290 |
| Change in Net Position | 7,897,634 | 283,482 | 8,181,116 |
| Net Position at Beginning of Year, As Originally Reported | 35,798,294 | 5,230,161 | 41,028,455 |
| Prior Period Adjustment | 3,225,493 | - | 3,225,493 |
| Net Position at Beginning of Year, Restated | 39,023,787 | 5,230,161 | 44,253,948 |
| Net Position at End of Year | \$ 46,921,421 | \$ 5,513,643 | \$ 52,435,064 |

CITY OF PEARL, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2023

| ASSETS | Major Governmental Funds | | | | | Total Governmental Funds |
|---|--------------------------|---------------------|----------------------|-------------------|--------------------------|--------------------------|
| | General Fund | Debt Service Funds | American Rescue Plan | Street Bond | Other Governmental Funds | |
| Cash and Investments | \$ 8,775,527 | \$ 1,285,284 | \$ - | \$ - | \$ 10,947,001 | \$ 21,007,812 |
| Restricted Cash | 6,071,329 | - | 4,386,646 | 619,776 | - | 11,077,751 |
| Property Tax Receivable | 3,364,091 | 5,280,290 | - | - | - | 8,644,381 |
| Fines Receivable (Net Allowance for Uncollectibles of \$7,199,425) | 467,164 | - | - | - | - | 467,164 |
| Sales Tax Receivable | 2,617,049 | - | - | - | - | 2,617,049 |
| Other Receivables | 234,427 | - | - | - | 1,106 | 235,533 |
| Due from Other Governments | 208,982 | - | 601,075 | - | 2,901,390 | 3,711,447 |
| Due from Other Funds | 2,772,940 | 1,240,655 | - | - | 940,158 | 4,953,753 |
| Total Assets | \$ 24,511,509 | \$ 7,806,229 | \$ 4,987,721 | \$ 619,776 | \$ 14,789,655 | \$ 52,714,890 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Claims Payable | \$ 339,055 | \$ 54,322 | \$ - | \$ 59,337 | \$ 828,515 | \$ 1,281,229 |
| Retainage Payable | - | - | - | - | 48,698 | 48,698 |
| Accrued Wages Payable | 498,531 | - | - | - | - | 498,531 |
| Due to Other Funds | 1,151,346 | 2,186,334 | - | - | 1,837,192 | 5,174,872 |
| Other Liabilities | 454,976 | - | - | - | - | 454,976 |
| State and Federal Seized Funds Escrow | - | - | - | - | 110,973 | 110,973 |
| Total Liabilities | 2,443,908 | 2,240,656 | - | 59,337 | 2,825,378 | 7,569,279 |
| Deferred Inflows of Resources: | | | | | | |
| Property Tax for Future Periods | 3,198,425 | 5,050,421 | - | - | - | 8,248,846 |
| Unavailable Revenue - Fines | 467,164 | - | - | - | - | 467,164 |
| Total Deferred Inflows of Resources | 3,665,589 | 5,050,421 | - | - | - | 8,716,010 |
| Total Liabilities and Deferred Inflows of Resources | 6,109,497 | 7,291,077 | - | 59,337 | 2,825,378 | 16,285,289 |
| Fund Balances: | | | | | | |
| Committed: | | | | | | |
| Debt Service | - | 515,152 | - | - | - | 515,152 |
| Capital Projects | - | - | 4,987,721 | 560,439 | 2,076,988 | 7,625,148 |
| Unassigned | 18,402,012 | - | - | - | 9,887,289 | 28,289,301 |
| Total Fund Balances | 18,402,012 | 515,152 | 4,987,721 | 560,439 | 11,964,277 | 36,429,601 |
| Total Liabilities, Deferred Inflows of Resources and Resources and Fund Balances | \$ 24,511,509 | \$ 7,806,229 | \$ 4,987,721 | \$ 619,776 | \$ 14,789,655 | \$ 52,714,890 |

CITY OF PEARL, MISSISSIPPI
Reconciliation of Governmental Funds Balance Sheet to
Statement of Net Position
September 30, 2023

| | |
|---|----------------------|
| Fund Balances - Total Governmental Funds | \$ 36,429,601 |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) is different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 82,589,943 |
| Fine receivables that have accrued at year-end but are not available to liquidated liabilities of the current period are not reported in the funds. | 467,164 |
| Deferred outflows of resources are not a financial resource and, therefore, are not reported in the funds: | |
| Outflows Related to Pension Liabilities | 4,680,657 |
| Accrued interest payable is not current liability payable from current assets | (345,209) |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds: | |
| Compensated Absences | (462,240) |
| Long-term Liabilities | (43,552,122) |
| Net Pension Liability | (32,477,042) |
| Deferred inflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds. | (409,331) |
| Net Position of Governmental Activities | \$ 46,921,421 |

CITY OF PEARL, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2023

| | <u>Major Governmental Funds</u> | | | | | |
|--|---------------------------------|--------------------------|-----------------------------|--------------------|---------------------------------|---------------------------------|
| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>American Rescue Plan</u> | <u>Street Bond</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| Revenues: | | | | | | |
| Property Taxes | \$ 3,004,895 | \$ 5,148,524 | \$ - | \$ - | \$ - | \$ 8,153,419 |
| Road and Bridge Privilege Tax | 1,173,516 | - | - | - | - | 1,173,516 |
| Licenses and Permits | 442,419 | - | - | - | - | 442,419 |
| Fines and Forfeitures | 1,479,462 | - | - | - | - | 1,479,462 |
| Intergovernmental Revenue | 17,547,632 | - | 1,163,512 | - | 17,113,070 | 35,824,214 |
| Charges for Services | 2,028,557 | - | - | - | 2,100,458 | 4,129,015 |
| Interest Income | 75,339 | 8,838 | 26,363 | 929 | 17,716 | 129,185 |
| Miscellaneous | 490,698 | - | - | - | 14,908 | 505,606 |
| Total Revenues | <u>\$ 26,242,518</u> | <u>\$ 5,157,362</u> | <u>\$ 1,189,875</u> | <u>\$ 929</u> | <u>\$ 19,246,152</u> | <u>\$ 51,836,836</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | \$ 5,788,177 | - | - | - | - | \$ 5,788,177 |
| Public Safety | 12,353,911 | - | - | - | - | 12,353,911 |
| Public Works | 1,905,994 | - | 2,732,829 | 3,444,663 | 16,720,878 | 24,804,364 |
| Health and Welfare | 664,788 | - | - | - | - | 664,788 |
| Culture and Recreation | 1,355,012 | - | - | - | 2,361,072 | 3,716,084 |
| Debt Service: | | | | | | |
| Principal | 213,153 | 4,194,444 | - | - | 1,541,560 | 5,949,157 |
| Interest | - | 363,221 | - | - | 556,494 | 919,715 |
| Total Expenditures | <u>22,281,035</u> | <u>4,557,665</u> | <u>2,732,829</u> | <u>3,444,663</u> | <u>21,180,004</u> | <u>54,196,196</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>3,961,483</u> | <u>599,697</u> | <u>(1,542,954)</u> | <u>(3,443,734)</u> | <u>(1,933,852)</u> | <u>(2,359,360)</u> |

The Notes to Financial Statements are an integral part of this statement.

CITY OF PEARL, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2023

| | <u>Major Governmental Funds</u> | | | | | |
|--|---------------------------------|--------------------------|-----------------------------|--------------------|---------------------------------|---------------------------------|
| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>American Rescue Plan</u> | <u>Street Bond</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| Other Financing Sources and (Uses): | | | | | | |
| Proceeds from Issuance of Debt | - | - | - | - | 4,466,000 | 4,466,000 |
| Proceeds from Sale of Equipment | - | - | - | - | 839,194 | 839,194 |
| Transfers In | 574,322 | - | - | - | 3,519,973 | 4,094,295 |
| Transfers Out | (300,000) | (574,322) | - | - | (3,219,973) | (4,094,295) |
| Total Other Financing Sources and (Uses) | <u>274,322</u> | <u>(574,322)</u> | <u>-</u> | <u>-</u> | <u>5,605,194</u> | <u>5,305,194</u> |
| Net Change in Fund Balance | 4,235,805 | 25,375 | (1,542,954) | (3,443,734) | 3,671,342 | 2,945,834 |
| Fund Balances, Beginning of Year | 14,123,727 | 489,777 | 6,530,675 | 4,004,173 | 8,335,415 | 33,483,767 |
| Prior Period Adjustment | 42,480 | - | - | - | (42,480) | - |
| Fund Balances, Beginning of Year, As Restated | <u>14,166,207</u> | <u>489,777</u> | <u>6,530,675</u> | <u>4,004,173</u> | <u>8,292,935</u> | <u>33,483,767</u> |
| Fund Balances, Ending | <u>\$ 18,402,012</u> | <u>\$ 515,152</u> | <u>\$ 4,987,721</u> | <u>\$ 560,439</u> | <u>\$ 11,964,277</u> | <u>\$ 36,429,601</u> |

CITY OF PEARL, MISSISSIPPI
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2023

| | | |
|--|--------------------|----------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | | \$ 2,945,834 |
| <p>Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:</p> | | |
| <p>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.</p> | | |
| <p>In the current period, these amounts are:</p> | | |
| Capital Outlay | 14,396,234 | |
| Depreciation Expense | (3,213,115) | |
| Loss on Disposal of Capital Assets | <u>(1,601,340)</u> | 9,581,779 |
| <p>The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and the difference between the carrying value of refunded debt and the acquisition costs of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities:</p> | | |
| Proceeds from Debt Issuances | 4,466,000 | |
| Payment on Debt Principal | <u>(5,949,157)</u> | (1,483,157) |
| <p>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</p> | | |
| Change in Accrued Bond Interest Expense | 299,718 | |
| Change in Long-term Compensated Absences | (65,728) | |
| Change in Deferred Inflows-Fines | <u>160,368</u> | 394,358 |
| <p>Some items reported in the Statement of Activities relating to the Implementation of GASB 68 are not reported as revenues/expenditures in the governmental funds. These activities include:</p> | | |
| Recording of pension expense for the current period | (4,865,112) | |
| Recording of contributions made subsequent to the measurement date | 390,113 | |
| Recognition of contributions made in the fiscal year prior to the measurement date | <u>933,819</u> | <u>(3,541,180)</u> |
| Change in Net Position of Governmental Activities (Exhibit 2) | | <u>\$ 7,897,634</u> |

CITY OF PEARL, MISSISSIPPI
Statement of Net Position
Proprietary Funds
September 30, 2023

| | Business-Type Activity Enterprise Funds | | |
|---|--|---------------------------------------|----------------------|
| | Water / Sewer | Water / Sewer Improvements | Total |
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 1,491,303 | \$ 21,347 | \$ 1,512,650 |
| Accounts Receivable (Net of Allowance for Uncollectible of \$59,644) | 1,695,861 | - | 1,695,861 |
| Due from Other Funds | 509,030 | - | 509,030 |
| Other Current Assets | 36,874 | - | 36,874 |
| Total Current Assets | 3,733,068 | 21,347 | 3,754,415 |
| Noncurrent Assets: | | | |
| Capital Assets, Net | 12,581,849 | 847,460 | 13,429,309 |
| Total Noncurrent Assets | 12,581,849 | 847,460 | 13,429,309 |
| Total Assets | 16,314,917 | 868,807 | 17,183,724 |
| Deferred Outflows of Resources: | | | |
| Deferred Outflows Related to Pension | 1,072,140 | - | 1,072,140 |
| Total Deferred Outflows of Resources | 1,072,140 | - | 1,072,140 |
| Total Assets and Deferred Outflows of Resources | \$ 17,387,057 | \$ 868,807 | \$ 18,255,864 |

CITY OF PEARL, MISSISSIPPI
Statement of Net Position
Proprietary Funds
September 30, 2023

| | Business-Type Activity Enterprise Funds | | |
|---|--|---------------------------------------|----------------------|
| | Water / Sewer | Water / Sewer Improvements | Total |
| <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | |
| Claims Payable | \$ 120,557 | \$ - | \$ 120,557 |
| Accrued Interest Payable | 14,240 | - | 14,240 |
| Accrued Wages Payable | 111,412 | - | 111,412 |
| Due to Other Funds | 332,964 | - | 332,964 |
| Other Accrued Liabilities | 3,179 | - | 3,179 |
| Current Portion of Lease Liabilities | 1,138 | - | 1,138 |
| Current Portion of Long-term Debt | 500,862 | 52,836 | 553,698 |
| Total Current Liabilities | 1,084,352 | 52,836 | 1,137,188 |
| Noncurrent Liabilities: | | | |
| Long-term Debt | 2,387,875 | 789,341 | 3,177,216 |
| Long-term Portion - Lease Liabilities | 32,355 | - | 32,355 |
| Compensated Absences Payable | 116,064 | - | 116,064 |
| Customer Meter Deposits Payable | 746,528 | - | 746,528 |
| Net Pension Liability | 7,439,109 | - | 7,439,109 |
| Total Noncurrent Liabilities | 10,721,931 | 789,341 | 11,511,272 |
| Total Liabilities | 11,806,283 | 842,177 | 12,648,460 |
| Deferred Inflows of Resources: | | | |
| Deferred Inflows Related to Pension | 93,761 | - | 93,761 |
| Total Deferred Inflows of Resources | 93,761 | - | 93,761 |
| Total Liabilities and Deferred Inflows of Resources | 11,900,044 | 842,177 | 12,742,221 |
| Net Position: | | | |
| Net Investments in Capital Assets | 9,693,112 | 5,283 | 9,698,395 |
| Unrestricted | (4,206,099) | 21,347 | (4,184,752) |
| Total Net Position | 5,487,013 | 26,630 | 5,513,643 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 17,387,057 | \$ 868,807 | \$ 18,255,864 |

The Notes to Financial Statements are an integral part of these statements.

CITY OF PEARL, MISSISSIPPI
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2023

| | Business-Type Activities | | |
|---|---------------------------------|---------------------------------------|---------------------------------------|
| | Enterprise Funds | | |
| | Water / Sewer | Water / Sewer Improvements | Total Enterprise Funds |
| Operating Revenues: | | | |
| Intergovernmental Revenue | \$ 99,000 | \$ - | \$ 99,000 |
| Charges for Services | 11,157,122 | - | 11,157,122 |
| Total Operating Revenues | 11,256,122 | - | 11,256,122 |
| Operating Expenses: | | | |
| Personnel Services | 2,839,935 | - | 2,839,935 |
| Contractual Services | 250,336 | - | 250,336 |
| Materials and Supplies | 449,435 | - | 449,435 |
| Maintenance | 396,380 | - | 396,380 |
| Utilities | 356,098 | - | 356,098 |
| West Rankin Charges | 4,410,994 | - | 4,410,994 |
| Pension Expense | 1,114,390 | - | 1,114,390 |
| Depreciation Expense | 938,637 | 44,603 | 983,240 |
| Total Operating Expenses | 10,756,205 | 44,603 | 10,800,808 |
| Operating Income | 499,917 | (44,603) | 455,314 |
| Nonoperating Revenues (Expenses): | | | |
| Interest Income | 5,939 | 11 | 5,950 |
| Interest Expense | (35,729) | (16,970) | (52,699) |
| Other Income | 8,436 | - | 8,436 |
| Loss on Disposal of Assets | (133,519) | - | (133,519) |
| Transfers In (Out) | (68,789) | 68,789 | - |
| Total Nonoperating Revenues (Expenses) | (223,662) | 51,830 | (171,832) |
| Change in Net Position | 276,255 | 7,227 | 283,482 |
| Total Net Position, Beginning of Year | 5,210,758 | 19,403 | 5,230,161 |
| Total Net Position, Ending of Year | \$ 5,487,013 | \$ 26,630 | \$ 5,513,643 |

CITY OF PEARL, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2023

| | Business-Type Activities | | |
|---|---------------------------------|---------------------------------------|---------------------------------------|
| | Enterprise Funds | | |
| | Water / Sewer | Water / Sewer Improvements | Total Enterprise Funds |
| Cash Flows From Operating Activities: | | | |
| Receipts From Customers | \$ 11,005,100 | \$ - | \$ 11,005,100 |
| Payments to Suppliers and Employees | (9,261,024) | - | (9,261,024) |
| Net Cash Provided by Operating Activities | 1,744,076 | - | 1,744,076 |
| Cash Flows From Noncapital Financing Activities: | | | |
| Other Revenues | 8,436 | - | 8,436 |
| Transfers In (Out) | (68,789) | 68,789 | - |
| Net Cash Provided by Noncapital Financing Activities | (60,353) | 68,789 | 8,436 |
| Cash Flows From Capital Financing Activities: | | | |
| Acquisition and Construction of Capital Assets | (1,198,448) | - | (1,198,448) |
| Principal Paid on Long-Term Debt | (323,725) | (51,819) | (375,544) |
| Interest Expense Paid | (35,729) | (16,970) | (52,699) |
| Net Cash (Used) By Capital Financing Activities | (1,557,902) | (68,789) | (1,626,691) |
| Cash Flows From Investing Activities: | | | |
| Interest on Investments | 5,939 | 11 | 5,950 |
| Net Cash Provided by Investing Activities | 5,939 | 11 | 5,950 |
| Net Increase in Cash and Cash Equivalents | 131,760 | 11 | 131,771 |
| Cash and Cash Equivalents, Beginning of Year | 1,359,543 | 21,336 | 1,380,879 |
| Cash and Cash Equivalents, End of Year | \$ 1,491,303 | \$ 21,347 | \$ 1,512,650 |

CITY OF PEARL, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2023

| | Business-Type Activities | | |
|---|---------------------------------|---------------------------------------|---------------------------------------|
| | Enterprise Funds | | |
| | Water / Sewer | Water / Sewer Improvements | Total Enterprise Funds |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities: | | | |
| Operating Income (Loss) | \$ 499,917 | \$ (44,603) | \$ 455,314 |
| Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities: | | | |
| Depreciation Expense | 938,637 | 44,603 | 983,240 |
| Loss on Disposal of Assets | 133,519 | - | 133,519 |
| Changes in Net Assets and Liabilities: | | | |
| (Increase) in Accounts Receivable | (152,022) | - | (152,022) |
| (Increase) in Other Current Assets | (3,879) | - | (3,879) |
| (Increase) in Deferred Outflows of Resources - Pension | (38,472) | - | (38,472) |
| (Decrease) in Deferred Inflows of Resources - Pension | (861,618) | - | (861,618) |
| Increase in Claims Payable | 67,021 | - | 67,021 |
| Increase in Other Accrued Liabilities | 3,179 | - | 3,179 |
| Increase in Customer Deposits | 17,459 | - | 17,459 |
| Increase in Compensated Absences Payable | 20,025 | - | 20,025 |
| Increase in Pension Liability | 1,304,982 | - | 1,304,982 |
| (Decrease) in Accrued Interest Payable | (1,456) | - | (1,456) |
| (Increase) in Due from Other Funds | (32,554) | - | (32,554) |
| (Decrease) in Due to Other Funds | (160,246) | - | (160,246) |
| Increase in Accrued Wages Payable | 9,584 | - | 9,584 |
| Total Adjustments | 1,244,159 | 44,603 | 1,288,762 |
| Net Cash Provided By Operating Activities | \$ 1,744,076 | \$ - | \$ 1,744,076 |

CITY OF PEARL, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2023

| | Agency Funds |
|------------------------------------|---------------------|
| <u>ASSETS</u> | |
| Cash and Investments | \$ 14,454 |
| Other Receivable | 4,700 |
| Due from Other Funds | 45,052 |
| Total Assets | \$ 64,206 |
| <u>LIABILITIES</u> | |
| Amounts Held in Custody for Others | \$ 64,206 |
| Total Liabilities | \$ 64,206 |

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Pearl, Mississippi (the “City”) is a code-charter municipality governed by an elected Mayor and seven aldermen. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of such a potential component unit addressed in defining the City’s reporting entity:

Excluded from the reporting entity is the Pearl Separate School District. This potential component unit has a separate board appointed by the City that approves their annual budget. This potential component unit was excluded from the reporting entity because the City has determined that it is not financially accountable for the potential component unit under criteria set forth by the Governmental Accounting Standards Board (GASB).

There are no other potential component units.

Basis of Accounting

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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 or business-type activity 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. 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. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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 government 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 Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Funds' primary operations. All other revenues and expenses are reported as nonoperating.

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 or to liquidate liabilities existing at the end of 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 in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major *Governmental Funds*:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service Fund* is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing.
- The *ARPA Fund* is used to account for funds received by the American Rescue Plan Act.
- The *Street Bond Fund* is used to account for funds set aside for street projects.

The City reports the following major *Proprietary Funds*:

- The Water and Sewer Fund accounts for the activities of the water and sewer system.
- The Water/Sewer Improvements Fund accounts for construction projects for the water and sewer system.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Additionally, the City reports the following fund types:

Governmental Fund Types:

Special Revenue Funds - Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - Account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Account for resources that are to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of long-term debt and federal and state grants.

Proprietary Fund Types:

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises.

Fiduciary Fund Types:

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

Assets, Liabilities and Net Position or Equity

1. Deposits.

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 county, municipality, or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

2. Receivables.

Receivables represent amounts due to the City for revenue earned that will be collected sometime in the future. Receivables are reported net of allowances for uncollectible accounts, where applicable.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

3. Interfund 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.” Interfund 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, and agency funds are reported in the government-wide financial statements as “internal balances.”

4. 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 (applicable) governmental or business-type 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. 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. The City met those criteria and reactively reported major general infrastructure assets. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. Interest cost incurred during the construction of Proprietary Fund capital assets is capitalized as part of the cost of construction. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds and estimated useful lives:

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

4. Capital Assets. (Continued)

| | <u>Capitalization Thresholds</u> | <u>Estimated Useful Life</u> |
|--------------------------------------|--------------------------------------|----------------------------------|
| Land | \$ 0 | N/A |
| Infrastructure | 0 | 20-50 Years |
| Buildings | 50,000 | 40 Years |
| Improvements Other Than Buildings | 25,000 | 20 Years |
| Mobile Equipment | 1,000 | 5-10 Years |
| Furniture & Equipment | 1,000 | 3-7 Years |
| Leased Property Under Capital Leases | * | * |

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

5. Compensated Absences.

It is the City's policy to permit employees to accumulate earned but unused vacation. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

7. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources 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, the 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.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

8. 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.

9. 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 in the proprietary fund financial statements, long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premiums.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Equity Classifications.

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as Net Position on the government-wide and proprietary funds financial statements and as Fund Balance in the governmental funds financial statements.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

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 improvements 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 or regulation 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 "net investment in capital assets."

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

10. Equity Classifications. (Continued)

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (assigned or unassigned) resources are available, and amounts in any of the unrestricted classifications could be used, it is the City's general policy to spend assigned resources first and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of the fund classifications used by the City:

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 are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

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.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

11. Intergovernmental Revenues in Government 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.

NOTE 2 PRIOR PERIOD ADJUSTMENT

A summary of the significant Net Position adjustment is as follows:

| Explanation | <u>Amount</u> |
|--|---------------|
| Governmental Activities: | |
| <u>Statement of Net Position</u> | |
| 1. To record lease assets and liabilities that were not recorded in the prior year | \$ 3,225,493 |
| <u>Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds</u> | |
| 2. To reclass transfer to general fund from other governmental funds | \$ 42,480 |

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis prescribed by state law (cash basis).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.
2. Prior to October 1, the budget is legally enacted through passage of an order.
3. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
4. Formal budgetary integration is employed as a management control device during the year for the various funds, except for Debt Service Funds, because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
5. Budgets for the various funds are adopted on a cash basis as required by state law.

It is the City’s policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at the 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.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits

At year-end, the City's carrying amount of deposits was \$33,612,667 and the bank balance was \$36,556,333. The collateral for public entities' deposits in financial institutions are 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.

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.

B. Receivables

Receivables as of year-end for the City's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------------|------------------------------------|-------------------------------------|----------------------|
| Receivables: | | | |
| Sales Tax | \$ 2,617,049 | \$ - | \$ 2,617,049 |
| Property Taxes | 8,644,381 | - | 8,644,381 |
| Accounts | - | 1,755,505 | 1,755,505 |
| Fines | 7,666,589 | - | 7,666,589 |
| Intergovernmental | 3,711,447 | - | 3,711,447 |
| Other Receivables | 235,533 | - | 235,533 |
| Gross Receivables | 22,874,999 | 1,755,505 | 24,630,504 |
| Less: Allowance for Uncollectibles | (7,199,425) | (59,644) | (7,259,069) |
| Net Total Receivables | \$ 15,675,574 | \$ 1,695,861 | \$ 17,371,435 |

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

| | Unavailable |
|---|---------------------|
| Unavailable Fines | \$ 467,164 |
| Property Taxes Receivable: General Fund | 3,364,091 |
| Debt Service Fund | 5,280,290 |
| Total Unavailable Revenue for Governmental Funds | \$ 9,111,545 |

C. Deferred Outflows of Resources/Deferred Inflows of Resources

Deferred Outflows of Resources

The City reports the following items in this category:

Government-wide Statement of Net Position/Proprietary Fund Statements of Net Position-

Deferred outflows related to pensions. This amount represents the City’s proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates.

Deferred amount on bond refunding. This amount represents the unamortized balance of losses incurred in the refunding of bonds.

Deferred Inflows of Resources

The City reports the following items in this category:

Government-wide Statement of Net Position-

Property tax for future periods. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

Deferred inflows related to pensions. This item represents an acquisition of net position that applies to a future period.

Governmental Funds Balance Sheet-

Property tax for future periods. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

Unavailable revenue – fines. This amount represents the portion of fines receivable that does not meet the current financial resources criteria, and accordingly, will not be available until a future reporting period.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the year ended September 30, 2023, is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Adjustments</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|-----------------------|---------------------|-----------------------|
| Governmental Activities: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 5,864,316 | \$ - | \$ - | \$ - | \$ 5,864,316 |
| Construction In Process | 13,323,234 | 4,546,352 | - | (11,011,723) | 6,857,863 |
| Total Capital Assets Not Being Depreciated | <u>19,187,550</u> | <u>4,546,352</u> | <u>-</u> | <u>(11,011,723)</u> | <u>12,722,179</u> |
| Capital Assets Being Depreciated: | | | | | |
| Buildings | 24,153,737 | - | (1,725,000) | 3,220,980 | 25,649,717 |
| Improvements Other Than Buildings | 22,343,089 | 4,396,234 | - | 7,790,743 | 34,530,066 |
| Streets | 24,639,406 | - | - | - | 24,639,406 |
| Bridges | 668,537 | - | - | - | 668,537 |
| Machinery and Equipment | 15,149,193 | 649,192 | (647,263) | 204,413 | 15,355,535 |
| Intangible Right-to-Use Equipment | 5,126,261 | 4,804,456 | - | 926,919 | 10,857,636 |
| Total Capital Assets Being Depreciated | <u>92,080,223</u> | <u>9,849,882</u> | <u>(2,372,263)</u> | <u>12,143,055</u> | <u>111,700,897</u> |
| Less Accumulated Depreciation for: | | | | | |
| Buildings | (7,361,966) | (533,733) | 188,250 | (34,501) | (7,741,950) |
| Improvements Other Than Buildings | (4,651,446) | (652,880) | - | - | (5,304,326) |
| Streets | (14,103,845) | (507,980) | - | - | (14,611,825) |
| Bridges | (387,753) | (13,371) | - | - | (401,124) |
| Machinery and Equipment | (12,246,693) | (392,591) | 582,673 | (119,224) | (12,175,835) |
| Intangible Right-to-Use Equipment | (2,733,399) | (1,112,560) | - | 2,247,886 | (1,598,073) |
| Total Accumulated Depreciation | <u>(41,485,102)</u> | <u>(3,213,115)</u> | <u>770,923</u> | <u>2,094,161</u> | <u>(41,833,133)</u> |
| Total Capital Assets Being Depreciated, Net | <u>50,595,121</u> | <u>6,636,767</u> | <u>(1,601,340)</u> | <u>14,237,216</u> | <u>69,867,764</u> |
| Governmental Activities Capital Assets, Net | <u>\$69,782,671</u> | <u>\$ 11,183,119</u> | <u>\$ (1,601,340)</u> | <u>\$ 3,225,493</u> | <u>\$ 82,589,943</u> |

Adjustments are made primarily for completed projects and for lease purchases paid off during the year.

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Adjustments</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|---------------------|--------------------|-----------------------|
| Business-Type Activities: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 554,828 | \$ - | \$ - | \$ - | \$ 554,828 |
| Construction in Progress | 1,310,224 | 971,577 | (8,000) | - | 2,273,801 |
| Total Capital Assets, Not Being Depreciated | <u>1,865,052</u> | <u>971,577</u> | <u>(8,000)</u> | <u>-</u> | <u>2,828,629</u> |
| Capital Assets Being Depreciated: | | | | | |
| Buildings | 92,793 | - | - | - | 92,793 |
| Water System | 15,932,701 | - | (81,442) | - | 15,851,259 |
| Sewer System | 21,980,603 | - | - | - | 21,980,603 |
| Machine and Equipment | 2,930,046 | 9,840 | (797,873) | - | 2,142,013 |
| Intangible Right-to-Use Equipment | 48,800 | - | - | (11,772) | 37,028 |
| Total Capital Assets, Being Depreciated | <u>40,984,943</u> | <u>9,840</u> | <u>(879,315)</u> | <u>(11,772)</u> | <u>40,103,696</u> |
| Less: Accumulated Depreciation for: | | | | | |
| Buildings | (92,525) | (268) | - | - | (92,793) |
| Water System | (10,382,504) | (398,522) | 81,212 | - | (10,699,814) |
| Sewer System | (16,654,295) | (327,289) | - | - | (16,981,584) |
| Machine and Equipment | (2,215,132) | (210,875) | 700,408 | - | (1,725,599) |
| Intangible Right-to-Use Equipment | (24,400) | (1,683) | - | 22,857 | (3,226) |
| Total Accumulated Depreciation | <u>(29,368,856)</u> | <u>(938,637)</u> | <u>781,620</u> | <u>22,857</u> | <u>(29,503,016)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>11,616,087</u> | <u>(928,797)</u> | <u>(97,695)</u> | <u>11,085</u> | <u>10,600,680</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 13,481,139</u> | <u>\$ 42,780</u> | <u>\$ (105,695)</u> | <u>\$ 11,085</u> | <u>\$ 13,429,309</u> |

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|----------------------------|
| Governmental Activities: | |
| General Government | \$ 144,675 |
| Public Safety | 385,159 |
| Public Works | 2,137,352 |
| Health and Welfare | 65,301 |
| Culture and Recreation | <u>480,628</u> |
| Total Depreciation Expense, Governmental Activities | <u>\$ 3,213,115</u> |
| Business-Type Activities: | |
| Water & Sewer | <u>\$ 938,637</u> |
| Total Depreciation Expense, Business-Type Activities | <u>\$ 938,637</u> |

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2023, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Total</u> |
|--------------------------|--------------------------|----------------------------|
| General Fund | Other Governmental Funds | \$ 253,642 |
| Debt Service Fund | Other Governmental Funds | 643,391 |
| Other Governmental Funds | Other Governmental Funds | 940,158 |
| Water and Sewer Fund | General Fund | 509,030 |
| Agency Fund | General Fund | 45,052 |
| Debt Service Fund | General Fund | 597,264 |
| General Fund | Debt Service Fund | 2,186,334 |
| General Fund | Water and Sewer Fund | <u>332,964</u> |
| | | <u>\$ 5,507,835</u> |

Some interfund payables are due to costs of shared projects and loans. Other loans are temporary operating loans.

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Total</u> |
|----------------------------|--------------------------|----------------------------|
| General Fund | Debt Service Fund | \$ 574,322 |
| Other Governmental Funds | General Fund | 300,000 |
| Other Governmental Funds | Other Governmental Funds | <u>3,219,973</u> |
| Total Transfers Out | | <u>\$ 4,094,295</u> |

Transfers are made primarily for debt service, internal service charges, and to distribute receipts from the State that are deposited into the General Fund.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases

The City is a lessee for various noncancellable leases of 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 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 and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The City generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The estimated incremental borrowing rate is the rate the City would expect to obtain for a similar financed purchase at the date of lease inception.

The lease term includes the noncancellable period of the lease plus any additional periods covered by either a City or lessor 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 City and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

As Lessee:

The following is a summary of changes in lease assets and liabilities:

| | <u>Balance</u> | | | | | <u>Balance</u> |
|---------------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|
| | <u>10/1/2022</u> | <u>Additions</u> | <u>Deletions</u> | <u>Amortization</u> | <u>Adjustments</u> | <u>9/30/2023</u> |
| Lease Assets: | | | | | | |
| Land, Net | \$ 1,262,700 | \$ - | \$ - | \$ (166,943) | \$ 653,512 | \$ 1,749,269 |
| Computer Equipment | | | | | | |
| Leases, Net | 9,140 | 30,897 | - | (16,674) | 2,081 | 25,444 |
| Vehicles, Net | 287,976 | 265,287 | - | (218,463) | 94,031 | 428,831 |
| Equipment, Net | 739,015 | 4,508,272 | - | (710,480) | 2,519,212 | 7,056,019 |
| Golf Carts, Net | 94,031 | - | - | - | (94,031) | - |
| Total | <u>\$ 2,392,862</u> | <u>\$ 4,804,456</u> | <u>\$ -</u> | <u>\$ (1,112,560)</u> | <u>3,174,805</u> | <u>\$ 9,259,563</u> |
| Business-Type Activities: | | | | | | |
| Lease Assets: | | | | | | |
| Land, Net | \$ 24,400 | \$ - | \$ - | \$ (1,683) | \$ 11,085 | \$ 33,802 |
| Total Lease Assets | <u>\$ 2,417,262</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,114,243)</u> | <u>\$3,185,890</u> | <u>\$ 9,293,365</u> |
| Governmental Activities: | | | | | | |
| Lease Liabilities: | | | | | | <u>Within One</u> |
| Lease Liabilities | <u>\$ 3,053,874</u> | <u>\$ 4,466,000</u> | <u>\$ (1,155,366)</u> | <u>\$ 2,429,596</u> | <u>\$ 8,794,104</u> | <u>Year</u> |
| | | | | | | <u>\$ 1,198,516</u> |

See Note 4 D. Capital Assets for further details regarding intangible right to use equipment, which represents leased assets.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

As Lessee: (Continued)

Lease Expense:

Amortization Expense by Class of Underlying Asset:

| | | |
|-----------------------------------|-----------|-------------------------|
| Land | \$ | 166,943 |
| Computer Equipment | | 16,674 |
| Equipment | | 710,480 |
| Vehicles | | <u>218,463</u> |
| Total Amortization Expense | | 1,112,560 |
| Interest on Lease Liabilities | | <u>360,006</u> |
| Total Lease Expense | \$ | <u>1,472,566</u> |

Business-Type Activities:

| | <u>Balance</u> | | <u>Balance</u> | | <u>Balance</u> | <u>Amounts Due</u> |
|--------------------|------------------|------------------|-------------------|--------------------|------------------|------------------------|
| Lease Liabilities: | <u>10/1/2022</u> | <u>Additions</u> | <u>Deductions</u> | <u>Adjustments</u> | <u>9/30/2023</u> | <u>Within One Year</u> |
| Land Leases | \$ 34,588 | \$ - | \$ (1,095) | \$ - | \$ 33,493 | \$ 1,138 |

Lease Expense:

Amortization Expense by Class of Underlying Asset:

| | | |
|-------------------------------|-----------|---------------------|
| Land | \$ | 1,683 |
| Interest on Lease Liabilities | | <u>2,536</u> |
| Total Lease Expense | \$ | <u>4,219</u> |

Note: Beginning balances include a prior period adjustment to retroactively apply GASB 87 to the beginning of the fiscal year.

Leases:

The City has entered into a various 24-480-month leases of computer equipment, vehicles, and land from various entities for a total fixed amount of \$1,585,978 per year. The lease agreements can only be cancelled if both parties agree. There are no options to extend the lease agreements and no variable payment options.

The following is a schedule by years of the total payments due on this debt:

| Year Ended September 30, | Governmental Activities | | | Business Type Activities | | |
|-----------------------------|-------------------------|---------------------|---------------------|--------------------------|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 1,198,516 | \$ 385,022 | \$ 1,583,538 | \$ 1,138 | \$ 1,302 | \$ 2,440 |
| 2025 | 1,125,116 | 336,473 | 1,461,589 | 1,182 | 1,258 | 2,440 |
| 2026 | 1,031,012 | 292,243 | 1,323,255 | 1,228 | 1,212 | 2,440 |
| 2027 | 802,898 | 251,092 | 1,053,990 | 1,276 | 1,164 | 2,440 |
| 2028 | 368,994 | 219,113 | 588,107 | 1,325 | 1,115 | 2,440 |
| 2029 - 2033 | 1,925,211 | 831,085 | 2,756,296 | 7,442 | 4,758 | 12,200 |
| 2034 - 2038 | 1,778,446 | 387,887 | 2,166,333 | 9,005 | 3,195 | 12,200 |
| 2039 - 2043 | 563,911 | 67,439 | 631,350 | 10,897 | 1,303 | 12,200 |
| Totals | \$ 8,794,104 | \$ 2,770,354 | \$11,564,458 | \$ 33,493 | \$ 15,307 | \$ 48,800 |

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-term Debt

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Tax increment financing bonds and special assessment bonds will be repaid from incremental taxes and special assessments on the subject property and not the full faith and credit of the City. Bonds currently outstanding are as follows:

Bonds:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--------------------------|-----------------------|----------------------|
| Governmental Activities | 0.9% - 5.30% | \$ 30,954,465 |
| Business-Type Activities | 0.9% - 3.15% | 1,791,778 |
| Total | | \$ 32,746,243 |

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

| <u>Year Ended</u> <u>September 30,</u> | <u>Government-Type Activities</u> | | <u>Business-Type Activities</u> | |
|---|-----------------------------------|---------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2024 | \$ 3,070,642 | \$ 780,066 | \$ 357,361 | \$ 47,297 |
| 2025 | 3,165,362 | 701,580 | 373,639 | 35,263 |
| 2026 | 3,125,034 | 623,999 | 362,964 | 25,177 |
| 2027 | 3,394,373 | 547,547 | 159,628 | 15,907 |
| 2028 | 3,223,313 | 470,662 | 410,686 | 13,225 |
| 2029 - 2033 | 13,283,497 | 1,253,370 | 127,500 | 3,215 |
| 2034 | 1,659,000 | 46,595 | - | - |
| | <u>\$ 30,921,221</u> | <u>\$ 4,423,819</u> | <u>\$ 1,791,778</u> | <u>\$ 140,084</u> |

Tax Increment Financing Bonds:

The City also issues bonds where the City pledges incremental increases in ad valorem and sales tax receipts from the property benefiting from infrastructure improvements financed by the bonds to pay debt service.

Tax increment financing bond debt service requirements to maturity are as follows:

| <u>Year Ended</u> <u>September 30,</u> | <u>Government-Type Activities</u> | |
|---|-----------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2024 | \$ 33,244 | \$ 2,093 |
| Total | <u>\$ 33,244</u> | <u>\$ 2,093</u> |

Loans Payable:

The City has received several loans from the State of Mississippi and banks to finance various projects including infrastructure, fire stations and water/sewer improvements. These loans are made under various programs, some of which have federal participation.

The City has a note payable to Bloomfield Equities, LLC. As part of the development of the Urban Renewal District which comprised the Trustmark Park Stadium, Bass Pro Shop

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-term Debt (Continued)

Loans Payable: (Continued)

and Sam’s Club, the City agreed, through various instruments, to pledge sales and ad valorem taxes generated from these businesses to the developer, Bloomfield Equities, LLC to be used for debt service on the Taxable Urban Renewal Revenue Bonds. In addition, the State of Mississippi agreed to pay an amount not to exceed \$17,797,887 from all the sales tax generated from these businesses including the amount that would normally be diverted to the City. Until this amount was paid to the developer, the City did not receive any of the normal diversions from the State. In 2013, the State met its obligation and started diverting to the City its share of sales tax revenue collected from these businesses. However, it appears that the City did not become aware that the State had started these diversions and as a result did not remit them to the developer. In 2014, the City began remitting estimated payments to the developer for the amounts of diversion received. In 2016, both the developer and the City calculated the amount of the underpayment which was primarily from the years 2011, 2012, and 2013 and reached an agreement for repayment of that underpayment.

The agreement, dated August 10, 2016, requires the city to repay \$4,433,165. The City began making payments on this debt in monthly installments of \$54,321 beginning January 1, 2020, with final payment of the balance on November 1, 2024. There is no interest on this debt. At September 30, 2023, the balance of this debt is \$1,033,553.

Loans currently outstanding are as follows:

| <u>Loan Type</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--|-----------------------|---------------------|
| Governmental Activities: | | |
| Mississippi Development | | |
| Bank - Trustmark | 2.00 - 3.50% | \$ 1,170,000 |
| Bloomfield Equities, LLC | 0.00% | 1,033,553 |
| Bank-Community Bank | 1.23% | 1,600,000 |
| Total Governmental Activities | | 3,803,553 |
| Business -Type Activities: | | |
| Mississippi Department of Health Drinking: | | |
| Water Systems Improvements | | |
| Revolving Loan Fund (SWSIRLF) | 2.00% - 3.00% | 1,939,136 |
| Total Business Activities | | 1,939,136 |
| Total | | \$ 5,742,689 |

| <u>Year Ended September 30,</u> | <u>Government-Type Activities</u> | | <u>Business-Type Activities</u> | |
|-------------------------------------|-----------------------------------|------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2024 | \$ 1,626,858 | \$ 50,136 | \$ 196,337 | \$ 36,062 |
| 2025 | 1,376,695 | 25,173 | 200,201 | 32,198 |
| 2026 | 400,000 | 9,840 | 204,140 | 28,259 |
| 2027 | 400,000 | 4,920 | 208,157 | 24,242 |
| 2028 | - | - | 212,252 | 20,147 |
| 2029 - 2033 | - | - | 653,559 | 48,951 |
| 2034 - 2037 | - | - | 264,490 | 10,666 |
| | \$ 3,803,553 | \$ 90,069 | \$ 1,939,136 | \$ 200,525 |

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-term Debt (Continued)

Loans Payables: (Continued)

Loans currently outstanding are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Adjustments</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|----------------------|-----------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | | |
| Bonds Payable: | | | | | | |
| General Obligation Bond | \$ 27,059,613 | \$ - | \$ (2,652,392) | \$ - | \$24,407,221 | \$ 2,548,642 |
| Tax Increment | | | | | | |
| Financing Bond | 76,785 | - | (43,541) | - | 33,244 | 33,244 |
| Special Obligation Bond | <u>7,000,000</u> | <u>-</u> | <u>(486,000)</u> | <u>-</u> | <u>6,514,000</u> | <u>522,000</u> |
| Total Bonds Payable | <u>34,136,398</u> | <u>-</u> | <u>(3,181,933)</u> | <u>-</u> | <u>30,954,465</u> | <u>3,103,886</u> |
| Leases Payable | 3,019,068 | 4,466,000 | (1,155,366) | 2,464,402 | 8,794,104 | 1,198,516 |
| Loans Payable | 5,415,411 | - | (1,611,858) | - | 3,803,553 | 1,626,858 |
| Compensated Absences | 396,512 | 65,728 | - | - | 462,240 | - |
| Net Pension Liability | <u>24,983,395</u> | <u>7,493,647</u> | <u>-</u> | <u>-</u> | <u>32,477,042</u> | <u>-</u> |
| | <u>33,814,386</u> | <u>12,025,375</u> | <u>(2,767,224)</u> | <u>2,464,402</u> | <u>45,536,939</u> | <u>2,825,374</u> |
| Governmental Activity Long-Term Liabilities | <u>\$ 67,950,784</u> | <u>\$ 12,025,375</u> | <u>\$ (5,949,157)</u> | <u>\$ 2,464,402</u> | <u>\$76,491,404</u> | <u>\$ 5,929,260</u> |
| Business-Type Activities: | | | | | | |
| Bonds Payable: | | | | | | |
| General Obligation Bond | \$ 1,964,387 | \$ - | \$ (172,609) | \$ - | \$ 1,791,778 | \$ 357,361 |
| Total Bonds Payable | <u>1,964,387</u> | <u>-</u> | <u>(172,609)</u> | <u>-</u> | <u>1,791,778</u> | <u>357,361</u> |
| Leases Payable | 34,806 | - | (1,313) | - | 33,493 | 1,138 |
| Loans Payable | 2,140,758 | - | (201,622) | - | 1,939,136 | 196,337 |
| Compensated Absences | 96,039 | 20,025 | - | - | 116,064 | - |
| Net Pension Liability | <u>6,134,127</u> | <u>1,304,982</u> | <u>-</u> | <u>-</u> | <u>7,439,109</u> | <u>-</u> |
| | <u>8,405,730</u> | <u>1,325,007</u> | <u>(202,935)</u> | <u>-</u> | <u>9,527,802</u> | <u>197,475</u> |
| Business-Type Activity Long-Term Liabilities | <u>\$ 10,370,117</u> | <u>\$ 1,325,007</u> | <u>\$ (375,544)</u> | <u>\$ -</u> | <u>\$ 11,319,580</u> | <u>\$ 554,836</u> |

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessments for taxation. As of September 30, 2023, the amount of outstanding debt was equal to 4.48% of the latest property assessments.

NOTE 5 OTHER INFORMATION

A. Risk Financing

The City minimizes its risk of loss for workers compensation, employee health, and property and liability through the purchase of commercial insurance.

B. Contingencies

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 the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the City.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 5 **OTHER INFORMATION**

B. Contingencies (Continued)

A pledge agreement dated December 1, 2004, was executed between the City and the Trustee in connection with the issuance by the City of Pearl Taxable Urban Renewal Revenues Bonds, Series 2004A, 2004B and 2004C. The City, in the agreement, has agreed to pay on an annual basis, any revenue deficit up to \$800,000 per year on the combination of amounts owed to Bloomfield Equities, LLC from specific revenues generated from the property so that the amount of \$800,000 per year will be available from the various revenue sources for debt service on the Series 2004A and Series 2004B bonds.

In addition, the Rankin County Board of Supervisors entered into an agreement with the City of Pearl, Mississippi to pledge to the City \$320,000 per year for partial payment of the City's obligations described herein. In 2023, the City of Pearl, Mississippi paid Bloomfield Equities, LLC \$2,175,876 under this agreement. In 2023, the Rankin County Board of Supervisors paid \$320,000.

The City of Pearl, Mississippi is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City of Pearl, Mississippi.

C. Jointly Governed Organizations

West Rankin Utility Authority:

The City of Pearl, Mississippi entered into an agreement on February 24, 1977, with the City of Jackson, the implementing agency for the West Rankin Regional Wastewater System, to pay an annual payment representing its proportionate share of the debt service required to pay back a revenue bond issued by the City of Jackson for the construction of the West Rankin Regional Wastewater System to pay its proportionate share of the City of Jackson's wastewater treatment costs and to pay its proportionate share of other costs related to the West Rankin Regional Wastewater System.

In 2002, the City of Pearl, Mississippi, along with other cities and governing authorities in Rankin County, created the West Rankin Utility Authority (a political subdivision of the State) to acquire the System from the City of Jackson. The Authority will maintain and operate the System and charge its customers for use of the System. Jackson will charge the Authority for wastewater treatment at its treatment facility. The City of Pearl, Mississippi's annual payment shall be the percentage of the total annual costs as determined by dividing the City of Pearl, Mississippi's wastewater volume contributed to the System in the prior year by all the wastewater volume for all contraction parties. Adjustments for variances between actual and prior year's usage are to be determined annually and appropriate adjustments are to be made to each contracting party's account.

From October 01, 2022 through September 30, 2023, the City of Pearl, Mississippi paid \$4,410,994. For the twelve-month period beginning October 1, 2023, the City of Pearl, Mississippi's expected annual financial responsibility will be approximately \$ 4,500,000.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 5 OTHER INFORMATION (CONTINUED)

C. Jointly Governed Organizations (Continued)

Pearl-Richland Intermodal Connector Commission:

The Pearl-Richland Intermodal Connector Commission was established by interlocal agreement between the Cities of Pearl and Richland, dated November 1, 2005, to cooperate together to more efficiently and effectively utilize their governmental power and authority in connection with and in order to accomplish the planning, design, funding, acquisition of right-of-way for, construction, operation, maintenance and implementation of transportation connections and road systems connecting the two cities, including without limitation the Pearl- Richland Interlocal Connector and other projects linking U.S. Highway 80, U.S. Interstate 20 and U.S. Highway 49 in Rankin County. The commission will consist of two members, one from each city, who shall be either the mayor of the city or his designee.

NOTE 6 PENSION PLAN OBLIGATIONS

General Information about the Pension Plan

Plan Description

The City of Pearl, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et. seq., (1972, as amended) 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public-school districts. 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 and 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 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

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 6 PENSION PLAN OBLIGATIONS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

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

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended September 30, 2023, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 17.40 percent of annual covered payroll. The City's employer contributions to PERS for the year ended September 30, 2023 and 2022, and 2021 were \$2,033,430, \$1,824,868, and \$1,759,914 (employer share). The contributions for the years met the required contributions.

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

At September 30, 2023, the City of Pearl reported a liability of \$39,916,151 for its proportionate share of the 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 net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City of Pearl's proportion was 0.158704% which was an increase of 0.007528% from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the City of Pearl, Mississippi recognized pension expense of \$5,979,502.

At September 30, 2023, the City of Pearl, Mississippi reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 1,005,813 | \$ - |
| Net Difference Between Projected and Actual | | |
| Earnings on Pension Plan Investments | - | 147,613 |
| Changes in Assumptions | 4,267,494 | - |
| Changes in the Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions | - | 355,481 |
| Contributions Subsequent to the Measurement Date | 479,490 | - |
| Total | \$ 5,752,797 | \$ 503,094 |

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 6 PENSION PLAN OBLIGATIONS (CONTINUED)

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

At September 30, 2023, the City of Pearl, Mississippi reported \$479,490 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|----------------------------|
| 2024 | \$ 2,089,186 |
| 2025 | 959,332 |
| 2026 | 1,409,355 |
| 2027 | 312,340 |
| Total | <u><u>\$ 4,770,213</u></u> |

Actuarial Assumptions

The total pension liability used in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|---------------------------|--|
| Inflation | 2.40% |
| Salary increases | 2.65%-17.90%, average, including inflation |
| Investment rate of return | 7.55%, net of pension plan investment expense, including inflation |

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 for the purposes of determining the TPL were based on the results of an actuarial experience study for the period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 6 PENSION PLAN OBLIGATIONS (CONTINUED)

Actuarial Assumptions (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation Percentage</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|---|---|
| Domestic Equity | 27.00% | 4.75 % |
| International Equity | 22.00% | 4.75 |
| Global Equity | 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 |
| | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (17.40%). 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.

Sensitivity of the City of Pearl, Mississippi's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The City of Pearl, Mississippi's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents the City of Pearl, Mississippi's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

| <u>1% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|------------------------------------|--|------------------------------------|
| <u>\$ 51,472,889</u> | <u>\$ 39,916,151</u> | <u>\$ 30,432,563</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Payable to the Pension Plan

At September 30, 2023, the City of Pearl, Mississippi has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2023.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 7 NO COMMITMENT DEBT

Taxable Urban Renewal Revenue Bonds

In 2004 and 2005, bonds were issued by the City to finance construction of the baseball stadium, the Bass Pro shop site, and other related projects. They are to be repaid solely from the various revenues generated by the projects including incremental increases in property taxes and sales taxes that may result from construction and operations of the projects. The bonds do not constitute a debt of the City and, accordingly, have not been reported in the accompanying financial statements.

| <u>Description</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Issue Amount</u> | <u>Current Balance</u> |
|---|-------------------|----------------------|---------------------|------------------------|
| Taxable Urban Renewable Revenue Refunding Bond, Series 2013 | 5/5/2015 | 11/1/2034 | \$ 10,000,000 | \$ 10,000,000 |
| Taxable Urban Renewable Revenue Refunding Bond, Series 2016 | 8/10/2016 | 11/1/2034 | \$ 14,110,000 | \$ 3,920,000 |
| Taxable Urban Renewable Revenue Refunding Bond, Series 2012 | 1/1/2020 | 11/1/2034 | \$ 18,250,000 | \$ 2,155,000 |

NOTE 8 COMMITMENTS

A pledge agreement dated December 1, 2004, was executed between the City and the Trustee in connection with the issuance by the City of Taxable Urban Renewal Revenue Bonds, Series 2004A, 2004B, and 2004C. The City, in the agreement, has agreed to pay Bloomfield Equities, LLC \$150,000 per year during the last ten years of the initial term of the agreement; such payments commencing on January 1, 2015, with such amounts to be used for debt service on the Series 2004A and 2004B bonds.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

The City, through a commercial insurance carrier, provides health, dental and group term life coverage to City employees to the limits established by the plan document. Since retirees may obtain health insurance under this plan by participating in a group with active employees and consequently receive an insurance premium rate differential, the City has a postemployment healthcare benefit reportable under GASB 45 as a single employer defined benefit healthcare plan. Effective October 1, 2008, the City implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The City does not issue a publicly available financial report for the plan. However, the City has not recorded a liability for other postemployment benefits nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

NOTE 10 EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of governmental activities of \$46,921,421, includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$390,113 resulting from the City's 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 \$4,290,544 balance of the deferred outflow of resources related to pension at September 30, 2023, will be recognized in pension expense over the next four years. The \$409,333 balance of the deferred inflow of resources related to pension at September 30, 2023, will be recognized in pension expense over the next four years.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 10 EFFECT OF DEFERRED AMOUNTS ON NET POSITION (CONTINUED)

The unrestricted net position amount of business-type activities of \$5,493,617, includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$89,377 resulting from the City's 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 \$982,763 balance of the deferred outflow of resources related to pension at September 30, 2023, will be recognized in pension expense over the next four years. The \$93,761 balance of the deferred inflow of resources related to pension at September 30, 2023, will be recognized in pension expense over the next four years.

NOTE 11 CONTINGENCIES

Federal Grants – The City of Pearl, Mississippi 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 of Pearl, Mississippi. No provision for any liability that may result has been recognized in the City of Pearl, Mississippi's financial statements.

NOTE 12 SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date, but before the financial statements, are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Pearl, Mississippi evaluated the activity of the City through September 16, 2024, (the date the financial statements were available to be issued) and determined that the following subsequent events required disclosure in the notes to the financial statements:

In October 2023, the Board approved a payment to a local contractor in the amount of \$170,561 for the Pearl Richland Intermodal Connector.

In October 2023, the Board approved a payment to a local contractor in the amount of \$1,070,745 under state contract for new mobile and portable radios for all public safety personnel.

In October 2023, the Board approved a payment to a local contractor in the amount of \$488,885 for the LED Energy Savings Project.

In November 2023, the Board approved to a payment to a local contractor in the amount of \$155,806 for the City Park Improvements Project.

In December 2023, the Board approved a payment to the City of Flowood in the amount of \$300,000 for the East Metro Corridor Construction Project completion.

In December 2023, the Board approved a payment to a local contractor in the amount of \$420,986 for the Pearl Fire Stations Project.

In January 2024, the Board approved payments to local contractors in the amounts of \$316,052, \$139,227, and \$80,848 for the Water System Improvement Project.

CITY OF PEARL, MISSISSIPPI
Notes to Financial Statements
September 30, 2023

NOTE 12 SUBSEQUENT EVENTS (CONTINUED)

In January 2024, the Board approved a payment to a local contractor in the amount of \$354,802 for the LED Energy Savings Project.

In February 2024, the Board approved the purchase of an LED stoplight as an emergency purchase for the intersection of Eldorado Road and East Metro in the amount of \$92,400.

In February 2024, the Board approved a payment to a local contractor in the amount of \$420,986 for the Pearl Fire Stations Project.

In February 2024, the Board approved a payment to a local contractor in the amount of \$88,685 for the Signal Upgrade Project.

In March 2024, the Board approved a a change order to a local contractor in the amount of \$199,000 for the Grandview Heights Sub-Interceptor Rehabilitation Project.

In April 2024, the Board approved the acceptance of a Hazard Mitigation Grant for the Pine Park Drainage Project in the amount of \$2,422,004.

In May 2024, the Board approved a payment to a local contractor in the amount of \$77,730 for the Pearl Richland Intermodal Connector.

In June 2024, the Board approved a payment to a local contractor in the amount of \$309,561 for the Signal Upgrade Project.

In June 2024, the Board approved a bid from a local contractor in the amount of \$272,680 for the Mary Ann Drive Sidewalk Installation Project.

In June 2024, the Board approved a payment to a local contractor in the amount of \$222,031 for the Grandview Heights Sub-Interceptor Rehabilitation Project.

In July 2024, the Board approved a payment to a local contractor in the amount of \$493,716 for the Pearl Fire Stations Project.

In July 2024, the Board approved a payment to a local contractor in the amount of \$160,769 for the Signal Upgrade Project.

In July 2024, the Board approved a payment to a local contractor in the amount of \$661,179 for the Grandview Heights Sub-Interceptor Rehabilitation Project.

In July 2024, the Board adopted a resolution declaring the intention to enter into a loan agreement with the Mississippi Development Authority in a principal amount not to exceed \$1,500,000.

Required Supplementary Information

CITY OF PEARL, MISSISSIPPI
Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis)
General Fund - Unaudited
Year Ended September 30, 2023

| | General Fund | | | Variance With Final Budget Positive (Negative) |
|---|----------------------------|----------------------|---|---|
| | Original Budget | Final Budget | Actual (Budgetary Basis) | |
| Revenues: | | | | |
| Taxes | \$ 3,325,397 | \$ 2,968,471 | \$ 2,968,471 | \$ - |
| Licenses and Permits | 337,500 | 442,419 | 442,419 | - |
| Fines and Forfeitures | - | 1,347,463 | 1,347,463 | - |
| Intergovernmental Revenues | 14,584,000 | 17,428,226 | 17,428,226 | - |
| Charges for Services | 1,697,695 | 1,950,341 | 1,950,341 | - |
| Interest Income | 65,000 | 75,339 | 75,339 | - |
| Miscellaneous Revenues | 500,000 | 490,699 | 490,699 | - |
| Total Revenues | \$ 20,509,592 | \$ 24,702,958 | \$ 24,702,958 | \$ - |
| Expenditures: | | | | |
| General Government | \$ 3,126,430 | \$ 7,695,723 | 7,695,723 | \$ - |
| Public Safety | 11,651,106 | 11,936,850 | 11,936,850 | - |
| Public Works | 2,291,910 | 2,118,782 | 2,118,782 | - |
| Health and Welfare | 567,537 | 661,074 | 661,074 | - |
| Culture and Recreation | 2,056,161 | 1,350,664 | 1,350,664 | - |
| Economic Development | 2,130,000 | - | - | - |
| Debt Service | - | 213,153 | 213,153 | - |
| Total Expenditures | 21,823,144 | 23,976,246 | 23,976,246 | - |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | (1,313,552) | 726,712 | 726,712 | - |
| Other Financing Sources (Uses): | | | | |
| Transfer Out | - | 2,236,789 | 2,236,789 | - |
| Total Other Financing Sources (Uses) | - | 2,236,789 | 2,236,789 | - |
| Net Change in Fund Balance | (1,313,552) | 2,963,501 | 2,963,501 | - |
| Fund Balances, Beginning | 1,313,552 | 1,313,552 | 1,313,552 | - |
| Fund Balances, Ending | \$ - | \$ 4,277,053 | \$ 4,277,053 | \$ - |

CITY OF PEARL, MISSISSIPPI
Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis)
Debt Service Fund - Unaudited
Year Ended September 30, 2023

| | Debt Service Fund | | | Variance With Final Budget Positive (Negative) |
|-----------------------------------|----------------------------|----------------------------|---|---|
| | Original Budget | Final Budget | Actual (Budgetary Basis) | |
| Revenues: | | | | |
| Property Taxes | \$ 4,818,661 | \$ 5,080,879 | \$ 5,080,879 | \$ - |
| Interest Income | 80,000 | 8,838 | 8,838 | - |
| Total Revenues | <u>4,898,661</u> | <u>5,089,717</u> | <u>5,089,717</u> | <u>-</u> |
| Expenditures: | | | | |
| Debt Service | 6,417,449 | 4,557,665 | 4,557,665 | - |
| Total Expenditures | <u>6,417,449</u> | <u>4,557,665</u> | <u>4,557,665</u> | <u>-</u> |
| Net Change in Fund Balance | (1,518,788) | 532,052 | 532,052 | - |
| Fund Balances, Beginning | <u>1,518,788</u> | <u>1,518,788</u> | <u>1,518,788</u> | <u>-</u> |
| Fund Balances, Ending | <u><u>\$ -</u></u> | <u><u>\$ 2,050,840</u></u> | <u><u>\$ 2,050,840</u></u> | <u><u>\$ -</u></u> |

CITY OF PEARL, MISSISSIPPI
Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis)
American Rescue Plan Act Fund - Unaudited
Year Ended September 30, 2023

| | American Rescue Plan Act Fund | | | Variance With Final Budget Positive (Negative) |
|-----------------------------------|-------------------------------|---------------------|--------------------------------|---|
| | Original Budget | Final Budget | Actual (Budgetary Basis) | |
| Revenues: | | | | |
| Intergovernmental Revenues | \$ - | \$ 562,437 | \$ 562,437 | \$ - |
| Interest Income | 2,000 | 26,364 | 26,364 | - |
| Total Revenues | <u>\$ 2,000</u> | <u>\$ 588,801</u> | <u>\$ 588,801</u> | <u>\$ -</u> |
| Expenditures: | | | | |
| Public Works | \$ 6,527,623 | \$ 2,732,829 | \$ 2,732,829 | \$ - |
| Total Expenditures | <u>6,527,623</u> | <u>2,732,829</u> | <u>2,732,829</u> | <u>-</u> |
| Net Change in Fund Balance | (6,525,623) | (2,144,028) | (2,144,028) | - |
| Fund Balances, Beginning | <u>6,525,623</u> | <u>6,525,623</u> | <u>6,525,623</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ -</u> | <u>\$ 4,381,595</u> | <u>\$ 4,381,595</u> | <u>\$ -</u> |

CITY OF PEARL, MISSISSIPPI
Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis)
2022 Street Bond Fund - Unaudited
Year Ended September 30, 2023

| | 2022 Street Bond Fund | | | Variance With Final Budget Positive (Negative) |
|-----------------------------------|------------------------------|----------------------------|---|---|
| | Original Budget | Final Budget | Actual (Budgetary Basis) | |
| Revenues: | | | | |
| Interest Income | \$ - | \$ 929 | \$ 929 | \$ - |
| Total Revenues | <u>-</u> | <u>929</u> | <u>929</u> | <u>-</u> |
| Expenditures: | | | | |
| Public Works | 6,731,000 | 3,444,663 | 3,444,663 | - |
| Total Expenditures | <u>6,731,000</u> | <u>3,444,663</u> | <u>3,444,663</u> | <u>-</u> |
| Net Change in Fund Balance | <u>(6,731,000)</u> | <u>(3,443,734)</u> | <u>(3,443,734)</u> | <u>-</u> |
| Fund Balances, Beginning | <u>6,731,000</u> | <u>6,731,000</u> | <u>6,731,000</u> | <u>-</u> |
| Fund Balances, Ending | <u><u>\$ -</u></u> | <u><u>\$ 3,287,266</u></u> | <u><u>\$ 3,287,266</u></u> | <u><u>\$ -</u></u> |

CITY OF PEARL, MISSISSIPPI
Schedule of the City's Proportionate Share
of the Net Pension Liability - Unaudited
Last 10 Fiscal Years

| | September 30 | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Employer's Proportionate Percentage of the Net Pension Liability (Asset) | 0.158704% | 0.151176% | 0.150014% | 0.143107% | 0.133234% | 0.143162% | 0.151627% | 0.145462% | 0.144250% | 0.148952% |
| | \$ 39,916,151 | \$ 31,117,522 | \$ 22,172,725 | \$ 27,703,852 | \$ 23,438,489 | \$ 23,812,094 | \$ 25,205,554 | \$ 25,983,146 | \$ 22,298,205 | \$ 18,080,045 |
| Employer's Covered Employee Payroll | \$ 11,686,371 | \$ 10,487,748 | \$ 10,114,448 | \$ 9,638,782 | \$ 8,929,475 | \$ 8,432,460 | \$ 9,814,679 | \$ 9,738,374 | \$ 9,059,156 | \$ 9,104,921 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 341.56% | 296.70% | 219.22% | 287.42% | 262.48% | 282.39% | 256.81% | 266.81% | 246.14% | 198.57% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 55.70% | 59.03% | 70.44% | 58.97% | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% | 67.21% |

Information above is presented as of the measurement date of June 30, of the fiscal year presented.

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, GASB Statement No. 68 was implemented in FYE 09/30/15, and until a full ten-year trend is compiled, the City has only presented information for the years in which the information is available.

CITY OF PEARL, MISSISSIPPI
Schedules of the City's Contributions - PERS - Unaudited
Last 10 Fiscal Years

| | September 30 | | | | | | | | | |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | |
| Contractually Required Contribution | \$ 2,033,430 | \$ 1,824,868 | \$ 1,759,914 | \$ 1,677,148 | \$ 1,447,405 | \$ 1,328,112 | \$ 1,545,812 | \$ 1,533,794 | \$ 1,426,817 | |
| Contributions in Relation to the Contractually Required Contribution | (2,033,430) | (1,824,868) | (1,759,914) | (1,677,148) | (1,447,405) | (1,328,112) | (1,545,812) | (1,533,794) | (1,426,817) | |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's Covered Payroll | \$ 11,686,371 | \$ 10,487,748 | \$ 10,114,448 | \$ 9,638,782 | \$ 8,929,475 | \$ 8,432,460 | \$ 9,814,679 | \$ 9,738,374 | \$ 9,059,156 | |
| Contribution's as a Percentage of Covered Payroll | 17.40% | 17.40% | 17.40% | 17.40% | 16.21% | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

Information above is presented as of the Employer's fiscal year.

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, GASB Statement No. 68 was implemented in FYE 09/30/15, and, until a full ten-year trend is compiled, the City has only presented information for the years in which the information is available.

CITY OF PEARL, MISSISSIPPI
Notes to the Required Supplementary Information – Unaudited
September 30, 2023

BUDGETARY INFORMATION

Statutory requirements dictate how and when the City of Pearl, Mississippi’s budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning October 1, the Board of Aldermen of the City of Pearl, Mississippi, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City of Pearl, Mississippi’s budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

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.

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).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

| | General Fund | Debt Service Fund | American Rescue Plan Act Fund | 2022 Street Bond Fund |
|---|-------------------------|------------------------------|--|--------------------------------------|
| Budget (Cash Basis) | \$ 2,643,501 | \$ 532,052 | \$ (2,144,028) | \$ (3,443,734) |
| Increase (Decrease): | | | | |
| Net Adjustments for Revenue Accruals | 547,280 | - | 601,074 | - |
| Net Adjustments for Expenditure Accruals | 1,045,024 | (506,677) | - | - |
| GAAP Basis | \$ 4,235,805 | \$ 25,375 | \$ (1,542,954) | \$ (3,443,734) |

CITY OF PEARL, MISSISSIPPI
Notes to the Required Supplementary Information – Unaudited
September 30, 2023

PENSION SCHEDULES

Changes of 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.

2023

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
For females, 84% of female rates up to age 72, 100% for ages above 76.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

For males, 134% of male rates at all ages. For females, 121% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.

For females, 110% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.

CITY OF PEARL, MISSISSIPPI
Notes to the Required Supplementary Information – Unaudited
September 30, 2023

PENSION SCHEDULES (CONTINUED)

Changes of Assumptions (Continued)

- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- 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 decreased from 6% to 4%.

2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages. For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar 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 services 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%.

CITY OF PEARL, MISSISSIPPI
Notes to the Required Supplementary Information – Unaudited
September 30, 2023

PENSION SCHEDULES (CONTINUED)

Changes of Assumptions (Continued)

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.

Change 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 proceeding year with a minimum rate of 1% and a maximum rate of 5%.

Method 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 the 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 |

Supplementary Information

CITY OF PEARL, MISSISSIPPI
Schedule of Expenditures of Federal Financial Awards
Year Ended September 30, 2023

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Assistance Listing Number</u> | <u>Pass Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|--|---|--------------------------------------|
| <u>U.S. Department of Justice</u> | | | |
| Passed-Through Mississippi Department of Public Safety Coronavirus Emergency Supplemental Funding Program | 16.034 | 20LX3191 | \$ 104,000 |
| Total U.S. Department of Justice | | | <u>104,000</u> |
| <u>U.S. Department of Treasury</u> | | | |
| Passed through Mississippi Department of Environmental Quality American Rescue Plan Act* | 21.027 | | <u>1,163,513</u> |
| Passed through Mississippi Department of Finance and Administration American Rescue Plan Act* | 21.027 | | <u>1,561,166</u> |
| Total U.S. Department of Treasury | | | <u>2,724,679</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Passed-Through Mississippi Department of Transportation Highway Planning and Construction* Total Highway Planning and Construction Cluster | 20.205 | STPD-7040-00(002)LPA | <u>7,851,945</u> <u>7,851,945</u> |
| Office of Highway Safety National Priority Safety Program Total National Priority Safety Program | 20.600 | PT-2020-PT-31-91 | <u>87,340</u> <u>87,340</u> |
| Total U.S. Department of Transportation | | | <u>7,939,285</u> |
| <u>Executive Office of the President</u> | | | |
| High Intensity Drug Trafficking Program | 95.001 | G21-GC0003A | <u>39,383</u> |
| Total Executive Office of the President | | | <u>39,383</u> |
| Total Expenditures | | | <u>\$ 10,807,347</u> |

* Denotes Major Program

CITY OF PEARL, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Pearl, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pearl, Mississippi.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The City of Pearl, Mississippi did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Other Information

CITY OF PEARL, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials - Unaudited
Year Ended September 30, 2023

| Name | Position | Surety Agency | Bond |
|------------------------|------------------------------------|-----------------------------|-------------|
| Jake Windham | Mayor | Travelers Casualty & Surety | \$ 100,000 |
| Johnny F. Steverson Sr | Alderman | Travelers Casualty & Surety | 100,000 |
| Sammy Williams | Alderman | Travelers Casualty & Surety | 100,000 |
| James W. Thompson | Alderman | Travelers Casualty & Surety | 100,000 |
| Gavin Gill | Alderman | Travelers Casualty & Surety | 100,000 |
| John McHenry | Alderman | Travelers Casualty & Surety | 100,000 |
| Keith Dennis | Alderman | Travelers Casualty & Surety | 100,000 |
| Casey S. Foy | Alderman | Travelers Casualty & Surety | 100,000 |
| Kelly Scouten | City Clerk | Travelers Casualty & Surety | 100,000 |
| Dean Scott | Chief of Police | Travelers Casualty & Surety | 50,000 |
| Teresa Wade | Deputy City Clerk | Travelers Casualty & Surety | 50,000 |
| Kayla Collins | Deputy City Clerk | Travelers Casualty & Surety | 50,000 |
| Jennifer Kelly | Deputy City Clerk | Travelers Casualty & Surety | 50,000 |
| Kerrie Westbrooks | Court Clerk | Travelers Casualty & Surety | 50,000 |
| Abbie Childers | Deputy Court Clerk | Travelers Casualty & Surety | 50,000 |
| Shanna Gentry | Deputy Court Clerk | Travelers Casualty & Surety | 50,000 |
| Juanita Whitty | Deputy Court Clerk | Travelers Casualty & Surety | 50,000 |
| Tanisha Gaylord | Deputy Court Clerk | Travelers Casualty & Surety | 50,000 |
| Karen Watson | Deputy Court Clerk | Travelers Casualty & Surety | 50,000 |
| Paula Thompson | Deputy Court Clerk | Travelers Casualty & Surety | 50,000 |
| Teresa Wilson | Executive Office Manager | Travelers Casualty & Surety | 50,000 |
| Pamela Malone | Accounting Supervisor | Travelers Casualty & Surety | 50,000 |
| Amanda Parson | Office Manager | Travelers Casualty & Surety | 50,000 |
| Jennifer Yearby | Assistant Office Manager | Travelers Casualty & Surety | 50,000 |
| Elaine Kelly | Water Billing Clerk | Travelers Casualty & Surety | 50,000 |
| Judy Grimes | Water Billing Clerk | Travelers Casualty & Surety | 50,000 |
| Lanette Weeks | Water Billing Clerk | Travelers Casualty & Surety | 50,000 |
| Kimberly Richardson | Water Billing Clerk | Travelers Casualty & Surety | 50,000 |
| Sandy Pruitt | Water Billing Clerk | Travelers Casualty & Surety | 50,000 |
| Billy Jordan | Auto Maintenance | Travelers Casualty & Surety | 50,000 |
| Brad Robertson | Director of Community Development | Travelers Casualty & Surety | 50,000 |
| Otis Myers | Director of Golf | Travelers Casualty & Surety | 50,000 |
| Debra Addington | Senior Programs Assistant Director | Travelers Casualty & Surety | 50,000 |
| Stacy Smith | Senior Programs Director | Travelers Casualty & Surety | 50,000 |
| Ricky Steen | Assistant Police Chief | Travelers Casualty & Surety | 50,000 |
| Amanda Thomasson | Police Captain | Travelers Casualty & Surety | 50,000 |
| Name Schedule | Police Officers | Travelers Casualty & Surety | 50,000 |
| Name Schedule | Dispatchers | Travelers Casualty & Surety | 50,000 |
| Sandra Palmer | Parks and Recreation Clerk | Travelers Casualty & Surety | 50,000 |
| Crosby Tanner | Parks and Recreation Clerk | Travelers Casualty & Surety | 50,000 |
| Holly Haralson | P & R-Assistant Director | Travelers Casualty & Surety | 50,000 |
| Amber Hudson | Community Development Deputy Clerk | Travelers Casualty & Surety | 50,000 |
| Alan Tindall | Building Inspector | Travelers Casualty & Surety | 50,000 |
| Christa Billings | Fire Dept Clerk | Travelers Casualty & Surety | 50,000 |

Reports on Compliance and Internal Control



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

Honorable Mayor, Members of the
Board of Aldermen, and City Clerk
City of Pearl, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pearl, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pearl, Mississippi's basic financial statements and have issued our report thereon dated September 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pearl, Mississippi's internal control over financial reporting 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 the City of Pearl, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pearl, Mississippi'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 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 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2023-001, that we consider to be a material weakness.



Honorable Mayor, Members of the
Board of Aldermen, and City Clerk
City of Pearl, Mississippi

Report Compliance and Other Matters

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

City of Pearl, Mississippi's Responses to Findings

The City of Pearl, Mississippi's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Pearl, Mississippi's responses and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the City of Pearl, Mississippi'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 of Pearl, Mississippi's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Ridgeland, Mississippi
September 16, 2024



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

Honorable Mayor, Members of the Board
of Aldermen, and City Clerk
City of Pearl, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Pearl, Mississippi's compliance with the types of compliance requirements⁴ identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Example Entity's major federal programs for the year ended September 30, 2023. City of Pearl, Mississippi'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, City of Pearl, Mississippi complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 City of Pearl, Mississippi 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 City of Pearl, Mississippi'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 City of Pearl, Mississippi's federal programs.



Auditors' Responsibilities 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 City of Pearl, Mississippi'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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, it would influence the judgment made by a reasonable user of the report on compliance about City of Pearl, Mississippi's compliance with the requirements of each major federal program as a whole.


In performing an audit in accordance with GAAS, *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 City of Pearl, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Pearl, Mississippi's 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 in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Pearl, Mississippi'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 exist when the design or operation of the control 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.



Honorable Mayor, Members of the Board
of Aldermen, and City Clerk
City of Pearl, Mississippi

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of 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, during our audit 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 were not 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.



Ridgeland, Mississippi
September 16, 2024



**INDEPENDENT ACCOUNTANTS' REPORT ON
COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor, Members of the Board
of Aldermen, and City Clerk
City of Pearl, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pearl, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon September 16, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in the scope than an audit, the objective of which is the expression of an opinion on the City of Pearl, Mississippi's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of non-compliance with state laws and regulations.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GranthamPoole PLLC

Ridgeland, Mississippi
September 16, 2024

Schedule of Findings and Questioned Costs

CITY OF PEARL, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2023

Section 1: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the financial statements:

| | |
|--------------------------------------|------------|
| Governmental Activities | Qualified |
| Business-Type Activities | Qualified |
| General Fund | Unmodified |
| Debt Service Fund | Unmodified |
| ARPA Fund | Unmodified |
| 2022 Street Bond Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |
2. Internal Control over financial reporting:
 - A. Material weakness identified? Yes
 - B. A Significant deficiency identified that is not considered to be material weaknesses? None Reported
3. Noncompliance material to the financial statements? No

Federal Awards

Internal control over major programs:

- | | |
|--|------------|
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | No |
| Type of Auditors' report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

Identification of major programs:

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|---------------------------------|---|
| 21.027 | U.S. Department of Treasury American Rescue Plan Act |
| 20.205 | U.S. Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program) |

- | | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |
| Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? | No |

CITY OF PEARL, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2023

Section 2: Financial Statement Findings

2023-001 Finding

Significant Deficiency- Material Weakness.

As reported in prior years, effective October 1, 2008, the City implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. However, the City has not recorded a liability for other postemployment benefits, nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The City did not have internal controls in place to determine the liability associated with other postemployment benefits.

Repeat Finding: Yes, 2022-001.

Criteria: The City is required to have an actuarial report prepared each year for the calculation of other postemployment benefits.

Condition: The City does not have an actuarial report prepared each year.

Cause: The cost to obtain an actuarial report each year outweighs the benefits of the report.

Effect: The City does not record a liability for other postemployment benefits.

Recommendation: The City should develop procedures to determine the liability associated with other postemployment benefits and report that liability in its financial statements.

View of Responsible Officials: We believe that the costs associated with determining the liability associated with postemployment benefits, particularly the cost of hiring actuaries to determine the liability, would be prohibitive given the budget constraints faced by the City. City management believes that the expenditures associated with compliance would be better spent providing needed services to citizens. Additionally, City management believes the postemployment benefit liability would not be significant to the financial statements.

Section 3 -Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

CITY OF PEARL, MISSISSIPPI
Summary Schedule of Prior Audit Findings
September 30, 2023

Financial Statement Finding: Effective October 1, 2008, the City implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. However, the City has not recorded a liability for other postemployment benefits, nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The City did not have internal controls in place to determine the liability associated with other postemployment benefits.

Finding: 2023-001

Condition: The City does not have an actuarial report prepared each year.

Recommendation: The City should develop procedures to determine the liability associated with other postemployment benefits and report that liability in its financial statements.

Current Status: We believe that the costs associated with determining the liability associated with postemployment benefits, particularly the cost of hiring actuaries to determine the liability, would be prohibitive given the budget constraints faced by the City. City management believes that the expenditures associated with compliance would be better spent providing needed services to citizens. Additionally, City management believes the postemployment benefit liability would not be significant to the financial statements.



September 16, 2024

The City of Pearl respectively submits the following corrective action plan for the year ended September 30, 2023.

Name and address of independent public accounting firm:

GranthamPoole PLLC
1062 Highland Colony Parkway
Suite 201
Ridgeland, MS 39157

Audit Period: Year ended September 30, 2023

The Finding from the September 16, 2024, Schedule of Findings and Questioned Costs is discussed below. The Finding is numbered consistently with the numbers assigned in the schedule.

Finding – Financial Statement Audit Significant Deficiency – Material Weakness

Financial Statement Finding: Effective October 1, 2008, the City implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. However, the city has not recorded a liability for other postemployment benefits, nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The city did not have internal controls in place to determine the liability associated with other postemployment benefits.

Recommendation: The City should develop procedures to determine the liability associated with other postemployment benefits and report that liability in its financial statements.

Action Taken: We believe that the costs associated with determining the liability associated with postemployment benefits, particularly the cost of hiring actuaries to determine the liability, would be prohibitive given the budget constraints faced by the City. City management believes that the expenditures associated with compliance would be better spent providing needed services to citizens. Additionally, City management believes the postemployment benefit liability would not be significant to the financial statements.

If there are any questions regarding this plan, please call Kelly Scouten, City Clerk at 601-932-2262.

Sincerely,

Kelly Scouten

Kelly Scouten
City Clerk