

CITY OF PEARL, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CITY OF PEARL, MISSISSIPPI
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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, 2020, 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, 2020, 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, 2020, 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 30, 2021, 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 30, 2021

BASIC FINANCIAL STATEMENTS

City of Pearl, Mississippi
Statement of Net Position
September 30, 2020

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 18,643,067	\$ 1,689,863	\$ 20,332,930
Property tax receivable	7,633,756	-	7,633,756
Fines receivable (net of allowance for uncollectibles of \$5,861,996)	299,729	-	299,729
Accounts receivable, (net of allowance for uncollectibles of \$59,644)	-	1,147,663	1,147,663
Other receivables	247,681	-	247,681
Other current assets	-	29,619	29,619
Due from other governments	1,134,240	-	1,134,240
Internal balances	(21,348)	15,072	(6,276)
Sales tax receivable	1,994,877	-	1,994,877
Total Current Assets	29,932,002	2,882,217	32,814,219
Noncurrent Assets:			
Restricted cash	607,954	685,221	1,293,175
Home Grant receivable	474,000	-	474,000
Capital assets, net	60,971,558	12,541,229	73,512,787
Total Noncurrent Assets	62,053,512	13,226,450	75,279,962
Total Assets	91,985,514	16,108,667	108,094,181
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	2,693,122	624,212	3,317,334
Deferred amount on refunding	226,261	90,464	316,725
Total Deferred Outflows of Resources	2,919,383	714,676	3,634,059
Total Assets and Deferred Outflows of Resources	\$ 94,904,897	\$ 16,823,343	\$ 111,728,240

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

City of Pearl, Mississippi
Statement of Net Position
September 30, 2020

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EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 1,100,441	\$ 81,298	\$ 1,181,739
Accrued interest payable	204,377	21,217	225,594
Accrued wages payable	487,630	69,440	557,070
Other liabilities	663,572	-	663,572
Current portion of non-capital related			
long-term debt	651,858	-	651,858
Current portion of capital related long-term debt	4,846,522	530,633	5,377,155
Total Current Liabilities	<u>7,954,400</u>	<u>702,588</u>	<u>8,656,988</u>
Noncurrent Liabilities:			
Long-term non-capital related liabilities			
due in more than one year	2,336,948	-	2,336,948
Long-term capital related liabilities			
due in more than one year	31,106,193	4,441,025	35,547,218
Compensated absences payable	313,757	62,182	375,939
Customer meter deposits payable	-	685,221	685,221
Escrowed seizure funds payable	500,931	-	500,931
Net pension liability	22,490,910	5,212,942	27,703,852
Total Noncurrent Liabilities	<u>56,748,739</u>	<u>10,401,370</u>	<u>67,150,109</u>
Total Liabilities	<u>64,703,139</u>	<u>11,103,958</u>	<u>75,807,097</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	7,422,498	-	7,422,498
Deferred Inflows related to pension	21,269	4,930	26,199
Total Deferred Inflows of Resources	<u>7,443,767</u>	<u>4,930</u>	<u>7,448,697</u>
Total Liabilities and Deferred Inflows of Resources	<u>72,146,906</u>	<u>11,108,888</u>	<u>83,255,794</u>
NET POSITION			
Net investment in capital assets	25,018,843	7,582,953	32,601,796
Restricted for:			
Debt service	3,206,617	-	3,206,617
Capital improvements	8,081,582	-	8,081,582
Unrestricted	(13,549,051)	(1,868,498)	(15,417,549)
Total Net Position	<u>22,757,991</u>	<u>5,714,455</u>	<u>28,472,446</u>
Total Liabilities, Deferred Inflows of			
Resources, and Net Position	<u>\$ 94,904,897</u>	<u>\$ 16,823,343</u>	<u>\$ 111,728,240</u>

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, 2020

EXHIBIT 2

Function/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities	Governmental Activities	Business-Type Activities	Total
Primary Government:								
Governmental Activities:								
General government	\$ (4,160,766)	\$ 345,134	\$ -	\$ -	\$ -	\$ (3,815,632)	\$ -	\$ (3,815,632)
Public safety	(7,642,028)	777,323	690,613	-	-	(6,174,092)	-	(6,174,092)
Public works	(6,724,445)	1,528,175	-	307,700	-	(4,888,570)	-	(4,888,570)
Health and welfare	(365,198)	-	-	-	-	(365,198)	-	(365,198)
Culture and recreation	(1,404,041)	371,380	-	-	-	(1,032,661)	-	(1,032,661)
Interest on long-term debt	(1,201,852)	-	-	-	-	(1,201,852)	-	(1,201,852)
Bond issue costs	(446,191)	-	-	-	-	(446,191)	-	(446,191)
Pension expense	(2,449,343)	-	-	-	-	(2,449,343)	-	(2,449,343)
Loss on disposal of assets	(2,520,600)	-	-	-	-	(2,520,600)	-	(2,520,600)
Total Governmental Activities	(26,914,464)	3,022,012	690,613	307,700	-	(22,894,139)	-	(22,894,139)
Business-type Activities:								
Water/Sewer	(10,009,866)	8,724,676	-	-	-	-	(1,285,190)	(1,285,190)
Pension expense	(567,709)	-	-	-	-	-	(567,709)	(567,709)
Total Business-type Activities	(10,577,575)	8,724,676	-	-	-	-	(1,852,899)	(1,852,899)
Total Primary Government	\$ (37,492,039)	\$ 11,746,688	\$ 690,613	\$ 307,700	\$ -	\$ (22,894,139)	\$ (1,852,899)	\$ (24,747,038)

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

City of Pearl, Mississippi
Statement of Activities
September 30, 2020

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	\$ 6,955,525	\$ -	\$ 6,955,525
Road and bridge privilege taxes	1,003,535	-	1,003,535
Sales tax	13,012,488	-	13,012,488
Franchise taxes	963,271	-	963,271
Grants and contributions not restricted to specific programs	1,393,757	-	1,393,757
Unrestricted investment income	206,707	4,213	210,920
Miscellaneous	647,802	13,688	661,490
Transfers	2,726,231	(2,726,231)	-
Total General Revenues	26,909,316	(2,708,330)	24,200,986
Change in Net Position	4,015,177	(4,561,229)	(546,052)
Net Position-Beginning of year	18,742,814	10,275,684	29,018,498
Net Position-End of year	\$ 22,757,991	\$ 5,714,455	\$ 28,472,446

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

City of Pearl, Mississippi
Balance Sheet
Governmental Funds
September 30, 2020

EXHIBIT 3

Major Governmental Funds									
	General Fund	Debt Service Fund	Police Seizure Fund	Park Improvement Fund	Street Paving Fund	Other Governmental Funds	Governmental Funds	Total	
ASSETS									
Cash and investments	\$ 4,298,663	\$ 3,148,757	\$ -	\$ 7,706,308	\$ 2,450,065	\$ 1,039,274	\$ -	\$ 18,643,067	
Restricted cash	-	-	607,954	-	-	-	-	607,954	
Property tax receivable	2,970,420	4,663,336	-	-	-	-	-	7,633,756	
Fines receivable (net of allowance for uncollectibles of \$5,861,996)	299,729	-	-	-	-	-	-	299,729	
Sales tax receivable	1,994,877	-	-	-	-	-	-	1,994,877	
Other receivables	247,659	-	-	-	-	22	-	247,681	
Due from other governments	835,125	-	-	-	-	299,115	-	1,134,240	
Due from other funds	323,122	1,278,361	-	-	-	465,741	-	2,067,224	
Total Assets	\$ 10,969,595	\$ 9,090,454	\$ 607,954	\$ 7,706,308	\$ 2,450,065	\$ 1,804,152	\$ -	\$ 32,628,528	
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES									
Liabilities:									
Claims payable	\$ 301,005	\$ -	\$ 166	\$ 418,994	\$ 310,418	\$ 69,858	\$ -	\$ 1,100,441	
Retainage payable	-	-	-	164,436	-	-	-	164,436	
Accrued wages payable	316,342	-	-	-	-	6,852	-	323,194	
Due to other funds	352,889	1,186,334	100,121	-	-	449,228	-	2,088,572	
Other liabilities	663,572	-	-	-	-	-	-	663,572	
State and federal seized funds escrow	-	-	500,931	-	-	-	-	500,931	
Total Liabilities	1,633,808	1,186,334	601,218	583,430	310,418	525,938	-	4,841,146	

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

City of Pearl, Mississippi
Balance Sheet
Governmental Funds
September 30, 2020

Page 2
EXHIBIT 3

Major Governmental Funds									
	General Fund	Debt Service Fund	Police Seizure Fund	Park Improvement Fund	Street Paving Fund	Other Governmental Funds	Governmental Funds	Total	
Deferred Inflows of Resources:									
Property tax for future periods	\$ 2,874,531	\$ 4,547,967	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,422,498	
Unavailable revenue-fines	299,729	-	-	-	-	-	-	299,729	
Total Deferred Inflows of Resources	<u>3,174,260</u>	<u>4,547,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,722,227</u>	
Total Liabilities and Deferred Inflows of Resources	<u>4,808,968</u>	<u>5,734,301</u>	<u>601,218</u>	<u>583,430</u>	<u>310,418</u>	<u>525,938</u>	<u>-</u>	<u>12,563,373</u>	
FUND BALANCES:									
Restricted:									
Public safety	-	-	6,736	-	-	310,241	-	316,977	
Committed:									
Debt service	-	3,356,153	-	-	-	-	-	3,356,153	
Public works	-	-	-	-	2,139,647	9,269	-	2,148,916	
Capital projects	-	-	-	7,122,878	-	958,704	-	8,081,582	
Unassigned	6,161,527	-	-	-	-	-	-	6,161,527	
Total Fund Balances	<u>6,161,527</u>	<u>3,356,153</u>	<u>6,736</u>	<u>7,122,878</u>	<u>2,139,647</u>	<u>1,278,214</u>	<u>-</u>	<u>20,065,155</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,969,595</u>	<u>\$ 9,090,454</u>	<u>\$ 607,954</u>	<u>\$ 7,706,308</u>	<u>\$ 2,450,065</u>	<u>\$ 1,804,152</u>	<u>\$ -</u>	<u>\$ 32,628,528</u>	

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, 2020

EXHIBIT 3.1

Fund Balances - Total Governmental Funds	\$	20,065,155
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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		60,971,558
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.		299,729
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	2,693,122	
Deferred amount on bond refunding	<u>226,261</u>	2,919,383

Accrued interest payable is not a current liability payable from current assets		(204,377)
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Liabilities not due and payable in the current period are not reported in the funds:		
Long-term liabilities		(39,255,278)
Net pension liability		(22,490,910)

Deferred Inflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds		<u>(21,269)</u>
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Net Position of Governmental Activities	\$	<u>22,757,991</u>
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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, 2020

EXHIBIT 4

Major Governmental Funds										
	General Fund	Debt Service Fund	Police Seizure Fund	Park Improvement Fund	Street Paving Fund	Other Governmental Funds	Total Governmental Funds			
REVENUES										
Property taxes	\$ 2,528,396	\$ 4,427,129	\$ -	\$ -	\$ -	\$ -	\$ 6,955,525			
Road and bridge privilege tax	1,003,535	-	-	-	-	-	1,003,535			
Licenses and permits	345,134	-	-	-	-	-	345,134			
Fines and forfeitures	911,526	-	-	-	-	-	911,526			
Intergovernmental revenue	13,245,951	-	63,292	-	-	2,095,315	15,404,558			
Charges for services	1,334,651	-	-	-	-	1,528,175	2,862,826			
Interest income	103,201	93,912	558	-	1,998	7,038	206,707			
Miscellaneous	603,710	-	17,493	-	-	26,599	647,802			
Total Revenues	20,076,104	4,521,041	81,343	-	1,998	3,657,127	28,337,613			
EXPENDITURES										
Current:										
General government	4,331,978	-	-	-	-	-	4,331,978			
Public safety	10,146,778	-	2,040	-	-	-	10,148,818			
Public works	1,721,813	-	-	-	2,522,351	2,244,611	6,488,775			
Health and welfare	436,780	-	-	-	-	-	436,780			
Culture and recreation	990,437	-	-	4,614,322	-	529,497	6,134,256			
Debt service:										
Principal	354,757	4,948,464	5,295,096	-	-	906,508	11,504,825			
Interest	10,679	655,030	191,685	-	-	368,586	1,225,980			
Bond issue costs	-	183,391	-	262,800	-	-	446,191			
Total Expenditures	17,993,222	5,786,885	5,488,821	4,877,122	2,522,351	4,049,202	40,717,603			
Excess (Deficiency) of Revenues Over Expenditures	2,082,882	(1,265,844)	(5,407,478)	(4,877,122)	(2,520,353)	(392,075)	(12,379,990)			

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, 2020

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EXHIBIT 4

	Major Governmental Funds						Total Governmental Funds
	General Fund	Debt Service Fund	Police Seizure Fund	Park Improvement Fund	Street Paving Fund	Other Governmental Funds	
OTHER FINANCING SOURCES							
And (Uses)							
Proceeds from issuance of debt	\$ 130,208	\$ 5,098,000	\$ -	\$ 12,000,000	\$ 4,660,000	\$ -	\$ 21,888,208
Transfers in	4,805,285	-	5,620,049	-	-	130,754	10,556,088
Transfers out	(1,803,883)	(5,625,350)	-	-	-	(400,624)	(7,829,857)
Total Other Financing Sources and (Uses)	3,131,610	(527,350)	5,620,049	12,000,000	4,660,000	(269,870)	24,614,439
Net Change in Fund Balances	5,214,492	(1,793,194)	212,571	7,122,878	2,139,647	(661,945)	12,234,449
Fund Balance -Beginning	947,035	5,149,347	(205,835)	-	-	1,940,159	7,830,706
Fund Balances-Ending	\$ 6,161,527	\$ 3,356,153	\$ 6,736	\$ 7,122,878	\$ 2,139,647	\$ 1,278,214	\$ 20,065,155

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, 2020

EXHIBIT 5

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 4) **\$ 12,234,449**

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	4,781,985	
Depreciation expense	(1,719,113)	
Loss on disposal of capital assets	<u>(2,520,600)</u>	542,272

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	(21,888,208)	
Payment on debt principal	11,504,825	
Amortization of premiums on bonds and certificates of participation	<u>66,345</u>	(10,317,038)

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	(26,185)	
Change in long-term compensated absences	(10,140)	
Change in deferred outflows-amortization of bond refunding costs	(16,032)	
Change in deferred inflows-fines	<u>(134,203)</u>	(186,560)

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	(2,449,343)	
Recording of contributions made subsequent to measurement date	452,726	
Recognition of contributions made in the fiscal year prior to to the measurement date	<u>3,738,671</u>	<u>1,742,054</u>

Change in Net Position of Governmental Activities (Exhibit 2) **\$ 4,015,177**

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, 2020

EXHIBIT 6

	Business-type Activity Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,677,833	\$ 12,030	\$ 1,689,863
Accounts receivable, (net of allowance for uncollectibles of \$59,644)	1,147,663	-	1,147,663
Due from other funds	183,277	-	183,277
Other current assets	29,619	-	29,619
Total Current Assets	<u>3,038,392</u>	<u>12,030</u>	<u>3,050,422</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	685,221	-	685,221
Capital assets, net	11,559,960	981,269	12,541,229
Total Noncurrent Assets	<u>12,245,181</u>	<u>981,269</u>	<u>13,226,450</u>
Total Assets	<u>15,283,573</u>	<u>993,299</u>	<u>16,276,872</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	624,212	-	624,212
Deferred amount on refunding	90,464	-	90,464
Total Deferred Outflows of Resources	<u>714,676</u>	<u>-</u>	<u>714,676</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,998,249</u>	<u>\$ 993,299</u>	<u>\$ 16,991,548</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, 2020

Page 2
EXHIBIT 6

	Business-type Activity		
	Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 81,298	\$ -	\$ 81,298
Accrued interest payable	21,217	-	21,217
Accrued wages payable	69,440	-	69,440
Due to other funds	168,205	-	168,205
Current portion of long-term debt	478,843	49,836	528,679
Total Current Liabilities	<u>819,003</u>	<u>49,836</u>	<u>868,839</u>
Noncurrent Liabilities:			
Long-term debt	3,498,164	944,815	4,442,979
Compensated absences payable	62,182	-	62,182
Customer meter deposits payable	685,221	-	685,221
Net pension liability	5,212,942	-	5,212,942
Total Noncurrent Liabilities	<u>9,458,509</u>	<u>944,815</u>	<u>10,403,324</u>
Total Liabilities	<u>10,277,512</u>	<u>994,651</u>	<u>11,272,163</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	4,930	-	4,930
Total Deferred Inflows of Resources	<u>4,930</u>	<u>-</u>	<u>4,930</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,282,442</u>	<u>994,651</u>	<u>11,277,093</u>
NET POSITION			
Net investment in capital assets	7,582,953	-	7,582,953
Unrestricted	(1,867,146)	(1,352)	(1,868,498)
Total Net Position	<u>5,715,807</u>	<u>(1,352)</u>	<u>5,714,455</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 15,998,249</u>	<u>\$ 993,299</u>	<u>\$ 16,991,548</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, 2020

EXHIBIT 7

	Business-type Activity		
	Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
OPERATING REVENUES			
Charges for services	\$ 8,724,676	\$ -	\$ 8,724,676
Total Operating Revenues	<u>8,724,676</u>	<u>-</u>	<u>8,724,676</u>
OPERATING EXPENSES			
Personnel services	4,831,955	-	4,831,955
Contractual services	637,285	-	637,285
Materials and supplies	223,346	-	223,346
Maintenance	937,605	-	937,605
Utilities	312,969	-	312,969
West Rankin charges	2,642,959	-	2,642,959
Depreciation expense	800,126	44,603	844,729
Total Operating Expenses	<u>10,386,245</u>	<u>44,603</u>	<u>10,430,848</u>
Operating Income	<u>(1,661,569)</u>	<u>(44,603)</u>	<u>(1,706,172)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	4,213	-	4,213
Interest expense	(126,812)	(19,915)	(146,727)
Other income	13,688	-	13,688
Transfers in (out)	<u>(2,159,153)</u>	<u>(567,078)</u>	<u>(2,726,231)</u>
Total Nonoperating Revenue	<u>(2,268,064)</u>	<u>(586,993)</u>	<u>(2,855,057)</u>
Change in Net Position	<u>(3,929,633)</u>	<u>(631,596)</u>	<u>(4,561,229)</u>
Net Position-Beginning of Year	<u>9,645,440</u>	<u>630,244</u>	<u>10,275,684</u>
Total Net Position-End of Year	<u>\$ 5,715,807</u>	<u>\$ (1,352)</u>	<u>\$ 5,714,455</u>

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, 2020

EXHIBIT 8

	Business-type Activity		
	Enterprise Funds		
	Water/ Sewer	Water/Sewer Improvements	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 8,714,019	\$ -	\$ 8,714,019
Payments to suppliers and employees	(6,272,520)	-	(6,272,520)
Receipts from other funds	-	16,692	16,692
Net Cash Provided by Operating Activities	2,441,499	16,692	2,458,191
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other revenues	13,688	-	13,688
Transfers in (out)/change in interfund payables	(2,159,153)	(567,078)	(2,726,231)
Net Cash (Used) by Noncapital Financing Activities	(2,145,465)	(567,078)	(2,712,543)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(904,564)	-	(904,564)
Principal paid on long-term debt	(506,595)	(48,875)	(555,470)
Interest expense paid	(126,812)	(19,915)	(146,727)
Net Cash (Used) by Capital Financing Activities	(1,537,971)	(68,790)	(1,606,761)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	4,213	-	4,213
Net Cash Provided by Investing Activities	4,213	-	4,213
Net Decrease in Cash and Cash Equivalents	(1,237,724)	(619,176)	(1,856,900)
Cash and Cash Equivalents-Beginning of Year	3,600,778	631,206	4,231,984
Cash and Cash Equivalents-End of Year	\$ 2,363,054	\$ 12,030	\$ 2,375,084
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,661,569)	\$ (44,603)	\$ (1,706,172)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	800,126	44,603	844,729
Loss on disposal of assets	711	-	711
Changes in assets and liabilities:			
(Increase) in accounts receivable	(10,657)	-	(10,657)
Decrease in deferred amount on refunding	11,308	-	11,308
(Increase) in other current assets	(5,763)	-	(5,763)
(Increase) in deferred outflows of resources-pension	(532,735)	-	(532,735)
(Decrease) in deferred inflows of resources-pension	(160,097)	-	(160,097)
(Decrease) in claims payable	(189,009)	-	(189,009)
Increase in customer deposits	40,638	-	40,638
Increase in compensated absences	17,229	-	17,229
Increase in pension liability	2,718,124	-	2,718,124
(Decrease) in accrued interest payable	(18,238)	-	(18,238)
Decrease in due from other funds	2,056,136	16,692	2,072,828
(Decrease) in due to other funds	(648,513)	-	(648,513)
Increase in accrued wages payable	23,808	-	23,808
Total adjustments	4,103,068	61,295	4,164,363
Net Cash Provided by Operating Activities	\$ 2,441,499	\$ 16,692	\$ 2,458,191

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, 2020

	EXHIBIT 9	
		Agency Funds
ASSETS		
Cash and investments	\$	9,959
Due from other funds		6,276
Total Assets	\$	<u>16,235</u>
LIABILITIES		
Amounts held in custody for others	\$	16,235
Total Liabilities	\$	<u>16,235</u>

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, 2020

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, 2020

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, 2020

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 *Police Seizure Fund* is used to account for funds seized by the police department.

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

The *Street Paving Fund* is used to account for funds set aside for street paving projects.

The City reports the following major Proprietary Funds:

The *Water and Sewer Fund* accounts for the activities of the water and sewer system.

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

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, 2020

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, 2020

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, 2020

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, 2020

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. Issuances 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, 2020

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, 2020

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, 2020

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits.

At year-end, the City's carrying amount of deposits was \$21,636,064 and the bank balance was \$22,740,832. 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, 2020

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	\$ 1,994,877	\$ -	\$ 1,994,877
Property taxes	7,633,756	-	7,633,756
Accounts	-	1,207,307	1,207,307
Fines	6,161,725	-	6,161,725
Intergovernmental	1,134,240	-	1,134,240
Other receivables	247,681	-	247,681
HOME grant receivable	474,000	-	474,000
Gross receivables	17,646,279	1,207,307	18,853,586
Less: allowance for uncollectibles	(5,861,996)	(59,644)	(5,921,640)
Net total receivables	\$ 11,784,283	\$ 1,147,663	\$ 12,931,946
		Unavailable	Unearned
Unearned fines		\$ -	\$ 299,729
Property taxes receivable: General Fund		2,874,531	-
Debt Service Fund		4,547,967	-
Total unearned revenue for governmental funds		\$ 7,422,498	\$ 299,729

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

D. Capital Assets.

Capital asset activity for the year ended September 30, 2020, is as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
<i><u>Capital assets not being depreciated:</u></i>					
Land	\$ 5,864,316	\$ -	\$ -	\$ -	\$ 5,864,316
Construction in progress	1,088,025	4,438,460	(28,121)	-	5,498,364
Total capital assets, not being depreciated	<u>6,952,341</u>	<u>4,438,460</u>	<u>(28,121)</u>	<u>-</u>	<u>11,362,680</u>
<i><u>Capital assets being depreciated:</u></i>					
Buildings	24,153,737	-	-	-	24,153,737
Improvements other than buildings	25,985,072	-	(5,202,212)	-	20,782,860
Streets	24,433,589	-	-	-	24,433,589
Bridges	668,537	-	-	-	668,537
Machinery and equipment	13,671,365	139,110	(648,039)	-	13,162,436
Leased equipment	4,182,965	204,415	(239,000)	-	4,148,380
Total capital assets being depreciated	<u>93,095,265</u>	<u>343,525</u>	<u>(6,089,251)</u>	<u>-</u>	<u>87,349,539</u>
<i><u>Less Accumulated depreciation for:</u></i>					
Buildings	(5,845,150)	(507,396)	-	-	(6,352,546)
Improvements other than buildings	(7,118,710)	(106,233)	2,864,220	-	(4,360,723)
Streets	(12,570,562)	(507,493)	-	-	(13,078,055)
Bridges	(347,642)	(13,371)	-	-	(361,013)
Machinery and equipment	(11,153,467)	(302,546)	581,982	-	(10,874,031)
Leased equipment	(2,582,789)	(282,074)	150,570	-	(2,714,293)
Total accumulated depreciation	<u>(39,618,320)</u>	<u>(1,719,113)</u>	<u>3,596,772</u>	<u>-</u>	<u>(37,740,661)</u>
Total capital assets being depreciated, net	<u>53,476,945</u>	<u>(1,375,588)</u>	<u>(2,492,479)</u>	<u>-</u>	<u>49,608,878</u>
Governmental activities capital assets, net	<u>\$ 60,429,286</u>	<u>\$ 3,062,872</u>	<u>\$ (2,520,600)</u>	<u>\$ -</u>	<u>\$ 60,971,558</u>

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, 2020

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

D. Capital Assets. Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ -	\$ 453,198	\$ -	\$ 453,198
Land	401,636	90,567	-	492,203
Total capital assets, not being depreciated	401,636	543,765	-	945,401
<i>Capital assets, being depreciated:</i>				
Buildings	92,793	-	-	92,793
Water system	14,592,137	3,200	(842)	14,594,495
Sewer system	21,980,887	-	(284)	21,980,603
Machinery and equipment	2,273,942	357,599	(78,198)	2,553,343
Total capital assets, being depreciated	38,939,759	360,799	(79,324)	39,221,234
<i>Less: Accumulated depreciation for:</i>				
Buildings	(91,716)	(269)	-	(91,985)
Water system	(9,192,990)	(373,114)	842	(9,565,262)
Sewer system	(15,660,740)	(339,261)	284	(15,999,717)
Machinery and equipment	(1,913,844)	(132,085)	77,487	(1,968,442)
Total accumulated depreciation	(26,859,290)	(844,729)	78,613	(27,625,406)
Total capital assets being depreciated, net	12,080,469	(483,930)	(711)	11,595,828
Business-type activities capital assets, net	\$ 12,482,105	\$ 59,835	\$ (711)	\$ 12,541,229

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

Governmental activities:	
General government	\$ 168,437
Public safety	636,755
Public works	664,854
Health and welfare	67,028
Culture and recreation	182,039
Total depreciation expense-governmental activities	\$ 1,719,113
Business-type activities:	
Water and sewer	\$ 844,729
Total depreciation expense-business-type activities	\$ 844,729

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 3 – DETAILED NOTES ON ALL FUNDS - Continued

E. Interfund Receivables, Payables and Transfers.

The composition of interfund balances as of September 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 54,796
General Fund	Police Seizure Fund	100,121
Debt Service Fund	Debt Service Fund	883,929
Other Governmental Funds	General Fund	163,336
Water/Sewer Fund	General Fund	183,277
Agency Fund	General Fund	6,276
Other Governmental Funds	Debt Service Fund	302,405
General Fund	Water/Sewer Fund	168,205
Debt Service Fund	Other Governmental Funds	394,432
Total		<u>\$ 2,256,777</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	\$ 1,803,883
Debt Service Fund	5,625,350
Water/Sewer Fund	2,159,153
Water/Sewer Improvement Fund	567,078
Other Governmental Funds	400,624
Total transfers out	<u>\$ 10,556,088</u>

Transfers in:

General Fund	\$ 4,805,285
Police Seizure Fund	5,620,049
Other Governmental Funds	130,754
Total transfers in	<u>\$ 10,556,088</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, 2020

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, 2020:

Asset:	Governmental Activities
Machinery and equipment	\$ 4,148,380
Less: Accumulated depreciation	<u>(2,714,293)</u>
Total	<u>\$ 1,434,087</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, are as follows:

<u>Year Ending September 30:</u>	Governmental Activities
2021	\$ 432,148
2022	331,141
2023	275,299
2024	242,747
2025	242,747
2026-2027	<u>242,747</u>
Total minimum lease payments	1,766,829
Less: amount representing interest	<u>(174,233)</u>
Present value of minimum lease payments	<u>\$ 1,592,596</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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%	\$ 28,344,910
Business-type activities	0.9%-4.0%	2,263,091
Unamortized premium		<u>40,494</u>
Total		<u>\$ 30,648,495</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>
2021	\$ 2,486,842	\$ 912,883	\$ 239,157	\$ 84,868
2022	2,642,985	833,997	251,016	74,847
2023	2,249,125	747,717	262,875	64,139
2024	2,323,267	674,758	274,734	52,600
2025	2,410,431	600,284	288,569	41,954
2026-2030	10,752,260	1,894,663	946,740	68,465
2031-2032	<u>5,480,000</u>	<u>124,877</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,344,910</u>	<u>\$ 5,789,179</u>	<u>\$ 2,263,091</u>	<u>\$ 386,873</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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>
2021	\$ 39,624	\$ 8,915
2022	41,262	6,763
2023	43,577	5,062
2024	33,243	2,093
Total	<u>\$ 157,706</u>	<u>\$ 22,833</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, 2020

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, 2020, the balance of this debt is \$2,988,806.

Loans currently outstanding are as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
Capital Improvement (CAP)	2.00%	\$ 30,678
Mississippi Development Bank-		
Trustmark	3.02%-5.00%	2,800,000
Copiah Bank	1.79%	500,000
People Bank	1.53%	2,500,000
Bloomfield Equities, LLC	0.00%	2,988,806
Total Governmental Activities		<u>8,819,484</u>
Business-type Activities:		
Capital Improvement (CAP)	3.0%-4.858%	189,188
Mississippi Development of Health Drinking		
Water Systems Improvements		
Revolving Loan Fund (DWSIRLF)	3.00%	2,505,710
Total Business-type Activities		<u>2,694,898</u>
Total		<u>\$ 11,514,382</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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>
2021	\$ 2,587,536	\$ 109,988	\$ 289,522	\$ 51,747
2022	2,816,858	82,863	264,618	45,073
2023	1,211,858	48,838	201,623	39,905
2024	1,226,858	30,456	196,337	20,109
2025	976,374	10,413	200,201	17,286
2026-2030	-	-	1,061,661	42,094
2031-2035	-	-	346,116	20,943
2036-2037	-	-	134,820	2,763
Total	<u>\$ 8,819,484</u>	<u>\$ 282,558</u>	<u>\$ 2,694,898</u>	<u>\$ 239,920</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 13,382,637	\$ 17,098,000	\$ (2,135,727)	\$ 28,344,910	\$ 2,486,842
Tax increment financing bonds	226,159	-	(68,453)	157,706	39,624
Certificates of participation	5,200,000	-	(5,200,000)	-	-
Unamortized premiums-GO bonds	31,226	-	(4,401)	26,825	4,401
Unamortized premiums-certificates of participation	61,944	-	(61,944)	-	-
Total bonds payable	<u>18,901,966</u>	<u>17,098,000</u>	<u>(7,470,525)</u>	<u>28,529,441</u>	<u>2,530,867</u>
Capital leases	1,933,363	130,208	(470,975)	1,592,596	379,977
Loans payable	7,789,154	4,660,000	(3,629,670)	8,819,484	2,587,536
Compensated absences	303,617	10,140	-	313,757	-
Net pension liability	20,943,671	1,547,239	-	22,490,910	-
	<u>30,969,805</u>	<u>6,347,587</u>	<u>(4,100,645)</u>	<u>33,216,747</u>	<u>2,967,513</u>
Governmental activity					
Long-term liabilities	<u>\$ 49,871,771</u>	<u>\$ 23,445,587</u>	<u>\$ (11,571,170)</u>	<u>\$ 61,746,188</u>	<u>\$ 5,498,380</u>
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 2,492,366	\$ -	\$ (229,275)	\$ 2,263,091	\$ 239,157
Unamortized premiums	15,623	-	(1,954)	13,669	1,954
Total bonds payable	<u>2,507,989</u>	<u>-</u>	<u>(231,229)</u>	<u>2,276,760</u>	<u>241,111</u>
Loans payable	3,019,139	-	(324,241)	2,694,898	289,522
Compensated absences	44,953	17,229	-	62,182	-
Net pension liability	2,494,818	2,718,124	-	5,212,942	-
	<u>5,558,910</u>	<u>2,735,353</u>	<u>(324,241)</u>	<u>7,970,022</u>	<u>289,522</u>
Business-type activity					
Long-term liabilities	<u>\$ 8,066,899</u>	<u>\$ 2,735,353</u>	<u>\$ (555,470)</u>	<u>\$ 10,246,782</u>	<u>\$ 530,633</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020, the amount of outstanding debt was equal to 7.38% of the latest property assessments.

Current Refunding – On May 6, 2020, the City issued \$5,098,000 in general obligation refunding bonds with an average rate of 2.43% to refund \$4,900,000 of the following bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
2013 Certificates of Participation	3.25%	\$ 4,900,000

The City refunded the above bonds to reduce its total debt service payments over the next 13 years by almost \$265,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$226,849.

Prior Year Defeasance of Debt:

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 bond 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, 2020, the non-refunded balance is \$1,551,056.

Summary of Prior Refundings

Refunding Issue:

<u>Date</u>	<u>Description</u>	<u>Issue Amount</u>
December 11, 2014	City of Pearl, Mississippi \$3,330,000 General Obligation Refunding Bonds, Series 2014	\$ 3,085,000

Refunded Issue:

<u>Date</u>	<u>Description</u>	<u>Original Issue</u>	<u>Amount Defeased</u>	<u>Non-refunded Balance at 9/30/2020</u>
November 15, 2007	Mississippi Development Bank Special Obligation Bonds, Series 2007	\$ 10,525,000	\$ 2,890,000	\$ 2,565,000

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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 2020, the City paid Bloomfield Equities, LLC \$3,199,528 under this agreement. In 2020, 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, 2020

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 2019 through September 2020, the City paid \$3,837,014. For the twelve-month period beginning October 1, 2020, the City's expected annual financial responsibility will be approximately \$2,680,000.

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, 2020

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, 2020

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, 2020, 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, 2020, and at the current employer contribution rate (17.40%) thereafter. The City's employer contributions to PERS for the year ended September 30, 2020, 2019, and 2018 were \$1,677,148, \$1,447,405, and \$1,328,112 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, 2020, the City of Pearl reported a liability of \$27,703,852 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City of Pearl's proportion was .143107 % which was an increase of .009873% from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the City of Pearl recognized pension expense of \$3,017,052.

At September 30, 2020, 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	\$ 193,732	\$ 23,164
Net difference between projected and actual earnings on pension plan investments	1,240,373	-
Changes in assumptions	147,525	3,035
Contributions subsequent to the measurement date	452,726	-
Changes in Proportion and differences between the City's Contributions and Proportionate Share of Contributions	1,282,978	-
	<u>\$ 3,317,334</u>	<u>\$ 26,199</u>

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020, the City of Pearl reported \$452,726 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 Ended September 30:</u>	<u>Amount</u>
2021	\$ 729,072
2022	772,988
2023	783,671
2024	552,678
Total	<u>\$ 2,838,409</u>

Actuarial Assumptions

The total pension liability used in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.75%
Salary increases	3.00%-18.25%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H2010(B) Retiree Table with the following adjustments: For males, 112% of the male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 5 – PENSION PLAN OBLIGATIONS - Continued

Actuarial Assumptions -Continued

The most recent target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity	27.00 %	4.90 %
International equity	22.00	4.75
Global equity	12.00	5.00
Debt securities	20.00	.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash	1.00	-
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Pearl'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 7.75%. 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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$35,859,233	\$27,703,852	\$20,972,387

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 5 – PENSION PLAN OBLIGATIONS - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

Payable to the Pension Plan

At September 30, 2020, the City of Pearl has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2020.

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.

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	\$ 8,615,000
Taxable Urban Renewable Revenue Refunding Bond, Series 2012	6/19/2012	11/1/2024	\$ 18,250,000	\$ 9,630,000

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

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.

NOTE 9 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of (\$15,417,549), 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 \$452,726 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 \$2,864,608 balance of the deferred outflow of resources related to pension at September 30, 2020, will be recognized in pension expense over the next four years. The \$26,199 balance of the deferred inflow of resources related to pension at September 30, 2020, will be recognized in pension expense over the next two years.

The City of Pearl's governmental activities unrestricted net position amount of (\$13,549,051), includes the effect of deferring the recognition of expenses resulting from an advanced refunding of city debt. The \$226,261 balance of the deferred outflow of resources at September 30, 2020, will be recognized as an expense and will decrease the unrestricted net position over the next seven years.

NOTE 10 – 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 30, 2021, (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:

City of Pearl, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2020

NOTE 10 – SUBSEQUENT EVENTS – continued

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 December 2020, the Board approved the purchase of 8 LifePak 15 Cardiac Monitors in the amount of \$178,005.

In January 2021, the Board approved the purchase of Miracle recreation equipment in the amount of \$611,661 for a Parks and Recreation project.

In January 2021, the Board approved the purchase of a 2020 Ford F-150 Pick-up for \$35,000.

In January 2021, the Board approved the purchase of a 2021 Dodge Ram Pick-up Crew Cab for \$28,174.

In January 2021, the Board approved the purchase of two Ford Police Interceptors Sport Utility Vehicles in the amount of \$36,811.

In March 2021, the Board approved a bid from local contractor in the amount of \$2,146,944 for Pearl Richland Intermodal Connector.

In April 2021, the Board approved the intent to issue General Obligation Bonds not to exceed \$4,000,000.

In May 2021, the Board approved the purchase of one Sewer Trailer Pipe Hunter in the amount of \$28,000.

In May 2021, the Board approved the purchase of a 2021 Ford F-250 3/4 ton in the amount of \$29,000 for Parks and Recreation.

In May 2021, the Board approved the purchases of two Kubota KX-057 Excavators, in the amounts of \$45,197 and \$46,147.

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, 2020

	General Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Taxes	\$ 2,701,643	\$ 3,525,919	\$ 3,525,919	\$ -
Licenses and permits	426,000	345,134	345,134	-
Fines and forfeitures	1,364,000	1,349,072	1,349,072	-
Intergovernmental revenues	12,638,000	12,767,917	12,767,917	-
Charges for services	1,423,000	3,951,804	3,951,804	-
Miscellaneous revenues	1,376,500	844,857	844,857	-
Total Revenues	19,929,143	22,784,703	22,784,703	-
EXPENDITURES				
General government	3,179,733	4,004,357	4,004,357	-
Public safety	10,337,737	12,666,203	12,666,203	-
Public works	2,075,106	1,720,794	1,720,794	-
Health and welfare	553,466	434,774	434,774	-
Culture and recreation	2,438,621	992,506	992,506	-
Economic development	2,130,000	-	-	-
Total Expenditures	20,714,663	19,818,634	19,818,634	-
Excess (deficiency) of revenues over Expenditures	(785,520)	2,966,069	2,966,069	-
OTHER FINANCING SOURCES (USES)				
Transfer out	-	(1,268,609)	(1,268,609)	-
Total Other Financing Sources (Uses)	-	(1,268,609)	(1,268,609)	-
Net Change in Fund Balance	(785,520)	1,697,460	1,697,460	-
Fund Balances - Beginning	785,520	465,808	465,808	-
Fund Balances - Ending	\$ -	\$ 2,163,268	\$ 2,163,268	\$ -

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)
Police Seizure Fund - Unaudited
For the Year Ended September 30, 2020

	Police Seizure Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental revenues	\$ 528,270	\$ 9,826	\$ 9,826	\$ -
Miscellaneous revenues	500	18,051	18,051	-
Total Revenues	528,770	27,877	27,877	-
EXPENDITURES				
Public safety	588,770	588,819	588,819	-
Total Expenditures	588,770	588,819	588,819	-
Excess (deficiency) of revenues over Expenditures	(60,000)	(560,942)	(560,942)	-
OTHER FINANCING SOURCES				
Transfers in	-	571,699	571,699	-
Total Other Financing Sources	-	571,699	571,699	-
Net Change in Fund Balance	(60,000)	10,757	10,757	-
Fund Balances - Beginning	60,000	60,000	60,000	-
Fund Balances - Ending	\$ -	\$ 70,757	\$ 70,757	\$ -

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, 2020

	Park Improvement Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
EXPENDITURES				
Public works	\$ -	\$ 4,030,892	\$ 4,030,892	\$ -
Total Expenditures	-	4,030,892	4,030,892	-
Excess (deficiency) of revenues over Expenditures	-	(4,030,892)	(4,030,892)	-
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	-	11,737,200	11,737,200	-
Total Other Financing Sources	-	11,737,200	11,737,200	-
Net Change in Fund Balance	-	7,706,308	7,706,308	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	\$ 7,706,308	\$ 7,706,308	\$ -

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)
Street Paving Fund - Unaudited
For the Year Ended September 30, 2020

	<u>Street Paving Fund</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
REVENUES				
Miscellaneous revenues	\$ -	\$ 1,998	\$ 1,998	\$ -
Total Revenues	-	1,998	1,998	-
EXPENDITURES				
Public works	-	2,211,933	2,211,933	-
Total Expenditures	-	2,211,933	2,211,933	-
Excess (deficiency) of revenues over Expenditures	-	(2,209,935)	(2,209,935)	-
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	-	4,660,000	4,660,000	-
Total Other Financing Sources	-	4,660,000	4,660,000	-
Net Change in Fund Balance	-	2,450,065	2,450,065	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	\$ 2,450,065	\$ 2,450,065	\$ -

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, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	.143107%	.133234%	.143162%	.151627%	.145462%	.144250%	.148952%
Employer's proportionate share of the net pension liability (asset)	\$ 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	\$ 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	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	58.98%	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, 2020, 2019, 2018, 2017, 2016, and 2015

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 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	(1,677,148)	(1,447,405)	(1,328,112)	(1,545,812)	(1,533,794)	(1,426,817)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 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%	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, 2020

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	Police Seizure Fund	Park Improvement Fund	Street Paving Fund
Budget (Cash Basis)	\$ 1,697,460	\$ (560,942)	\$ 7,706,308	\$ 2,450,065
Increase (Decrease)				
Net adjustments for revenue accruals	2,226,894	5,673,515	262,800	-
Net adjustments for expenditures accruals	1,290,138	(4,900,002)	(846,230)	(310,418)
GAAP Basis	<u>\$ 5,214,492</u>	<u>\$ 212,571</u>	<u>\$ 7,122,878</u>	<u>\$ 2,139,647</u>

City of Pearl, Mississippi
Notes to the Required Supplementary Information-Unaudited
For the Year Ended September 30, 2020

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, 2020

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, 2020

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, 2018 valuation for the June 30, 2020 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	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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, 2020
Schedule 1

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Emergency Watershed Protection	10.923		\$ 111,833
Total U.S. Department of Agriculture			<u>111,833</u>
<u>U.S. Department of Transportation</u>			
Passed-Through Mississippi			
Department of Transportation			
Highway Planning and Construction	20.205	STPD-7040-00(002)LPA	385,369
Subtotal			<u>385,369</u>
Passed-Through Mississippi/Office of Highway Safety			
State and Community Highway Safety	20.600	OP-2019-OP-31-91	5,971
Occupant Protection	20.616	PT-2020-PT-31-91	83,816
Subtotal			<u>89,787</u>
Total U.S. Department of Transportation			<u>475,156</u>
<u>U.S. Department of the Treasury</u>			
Passed-Through Mississippi Emergency Management Agency			
Coronavirus Relief Fund*	21.019	SB3047-CARES-MERP-PEARL	587,705
Total U.S. Department of Treasury			<u>587,705</u>
<u>Executive Office of the President</u>			
High Intensity Drug Trafficking Areas Program	95.001	G18-GC0003A	31,654
Total Executive Office of the President			<u>31,654</u>
Total			<u>\$ 1,206,348</u>

*- denotes major program

City of Pearl, Mississippi
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

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, 2020

Name	Position	Surety Agency	Bond
Jake Windham	Mayor	Travelers Casualty & Surety	\$ 100,000
Johnny F. Steverson Sr	Alderman	Travelers Casualty & Surety	100,000
David B. Lockett	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
Kenneth Michael Sartor	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
Meagan Bilbro	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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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, 2020, 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 30, 2021.

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 2020-001, 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 30, 2021

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, 2020. 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, 2020.

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 30, 2021

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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, 2020, and the related notes to the financial statements, and have issued our report thereon June 30, 2021. 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 30, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Pearl, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

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 |
| | Police Seizure Fund | Unmodified |
| | Park Improvement Fund | Unmodified |
| | Street Paving 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 deficiency(s) 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>
21.019	U.S. Department of Treasury Coronavirus Relief Fund

- | | |
|--|-----------|
| 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, 2020

Section 2: Financial Statement Findings

2020-001. 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, 2019-001.

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, 2020

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.



JAKE WINDHAM
ALDERMEN
Mayor

KELLY SCOUTEN
City Clerk

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Pearl, Mississippi 39288-5948
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Fax • 601-932-3568

John McHenry – At Large
Sammy Williams – District 1
Keith Dennis – District 2
Johnny Steverson – District 3
Casey Foy – District 4
James Thompson – District 5
Gavin Gill – District 6

City of Pearl
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

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: 2020-001

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.



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ALDERMEN
Mayor

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Corrective Action Plan

June 30, 2021

The City of Pearl respectfully submits the following corrective action plan for the year ended September 30, 2020.

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, 2020

The Finding from the June 30, 2021 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