

CITY OF PEARL, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**CITY OF PEARL, MISSISSIPPI
TABLE OF CONTENTS**

INDEPENDENT AUDITORS' REPORT	Page 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Activities	9
Balance Sheet – Governmental Funds	11
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund-Unaudited	57
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) American Rescue Plan Act Fund-Unaudited	58
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) Park Improvement Fund-Unaudited	59
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) 2021 Street Project Fund-Unaudited	60
Schedule of the City's Proportionate Share Of the Net Pension Liability-Unaudited	61
Schedule of the City's Contributions-PERS-Unaudited	62
Notes to the Required Supplementary Information - Unaudited	63
SUPPLEMENTARY INFORMATION	
Schedule 1-Schedule of Expenditures of Federal Awards	69
Notes to the Schedule of Expenditures of Federal Awards	70
OTHER INFORMATION	
Schedule of Surety Bonds for Municipal Officials-Unaudited	72
SPECIAL REPORTS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74
Independent Auditors' Report on Compliance for Each Major Federal Program Internal Control Over Compliance Required by the Uniform Guidance	76
Independent Accountants' Report on Compliance with State Laws and	78
Schedule of Findings and Questioned Costs	80
Summary Schedule of Prior Audit Findings	83
Corrective Action Plan	84

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pearl, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

As discussed in Note 8 to the financial statements, the City 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, 2021, 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, 2021, 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.

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’s Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of the City’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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Pearl's basic financial statements. The 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, on our consideration of the 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC

Hattiesburg, Mississippi

June 15, 2022

BASIC FINANCIAL STATEMENTS

City of Pearl, Mississippi
Statement of Net Position
September 30, 2021

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 21,995,017	\$ 887,225	\$ 22,882,242
Property tax receivable	7,788,193	-	7,788,193
Fines receivable (net of allowance for uncollectibles of \$6,268,320)	242,589	-	242,589
Accounts receivable, (net of allowance for uncollectibles of \$59,644)	-	1,337,384	1,337,384
Other receivables	255,638	-	255,638
Other current assets	-	35,903	35,903
Due from other governments	1,057,776	15,673	1,073,449
Internal balances	34,933	(41,209)	(6,276)
Sales tax receivable	2,338,286	-	2,338,286
Total Current Assets	33,712,432	2,234,976	35,947,408
Noncurrent Assets:			
Restricted cash	500,931	607,307	1,108,238
Home Grant receivable	474,000	-	474,000
Capital assets, net	67,348,717	13,296,354	80,645,071
Total Noncurrent Assets	68,323,648	13,903,661	82,227,309
Total Assets	102,036,080	16,138,637	118,174,717
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	2,513,226	603,428	3,116,654
Total Deferred Outflows of Resources	2,513,226	603,428	3,116,654
Total Assets and Deferred Outflows of Resources	\$ 104,549,306	\$ 16,742,065	\$ 121,291,371

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

City of Pearl, Mississippi
Statement of Net Position
September 30, 2021

Page 2
EXHIBIT 1

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 981,925	\$ 96,731	\$ 1,078,656
Retainage Payable	283,213	-	283,213
Accrued interest payable	122,046	15,544	137,590
Accrued wages payable	341,261	86,415	427,676
Other liabilities	396,334	-	396,334
Current portion of non-capital related long-term debt	651,858	-	651,858
Current portion of capital related long-term debt	5,659,730	355,335	6,015,065
Total Current Liabilities	8,436,367	554,025	8,990,392
Noncurrent Liabilities:			
Long-term non-capital related liabilities due in more than one year	1,685,411	-	1,685,411
Long-term capital related liabilities due in more than one year	29,747,913	4,105,144	33,853,057
Compensated absences payable	433,942	77,699	511,641
Customer meter deposits payable	-	607,307	607,307
Escrowed seizure funds payable	500,931	-	500,931
Net pension liability	17,879,775	4,292,950	22,172,725
Total Noncurrent Liabilities	50,247,972	9,083,100	59,331,072
Total Liabilities	58,684,339	9,637,125	68,321,464
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	7,543,556	-	7,543,556
Deferred Inflows related to pension	3,706,669	889,974	4,596,643
Total Deferred Inflows of Resources	11,250,225	889,974	12,140,199
Total Liabilities and Deferred Inflows of Resources	69,934,564	10,527,099	80,461,663
NET POSITION			
Net investment in capital assets	31,941,074	8,835,875	40,776,949
Restricted for:			
Debt service	2,792,014	-	2,792,014
Capital improvements	11,799,717	-	11,799,717
Unrestricted	(11,918,063)	(2,620,909)	(14,538,972)
Total Net Position	34,614,742	6,214,966	40,829,708
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 104,549,306	\$ 16,742,065	\$ 121,291,371

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

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

EXHIBIT 2

Function/Programs		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:	Expenses						
Governmental Activities:							
General government	\$ (5,294,732)	\$ 357,880	\$ 587,705	\$ -	\$ (4,349,147)	\$ -	\$ (4,349,147)
Public safety	(10,665,130)	1,782,957	209,837	-	(8,672,336)	-	(8,672,336)
Public works	(6,441,603)	1,614,691	-	6,483,288	1,656,376	-	1,656,376
Health and welfare	(467,386)	-	-	-	(467,386)	-	(467,386)
Culture and recreation	(1,103,438)	428,094	-	-	(675,344)	-	(675,344)
Interest on long-term debt	(960,389)	-	-	-	(960,389)	-	(960,389)
Bond issue costs	(535,135)	-	-	-	(535,135)	-	(535,135)
Pension expense	(601,451)	-	-	-	(601,451)	-	(601,451)
Loss on disposal of assets	(34,557)	-	-	-	(34,557)	-	(34,557)
Total Governmental Activities	(26,103,821)	4,183,622	797,542	6,483,288	(14,639,369)	-	(14,639,369)
Business-type Activities:							
Water/Sewer	(8,489,570)	8,898,816	-	192,290	-	601,536	601,536
Pension expense	(144,396)	-	-	-	-	(144,396)	(144,396)
Total Business-type Activities	(8,633,966)	8,898,816	-	192,290	-	457,140	457,140
Total Primary Government	\$ (34,737,787)	\$ 13,082,438	\$ 797,542	\$ 6,675,578	\$ (14,639,369)	\$ 457,140	\$ (14,182,229)

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

City of Pearl, Mississippi
Statement of Activities
September 30, 2021

Page 2
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business- Type Activities	Total
General Revenues and Transfers			
Taxes:			
Property taxes	\$ 7,518,126	\$ -	\$ 7,518,126
Road and bridge privilege taxes	1,098,585	-	1,098,585
Sales tax	15,516,480	-	15,516,480
Franchise taxes	968,042	-	968,042
Grants and contributions not restricted to specific programs	748,869	-	748,869
Unrestricted investment income	196,357	10,952	207,309
Miscellaneous	466,540	15,540	482,080
Transfers	(16,879)	16,879	-
Total General Revenues	<u>26,496,120</u>	<u>43,371</u>	<u>26,539,491</u>
Change in Net Position	11,856,751	500,511	12,357,262
Net Position-Beginning of year	<u>22,757,991</u>	<u>5,714,455</u>	<u>28,472,446</u>
Net Position-End of year	<u>\$ 34,614,742</u>	<u>\$ 6,214,966</u>	<u>\$ 40,829,708</u>

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

City of Pearl, Mississippi
Balance Sheet
Governmental Funds
September 30, 2021

EXHIBIT 3

	Major Governmental Funds						
	General Fund	Debt Service Fund	American Rescue Plan Act Fund	Park Improvement Fund	2021 Street Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 6,947,563	\$ 2,557,627	\$ 3,258,678	\$ 1,597,169	\$ 3,885,578	\$ 3,748,402	\$ 21,995,017
Restricted cash	-	-	-	-	-	500,931	500,931
Property tax receivable	3,032,837	4,755,356	-	-	-	-	7,788,193
Fines receivable (net of allowance for uncollectibles of \$6,268,320)	242,589	-	-	-	-	-	242,589
Sales tax receivable	2,338,286	-	-	-	-	-	2,338,286
Other receivables	255,638	-	-	-	-	-	255,638
Due from other governments	212,209	-	-	-	-	845,567	1,057,776
Due from other funds	1,010,497	1,341,829	-	-	-	709,267	3,061,593
Total Assets	<u>\$ 14,039,619</u>	<u>\$ 8,654,812</u>	<u>\$ 3,258,678</u>	<u>\$ 1,597,169</u>	<u>\$ 3,885,578</u>	<u>\$ 5,804,167</u>	<u>\$ 37,240,023</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES							
Liabilities:							
Claims payable	\$ 217,142	\$ 54,322	\$ -	\$ 335,892	\$ 10,228	\$ 364,341	\$ 981,925
Retainage Payable	-	-	-	283,213	-	-	283,213
Accrued wages payable	341,261	-	-	-	-	-	341,261
Due to other funds	333,732	1,186,334	-	-	-	1,506,594	3,026,660
Other liabilities	396,334	-	-	-	-	-	396,334
State and federal seized funds escrow	-	-	-	-	-	500,931	500,931
Total Liabilities	<u>1,288,469</u>	<u>1,240,656</u>	<u>-</u>	<u>619,105</u>	<u>10,228</u>	<u>2,371,866</u>	<u>5,530,324</u>

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

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

**Page 2
EXHIBIT 3**

	Major Governmental Funds						
	General	Debt	American	Park	2021 Street	Other	Total
	Fund	Service	Rescue Plan	Improvement	Project	Governmental	Governmental
	Fund	Fund	Act Fund	Fund	Fund	Funds	Funds
Deferred Inflows of Resources:							
Property tax for future periods	2,921,414	4,622,142	-	-	-	-	7,543,556
Unavailable revenue-fines	242,589	-	-	-	-	-	242,589
Total Deferred Inflows of Resources	3,164,003	4,622,142	-	-	-	-	7,786,145
Total Liabilities and Deferred Inflows of Resources	4,452,472	5,862,798	-	619,105	10,228	2,371,866	13,316,469
FUND BALANCES:							
Committed:							
Debt service	-	2,792,014	-	-	-	-	2,792,014
Capital projects	-	-	3,258,678	978,064	3,875,350	3,687,625	11,799,717
Unassigned	9,587,147	-	-	-	-	(255,324)	9,331,823
Total Fund Balances	9,587,147	2,792,014	3,258,678	978,064	3,875,350	3,432,301	23,923,554
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,039,619	\$ 8,654,812	\$ 3,258,678	\$ 1,597,169	\$ 3,885,578	\$ 5,804,167	\$ 37,240,023

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

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

EXHIBIT 3.1

Fund Balances - Total Governmental Funds	\$ 23,923,554
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	67,348,717
Fine receivables that have accrued at year-end but are not available to liquidate liabilities of the current period are not reported in the funds.	242,589
Long-term note receivable is not available in the current period.	474,000
Deferred outflows of resources are not a financial resource and, therefore, are not reported in the funds:	
Outflows related to pension liabilities	2,513,226
Accrued interest payable is not a current liability payable from current assets	(122,046)
Liabilities not due and payable in the current period are not reported in the funds:	
Long-term liabilities	(38,178,854)
Net pension liability	(17,879,775)
Deferred Inflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds	(3,706,669)
Net Position of Governmental Activities	<u><u>\$ 34,614,742</u></u>

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

City of Pearl, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

EXHIBIT 4

	Major Governmental Funds						
	General	Debt	American	Park	2021 Street	Other	Total
	Fund	Service	Rescue Plan	Improvement	Project	Governmental	Governmental
	Fund	Fund	Act Fund	Fund	Fund	Funds	Funds
REVENUES							
Property taxes	\$ 2,951,627	\$ 4,566,499	\$ -	\$ -	\$ -	\$ -	\$ 7,518,126
Road and bridge privilege tax	1,098,585	-	-	-	-	-	1,098,585
Licenses and permits	357,880	-	-	-	-	-	357,880
Fines and forfeitures	1,840,097	-	-	-	-	-	1,840,097
Intergovernmental revenue	15,682,360	320,000	3,258,678	-	-	4,285,141	23,546,179
Charges for services	1,396,136	-	-	-	-	1,614,691	3,010,827
Interest income	80,145	73,559	-	8,856	16,423	17,374	196,357
Miscellaneous	318,545	-	-	-	-	147,995	466,540
Total Revenues	23,725,375	4,960,058	3,258,678	8,856	16,423	6,065,201	38,034,591
EXPENDITURES							
Current:							
General government	5,233,704	-	-	-	-	-	5,233,704
Public safety	10,807,595	-	-	-	-	87,542	10,895,137
Public works	1,715,317	-	-	-	43,548	6,120,485	7,879,350
Health and welfare	447,243	-	-	-	-	-	447,243
Culture and recreation	1,002,009	-	-	6,153,670	-	-	7,155,679
Debt service:							
Principal	85,567	12,448,185	-	-	-	433,904	12,967,656
Interest	3,320	618,834	-	-	-	420,566	1,042,720
Bond issue costs	-	238,174	-	-	97,525	-	335,699
Total Expenditures	19,294,755	13,305,193	-	6,153,670	141,073	7,062,497	45,957,188

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

City of Pearl, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

Page 2
EXHIBIT 4

	Major Governmental Funds						
	General	Debt	American	Park	2021 Street	Other	Total
	Fund	Service	Rescue Plan	Improvement	Project	Governmental	Governmental
		Fund	Act Fund	Fund	Fund	Funds	Funds
Excess (Deficiency) of							
Revenues Over Expenditures	4,430,620	(8,345,135)	3,258,678	(6,144,814)	(124,650)	(997,296)	(7,922,597)
OTHER FINANCING SOURCES							
And (Uses)							
Proceeds from issuance of debt	-	7,797,875	-	-	4,000,000	-	11,797,875
Transfers in	-	-	-	-	-	1,005,000	1,005,000
Transfers out	(1,005,000)	(16,879)	-	-	-	-	(1,021,879)
Total Other Financing							
Sources and (Uses)	(1,005,000)	7,780,996	-	-	4,000,000	1,005,000	11,780,996
Net Change in Fund Balances	3,425,620	(564,139)	3,258,678	(6,144,814)	3,875,350	7,704	3,858,399
Fund Balance -Beginning	6,161,527	3,356,153	-	7,122,878	-	3,424,597	20,065,155
Fund Balances-Ending	\$ 9,587,147	\$ 2,792,014	\$ 3,258,678	\$ 978,064	\$ 3,875,350	\$ 3,432,301	\$ 23,923,554

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

City of Pearl, Mississippi
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2021

EXHIBIT 5

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 4)		\$ 3,858,399
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	8,144,227	
Depreciation expense	(1,732,511)	
Loss on disposal of capital assets	<u>(34,557)</u>	6,377,159
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:		
Proceeds from debt issuances	(11,797,875)	
Payment on debt principal	12,967,656	
Amortization of premiums on bonds and certificates of participation	<u>26,825</u>	1,196,606
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.		
Change in accrued bond interest expense	82,331	
Change in long-term compensated absences	(120,185)	
Change in deferred outflows-amortization of bond refunding costs	(226,261)	
Change in deferred inflows-fines	<u>(57,140)</u>	(321,255)
Some items reported in the Statement of Activities related to the Implementation of GASB 68 are not reported as revenues/expenditures in the governmental Funds. These activities include:		
Recording of pension expense for the current period	(601,451)	
Recording of contributions made subsequent to measurement date	384,727	
Recognition of contributions made in the fiscal year prior to the measurement date	<u>962,566</u>	745,842
Change in Net Position of Governmental Activities (Exhibit 2)		\$ <u>11,856,751</u>

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

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

EXHIBIT 6

	Business-type Activity		
	Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 865,899	\$ 21,326	\$ 887,225
Accounts receivable, (net of allowance for uncollectibles of \$59,644)	1,337,384	-	1,337,384
Due from other governments	15,673	-	15,673
Due from other funds	260,268	-	260,268
Other current assets	35,903	-	35,903
Total Current Assets	<u>2,515,127</u>	<u>21,326</u>	<u>2,536,453</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	607,307	-	607,307
Capital assets, net	12,359,688	936,666	13,296,354
Total Noncurrent Assets	<u>12,966,995</u>	<u>936,666</u>	<u>13,903,661</u>
Total Assets	<u>15,482,122</u>	<u>957,992</u>	<u>16,440,114</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	603,428	-	603,428
Total Deferred Outflows of Resources	<u>603,428</u>	<u>-</u>	<u>603,428</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,085,550</u>	<u>\$ 957,992</u>	<u>\$ 17,043,542</u>

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

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

Page 2
EXHIBIT 6

	Business-type Activity Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 96,731	\$ -	\$ 96,731
Accrued interest payable	15,544	-	15,544
Accrued wages payable	86,415	-	86,415
Due to other funds	301,477	-	301,477
Current portion of long-term debt	304,517	50,818	355,335
Total Current Liabilities	<u>804,684</u>	<u>50,818</u>	<u>855,502</u>
Noncurrent Liabilities:			
Long-term debt	3,211,148	893,996	4,105,144
Compensated absences payable	77,699	-	77,699
Customer meter deposits payable	607,307	-	607,307
Net pension liability	4,292,950	-	4,292,950
Total Noncurrent Liabilities	<u>8,189,104</u>	<u>893,996</u>	<u>9,083,100</u>
Total Liabilities	<u>8,993,788</u>	<u>944,814</u>	<u>9,938,602</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	889,974	-	889,974
Total Deferred Inflows of Resources	<u>889,974</u>	<u>-</u>	<u>889,974</u>
Total Liabilities and Deferred Inflows of Resources	<u>9,883,762</u>	<u>944,814</u>	<u>10,828,576</u>
NET POSITION			
Net investment in capital assets	8,844,023	(8,148)	8,835,875
Unrestricted	(2,642,235)	21,326	(2,620,909)
Total Net Position	<u>6,201,788</u>	<u>13,178</u>	<u>6,214,966</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 16,085,550</u>	<u>\$ 957,992</u>	<u>\$ 17,043,542</u>

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

City of Pearl, Mississippi
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
September 30, 2021

EXHIBIT 7

	Business-type Activity		
	Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
OPERATING REVENUES			
Intergovernmental revenue	\$ 192,290	\$ -	\$ 192,290
Charges for services	8,898,816	-	8,898,816
Total Operating Revenues	9,091,106	-	9,091,106
OPERATING EXPENSES			
Personnel services	2,921,011	-	2,921,011
Contractual services	752,598	-	752,598
Materials and supplies	219,531	-	219,531
Maintenance	720,973	-	720,973
Utilities	389,334	-	389,334
West Rankin charges	2,486,702	-	2,486,702
Depreciation expense	875,434	44,603	920,037
Total Operating Expenses	8,365,583	44,603	8,410,186
Operating Income	725,523	(44,603)	680,920
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,655	9,297	10,952
Interest expense	(204,827)	(18,953)	(223,780)
Other income	15,540	-	15,540
Transfers in (out)	(51,910)	68,789	16,879
Total Nonoperating Revenue	(239,542)	59,133	(180,409)
Change in Net Position	485,981	14,530	500,511
Net Position-Beginning of Year	5,715,807	(1,352)	5,714,455
Total Net Position-End of Year	\$ 6,201,788	\$ 13,178	\$ 6,214,966

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

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

EXHIBIT 8

	Business-type Activity		
	Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 8,901,385	\$ -	\$ 8,901,385
Payments to suppliers and employees	(7,415,187)	-	(7,415,187)
Net Cash Provided by Operating Activities	1,486,198	-	1,486,198
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other revenues	15,540	-	15,540
Transfers in (out)/change in interfund payables	(51,910)	68,789	16,879
Net Cash Provided (Used) by Noncapital Financing Activities	(36,370)	68,789	32,419
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,675,162)	-	(1,675,162)
Principal paid on long-term debt	(461,342)	(49,837)	(511,179)
Interest expense paid	(204,827)	(18,953)	(223,780)
Net Cash (Used) by Capital Financing Activities	(2,341,331)	(68,790)	(2,410,121)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,655	9,297	10,952
Net Cash Provided by Investing Activities	1,655	9,297	10,952
Net Increase(Decrease) in Cash and Cash Equivalents	(889,848)	9,296	(880,552)
Cash and Cash Equivalents-Beginning of Year	2,363,054	12,030	2,375,084
Cash and Cash Equivalents-End of Year	\$ 1,473,206	\$ 21,326	\$ 1,494,532
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 725,523	\$ (44,603)	\$ 680,920
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	875,434	44,603	920,037
Changes in assets and liabilities:			
(Increase) in accounts receivable	(189,721)	-	(189,721)
Decrease in deferred amount on refunding	90,464	-	90,464
(Increase) in due from other governments	(15,673)	-	(15,673)
(Increase) in other current assets	(6,284)	-	(6,284)
(Increase) in deferred outflows of resources-pension	20,784	-	20,784
Increase in deferred inflows of resources-pension	885,044	-	885,044
Increase in claims payable	15,433	-	15,433
(Decrease) in customer deposits	(77,914)	-	(77,914)
Increase in compensated absences	15,517	-	15,517
(Decrease) in pension liability	(919,992)	-	(919,992)
(Decrease) in accrued interest payable	(5,673)	-	(5,673)
(Decrease) in due from other funds	(76,991)	-	(76,991)
Increase in due to other funds	133,272	-	133,272
Increase in accrued wages payable	16,975	-	16,975
Total adjustments	760,675	44,603	805,278
Net Cash Provided by Operating Activities	\$ 1,486,198	\$ -	\$ 1,486,198

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

City of Pearl, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2021

	EXHIBIT 9	
		Agency Funds
ASSETS		
Cash and investments	\$	13,421
Due from other funds		6,276
Total Assets	\$	19,697
LIABILITIES		
Amounts held in custody for others	\$	19,697
Total Liabilities	\$	19,697

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

NOTES TO THE FINANCIAL STATEMENTS

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity.

The City of Pearl (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.

B. Basis of Presentation.

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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 *Park Improvement Fund* is used to account for funds set aside for park and recreation improvements.

The *21 Street Project Fund* is used to account for funds set aside for a street project.

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.

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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

D. 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.

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.”

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

	<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 and 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

8. 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Long-term Liabilities. Continued

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. 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.”

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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Equity Classifications. Continued

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 impose 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.

10. 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 2 – 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.

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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits.

At year-end, the City's carrying amount of deposits was \$24,003,901 and the bank balance was \$22,230,467. 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

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	\$ 2,338,286	\$ -	\$ 2,338,286
Property taxes	7,788,193	-	7,788,193
Accounts	-	1,397,028	1,397,028
Fines	6,510,909	-	6,510,909
Intergovernmental	1,057,776	15,673	1,073,449
Other receivables	255,638	-	255,638
HOME grant receivable	474,000	-	474,000
Gross receivables	18,424,802	1,412,701	19,837,503
Less: allowance for uncollectibles	(6,268,320)	(59,644)	(6,327,964)
Net total receivables	\$ 12,156,482	\$ 1,353,057	\$ 13,509,539
		Unavailable	
Unavailable fines		\$ 242,589	
Property taxes receivable: General Fund		2,921,414	
Debt Service Fund		4,622,142	
Total unavailable revenue for governmental funds		\$ 7,786,145	

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

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 the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

D. Capital Assets.

Capital asset activity for the year ended September 30, 2021, is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,864,316	\$ -	\$ -	\$ -	\$ 5,864,316
Construction in progress	5,498,364	7,184,035	-	(1,059,903)	11,622,496
Total capital assets, not being depreciated	11,362,680	7,184,035	-	(1,059,903)	17,486,812
<i>Capital assets being depreciated:</i>					
Buildings	24,153,737	-	-	-	24,153,737
Improvements other than buildings	20,782,860	40,476	-	1,059,903	21,883,239
Streets	24,433,589	205,817	-	-	24,639,406
Bridges	668,537	-	-	-	668,537
Machinery and equipment	13,162,436	713,899	(249,557)	1,483,828	15,110,606
Leased equipment	4,148,380	-	-	(1,483,828)	2,664,552
Total capital assets being depreciated	87,349,539	960,192	(249,557)	1,059,903	89,120,077
<i>Less Accumulated depreciation for:</i>					
Buildings	(6,352,546)	(505,606)	-	-	(6,858,152)
Improvements other than buildings	(4,360,723)	(125,322)	-	-	(4,486,045)
Streets	(13,078,055)	(511,094)	-	-	(13,589,149)
Bridges	(361,013)	(13,369)	-	-	(374,382)
Machinery and equipment	(10,874,031)	(360,564)	215,000	(1,315,898)	(12,335,493)
Leased equipment	(2,714,293)	(216,556)	-	1,315,898	(1,614,951)
Total accumulated depreciation	(37,740,661)	(1,732,511)	215,000	-	(39,258,172)
Total capital assets being depreciated, net	49,608,878	(772,319)	(34,557)	1,059,903	49,861,905
Governmental activities capital assets, net	\$ 60,971,558	\$ 6,411,716	\$ (34,557)	\$ -	\$ 67,348,717

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

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

D. Capital Assets. Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<i><u>Capital assets, not being depreciated:</u></i>				
Construction in progress	\$ 453,198	\$ 160,313	\$ -	\$ 613,511
Land	492,203	-	-	492,203
Total capital assets, not being depreciated	945,401	160,313	-	1,105,714
<i><u>Capital assets, being depreciated:</u></i>				
Buildings	92,793	-	-	92,793
Water system	14,594,495	1,338,206	-	15,932,701
Sewer system	21,980,603	-	-	21,980,603
Machinery and equipment	2,553,343	176,643	(21,604)	2,708,382
Total capital assets, being depreciated	39,221,234	1,514,849	(21,604)	40,714,479
<i><u>Less: Accumulated depreciation for:</u></i>				
Buildings	(91,985)	(270)	-	(92,255)
Water system	(9,565,262)	(412,902)	-	(9,978,164)
Sewer system	(15,999,717)	(339,261)	-	(16,338,978)
Machinery and equipment	(1,968,442)	(167,604)	21,604	(2,114,442)
Total accumulated depreciation	(27,625,406)	(920,037)	21,604	(28,523,839)
Total capital assets being depreciated, net	11,595,828	594,812	-	12,190,640
Business-type activities capital assets, net	<u>\$ 12,541,229</u>	<u>\$ 755,125</u>	<u>\$ -</u>	<u>\$ 13,296,354</u>

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

Governmental activities:	
General government	\$ 168,289
Public safety	626,806
Public works	686,591
Health and welfare	65,300
Culture and recreation	185,525
Total depreciation expense-governmental activities	<u>\$ 1,732,511</u>
Business-type activities:	
Water and sewer	\$ 920,037
Total depreciation expense-business-type activities	<u>\$ 920,037</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

E. Interfund Receivables, Payables and Transfers.

The composition of interfund balances as of September 30, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 709,020
Debt Service Fund	Debt Service Fund	1,186,334
Other Governmental Funds	General Fund	67,188
Water/Sewer Fund	General Fund	260,268
Agency Fund	General Fund	6,276
Other Governmental Funds	Other Governmental Funds	642,079
General Fund	Water/Sewer Fund	301,477
Debt Service Fund	Other Governmental Funds	155,495
Total		<u>\$ 3,328,137</u>

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

Interfund Transfers:

Transfers out:

General Fund	\$ 1,005,000
Debt Service Fund	16,879
Water/Sewer Fund	51,910
Total transfers out	<u>\$ 1,073,789</u>

Transfers in:

Water/Sewer Improvement Fund	\$ 68,789
Other Governmental Funds	1,005,000
Total transfers in	<u>\$ 1,073,789</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 the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

F. Leases.

Capital Leases.

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in the governmental activities. These lease agreements qualify as capital leases for accounting purpose and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The City is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

Asset:	Governmental Activities
Machinery and equipment	\$ 2,664,552
Less: Accumulated depreciation	<u>(1,614,951)</u>
Total	<u><u>\$ 1,049,601</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, are as follows:

<u>Year Ending September 30:</u>	Governmental Activities
2022	\$ 331,141
2023	275,299
2024	242,747
2025	242,747
2026	<u>242,747</u>
Total minimum lease payments	1,334,681
Less: amount representing interest	<u>(122,062)</u>
Present value of minimum lease payments	<u><u>\$ 1,212,619</u></u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – 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%-5.95%	\$ 30,181,898
Business-type activities	0.9%-3.15%	2,055,103
Total		<u>\$ 32,237,001</u>

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

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,122,284	\$ 756,756	\$ 90,717	\$ 51,920
2023	2,652,393	674,724	172,609	50,297
2024	2,548,641	563,216	357,359	47,297
2025	2,630,362	551,780	373,639	35,263
2026	2,577,034	487,576	362,964	25,177
2027-2031	11,919,184	1,503,473	697,815	32,347
2032-2034	4,732,000	249,216	-	-
Total	<u>\$ 30,181,898</u>	<u>\$ 4,786,741</u>	<u>\$ 2,055,103</u>	<u>\$ 242,301</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

G. Long-term Debt. Continued

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 Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 41,305	\$ 6,754
2023	43,577	5,062
2024	33,244	2,093
Total	<u>\$ 118,126</u>	<u>\$ 13,909</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 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

G. Long-term Debt. Continued

Loans Payable - continued

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. The monthly installment was renegotiated in March, 2020 to \$34,321 per month. There is no interest on this debt. At September 30, 2021, the balance of this debt is \$2,337,269.

Loans currently outstanding are as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
Mississippi Development Bank-		
Trustmark	3.02%-6.15%	\$ 2,270,000
Copiah Bank	1.79%	375,000
Peoples Bank	1.53%	1,250,000
Bloomfield Equities, LLC	0.00%	2,337,269
Total Governmental Activities		<u>6,232,269</u>
Business-type Activities:		
Capital Improvement (CAP)	3.0%-4.25%	84,855
Mississippi Development of Health Drinking		
Water Systems Improvements		
Revolving Loan Fund (DWSIRLF)	3.00%	2,320,521
Total Business-type Activities		<u>2,405,376</u>
Total		<u><u>\$ 8,637,645</u></u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

G. Long-term Debt. Continued

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,816,858	\$ 82,329	\$ 264,618	\$ 45,073
2023	1,211,858	48,838	201,622	39,905
2024	1,226,858	30,456	196,337	36,062
2025	976,695	10,412	200,201	32,198
2026	-	-	204,140	28,259
2027-2031	-	-	949,255	80,475
2032-2036	-	-	321,135	22,811
2037	-	-	68,068	721
Total	<u>\$ 6,232,269</u>	<u>\$ 172,035</u>	<u>\$ 2,405,376</u>	<u>\$ 285,504</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

G. Long-term Debt. Continued

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 28,344,910	\$ 11,797,875	\$ (9,960,887)	\$ 30,181,898	\$ 3,122,284
Tax increment financing bonds	157,706	-	(39,580)	118,126	41,305
Unamortized premiums-GO bonds	26,825	-	(26,825)	-	-
Total bonds payable	<u>28,529,441</u>	<u>11,797,875</u>	<u>(10,027,292)</u>	<u>30,300,024</u>	<u>3,163,589</u>
Capital leases	1,592,596	-	(379,977)	1,212,619	331,141
Loans payable	8,819,481	-	(2,587,212)	6,232,269	2,816,858
Compensated absences	313,757	120,185	-	433,942	-
Net pension liability	22,490,910	-	(4,611,135)	17,879,775	-
	<u>33,216,744</u>	<u>120,185</u>	<u>(7,578,324)</u>	<u>25,758,605</u>	<u>3,147,999</u>
Governmental activity					
Long-term liabilities	<u>\$ 61,746,185</u>	<u>\$ 11,918,060</u>	<u>\$ (17,605,616)</u>	<u>\$ 56,058,629</u>	<u>\$ 6,311,588</u>
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 2,263,091	\$ 827,125	\$ (1,035,113)	\$ 2,055,103	\$ 90,717
Unamortized premiums	13,669	-	(13,669)	-	-
Total bonds payable	<u>2,276,760</u>	<u>827,125</u>	<u>(1,048,782)</u>	<u>2,055,103</u>	<u>90,717</u>
Loans payable	2,694,898	-	(289,522)	2,405,376	264,618
Compensated absences	62,182	15,517	-	77,699	-
Net pension liability	5,212,942	-	(919,992)	4,292,950	-
	<u>7,970,022</u>	<u>15,517</u>	<u>(1,209,514)</u>	<u>6,776,025</u>	<u>264,618</u>
Business-type activity					
Long-term liabilities	<u>\$ 10,246,782</u>	<u>\$ 842,642</u>	<u>\$ (2,258,296)</u>	<u>\$ 8,831,128</u>	<u>\$ 355,335</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

G. Long-term Debt. Continued

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, 2021, the amount of outstanding debt was equal to 8.10% of the latest property assessments.

In fiscal year 2015, the City issued bonds to refund portions of an earlier issue. The bonds refunded had call provisions to allow the City to pay off portions of the outstanding balances. The proceeds of the refunding bonds were transferred to an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2021, all of the balance has been refunded.

Current Refundings – On October 13, 2020, the City issued \$6,769,000 and \$1,856,000 in general obligation refunding bonds. The following is a summary of the refundings:

Refunding Issues:

Date	Description	Average Interest Rate	Issue Amount
October 13, 2020	City of Pearl, Mississippi \$6,769,000 General Obligation Refunding Bonds, Series 2020A	1.68%	\$ 6,769,000
October 13, 2020	\$1,856,000 General Obligation Refunding Bonds, Series 2020B		\$ 1,856,000

Refunded Issues:

Date	Description	Original Issue	Amount Defeased	Non-refunded Balance at 9/30/2020
December 1, 2011	Mississippi Development Bank Special Obligation Bonds, Series 2007	\$ 10,525,000	\$ 3,700,000	\$ 145,000
July 1, 2010	City of Pearl General Obligation Bonds, Series 2010	\$ 9,750,000	\$ 4,490,000	\$ 630,000

The City refunded the above bonds to reduce its total debt service payments over the next 12 years by almost \$119,811 and \$505,587 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$114,902 and \$484,330.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 4 – 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.

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 to pledge to the City \$320,000 per year for partial payment of the City's obligations described herein. In 2021, the City paid Bloomfield Equities, LLC \$3,199,528 under this agreement. In 2021, the Rankin County Board of Supervisors paid \$0.

The City 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.

C. Jointly Governed Organizations.

West Rankin Utility Authority

The City 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 4 – OTHER INFORMATION - Continued

C. Jointly Governed Organizations. Continued

In 2002, the City, 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's annual payment shall be the percentage of the total annual costs as determined by dividing the City'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 2020 through September 2021, the City paid \$2,486,702. For the twelve-month period beginning October 1, 2021, the City's expected annual financial responsibility will be approximately \$2,448,000.

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.

D. Note Receivable.

In 1998, the City received a grant from the United States Department of Housing and Urban Development for the construction of a senior citizens apartment complex. The grant provides funds for a long-term loan to the developer of this project. The apartment complex is collateral on the loan. Repayment begins the first month after the final payment on this mortgage loan in the year 2036 with payments of \$1,786 per month. The current balance of the note receivable is \$474,000.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 5 – PENSION PLAN OBLIGATIONS

General Information about the Pension Plan

Plan Description

The City of Pearl is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the City. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided

For the cost-sharing plan, 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 annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefits are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 5 – PENSION PLAN OBLIGATIONS - Continued

General Information about the Pension Plan - Continued

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, 2021, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll through June 30, 2021, and at the current employer contribution rate (17.40%) thereafter. The City's employer contributions to PERS for the year ended September 30, 2021, 2020, and 2019 were \$1,759,914, \$1,677,148, and \$1,447,405 respectively, equal to the required contributions for each year.

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

At September 30, 2021, the City of Pearl reported a liability of \$22,172,725 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the 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, 2021, the City of Pearl's proportion was 0.150014% which was an increase of .006907% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the City of Pearl recognized pension expense of \$745,847.

At September 30, 2021, the City of Pearl 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	\$ 369,032	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,342,579
Changes of assumptions	1,328,769	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	941,761	254,064
Contributions subsequent to the measurement date	477,092	-
	<u>\$ 3,116,654</u>	<u>\$ 4,596,643</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 5 – 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, 2021, the City of Pearl reported \$477,092 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, 2021. 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>
2022	\$ (96,852)
2023	(86,191)
2024	(380,919)
2025	(1,393,119)
Total	<u><u>\$ (1,957,081)</u></u>

Actuarial Assumptions

The total pension liability used in the June 30, 2021, 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 5 – PENSION PLAN OBLIGATIONS - Continued

Actuarial Assumptions - Continued

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.

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:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity	27.00 %	4.60 %
International equity	22.00	4.50
Global equity	12.00	4.80
Fixed income	20.00	(0.25)
Real estate	10.00	3.75
Private equity	8.00	6.00
Cash equivalents	<u>1.00</u>	<u>(1.00)</u>
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.55%. 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 5 – PENSION PLAN OBLIGATIONS – Continued

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

The City of Pearl’s proportionate share of the net pension liability has been calculated using a discount rate of 7.55%. The following presents the City of Pearl’s proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
\$31,401,777	\$22,172,725	\$14,567,252

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, 2021, the City of Pearl has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2021.

NOTE 6 – NO COMMITMENT DEBT

In August 1999, the City issued mortgage revenue bonds to provide for the cost of acquisition and renovation of a 120-unit apartment project-Rankin Square. The bonds are secured by project receipts, project mortgage, deed of trust and other security as described in the bond indenture. The bonds are payable solely from receipts of the project. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2012, the principal amount payable was \$3,685,000, which is the original issue amount. The bonds are in default. On November 14, 2011, the trustee was directed by the District Court of Minnesota to sell the property and disburse the proceeds in full settlement of the outstanding debt.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 6 – NO COMMITMENT DEBT - Continued

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.

These bonds issues are:

<u>Title</u>	<u>Issue Date</u>	<u>Maturity</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	11/1/2024	\$ 14,110,000	\$ 7,050,000
Taxable Urban Renewable Revenue Refunding Bond, Series 2012	6/19/2012	11/1/2024	\$ 18,250,000	\$ 7,910,000

NOTE 7 – 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 8 – 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.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 9 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of (\$14,538,972), 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 \$477,092 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, 2021. The \$2,639,562 balance of the deferred outflow of resources related to pension at September 30, 2021, will be recognized in pension expense over the next four years. The \$4,596,643 balance of the deferred inflow of resources related to pension at September 30, 2021, will be recognized in pension expense over the next five years.

NOTE 10 – 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 grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

NOTE 11 – 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 June 15, 2022, (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 December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus has continued to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

In October 2021, the Board approved a payment to a local contractor in the amount of \$212,409 for the Parks and Recreation Phase II City Park Improvement Project.

In October 2021, the Board approved a payment to a local contractor in the amount of \$123,483 for Parks and Recreation Baseball and Softball Fields.

In October 2021, the Board approved 9 Surface Transportation Block Grants for Overlay Projects and Traffic Signal Improvements.

In November 2021, the Board approved a payment to local contractor in the amount of \$259,922 for the Pearl-Richland Intermodal Connector Project.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 11 – SUBSEQUENT EVENTS - Continued

In November 2021, the Board approved a contract from a local company for Public Safety Software Solution for the Police Department in the amount of \$791,883.

In December 2021, the Board approved a payment to a local contractor in the amount of \$60,000 for the Water Systems Improvement Project.

In December 2021, the Board approved a payment to a local contractor in the amount of \$260,907 for Parks and Recreation Construction Project Phase II.

In January 2022, the Board approved a payment to a local contractor in the amount of \$122,850 for Parks and Recreation Construction Project Phase II.

In January 2022, the Board approved a payment to a local contractor in the amount of \$104,824 for Parks and Recreation Construction Project Phase II.

In January 2022, the Board approved a payment to a local contractor in the amount of \$122,850 for Parks and Recreation Construction Project Phase II.

In February 2022, the Board approved a payment in the amount of \$75,257 to a company for review of unbilled or misbilled Water and Sewer.

In February 2022, the Board approved the purchases of a Kubota Compact Loader in the amount of \$68,938 and a Kubota Excavator in the amount of \$77,381.

In February 2022, the Board approved a payment to local contractor in the amount of \$88,750 for the Pine Park Hazard Mitigation Project.

In March 2022, the Board approved a Surface Transportation Block Grant for construction of new sidewalks.

In March 2022, the Board approved payments to a local contractor in the amounts of \$158,806 and \$183,447 for Parks and Recreation Construction Project Phase II and Soccer Concessions.

In March 2022, the Board approved a payment to a local contractor in the amount of \$193,606 for Parks and Recreation Construction Project Baseball and Softball Fields.

In April 2022, the Board approved a payment to a local contractor in the amount of \$255,778 for the Pearl-Richland Intermodal Connector.

In April 2022, the Board approved a payment to the Railway in the amount of \$54,500 for the Pearl-Richland Intermodal Connector Bridge.

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 11 – SUBSEQUENT EVENTS - Continued

In April 2022, the Board approved a payment to a local contractor in the amount of \$320,746 for the Pearl-Richland Intermodal Connector Bridge Project.

In May 2022, the Board approved a payment to a local contractor in the amount of \$57,726 for the Pearl-Richland Intermodal Connector Bridge Project.

In May 2022, the Board approved a resolution for the issuance of Limited Obligation Bonds in an amount not to exceed \$7,000,000 to provide funds for street, water, and sewer system improvements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pearl, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
General Fund - Unaudited
For the Year Ended September 30, 2021

	General Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Taxes	\$ 3,190,003	\$ 4,034,678	\$ 4,034,678	\$ -
Licenses and permits	386,000	357,880	357,880	-
Fines and forfeitures	1,136,000	1,678,633	1,678,633	-
Intergovernmental revenues	13,880,000	15,951,471	15,951,471	-
Charges for services	1,191,500	1,375,820	1,375,820	-
Miscellaneous revenues	1,162,000	440,252	440,252	-
Total Revenues	20,945,503	23,838,734	23,838,734	-
EXPENDITURES				
General government	3,628,987	5,232,415	5,232,415	-
Public safety	10,651,144	13,183,227	13,183,227	-
Public works	1,591,508	3,049,071	3,049,071	-
Health and welfare	566,563	443,806	443,806	-
Culture and recreation	2,657,301	969,389	969,389	-
Economic development	2,550,000	-	-	-
Total Expenditures	21,645,503	22,877,908	22,877,908	-
Excess (deficiency) of revenues over Expenditures	(700,000)	960,826	960,826	-
OTHER FINANCING SOURCES (USES)				
Transfer out	-	(1,005,000)	(1,005,000)	-
Total Other Financing Sources (Uses)	-	(1,005,000)	(1,005,000)	-
Net Change in Fund Balance	(700,000)	(44,174)	(44,174)	-
Fund Balances - Beginning	-	2,163,268	2,163,268	-
Fund Balances - Ending	\$ -	\$ 2,119,094	\$ 2,119,094	\$ -

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

City of Pearl, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
American Rescue Plan Act Fund - Unaudited
For the Year Ended September 30, 2021

	American Rescue Plan Act Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ 3,258,678	\$ 3,258,678	\$ -
Total Revenues	-	3,258,678	3,258,678	-
Net Change in Fund Balance	-	3,258,678	3,258,678	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	\$ 3,258,678	\$ 3,258,678	\$ -

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

City of Pearl, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
Park Improvement Fund - Unaudited
For the Year Ended September 30, 2021

	Park Improvement Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual (Budgetary Basis)	
REVENUES				
Miscellaneous revenues	\$ -	\$ 8,855	\$ 8,855	\$ -
Total Revenues	-	8,855	8,855	-
EXPENDITURES				
Public works	9,625,000	6,536,988	6,536,988	-
Total Expenditures	9,625,000	6,536,988	6,536,988	-
Excess (deficiency) of revenues over Expenditures	(9,625,000)	(6,528,133)	(6,528,133)	-
Net Change in Fund Balance	(9,625,000)	(6,528,133)	(6,528,133)	-
Fund Balances - Beginning	-	7,706,308	7,706,308	-
Fund Balances - Ending	\$ -	\$ 1,178,175	\$ 1,178,175	\$ -

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

City of Pearl, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
2021 Street Project Fund - Unaudited
For the Year Ended September 30, 2021

	2021 Street Project Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Miscellaneous revenues	\$ -	\$ 16,423	\$ 16,423	\$ -
Total Revenues	-	16,423	16,423	-
EXPENDITURES				
Public works	-	43,548	43,548	
Bond issue costs	-	97,525	97,525	-
Total Expenditures	-	141,073	141,073	-
Excess (deficiency) of revenues over Expenditures	-	(124,650)	(124,650)	-
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	-	4,000,000	4,000,000	-
Total Other Financing Sources	-	4,000,000	4,000,000	-
Net Change in Fund Balance	-	3,875,350	3,875,350	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	\$ 3,875,350	\$ 3,875,350	\$ -

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

City of Pearl, Mississippi
Schedule of the City's Proportionate Share
of the Net Pension Liability-Unaudited
Last 10 Fiscal Years*
For the Years Ended September 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	.150014%	.143107%	.133234%	.143162%	.151627%	.145462%	.144250%	.148952%
Employer's proportionate share of the net pension liability (asset)	\$ 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 payroll	\$ 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 payroll	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	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 show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information

City of Pearl, Mississippi
Schedule of the City's Contributions-PERS-Unaudited
Last 10 Fiscal Years*
For the Years Ended September 30, 2021, 2020, 2019, 2018, 2017, 2016, and 2015

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,759,914	\$ 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 contributions	<u>(1,759,914)</u>	<u>(1,677,148)</u>	<u>(1,447,405)</u>	<u>(1,328,112)</u>	<u>(1,545,812)</u>	<u>(1,533,794)</u>	<u>(1,426,817)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 10,114,448	\$ 9,638,782	\$ 8,929,475	\$ 8,432,460	\$ 9,814,679	\$ 9,738,374	\$ 9,059,156
Contributions as a percentage of covered payroll	17.40%	17.40%	16.21%	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 show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

City of Pearl, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ended September 30, 2021

a.) Budgetary Information

Statutory requirements dictate how and when the City'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, 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'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.

b.) Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

c.) Budget/GAAP Reconciliation

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

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

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

	Governmental Fund Types			
	General Fund	American Rescue Plan Act Fund	Park Improvement Fund	2021 Street Project Fund
Budget (Cash Basis)	\$ (44,174)	\$ 3,258,678	\$ (6,528,133)	\$ 3,875,350
Increase (Decrease)				
Net adjustments for revenue accruals	3,167,256	-	-	-
Net adjustments for expenditures accruals	302,538	-	383,319	-
GAAP Basis	<u>\$ 3,425,620</u>	<u>\$ 3,258,678</u>	<u>\$ (6,144,814)</u>	<u>\$ 3,875,350</u>

City of Pearl, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ended September 30, 2021

D. Pension Schedules.

Changes of Assumptions.

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% 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%.
- 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%.

City of Pearl, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ended September 30, 2021

D. Pension Schedules.

Changes of Assumptions.

2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from 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%.

2016

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

City of Pearl, Mississippi
Notes to Required Supplementary Information-Unaudited
For the Year Ended September 30, 2021

D. Pension Schedules. (continued)

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%.

City of Pearl, Mississippi
Notes to Required Supplementary Information-Unaudited
For the Year Ended September 30, 2021

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, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

City of Pearl, Mississippi
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021
Schedule 1

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed-Through Mississippi Development Authority			
Community Development Block Grant	14.228	1135-19-293-PF-01	\$ 8,000
Total U.S. Department of Housing and Urban Development			8,000
<u>U.S. Department of Transportation</u>			
Passed-Through Mississippi			
Department of Transportation			
Highway Planning and Construction*	20.205	STP-6964-00(001)LPA	1,350,174
Highway Planning and Construction*	20.205	STP-7314-00(035)LPA	447,535
Highway Planning and Construction*	20.205	STPD-7040-00(001)LPA	770,347
Subtotal			2,568,056
Passed-Through Mississippi/Office of Highway Safety			
Occupant Protection	20.616	PT-2021-PT-31-91	90,202
			90,202
Total U.S. Department of Transportation			2,658,258
<u>U.S. Department of Treasury</u>			
Equitable Sharing	21.016		50,164
Total U.S. Department of Treasury			50,164
<u>U.S. Environmental Protection Agency</u>			
Congressional Mandated Projects	66.202	XPOOD87519	358,752
Total Environmental Protection Agency			358,752
<u>Executive Office of the President</u>			
High Intensity Drug Trafficking Areas Program	95.001	G20-GC0003A	46,188
Total Executive Office of the President			46,188
Federal Emergency Management Agency			
Passed-Through Mississippi Emergency Management Agency			
Hazard Mitigation Grant	97.047	HMPG-4429-0016	22,500
Total Federal Emergency Management Agency			22,500
	Total		\$ 3,143,862

*- denotes major program

City of Pearl, Mississippi
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(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, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

(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.

(3) Indirect Cost Rate

The City 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
September 30, 2021

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
Teressa Wade	Deputy City Clerk	Travelers Casualty & Surety	50,000
Taylor Lindley	Deputy City Clerk	Travelers Casualty & Surety	50,000
Tammy Barnes	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
Chanda Romero	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Tanisha Gaylord	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Breanna Magee	Deputy Court Clerk	Travelers Casualty & Surety	50,000
Aletha White	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
Teresa Wilson	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
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
Crystal Thomas	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

SPECIAL REPORTS

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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Phone 601-271-8860 • Fax 601-271-8921

145 Republic Street • Suite 211 • Madison, Mississippi 39110

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

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

Independent Auditors' Report

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2022.

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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 2021-001, that we consider to be a material weakness.

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 Response 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'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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the City'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.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
June 15, 2022

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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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

We have audited the compliance of City of Pearl with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance 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.

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

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

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
June 15, 2022

HERZOG CPA COMPANY, PLLC

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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, 2021, and the related notes to the financial statements, and have issued our report thereon June 15, 2022. 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 scope than an audit, the objective of which is the expression of an opinion on the City'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.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC

Hattiesburg, Mississippi

June 15, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Pearl, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section 1: Summary of Auditors' Results

Financial Statements:

1.	Type of Auditors' report issued on the primary government financial statements:	
	Governmental Activities	Qualified
	Business-type Activities	Qualified
	General Fund	Unmodified
	Debt Service Fund	Unmodified
	ARPA Fund	Unmodified
	Park Improvement Fund	Unmodified
	2021 Street Project 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 a material weakness?	None reported
3.	Noncompliance material to the primary government 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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
For the Year Ended September 30, 2021

Section 2: Financial Statement Findings

2021-001. 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, 2020-001.

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.

City of Pearl, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

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
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2021

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: 2021-001

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.



Corrective Action Plan

June 15, 2022

The City of Pearl respectively submits the following corrective action plan for the year ended September 30, 2021.

Name and address of independent public accounting firm:

Herzog CPA Company, PLLC
P.O. Box 17986
Hattiesburg, MS 39404

Audit Period: Year ended September 30, 2021

The Finding from the June 15, 2022 Schedule of Findings and Questioned Costs are 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