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**HARRY J. BLEVINS**  
MAYOR

**JOSEPH R. HUFFMAN**  
CITY MANAGER

**EDDIE C. WILLIAMS**  
CITY ATTORNEY

**ROBERT J. PARKER**  
CITY CLERK/COMPTROLLER



**CITY COUNCIL**

<b>MARVIN PICKETT, SR.</b>	Councilman, Ward 1
<b>FREDDY JACKSON</b>	Councilman, Ward 2
<b>DAVID TADLOCK</b>	Councilman, Ward 3
<b>BURT HILL</b>	Councilman, Ward 4
<b>SCOTT TIPTON</b>	Councilman, Ward 5
<b>BRENDA H. SIMKINS</b>	Councilwoman at Large

603 WATTS AVE. • P.O. DRAWER 908  
PASCAGOULA, MS 39568-0908 • TELEPHONE 228-938-6605  
FAX 228-372-6851

September 26, 2016

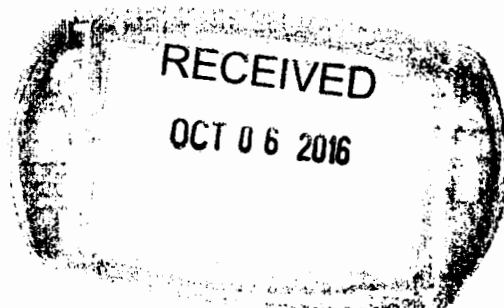
Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Re: Annual Municipal Audit

Accompanying this letter are two copies of the annual audit of the City of Pascagoula, Mississippi, for the fiscal year ended September 30, 2015. In connection with this audit, a separate management letter was written to the city. Enclosed you will find a copy of this management letter along with the audit reports. In addition, you will find an electronic version of both.

Sincerely,

Robert J. Parker  
City Clerk







# Wolfe • McDuff & Oppie

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

Michelle Oppie Gist, CPA

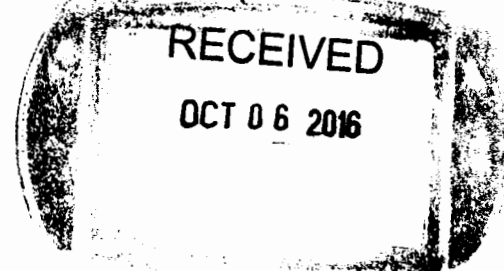
K. Jessica Mavromihalis, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (Retired)

Jack A. Oppie, CPA (1960-2014)

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June 15, 2015

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pascagoula, Mississippi for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Pascagoula, Mississippi are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by City of Pascagoula, Mississippi during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Pascagoula, Mississippi's financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historical water and sewer revenues. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable lives and methods is based on the City's concepts and reasonable assumptions of future events. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Membership in:*

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements of the financial statements. The material misstatements detected as a result of audit procedures were corrected by management (See attached list of adjusting journal entries).

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 15, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Pascagoula, Mississippi's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Pascagoula, Mississippi's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Employees' Retirement System Schedule of Funding Progress and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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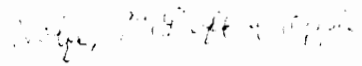
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Restriction on Use

This information is intended solely for the use of the Mayor, City Council, and management of the City of Pascagoula, Mississippi and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Wolfe, McDuff & Oppie, P.A.





**CITY OF PASCAGOULA, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS**

For the Year Ended September 30, 2015





**CITY OF PASCAGOULA, MISSISSIPPI**  
**CITY OFFICIALS**  
For the Year Ended September 30, 2015

**CITY OFFICIALS**

Mayor	Harry J. Blevins
-------	------------------

**CITY COUNCIL**

Councilman at Large	Brenda H. Simkins
Councilman Ward #1	Marvin L. Pickett, Sr.
Councilman Ward #2	Freddy L. Jackson
Councilman Ward #3	David Tadlock
Councilman Ward #4	Burton L. Hill
Councilman Ward #5	Scott Tipton

**DEPARTMENT HEADS**

City Manager	Joseph R. Huffman
City Clerk/Comptroller	Robert J. Parker
City Attorney	Eddie Williams
Community Development	Jennifer Dearman
City Engineer	Jaci Turner
Fire Department	Robert O'Sullivan
Human Resources	Valarie Moore
Parks & Recreation	Darcie Crew
Planning & Inspections	Donovan Scruggs
Police Department	Kenny Johnson



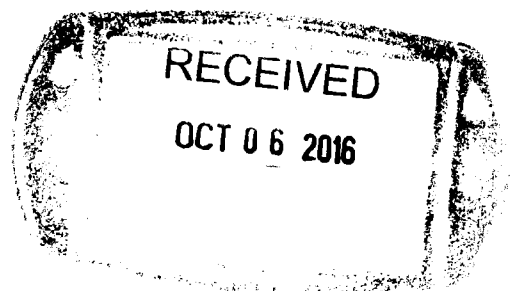
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**Wolfe • McDuff & Oppie**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

### **Auditor's 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 auditor's 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 entity'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.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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## Independent Auditor's Report

### Page 2

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pascagoula, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof 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, budgetary comparison information, and net pension schedules on pages 9 - 17, 78 - 80, and 82 - 85 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information 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.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pascagoula, Mississippi's basic financial statements. The introductory section, and other supplementary information section, 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of 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.

The introductory and other supplementary information sections have 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 them.



## Independent Auditor's Report

Page 3

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, on our consideration of the City of Pascagoula, 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* in considering City of Pascagoula, Mississippi's internal control over financial reporting and compliance.

*Walke, McDuff & Eppa*

Pascagoula, Mississippi

June 27, 2016



**MANAGEMENT'S DISCUSSION AND ANALYSIS**





**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

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**OCT 06 2016**

The discussion and analysis of the City of Pascagoula, Mississippi's (the City's) financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### **FINANCIAL HIGHLIGHTS**

- In 2015 and 2014, the City's net position amounted to \$58,763,170 and \$59,957,935, respectively. The net position for governmental activities totaled \$39,817,067 in 2015 and \$40,153,994 in 2014, contributing 68% and 67%, respectively, of total net position; business-type activities contributed 32% and 33%, totaling \$18,946,103 in 2015 and \$19,803,941 in 2014.
- General revenues for 2015 and 2014 were \$20,040,948 and \$20,632,528, equaling 45% and 49% of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions were \$24,346,378 and \$21,119,123 for 2015 and 2014, equaling 55% and 51% of total revenues.
- In 2015 and 2014, the City had \$45,582,091 and \$47,080,360 in expenses, respectively; only \$24,346,378 and \$21,119,123 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$102,549,324 in 2015, and \$101,919,655 in 2014.

### **BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operation in more detail than the government-wide statements.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

- The governmental funds statements show how basic services were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the City operates like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and deferred outflows of resources and liabilities and deferred inflows of resources.

The statement of net position presents information on all of the City's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the City that are principally supported by charges for services (governmental activities). The governmental activities of the City include general government operations, public safety, public works, culture and recreation, urban renewal and economic development, and debt service interest. The government-wide financial statements can be found in the Basic Financial Statements section of this report.

**FUND FINANCIAL STATEMENTS**

Fund financial statements show how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements are comprised of both governmental and proprietary (enterprise) funds. Fund financial statements can be found in the Basic Financial Statements section of this report.

Fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and some by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes. The City's three kinds of funds – governmental, proprietary, and fiduciary – use different accounting approaches.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can easily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's current financing decisions. Reconciliations are provided on pages 25 and 27 which show the differences between the government-wide reporting basis and the fund reporting basis.

***Proprietary Funds*** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. These funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's proprietary funds include Pascagoula Utilities, Energy Recovery Facility, Pascagoula Transfer Station, Solid Waste Management, Pascagoula Group Insurance, and Unemployment Insurance.

***Fiduciary Funds*** - The City is the trustee, or fiduciary, for assets that belong to others, such as the Pascagoula Redevelopment Authority Fund and the Pascagoula Port Commission Fund. The City is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

***Notes to the Financial Statements*** – The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found after the Basic Financial Statements section of this report.

***Budgetary Statement*** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual operating budget for all governmental funds. A Budgetary Comparison Statement has been provided for the General Fund. The budgetary statement demonstrates compliance with the budget ordinance and performance of services planned at budget adoption. The budgetary comparison statement uses the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The statements show four columns: the original budget as adopted by the Council, the final budget as amended, the actual resources, charges to appropriations and ending balances, and the difference or variance between the final budget and the actuals. This required supplementary information can be found after the Notes to Basic Financial Statements section of this report.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>						
Current and other assets	\$ 11,018,668	5,802,274	11,515,324	2,653,787	22,533,992	8,456,061
Capital assets	<u>71,781,561</u>	<u>71,156,352</u>	<u>30,767,763</u>	<u>30,907,214</u>	<u>102,549,324</u>	<u>102,063,566</u>
Total assets	<u>82,800,229</u>	<u>76,958,626</u>	<u>42,283,087</u>	<u>33,561,001</u>	<u>125,083,316</u>	<u>110,519,627</u>
<b>Deferred outflows of resources</b>	<u>3,461,544</u>	<u>1,210,123</u>	<u>148,435</u>	<u>36,352</u>	<u>3,609,979</u>	<u>1,246,475</u>
<b>Liabilities</b>						
Long-term debt outstanding	41,320,816	31,493,626	17,363,499	10,823,778	58,684,315	42,317,404
Other liabilities	<u>3,539,733</u>	<u>3,672,997</u>	<u>5,961,278</u>	<u>2,735,627</u>	<u>9,501,011</u>	<u>6,408,624</u>
Total liabilities	<u>44,860,549</u>	<u>35,166,623</u>	<u>23,324,777</u>	<u>13,559,405</u>	<u>68,185,326</u>	<u>48,726,028</u>
<b>Deferred inflows of resources</b>	<u>1,584,157</u>	<u>2,848,132</u>	<u>160,642</u>	<u>234,007</u>	<u>1,744,799</u>	<u>3,082,139</u>
<b>Net assets</b>						
Invested in capital assets, net of debt	58,533,249	65,346,081	13,967,743	20,664,285	72,500,992	86,010,366
Restricted	3,138,725	1,528,987	381,731	-	3,520,456	1,528,987
Unrestricted	<u>(21,854,907)</u>	<u>(26,721,074)</u>	<u>4,596,629</u>	<u>(860,344)</u>	<u>(17,258,278)</u>	<u>(27,581,418)</u>
Total net position	<u>\$ 39,817,067</u>	<u>40,153,994</u>	<u>18,946,103</u>	<u>19,803,941</u>	<u>58,763,170</u>	<u>59,957,935</u>

Net position – Net position may serve over time as a useful indicator of a governmental entity's financial position. The City's combined net position for the year totaled \$58,763,170.

The City's restricted net position (e.g. revenue source, sales tax, water, sewer and garbage revenue, CDBG, ad valorem tax) accounted for 6% of total net position in 2015 and 3% in 2014. Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 123% and 143% in 2015 and 2014, respectively. The remaining balance consisted of unrestricted net position, the part of net position used to finance everyday operations without constraints of legal requirements.

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- The City completed approximately \$5 million of construction-in-progress during the year.
- The City issued \$15 million of general and special obligation bonds.
- The City implemented GASB 68 which introduced a net pension liability to the financial statements.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

**Changes in net position** – The City's total revenues for the fiscal years ended September 30, 2015 and 2014 were \$44,387,326 and \$41,751,651, respectively. The total cost of all programs and services was \$45,582,091 and \$47,083,360 for 2015 and 2014, respectively. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2015 and 2014.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 6,611,475	6,195,954	12,035,895	12,443,443	18,647,370	18,639,397
Operating grants and contributions	1,107,844	1,476,413	-	-	1,107,844	1,476,413
Capital grants and contributions	4,591,164	1,003,313	-	-	4,591,164	1,003,313
General revenues:						
Property taxes	9,705,632	9,247,704	241,424	250,888	9,947,056	9,498,592
Franchise taxes	1,567,986	1,550,223	-	-	1,567,986	1,550,223
Sales tax	5,593,617	6,092,958	-	-	5,593,617	6,092,958
Other taxes	1,406,849	1,424,244	-	-	1,406,849	1,424,244
Other general revenues	1,487,388	1,734,544	38,052	331,967	1,525,440	2,066,511
Total revenues	<u>32,071,955</u>	<u>28,725,353</u>	<u>12,315,371</u>	<u>13,026,298</u>	<u>44,387,326</u>	<u>41,751,651</u>
<b>Program expenses</b>						
General government	12,347,494	39,161,313	-	-	12,347,494	39,161,313
Public safety	12,245,957	12,300,244	-	-	12,245,957	12,300,244
Public works	3,860,623	3,912,106	-	-	3,860,623	3,912,106
Culture and recreation	1,774,528	1,717,989	-	-	1,774,528	1,717,989
Urban renewal and econ. dev	1,036,723	538,311	-	-	1,036,723	538,311
Debt service - interest	527,680	157,833	-	-	527,680	157,833
Water, sewer and gas	-	-	12,645,755	13,848,114	12,645,755	13,848,114
Transfer station	-	-	10,671	13,711	10,671	13,711
Energy recovery and solid waste	-	-	1,132,660	1,220,245	1,132,660	1,220,245
Total expenses	<u>31,793,005</u>	<u>57,787,796</u>	<u>13,789,086</u>	<u>15,082,070</u>	<u>45,582,091</u>	<u>72,869,866</u>
Excess(deficiency) of revenues over (under) expenditures	<u>278,950</u>	<u>(29,062,443)</u>	<u>(1,473,715)</u>	<u>(2,055,772)</u>	<u>(1,194,765)</u>	<u>(31,118,215)</u>
Transfers in (out)	<u>(615,877)</u>	<u>(27,065)</u>	<u>615,877</u>	<u>27,065</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(336,927)</u>	<u>(29,089,508)</u>	<u>(857,838)</u>	<u>(2,028,707)</u>	<u>(1,194,765)</u>	<u>(31,118,215)</u>
Net position - beginning	<u>40,153,994</u>	<u>69,243,502</u>	<u>19,803,941</u>	<u>21,832,648</u>	<u>59,957,935</u>	<u>91,076,150</u>
Net position - ending	<u>\$ 39,817,067</u>	<u>40,153,994</u>	<u>18,946,103</u>	<u>19,803,941</u>	<u>58,763,170</u>	<u>59,957,935</u>

**Governmental Activities** - The City's revenues from governmental activities totaled \$32,071,955 while total expenses were \$31,793,005. Significant occurrences which affected governmental activities are discussed below:

- A significant portion of the City's governmental revenue comes from operating and capital grants from the State of Mississippi. For the current year, the City received \$5,699,008 in operating and capital grants and contributions for its governmental activities compared to \$2,479,726 received in the prior fiscal year.

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

**Business-type activities** - The City's business-type activities generated a change in net position of \$(857,838). This represents a decrease of approximately \$342,732 from the previous year. The factors contributing to this decrease include:

- The charges for services for the Water Sewer Fund decreased nearly 9% from prior year due in large part to the decrease in usage as a result of a mild winter.

The following table presents the cost of major City functional activities: general government, public safety, public works, culture and recreation, urban and economic development, and debt service-interest. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	<b>Governmental Activities</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General government	\$ 12,347,494	1,222,483	14,199,944	6,339,442
Public safety	12,245,957	12,136,725	12,300,244	12,167,714
Public works	3,860,623	3,860,623	3,912,106	3,912,106
Culture and recreation	1,774,528	738,197	1,717,989	1,078,010
Urban renewal and econ. dev.	1,036,723	996,814	538,311	495,642
Debt service - interest	527,680	527,680	157,833	157,833
Total expenses	<u>\$ 31,793,005</u>	<u>19,482,522</u>	<u>32,826,427</u>	<u>24,150,747</u>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing City's financing requirements.

As the City completed the year, its governmental funds reported a combined fund balance of \$9,189,059, compared to \$1,015,922 in the previous year. Activities within the general fund contributed 101% and 258% of the fund balances in 2015 and 2014, respectively. Other items that influenced the fund balances are as follows:

- The City had an increase of approximately 132% in grant revenue from the prior year.
- The City had \$8 million in bond proceeds in the current year.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

**General Fund Budgetary Highlights** - Over the course of the year, adjustments made in the budget were minor. The changes were due to the following: 1) amendments were made shortly after the beginning of the year, 2) the Council made changes in the middle of the year to prevent shortages from the addition or extension of service contracts, and 3) Council approved several increases in appropriations to prevent budget overruns and to recognize receipt of funds not expected.

With these adjustments, the actual expenditures were \$22,694,771 compared to \$37,819,981 of the final budget. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided on pages 78 to 80 as required supplementary information.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$3,357,965 for the Pascagoula Utilities Fund, \$1,607,588 for the Transfer Station Fund. Pascagoula Utilities Fund and Transfer Station Fund showed decreases in fund balance while the ERF fund had no change in fund balance and all other major enterprise funds showed increases. Other factors concerning the finances of these funds are addressed in the discussion of the City's business-type activities.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** - The City's net capital assets for 2015 and 2014 were \$102,549,324 and \$101,919,655, respectively. The City mainly invested in infrastructure improvements for the area. The following table presents a summary of the City's capital assets (net of depreciation) for the fiscal years ended September 30, 2015 and 2014.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 12,916,341	13,141,042	84,751	84,751	13,001,092	13,225,793
Construction in progress	9,305,650	11,634,997	1,732,414	-	11,038,064	11,634,997
Buildings	3,908,508	4,174,188	4,726,973	5,101,947	8,635,481	9,276,135
Improvements - other	22,001,899	17,295,931	23,964,495	25,261,502	45,966,394	42,557,433
Equipment	2,188,717	2,668,532	259,130	257,937	2,447,847	2,926,469
Infrastructure	<u>21,460,446</u>	<u>22,298,828</u>	<u>-</u>	<u>-</u>	<u>21,460,446</u>	<u>22,298,828</u>
Total	<u>\$ 71,781,561</u>	<u>71,213,518</u>	<u>30,767,763</u>	<u>30,706,137</u>	<u>102,549,324</u>	<u>101,919,655</u>

This year's major projects as well as more detailed information about the City's capital assets are detailed at Note 3 D of the accompanying financial statements.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

**Debt Administration** - At September 30, 2015, the City had \$30,048,332 in general and revenue obligation bonds and other long-term debt outstanding, of which \$1,759,023 is due within one year. The following table presents a summary of the City's outstanding debt for the fiscal years ended September 30, 2015 and 2014.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds (backed by the City)	\$ 10,315,000	2,680,000	-	-	10,315,000	2,680,000
Revenue bonds and notes (backed by specific tax and fee revenues)	2,513,486	2,513,486	16,800,020	10,242,929	19,313,506	12,756,415
Capital leases	419,826	616,785	-	-	419,826	616,785
Total	<u>\$ 13,248,312</u>	<u>5,810,271</u>	<u>16,800,020</u>	<u>10,242,929</u>	<u>30,048,332</u>	<u>16,053,200</u>

The City continues to decrease debt according to established amortization schedules. More detailed information about the City's long-term liabilities is presented in Note 3 E to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Pascagoula continues to project a mostly positive outlook in terms of its economic environment. It is the home of Mississippi's largest employer, Huntington-Ingalls Shipbuilding, as well as a plethora of other major industrial companies such as Chevron, Mississippi Phosphates, and VT Halter Marine. Although its residential population hovers around 22,000, Pascagoula's daytime population swells to an estimated 60,000 with all of the people who commute to work.

According to a study conducted by the United States Council of Mayors, Pascagoula experienced a 6.2% increase in gross metropolitan product in 2013, making it the nation's third fastest growing economy. It also ranked number one nationally in construction job growth, with a 51% increase over 2012 – a rate of increase which was more than double that of any other metropolitan statistical area examined in the study conducted by Associated General Contractors.

Pascagoula's unemployment rate also fell from 7.3% in 2014 to 6.8% in 2015. Although the unemployment rate decreased, it is still higher than the State of Mississippi's current unemployment rate of 6.4%.

While Pascagoula continues to make strides in terms of its economic growth, it still faces some challenges as a municipal government. Its current economic growth comes after years of devastation left by Hurricane Katrina, the BP Oil Spill, and the economic recession in 2008. As a result, Pascagoula's transportation infrastructure, water and sewer systems, and recreational facilities are in need of considerable upgrades. The current City Council has reached a consensus to move forward with a \$15 million bond issue as a means of financing some these infrastructure upgrades. Also, plans are still in the works for a potential \$10 million bond issue for the needed recreational facility enhancements. In the meantime, further growth is projected for the city's gross metropolitan product. A proposed 2% prepared food tax is expected to generate an additional \$800,000 plus in revenue, which will offset the cost of the debt service on the recreation bond.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2015

Ad valorem taxes also increased from \$9,142,459 in 2014 to \$9,590,968 in 2015, and are projected to bring in \$10,975,118 in the next fiscal year.

Given the information above, Pascagoula is positioned to achieve more economic growth as a community. This growth will bring more revenue to the City, and will improve its fiscal standing as an organization.

**BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2016**

In the fiscal year 2015/2016 Budget, General Fund revenues are budgeted at \$36,627,732, an increase of \$4,902,579 from the 2014/15 budgeted revenues of \$31,725,153. That represents a 15.5% increase. The primary sources of revenue for the General Fund are property taxes and sales taxes, which amount to 24.1% and 16.4%, respectively, of the revenue budgeted for the fiscal year 2016.

General Fund expenditures for the fiscal year 2015/2016 are budgeted at \$36,891,891, an increase of \$3,381,031 (10.1%) over fiscal year 2015 budget. The major portion of the General Fund's budget goes to Public Safety, which represents 37.7% of the budget for fiscal year. The General Fund budget for 2015/2016 includes \$9,522,335 in capital outlay most of which is to be financed by a bond issue.

Utility Fund revenues are budgeted to be \$22,053,2788 for 2015/16. This represents an increase of \$630,350 from the fiscal year 2015 budget. The principal source of revenue for the Utility Fund is charges for utility services which amounts to \$15,778,660, or 71.6%, of the Utility Fund's total budgeted revenue for the fiscal year 2016.

Utility Fund expenditures are budgeted to be \$21,737,062 for fiscal year 2016, an increase of \$611,468 (2.9%) over the \$21,125,594 budgeted for prior fiscal year. The Utility Fund budget includes \$6,286,383 in the fiscal year 2016 for capital outlay that will be financed in large part by a bond issue.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Comptroller's Office at 603 Watts Avenue, Pascagoula, Mississippi.



## **BASIC FINANCIAL STATEMENTS**

For the Year Ended September 30, 2015

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
September 30, 2015

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,670,610	9,772,501	15,443,111
Receivables, net	2,111,079	1,077,352	3,188,431
Prepaid items	381,552	15,520	397,072
Internal balances	2,855,427	-	2,855,427
Restricted cash and cash equivalents	-	649,951	649,951
Capital assets:			
Land and construction in progress	22,221,991	1,817,165	24,039,156
Other capital assets, net of depreciation	49,559,570	28,950,598	78,510,168
Total capital assets	<u>71,781,561</u>	<u>30,767,763</u>	<u>102,549,324</u>
Total assets	<u>82,800,229</u>	<u>42,283,087</u>	<u>125,083,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond charges	111,821	-	111,821
Deferred outflows of resources related to pensions	3,349,723	148,435	3,498,158
Total deferred outflows of resources	<u>3,461,544</u>	<u>148,435</u>	<u>3,609,979</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,433,781	1,469,051	3,902,832
Unearned revenues	2,722	-	2,722
Customer deposits	-	649,951	649,951
Internal balances	-	2,855,427	2,855,427
Long-term liabilities:			
Due within one year			
Bonds and notes payable	1,015,336	743,687	1,759,023
Compensated absences	87,894	3,162	91,056
Sales tax audit lien	-	240,000	240,000
Due in more than one year			
Bonds and notes payable	12,232,976	16,056,333	28,289,309
Net pension liability	28,365,977	1,170,647	29,536,624
Compensated absences	721,863	36,942	758,805
Sales tax audit lien	-	99,577	99,577
Total liabilities	<u>44,860,549</u>	<u>23,324,777</u>	<u>68,185,326</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unamortized premium on bond	-	46,922	46,922
Deferred savings on revenue refundings	-	34,942	34,942
Deferred inflows of resources related to pensions	1,584,157	78,778	1,662,935
Total deferred inflows of resources	<u>1,584,157</u>	<u>160,642</u>	<u>1,744,799</u>
<b>NET POSITION</b>			
Investment in capital assets (net of related debt)	58,533,249	13,967,743	72,500,992
Restricted net position:			
Forfeiture and seizure	41,743	-	41,743
Fire rebate	145,136	-	145,136
Hurricane recovery	794,774	-	794,774
Fire and police disability	126,205	-	126,205
Capital projects	68,608	-	68,608
Debt service	1,962,259	381,731	2,343,990
Unrestricted net position	<u>(21,854,907)</u>	<u>4,596,629</u>	<u>(17,258,278)</u>
Total net position	<u>\$ 39,817,067</u>	<u>18,946,103</u>	<u>58,763,170</u>

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





**CITY OF PASCAGOULA, MISSISSIPPI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2015

		Program revenue			Net (expense) revenue and changes in net position		
		Charges for service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental activities	Business-type activities	Total
<b>Governmental activities:</b>	Expenses						
General government	\$ 12,347,494	5,426,003	1,107,844	4,591,164	(1,222,483)	-	(1,222,483)
Public safety	12,245,957	109,232	-	-	(12,136,725)	-	(12,136,725)
Public works	3,860,623	-	-	-	(3,860,623)	-	(3,860,623)
Culture and recreation	1,774,528	1,036,331	-	-	(738,197)	-	(738,197)
Urban renewal and econ dev	1,036,723	39,909	-	-	(996,814)	-	(996,814)
Debt service - interest	527,680	-	-	-	(527,680)	-	(527,680)
Total governmental activities	31,793,005	6,611,475	1,107,844	4,591,164	(19,482,522)	-	(19,482,522)
<b>Business-type activities:</b>							
Water, sewer and gas fund	12,645,755	10,695,099	-	-	-	(1,950,656)	(1,950,656)
Transfer station	10,671	-	-	-	-	(10,671)	(10,671)
Energy recovery and solid waste	1,132,660	1,340,796	-	-	-	208,136	208,136
Total business-type activities	13,789,086	12,035,895	-	-	-	(1,753,191)	(1,753,191)
Total primary	\$ 45,582,091	18,647,370	1,107,844	4,591,164	(19,482,522)	(1,753,191)	(21,235,713)
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					7,848,478	-	7,848,478
Property taxes, levied for debt service					1,857,154	241,424	2,098,578
Franchise taxes					1,567,986	-	1,567,986
Sales tax					5,593,617	-	5,593,617
Other taxes					1,406,849	-	1,406,849
Contributions in aid					46,323	-	46,323
Unrestricted investment earnings					43,010	38,108	81,118
Insurance proceeds					29,842	-	29,842
British Petroleum settlement					1,541,747	-	1,541,747
Payments to escrow agent					(933)	(817)	(1,750)
Gain (loss) on the sale of capital assets					(271,814)	-	(271,814)
Miscellaneous					99,213	761	99,974
Total general revenues					19,761,472	279,476	20,040,948
Change in net position before transfers					278,950	(1,473,715)	(1,194,765)
Transfers					(615,877)	615,877	-
Change in net position					(336,927)	(857,838)	(1,194,765)
Net position - beginning					65,115,363	20,632,078	85,747,441
Prior period adjustments, Note 4 H					(24,961,369)	(828,137)	(25,789,506)
Net position - ending					\$ 39,817,067	18,946,103	58,763,170

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



**FUND FINANCIAL STATEMENTS**



**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**



**CITY OF PASCAGOULA, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2015

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,512,143	262,529	1,575,575	6,350,247
Receivables, net	1,884,911	205,502	20,666	2,111,079
Due from other funds	5,337,194	-	840,898	6,178,092
Prepaid expenses	<u>381,552</u>	<u>-</u>	<u>-</u>	<u>381,552</u>
Total assets	<u>12,115,800</u>	<u>468,031</u>	<u>2,437,139</u>	<u>15,020,970</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	458,824	807,558	5,601	1,271,983
Other accrued liabilities	738,580	-	-	738,580
Compensated absences, current	87,894	-	-	87,894
Unearned revenue	668,503	42,964	-	711,467
Due to other funds	<u>854,831</u>	<u>1,835,650</u>	<u>331,506</u>	<u>3,021,987</u>
Total liabilities	<u>2,808,632</u>	<u>2,686,172</u>	<u>337,107</u>	<u>5,831,911</u>
<b>FUND BALANCES</b>				
Nonspendable	381,552	-	-	381,552
Restricted for:				
Forfeiture and seizure	41,743	-	-	41,743
Fire rebate	145,136	-	-	145,136
Hurricane recovery	794,774	-	-	794,774
Fire and police disability	-	-	126,205	126,205
Debt service	-	-	1,962,259	1,962,259
Capital projects	-	-	68,608	68,608
Other purposes	-	-	-	-
Committed for:	-	-	-	-
FEMA acquisition program	-	-	-	-
Historic preservations	-	-	1,880	1,880
Lighthouse preservation	-	-	150,127	150,127
Rental rehabilitation	-	-	7,019	7,019
Other purposes	-	-	-	-
Unassigned	<u>7,943,963</u>	<u>(2,218,141)</u>	<u>(216,066)</u>	<u>5,509,756</u>
Total fund balances	<u>9,307,168</u>	<u>(2,218,141)</u>	<u>2,100,032</u>	<u>9,189,059</u>
Total liabilities and fund balances	<u>\$ 12,115,800</u>	<u>468,031</u>	<u>2,437,139</u>	<u>15,020,970</u>

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





**CITY OF PASCAGOULA, MISSISSIPPI**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
September 30, 2015

**Total governmental funds balance** **\$ 9,189,059**

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

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

Governmental capital assets	111,337,267	
less: accumulated depreciation	<u>(39,555,706)</u>	71,781,561

Certain other assets (such as accounts receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. Such amounts are reported as unearned revenue. 708,745

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	3,349,723	
Deferred inflows of resources related to pensions	<u>(1,584,157)</u>	1,765,566

Internal service funds are used by management to charge the costs of certain insurance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position less any portion allocated to business-type activities. (1,264,825)

Bond deferred charges are reported as an asset and amortized over the life of the loan at the government-wide level and expensed as incurred at the fund level. 111,821

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

Accrued interest payable	(138,708)	
Bonds and notes	(13,248,312)	
Compensated absences	(721,863)	
Net pension liability	<u>(28,365,977)</u>	<u>(42,474,860)</u>

**Net position of governmental activities** **\$ 39,817,067**

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



**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 7,848,478	-	1,857,154	9,705,632
Franchise fees	1,567,986	-	-	1,567,986
Fees and fines	1,168,570	-	-	1,168,570
Licenses and permits	109,232	-	-	109,232
Intergovernmental	7,000,466	-	-	7,000,466
Charges for services	1,968,359	-	-	1,968,359
Investment earnings	36,696	-	6,314	43,010
Contribution in aid	46,323	-	-	46,323
Grants	1,382,306	4,679,013	-	6,061,319
Miscellaneous	99,193	-	20	99,213
Total revenues	<u>21,227,609</u>	<u>4,679,013</u>	<u>1,863,488</u>	<u>27,770,110</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,299,030	-	687,577	4,986,607
Public safety	12,245,957	-	-	12,245,957
Public works	3,860,623	-	-	3,860,623
Culture and recreation	1,774,528	-	-	1,774,528
Urban renewal and econ development	589,487	447,236	-	1,036,723
Debt service:				
Principal payments	196,960	-	365,000	561,960
Interest and fiscal charges	186,053	-	264,108	450,161
Capital outlay	739,537	3,185,466	(33,145)	3,891,858
Total expenditures	<u>23,892,175</u>	<u>3,632,702</u>	<u>1,283,540</u>	<u>28,808,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,664,566)</u>	<u>1,046,311</u>	<u>579,948</u>	<u>(1,038,307)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	8,000,000	-	-	8,000,000
Payments to bond escrow agent	(933)	-	-	(933)
Proceeds from sale of capital assets	90,890	-	-	90,890
Insurance recoveries	29,842	-	-	29,842
British Petroleum settlement	1,541,747	-	-	1,541,747
Transfers in (out)	(469,321)	(146,556)	-	(615,877)
Total other financing sources (uses)	<u>9,192,225</u>	<u>(146,556)</u>	<u>-</u>	<u>9,045,669</u>
Net changes in fund balances	6,527,659	899,755	579,948	8,007,362
Fund balance - beginning of year	2,619,645	(3,123,807)	1,520,084	1,015,922
Prior period adjustments, Note 4 H	159,864	5,911	-	165,775
Fund balance - end of year	<u>\$ 9,307,168</u>	<u>(2,218,141)</u>	<u>2,100,032</u>	<u>9,189,059</u>

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



**CITY OF PASCAGOULA, 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, 2015**

**Net change in fund balances - total governmental funds** **\$ 8,007,362**

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

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

Capital outlay	3,891,862	
Depreciation expense	<u>(2,760,039)</u>	
Excess of capital outlay over depreciation expense		1,131,823

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue. However, the statement of activities reports only the gain or loss on the sale. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (362,704)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Fees and fines, net of bad debt	192,409	
Operating grant income	<u>(362,311)</u>	(169,902)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 561,960

The proceeds of new debt is reported as revenue in the governmental funds, but as a long-term liability in the statement of net assets. (8,000,000)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and therefore, are not reported as expenditures in governmental funds. (923,987)

Governmental funds report pension contributions as expenditures. However, the Statement of Activities reports pension expense and other activity related to pension liability:

Pension contributions	2,213,684	
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	<u>(2,685,906)</u>	(472,222)

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 the funds:

Accrued compensated absences	(31,738)	
Accrued interest payable	<u>(77,519)</u>	<u>(109,257)</u>

**Changes in net position of governmental activities** **\$ (336,927)**

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



**PROPRIETARY FUNDS FINANCIAL STATEMENTS**





**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
September 30, 2015

	Enterprise Funds					
	Major Funds				Total Enterprise Funds	Internal Service Fund
	Water, Sewer and Gas Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds		
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 7,469,004	1,556,774	-	1,241,488	10,267,266	-
Accounts receivable, net	695,621	-	-	381,731	1,077,352	-
Due from other funds	93,405	65,828	363	211,904	371,500	-
Prepaid expenses	15,520	-	-	-	15,520	-
Restricted cash and cash equivalents	649,951	-	-	-	649,951	-
Total current assets	8,923,501	1,622,602	363	1,835,123	12,381,589	-
Noncurrent assets:						
Capital assets:						
Land and construction in progress	1,732,414	-	84,751	-	1,817,165	-
Other capital assets, net of accumulated depreciation	28,693,636	256,962	-	-	28,950,598	-
Total noncurrent assets	30,426,050	256,962	84,751	-	30,767,763	-
Total assets	39,349,551	1,879,564	85,114	1,835,123	43,149,352	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources related to pensions	148,435	-	-	-	148,435	-
Total deferred outflows of resources	148,435	-	-	-	148,435	-
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	287,346	-	1,672,392	4,078	1,963,816	964,147
Compensated absences	3,162	-	-	-	3,162	-
Due to other funds	3,065,704	15,014	145,846	363	3,226,927	300,678
Bonds and notes payable	743,687	-	-	-	743,687	-
Sales tax audit lien	240,000	-	-	-	240,000	-
Total current liabilities	4,339,899	15,014	1,818,238	4,441	6,177,592	1,264,825
Noncurrent liabilities:						
Deposits	649,951	-	-	-	649,951	-
Compensated absences	36,942	-	-	-	36,942	-
Bonds and notes payable	9,929,732	-	6,126,601	-	16,056,333	-
Net pension liability	1,170,647	-	-	-	1,170,647	-
Sales tax audit lien	99,577	-	-	-	99,577	-
Total noncurrent liabilities:	11,886,849	-	6,126,601	-	18,013,450	-
Total liabilities	16,226,748	15,014	7,944,839	4,441	24,191,042	1,264,825

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



**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
September 30, 2015

**DEFERRED INFLOWS OF RESOURCES**

Unamortized premium on bond	46,922	-	-	-	46,922	-
Deferred savings on revenue refundings	34,942	-	-	-	34,942	-
Deferred inflows of resources related to pensions	<u>78,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,778</u>	<u>-</u>
Total deferred inflows of resources	<u>160,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,642</u>	<u>-</u>

**NET POSITION**

Invested in capital assets, net of related debt	19,752,631	256,962	(6,041,850)	-	13,967,743	-
Restricted:						
Debt service	-	-	-	381,731	381,731	-
Group Insurance	-	-	-	-	-	(1,246,071)
Unemployment Insurance	-	-	-	-	-	(18,754)
Unrestricted	<u>3,357,965</u>	<u>1,607,588</u>	<u>(1,817,875)</u>	<u>1,448,951</u>	<u>4,596,629</u>	<u>-</u>
Total net position	<u>\$ 23,110,596</u>	<u>1,864,550</u>	<u>(7,859,725)</u>	<u>1,830,682</u>	<u>18,946,103</u>	<u>(1,264,825)</u>

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



**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2015

	Enterprise Funds					
	Major Funds					Internal Service Fund
	Water, Sewer and Gas Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds	Total Enterprise Funds	
<b>OPERATING REVENUES</b>						
Charges for services	\$ 10,695,099	-	-	1,340,796	12,035,895	-
Property taxes	-	-	-	241,424	241,424	-
Miscellaneous	761	-	-	-	761	3,172,905
Total operating revenues	10,695,860	-	-	1,582,220	12,278,080	3,172,905
<b>OPERATING EXPENSES</b>						
Personnel services	744,200	-	-	13,415	757,615	-
Insurance claims and expenses	-	-	-	-	-	4,096,892
Administrative expenses	3,195,607	-	-	78,900	3,274,507	-
Wastewater treatment	2,690,028	-	-	-	2,690,028	-
Natural gas purchases	1,596,884	-	-	-	1,596,884	-
Waste collection	-	-	-	965,296	965,296	-
Waste disposal	-	-	-	30,484	30,484	-
Utilities	825,225	-	-	-	825,225	-
Supplies	610,280	-	-	-	610,280	-
Depreciation	1,813,076	10,671	-	-	1,823,747	-
Other services and charges	351,989	-	-	44,565	396,554	-
Total operating expenses	11,827,289	10,671	-	1,132,660	12,970,620	4,096,892
Operating income (loss)	(1,131,429)	(10,671)	-	449,560	(692,540)	(923,987)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Bond issuance costs	(140,816)	-	-	-	(140,816)	-
Interest earnings	33,331	-	-	4,777	38,108	-
Interest expense	(218,890)	-	-	-	(218,890)	-
Penalties and interest	(459,577)	-	-	-	(459,577)	-
Transfers in (out)	615,877	-	-	-	615,877	-
Total nonoperating revenues	(170,075)	-	-	4,777	(165,298)	-
Change in net position	(1,301,504)	(10,671)	-	454,337	(857,838)	(923,987)
Total net position - beginning of year	25,240,237	1,875,221	(7,859,725)	1,376,345	20,632,078	(340,838)
Prior period adjustments, Note 4 H	(828,137)	-	-	-	(828,137)	-
Total net position - end of year	\$ 23,110,596	1,864,550	(7,859,725)	1,830,682	18,946,103	(1,264,825)

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



**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2015

<b>Enterprise Funds</b>						
	<b>Major Funds</b>					<b>Internal Service Fund</b>
	<b>Water, Sewer and Gas Fund</b>	<b>Transfer Station Fund</b>	<b>Energy Recovery Facility Fund</b>	<b>Other Nonmajor Funds</b>	<b>Total Enterprise Funds</b>	
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 10,739,940	-	-	1,516,949	12,256,889	-
Payments for goods and services	(7,806,787)	-	-	(1,206,532)	(9,013,319)	(3,392,914)
Payments to employees	(736,668)	-	-	(13,415)	(750,083)	-
Other receipts (payments)	(14,759)	-	-	-	(14,759)	3,172,905
Net cash provided (used) by operating activities	<u>2,181,726</u>	<u>-</u>	<u>-</u>	<u>297,002</u>	<u>2,478,728</u>	<u>(220,009)</u>
<b>Cash flows from Non-Capital financing activities:</b>						
Sales tax lien payments	(120,000)	-	-	-	(120,000)	-
Transfers to / from other funds	615,877	-	-	-	615,877	-
Net cash used in non-capital financing activities	<u>495,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,877</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>						
Purchase and construction of capital assets	(1,684,296)	-	-	-	(1,684,296)	-
Proceeds from capital debt	7,000,000	-	-	-	7,000,000	-
Principal paid on capital debt	(442,909)	-	-	-	(442,909)	-
Bond issuance costs	(140,816)	-	-	-	(140,816)	-
Bond amortization	(9,097)	-	-	-	(9,097)	-
Interest paid on capital debt	(218,890)	-	-	-	(218,890)	-
Net cash used in capital and related financing activities	<u>4,503,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,503,992</u>	<u>-</u>
<b>Cash flows from investing activities:</b>						
Restricted customer deposits	4,040	-	-	-	4,040	-
Interest received	33,331	-	-	4,777	38,108	-
Net cash provided by investing activities	<u>37,371</u>	<u>-</u>	<u>-</u>	<u>4,777</u>	<u>42,148</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,218,966	-	-	301,779	7,520,745	(220,009)
Cash and cash equivalents:						
Beginning of the year	899,989	1,556,774	-	939,709	3,396,472	220,009
End of the year	<u>\$ 8,118,955</u>	<u>1,556,774</u>	<u>-</u>	<u>1,241,488</u>	<u>10,917,217</u>	<u>-</u>

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





**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2015

	Enterprise Funds					
	Major Funds					
	Water, Sewer and Gas Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds	Total Enterprise Funds	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ (1,131,429)	(10,671)	-	449,560	(692,540)	(923,987)
Adjustments to reconcile operating income (loss) to net cash						
Depreciation expense	1,813,076	10,671	-	-	1,823,747	-
(Increase) decrease in						
current assets:						
Accounts receivable	44,841	-	-	(50,086)	(5,245)	-
Due from other						
funds	-	-	-	(15,185)	(15,185)	-
Other assets	(15,520)	-	-	-	(15,520)	-
Increase (decrease) in						
current liabilities:						
Accounts payable	(87,359)	-	-	(87,287)	(174,646)	703,978
Due to other funds	1,550,585	-	-	-	1,550,585	-
Other liabilities	7,479	-	-	-	7,479	-
Compensated						
absences	53	-	-	-	53	-
Net cash provided (used)						
by operating activities	\$ 2,181,726	-	-	297,002	2,478,728	(220,009)

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

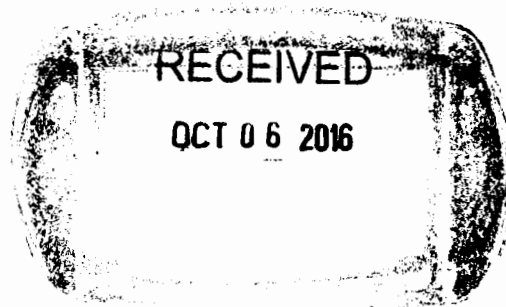


**FIDUCIARY FUNDS FINANCIAL STATEMENTS**



**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
September 30, 2015

	<u>Pascagoula Redevelopment Authority Fund</u>	<u>Pascagoula Port Commission Fund</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 36,437	53,996	90,433
Total assets	<u>36,437</u>	<u>53,996</u>	<u>90,433</u>
<b>LIABILITIES</b>			
Due to Pascagoula Redevelopment Authority	36,437	-	36,437
Due to Pascagoula Port Commission	-	53,996	53,996
Total liabilities	<u>\$ 36,437</u>	<u>53,996</u>	<u>90,433</u>



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



**NOTES TO BASIC FINANCIAL STATEMENTS**





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pascagoula, Mississippi's (the City) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City with the option of electing to apply FASB pronouncements issued after that date. The City has chosen not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**A. Financial Reporting Entity**

The City was incorporated on September 14, 1896. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and water, sewer and gas system.

These financial statements present the City (the primary government) only. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Pascagoula, Mississippi has no component units.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information about the reporting government as a whole. They included all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to function in the statement of activities. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**Fund Financial Statements**

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and its liabilities and deferred inflows of resources as fund balance.

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds.

Fiduciary funds are those used to account for funds held by the City in trust for others that cannot be used to support the City's programs.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is a least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City reports the following major funds:

*Major Governmental Funds*

- General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, (other than debt service or capital projects). Currently, there is one major special revenue fund, the Community Development Fund. This fund separately identifies transactions incurred for the specific purpose of enhancing the community.

*Major Enterprise Funds*

- Pascagoula Utilities fund accounts for operations of the City's water, sewer, and gas system.
- Transfer Station fund accounts for operations of the transfer station.
- Energy Recovery Facility fund accounts for operations of the energy recovery facility.

The City reports the following non-major funds:

*Non-Major Governmental Funds*

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, (other than debt service or capital projects) as follows:
  - ◆ FEMA Acquisition Fund
  - ◆ Historic Preservation Fund
  - ◆ Lighthouse Preservation Fund
  - ◆ Rental Rehabilitation Fund
  - ◆ Hurricane Katrina Fund
  - ◆ Fire and Police Disability Fund
- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than enterprise debt. Currently, there is one debt service fund, the General Obligation Debt Service fund.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). During the year ended September 30, 2015, the City had two capital project funds: the Bond Capital Improvements Fund and the Capital Projects Fund.

In addition, the City reports the following fund types:

- Internal Service Funds are used to account for the financing of goods or services provided by one department/agency to other departments/agencies of the City, or to other governments on a cost reimbursement basis. The City's internal service funds are:
  - ♦ Group Insurance Fund
  - ♦ Self-funded Unemployment Insurance Fund

*Fiduciary Funds*

- The Pascagoula Redevelopment Authority fund and Pascagoula Port Commission fund are private-purpose trust funds which are used to report all other trust arrangements under which principal and/or income benefit individuals, private organizations or other governments. The purpose of the funds are to manage the assets for the benefit of the respective entities.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements**

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unearned revenues. Amounts received prior to the entitlement period are also recorded as unearned revenues.

The City reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Fund Equity**

**Cash and Cash Equivalents**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. All cash and cash equivalents are reported at their carrying amounts, which reasonably approximates fair value.

**Receivables**

All trade receivables are reported net of an allowance for uncollectible amounts, where applicable. Unbilled charges are accrued as receivables and revenue at September 30, 2015.

**Allowance for Uncollectible Amounts**

An allowance for uncollectible amounts relates to the estimated uncollectible balance of the revenues earned or accrued that have been included in accounts receivable at year end. An allowance is recorded on receivable balances based on historical bad debt experience related to the nature of each receivable balance.

**Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2015, are recorded as prepaid items using the consumption method by recording assets for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital position utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

Capital assets purchased or acquired with an original cost of \$5,000 or more (\$50,000 for improvements) are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

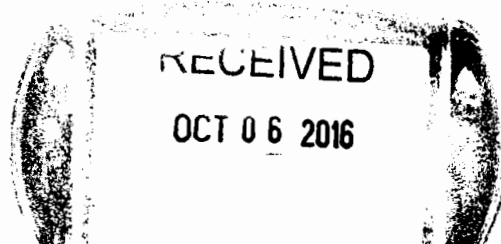
Buildings	20-50 years
Water and sewer system	30-35 years
Machinery and equipment	7-10 years
Improvements	30-35 years
Other infrastructures	10-60 years
Vehicles	5 years

**Compensated Absences**

Vacation benefits and sick leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

All compensated absences liabilities include salary-related payments, where applicable.

The City accrues accumulated unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due". The non-current portion (the amount estimated to be used beyond the next fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to two years generally. Upon termination, any accumulated vacation will be paid to the employee. Any earned vacation hours in excess of 240 hours is certified and sent to the Public Employees Retirement System (PERS). Sick leave is not paid upon termination, however, any unused sick time is also certified and sent to PERS.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

**Debt Premiums, Discounts and Issuance Costs**

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against debt payable and debt issuance costs are recognized as an outflow of resources in the period incurred. On the governmental-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

At the governmental fund reporting level, debt fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

**Net Position/Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

In the Government-Wide financial statements, the difference between the City's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditor, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

Additionally, the City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. 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. Fund balances are classified as follows:

- Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council as approved in the board minutes.
- Assigned - Includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 and 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.

The City does not have a minimum fund balance policy.

**Revenues**

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

**Expenditures**

Expenditures are recognized when the related fund liability is incurred.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in the proprietary funds. Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

**Estimates**

The preparation of the financial statements in conformity with account principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Reclassifications**

Where presented, certain 2014 financial statement amounts may have been reclassified to conform to the 2015 presentation.

**New GASB Pronouncements**

The Governmental Accounting Standards Board has issued several new pronouncements that the City has reviewed for application to their accounting and reporting.

GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*, are effective for the periods beginning after June 15, 2014. The requirements of these Statements will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The City has implemented these reporting requirements for the year ended September 30, 2015.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**A. Fund Accounting Requirements**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund:</u>	<u>Required By:</u>
Cemetery Care Fund	State Law
CDBG Fund	Grant Agreement
Gas, Water and Sewer Fund	Trust Indenture
Energy Recovery Fund	Trust Indenture
Transfer Station Fund	Trust Indenture
Solid Waste Fund	State Law



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**B. Deposits and Investments Laws and Regulations**

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. 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 FDIC.

At year-end, the carrying amount of the City's deposits was \$16,093,062, and the respective bank balances totaled \$17,167,914. There were no certificates of deposits outstanding at September 30, 2015.

The City's deposits were fully insured or collateralized as required by statute at September 30, 2015.

**C. Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source:</u>	<u>Legal Restrictions in Use:</u>
Sales Tax	Sewer Rehabilitation Notes
Gasoline Excise & Commercial Vehicle Tax	Street and Road purposes
Water, Sewer and Gas Revenue	Debt Service and Utility Operations
Cemetery Revenue	Cemetery Capital Improvements
Grant Program Expenditures	Grant agreements
Ad Valorem Tax	Debt Service

For the year ended September 30, 2015, the City complied, in all material respects, with these revenue restrictions.

**D. Debt Restrictions and Covenants**

General obligation debt represents direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

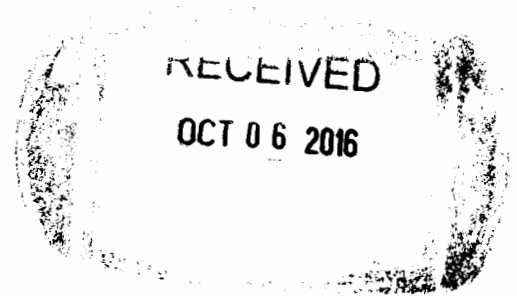
The City's policies regarding deposits of cash are discussed in Note 1 D. The City deposits funds in financial institutions selected by the City Council in accordance with Mississippi statutes. The approved city depositories for the 2014-2015 calendar years are The First and Merchants and Marine Bank.

*Custodial Credit Risk - Deposits*

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Details regarding custodial credit risk are discussed in Note 2 B.

Deposits at September 30, 2015, (including restricted deposits) are as follows:

	<u>Bank Balances</u>	<u>Total Carrying Value</u>
Pooled deposits:		
Cash and cash equivalents	\$ 16,475,731	14,916,339
Non-pooled deposits:		
Cash and cash equivalents:		
Payroll fund	277,999	755,087
Municipal court fund	102,756	109,402
SMMET	311,428	311,428
Petty cash	-	206
Cash drawer	-	600
	<u>\$ 17,167,914</u>	<u>16,093,062</u>
Reconciliation to government-wide statement of net assets:		
Restricted cash		\$ 649,951
Unrestricted cash		<u>15,443,111</u>
		<u>\$ 16,093,062</u>





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**B. Restricted Cash**

The amounts reported as restricted assets are cash and accrued interest held by the trustee bank on behalf of the various public trusts (authorities) related to their required note payable accounts and amounts held in trust for customer utility meter deposits.

The restricted assets as of September 30, 2015, are as follows:

<u>Restricted Assets</u>	<u>Cash Including Time Deposits</u>
<b>Business-type activities:</b>	
Customer deposits	\$ 649,951
	<u>\$ 649,951</u>

**C. Accounts Receivable**

Accounts receivable at September 30, 2015, consisted of the following:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
<b>Governmental activities:</b>			
General Fund:			
Ad valorem taxes	\$ 62,912	-	62,912
Franchise taxes	525,969	-	525,969
Sales tax	442,280	-	442,280
Police court fines	26,391,530	25,631,944	759,586
Other	99,455	-	99,455
	<u>27,522,146</u>	<u>25,631,944</u>	<u>1,890,202</u>
Special Revenue:			
Other	7,508	489	7,019
Debt Service:			
Ad valorem taxes	8,356	-	8,356
Community Development Fund:			
Grants	205,502	-	205,502
Total governmental activities	<u>27,743,512</u>	<u>25,632,433</u>	<u>2,111,079</u>
<b>Business-type activities:</b>			
Water, sewer and gas services	2,381,056	1,685,435	695,621
Solid waste management	381,731	-	381,731
Total business-type activities	<u>2,762,787</u>	<u>1,685,435</u>	<u>1,077,352</u>
Total government-wide activities	<u>\$ 30,506,299</u>	<u>27,317,868</u>	<u>3,188,431</u>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2015, was as follows:

	<b>Primary Government</b>		
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases/ Adjustments</b>
			<b>Ending Balance</b>
<b>Governmental activities:</b>			
Capital assets not being depreciated:			
Land	\$ 13,141,042	138,000	(362,701)
Construction in progress	11,634,997	3,380,128	(5,709,475)
Total capital assets not being depreciated	24,776,039	3,518,128	(6,072,176)
Capital assets being depreciated:			
Buildings	8,681,874	-	-
Improvements - other	20,273,151	5,618,932	-
Infrastructure	43,737,482	-	-
Equipment	10,584,784	263,198	(44,145)
Total capital assets being depreciated	83,277,291	5,882,130	(44,145)
Less accumulated depreciation for:			
Buildings	4,507,686	265,680	-
Improvements - other	2,977,220	912,964	-
Infrastructure	21,438,654	838,382	-
Equipment	7,916,252	743,013	(44,145)
Total accumulated depreciation	36,839,812	2,760,039	(44,145)
Total capital assets being depreciated, net	46,437,479	3,122,091	-
Total governmental activities capital assets, net	71,213,518	6,640,219	(6,072,176)
<b>Business-type activities:</b>			
Capital assets not being depreciated:			
Land	84,751	-	-
Construction in progress	-	1,732,414	-
Total capital assets not being depreciated	84,751	1,732,414	-
Capital assets being depreciated:			
Buildings	8,369,386	-	(1)
Infrastructure and improvements - other	57,322,882	46,000	-
Equipment	6,655,995	106,958	-
Total capital assets being depreciated	72,348,263	152,958	(1)
Less accumulated depreciation for:			
Buildings	3,267,439	374,973	-
Infrastructure and improvements - other	32,061,380	1,343,007	-
Equipment	6,398,058	105,765	-
Total accumulated depreciation	41,726,877	1,823,745	-
Total capital assets being depreciated, net	30,621,386	(1,670,787)	(1)
Total business-type activities capital assets, net	30,706,137	61,627	(1)
Total capital assets, net	\$ 101,919,655	6,701,846	(6,072,177)



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

A summary of construction-in-progress transactions for the year ended September 30, 2015, follows:

	<b>Expended through September 30, 2015</b>	<b>Remaining Commitment</b>
<b>Primary Government</b>		
Governmental activities:		
Beachfront Promenade Project	\$ 1,286,275	470,539
CIAP-Communny & Emerson Project	591,081	111,739
FY 2012 CDBG Bike Trail	111,580	14,069
FY 2014 CDBG Community Garden	50,750	8,690
Lowry Island Project	3,578,928	200,000
Point Park Project	2,049,037	81,932
Round Island Lighthouse Project	1,605,634	81,474
Safe Routes to School-Jackson Elementary	<u>32,365</u>	<u>52,662</u>
Total governmental construction-in-progress	<u>9,305,650</u>	<u>1,021,105</u>
Business-type Activities:		
Cherokee Forrest - Bond	885,452	1,615,538
DeSoto Street - Bond	36,407	431,812
Drainage Improvement-Holland (Bond)	120,028	1,739,552
Drainage Improvement-Washington (Bond)	114,095	1,167,115
Hospital Road Widening	182,242	466,258
Market Street (Bond)	70,655	1,345
SPAP Sewer Rehabilitation Project	<u>323,535</u>	<u>1,399,572</u>
Total business-type construction-in-progress	<u>1,732,414</u>	<u>6,821,192</u>
Total construction-in-progress	<u>\$ 11,038,064</u>	<u>7,842,297</u>





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

Depreciation expense was charged to programs for the year ended September 30, 2015 as follows:

Governmental activities:

General government	<u>\$ 2,760,039</u>
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Business-type activities:

Water, sewer and gas fund	\$ 1,813,076
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Transfer station	<u>10,671</u>
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Total business-type activities depreciation expense	<u>\$ 1,823,747</u>
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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**E. Long-Term Liabilities**

The City's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2015, is shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 2,680,000	8,000,000	365,000	10,315,000	715,646
Notes payable	2,513,486	-	-	2,513,486	93,579
Capital leases	616,785	-	196,959	419,826	206,111
Total bonds and notes payable	<u>5,810,271</u>	<u>8,000,000</u>	<u>561,959</u>	<u>13,248,312</u>	<u>1,015,336</u>
Other liabilities:					
Compensated absences	792,173	17,584	-	809,757	87,894
Net pension liability	<u>26,128,188</u>	<u>2,237,789</u>	-	<u>28,365,977</u>	-
Total other liabilities	<u>26,920,361</u>	<u>2,255,373</u>	-	<u>29,175,734</u>	<u>87,894</u>
Total governmental activities long-term liabilities	<u>32,730,632</u>	<u>10,255,373</u>	<u>561,959</u>	<u>42,424,046</u>	<u>1,103,230</u>
<b>Business-type activities:</b>					
Bonds and notes payable:					
Water and sewer debt	4,116,328	7,000,000	442,909	10,673,419	743,687
Energy Recovery Facility (ERF)	<u>6,126,601</u>	-	-	<u>6,126,601</u>	-
Total bonds and notes payable	<u>10,242,929</u>	<u>7,000,000</u>	<u>442,909</u>	<u>16,800,020</u>	<u>743,687</u>
Other liabilities:					
Compensated absences	40,051	53	-	40,104	3,162
Net pension liability	1,093,511	77,136	-	1,170,647	-
Sales tax audit lien	-	459,577	120,000	339,577	240,000
Total other liabilities	<u>1,133,562</u>	<u>536,766</u>	<u>120,000</u>	<u>1,550,328</u>	<u>243,162</u>
Total business-type activities long-term liabilities	<u>11,376,491</u>	<u>7,536,766</u>	<u>562,909</u>	<u>18,350,348</u>	<u>986,849</u>
Total long-term liabilities	<u>\$ 44,107,123</u>	<u>17,792,139</u>	<u>1,124,868</u>	<u>60,774,394</u>	<u>2,090,079</u>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Description of Debt**

At September 30, 2015, long-term liabilities consisted of the following individual issues:

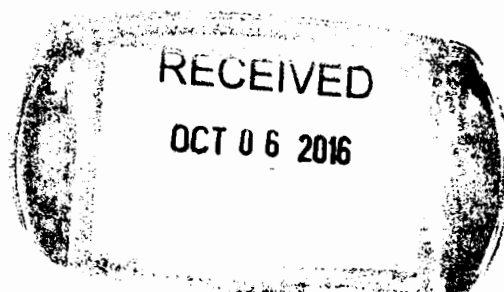
	<b><u>General Long-Term Liabilities</u></b>
<b>Governmental activities:</b>	
<b>Bonds and notes</b>	
2006 Unsecured community disaster loan: In 2014, a portion totaling \$1,118,804 (principal) and \$165,114 (interest) of this loan was forgiven and effectively cancelled. Additionally, the loan was restructured for payments totaling \$160,058 annually, and the maturity date extended to 2035.	\$ 2,513,486
2006 General Obligation Refunding Bonds, payable in various annual installments, bearing annual interest at 3.53% - 4.20%, interest payable semiannually, maturing in 2023, secured by tax revenues	2,315,000
General Obligation Bonds, Series 2014, payable in various annual installments, bearing interest at variable rates of 1.31% - 3.29%, maturing in 2034, secured by tax revenues	<u>8,000,000</u>
Total general obligation bonds and notes	<u>12,828,486</u>
<b>Capital Leases</b>	
2011 Capitalized equipment lease obligation due in annual installments of \$111,492 which includes interest at 3.49% through August 2018	312,422
2013 Capitalized equipment lease obligation due in monthly installments of \$634 which includes interest at 5.95% through December 2016.	9,142
2014 Capitalized equipment lease obligation due in annual installments of \$103,913 which includes interest at 5.75% through February 2016.	<u>98,262</u>
Total capital lease obligations	<u>419,826</u>
<b>Compensated absences</b>	809,757
<b>Net pension liability</b>	28,365,977
Less: current portion of long-term liabilities	<u>(1,103,230)</u>
Total governmental activities long-term liabilities due beyond one year	<u>\$ 41,320,816</u>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

<b>Business-type activities:</b>	<b>General Long- Term Liabilities</b>
<b>Bonds and notes:</b>	
2011 State Revolving Fund Loan, payable in monthly installments of \$4,662, bearing interest at 2.00%, maturing January 2017, secured by utility system revenues \$	73,547
2013 State Revolving Fund Loan, payable in monthly installments of \$2,154, bearing interest at 1.75%, maturing September 2032, secured by utility system revenues	379,872
2012 Combined Water & Sewer System Revenue Refunding Bonds. Dated November 8, 2012, payable in various annual installments, bearing annual interest at 2.00% - 2.50%, interest payable annually, maturing in 2024	3,220,000
1981 Incinerator System Revenue Bonds, dated January 1, 1981, principal and interest suspended	5,626,601
1983 Incinerator System Revenue Bonds, dated January 1, 1981, principal and interest suspended	500,000
Special Revenue Bonds, Series 2014, payable in various annual installments, bearing interest at variable rates of 1.31% - 3.29%, maturing in 2034, secured by utility revenues	<u>7,000,000</u>
Total bonds and notes	<u>16,800,020</u>
<b>Compensated absences</b>	40,104
<b>Net pension liability</b>	1,170,647
<b>Sales tax audit lien</b>	339,577
Less: current portion of long-term debt	<u>(986,849)</u>
Total business-type activities long-term liabilities due beyond one year	<u>\$ 17,363,499</u>







**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Revenue Refunding Bonds**

On November 8, 2012 the City issued \$4,160,000 in revenue refunding bonds with an average interest rate of 2.15% to refund \$4,138,532 in outstanding general obligation bonds accounted for as business-type activities, with an average interest rate of 3.00% - 4.00%. The refunding was undertaken to take advantage of favorable interest rates. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of 4.026%.

**Revenue Bonds**

In 1979, the U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA) purchased the City of Pascagoula, Mississippi's 6% Incinerator System Revenue Bonds, the proceeds of which were used in prior years for the construction of a resource recovery facility. Incinerator System Revenue Bonds debt service is payable solely from revenues from system operation. System revenues are derived from tonnage charges for garbage dumping and from sale of generated steam through a contract with a single commercial customer. Terms of that contract tie the price to be paid for steam to the price of natural gas. The price of natural gas has declined substantially, resulting in a decline in system revenues. Accordingly, the system has not produced sufficient revenues to meet maturing revenue bond principal and interest, or to meet required "cushion" accumulations. For the fiscal year ended September 30, 2015, the principal balance was \$12,626,601. NOAA, the U.S. Department of Commerce, and the City entered into an agreement as of November 18, 1992, which provided for the following loan modifications:

1. The City's obligation to make principal and interest payments was suspended through December 31, 1996.
2. Interest accruals were suspended until at least January 1998. Income generated by the system was to be re-evaluated in 1997 to determine whether it was sufficient to reinstate the payment of interest.
3. Beginning in 1997, 50% of net income before depreciation was to be paid on the obligation, which consisted of \$6,920,000 principal and \$2,832,960 interest accrued to November 18, 1992, plus any interest subsequently reinstated.
4. All remaining net income is to be placed in a reserve for equipment replacement, the use of which requires prior written approval of NOAA. Upon execution of the agreement, NOAA authorized the use of reserve funds for necessary repairs.

Due to the closure of the Transfer Station in December of 2012, the Incinerator System did not incur operating income or expense in fiscal year 2015. Therefore, based on the terms of the agreement with NOAA, no payment is due for the year ended September 30, 2015.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Community Disaster Loans**

In fiscal year 2006, the City borrowed \$7,757,433 from the U.S. Department of Homeland Security (FEMA) under the Special Community Disaster Loan (SCDL) program. This is a shortfall note payable, and its purpose was to provide funds for a shortfall in the local budget that was caused because of damages to properties and tax assessments and related tax collection as a result of Hurricane Katrina in August 2005. Payments on the notes were deferred for a five-year period. On February 27, 2011, Pursuant to HR 2206 - Public Law 110-28, FEMA forgave \$2,942,496 and associated interest of \$411,116, of the City's Community Disaster Loans.

In June 2014, the City was notified by FEMA of debt cancellation for the remaining portion of the enterprise activity balance. The City's Special Community Disaster Loan, with a principal balance of \$352,689 outstanding as of September 30, 2013, was fully cancelled. The City's remaining SCDL principal balance within the governmental funds was partially cancelled by the amount of \$1,118,804. The principal balance of \$2,513,486 remains outstanding as of September 30, 2015.

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2015, are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities - Bonds and Notes</b>			
	<b>Bonds and Notes</b>		<b>Water, Sewer and Gas</b>		<b>Incinerator/ERF</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 809,225	268,068	743,687	167,819	-	-
2017	827,103	263,838	717,290	169,288	-	-
2018	852,717	260,911	716,068	174,514	-	-
2019	870,736	249,783	726,059	174,868	-	-
2020	891,494	232,637	743,418	171,401	-	-
2021-2125	2,783,873	1,124,452	3,060,939	809,782	-	-
2026-2035	5,793,338	860,361	3,965,958	575,026	-	-
suspended	-	-	-	-	6,126,601	1,177,627
<b>Total</b>	<b>\$ 12,828,486</b>	<b>3,260,050</b>	<b>10,673,419</b>	<b>2,242,698</b>	<b>6,126,601</b>	<b>1,177,627</b>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Capital Leases**

Tax-Exempt Leasing Corp Capital Lease – On August 15, 2011, the City entered into a capital lease agreement at an interest rate of 3.489% with Tax-Exempt Leasing Corp to acquire the 2012 E-One HP78 Aerial Fire Truck. The lease obligation is effective during the period from April 12, 2012 through August 15, 2018. Annual payments of interest and principal began on August 15, 2012. Total payments for the equipment are \$780,441 (principal payments of \$681,989 and interest payments of \$98,452). Annual amortization expense is included in depreciation expense.

Ford Motor Credit Company, LLC Capital Lease – On January 2, 2013, the City entered into a capital lease agreement at an interest rate of 5.95% with Ford Motor Credit Company, LLC to acquire the 2013 Ford F150 Police Vehicle. The lease obligation is effective during the period from January 2, 2013 through December 2, 2016. Annual payments of interest and principal began on January 2, 2013. Total payments for the equipment are \$30,429 (principal payments of \$27,154 and interest payments of \$3,275). Annual amortization expense is included in depreciation expense.

Ford Motor Credit Company, LLC Capital Lease – On February 8, 2014, the City entered into a capital lease agreement at an interest rate of 5.75% with Ford Motor Credit Company, LLC to acquire ten 2014 Ford Police Interceptor Utility Vehicles. The lease obligation is effective during the period from February 8, 2014 through February 8, 2016. Annual payments of interest and principal began on February 8, 2014. Total payments for the equipment are \$311,738 (principal payments of \$295,095 and interest payments of \$16,643). Annual amortization expense is included in depreciation expense.

The following is an amortization schedule for these leases:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 206,111	16,900	223,011
2017	105,983	7,410	113,393
2018	107,732	3,759	111,491
2019	-	-	-
2020	-	-	-
<b>Total</b>	<u>\$ 419,826</u>	<u>28,069</u>	<u>447,895</u>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**F. Interfund Balances**

Interfund balances at September 30, 2015, consisted of the following:

		DUE TO:						
		Governmental Activities			Business-type Activities			
		Community Development Fund	Other Governmental Funds	Water, Sewer and Gas Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Enterprise Funds	Total
DUE FROM:	General Fund							
Governmental activities:								
General Fund	\$ -	-	840,898	9,753	4,180	-	-	854,831
Community Development Fund	1,835,650	-	-	-	-	-	-	1,835,650
Other governmental Funds	331,506	-	-	-	-	-	-	331,506
Internal service funds	300,678	-	-	-	-	-	-	300,678
Business-type activities:								
Water, Sewer and Gas	2,853,800	-	-	-	-	-	211,904	3,065,704
Transfer Station	15,014	-	-	-	-	-	-	15,014
Energy Recovery Fund	546	-	-	83,652	61,648	-	-	145,846
Other enterprise funds	-	-	-	-	-	363	-	363
Total	\$ 5,337,194	-	840,898	93,405	65,828	363	211,904	6,549,592

Interfund balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.



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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**G. Interfund Transfers**

Interfund transfers for the year ended September 30, 2015 are as follows:

	TRANSFERS IN:					
	Governmental Activities			Business-type Activities		
	General Fund	Community Development Funds	Other Governmental Funds	Water, Sewer and Gas Fund	Other Enterprise Funds	Total
<b>TRANSFERS OUT:</b>						
Governmental activities:						
General fund	\$ -	-	-	469,321	-	469,321
Community development fund	-	-	-	146,556	-	146,556
Other governmental funds	-	-	-	-	-	-
Internal service funds	-	-	-	-	-	-
Business-type activities:						
Water, Sewer and Gas	-	-	-	-	-	-
Other enterprise funds	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>615,877</u>	<u>-</u>	<u>615,877</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires collecting to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES**

**A. Property Tax**

Property tax is levied on the assessed (appraised) value as compiled by the Jackson County Tax Assessor for all real and business personal property located in the City. The assessment roll is approved and the levy is set before September 30 following a series of public hearings to receive citizen objections. Resulting taxes are due on or before February 1. Installment payments are accepted on or before February 1, May 1, and July 1. An inter-local government agreement effective October 1, 1989, provided for billing and collection of City and Pascagoula School District taxes by Jackson County, Mississippi.

Included in revenues are taxes for automobile tags, which are assessed and collected by Jackson County. Such taxes, less a collection fee, are remitted to the City monthly.

Property tax revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

Increases in taxes are generally limited by State law to 10% of the taxes collected for the prior assessment year, excluding taxes from property added to the tax assessment rolls in the current year.

The City is required by law to assess and collect taxes necessary for operation of the Pascagoula School District (PSD) and for service of certain related debt. PSD provides services to residents of inside and outside the geographic boundaries of the City and has a separate appointed and/or elected board. The school district is not included as a component unit of the City's financial reporting entity because the City does not have the ability to exercise control over school operations or approve budgets. A similar situation exists with the Jackson-George Regional Library System, who receives a portion of the City's tax levy for library operation.

For the year ended September 30, 2015, the City's 2015 tax rate was as follows:

	<u>MILLS</u>
General Fund	32.17
Firemen and Policemen Disability and Relief Fund	3.00
Library	1.14
City Bonds and Interest	4.74
Garbage	1.00
PSD Operations	<u>48.39</u>
	<u>90.44</u>

GOVERNMENT OF CANADA  
MINISTER OF INDUSTRY

1980-1981

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**B. Pension Plan - Public Employees' Retirement System of Mississippi (PERS)**

**Plan Description**

The City of Pascagoula, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Benefits Provided**

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**Contributions**

PERS members are required to contribute 9.00% of their annual covered salary and the City of Pascagoula, Mississippi is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

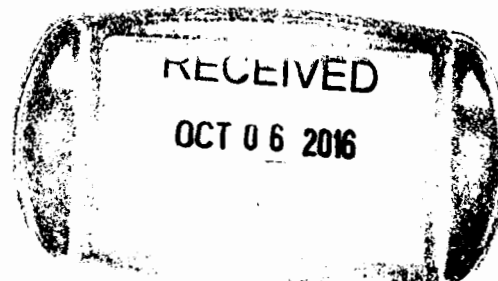
The City of Pascagoula, Mississippi's contribution to PERS for the year ended September 30, 2015, 2014, and 2013 was \$1,601,927, \$2,422,565, and \$2,533,277 respectively, which equal to the required contributions for each year.

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

At September 30, 2015, the City reported a liability of \$24,732,844 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.16 percent, which decreased by .01 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$1,995,713. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 574,609	-
Net difference between projected and actual earnings on pension plan investments	-	662,815
Changes of assumptions	2,130,649	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	-	1,000,120
The City contributions subsequent to the measurement date	430,803	-
Total	<u>\$ 3,136,061</u>	<u>1,662,935</u>







**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

\$430,803 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended September 30,**

2016	\$ 285,352
2017	259,878
2018	14,001
2019	483,092
2020	-
Thereafter	-
<b>Total</b>	<b><u>\$ 1,042,323</u></b>

**Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 - 19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investments expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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 PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	34.00 %	5.20
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
Total	<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 plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). 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's proportionate share of the net pension liability to changes in the discount rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability	\$ 32,600,155	24,732,844	18,204,448

**Pension plan fiduciary net position**

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



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**C. Pension Plan - Municipal Retirement Systems and Firemen and Policemen Disability and Relief Fund**

**Plan Description**

The Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS or the Plan) is an agent multiple-employer defined benefit pension plan comprised of municipal employee plans from around the State of Mississippi for municipal employees, firefighters, and police officers serving in the participating municipalities. The Public Employees' Retirement System of Mississippi (PERS), in coordination with the governing authorities of the respective municipalities, has administered these plans since July 1, 1987. Membership in the two general municipal employee plans and the 17 fire and police disability and relief systems under MRS was granted to all municipal employees, fire fighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. All MRS plans were closed to new members by July 1, 1987. Eligible employees hired after July 1, 1987, automatically become members of PERS.

Members covered by MRS are required to contribute varying amounts of their salary, depending on the actuarial soundness of their respective plans. Each employer contributes the remaining amounts necessary to finance participation of its own employees in MRS. Plan provisions are established by Mississippi Code Ann. § 21-29-1 et seq., Articles 1, 3, 5, and 7, (1972, as amended), and annual local and private legislation. Statutes may be amended only by the Mississippi Legislature. The Plan is included in the PERS Comprehensive Annual Financial Report (CAFR) as part of the pension trust funds. The System's most recent CAFR for the year ended June 30, 2015 should be read in conjunction with these financial statements.

**Benefits Provided**

Regardless of age, participating employees who retire with at least twenty years of membership service are entitled to an annual retirement allowance payable monthly for life in an amount equal to 50.0 percent of their average monthly compensation and to an additional 1.7 percent for each year of creditable service beyond 20 years, not to exceed 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. Average monthly compensation for the MRS plans is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching twenty years of membership service. MRS plans also provide certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a full refund of employee contributions. Members covered by MRS do not receive interest on their accumulated contributions. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

The retirees and beneficiaries of MRS plans with provisions for a Cost-of-Living Adjustment (COLA) who are receiving a retirement allowance on July 1 of each fiscal year may be entitled to a COLA. This payment is equal to the annual percentage change of the Consumer Price Index (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt a COLA other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2015, the total COLAs for MRS plans were \$5,487,322.

**Administration of the Plan**

The Plan is administered as an agent multiple-employer defined benefit pension plan by PERS, in coordination with the governing authorities of the respective municipalities.

**Employees Covered by Benefit Terms**

At June 30, 2015, the following employees were covered by the benefit terms:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	74
Inactive members entitled to but not yet receiving benefits	-
Active members	-
<b>Total</b>	<u><u>74</u></u>

**Contributions**

Each plan has an established employee contribution rate. Employer contributions in each municipality are paid through an annual millage rate on the assessed property values in that municipality. These millage rates are determined through reviews of each plan's benefit structure during the MRS annual actuarial valuation and certifications by the actuary as to the funding level required of each participating municipality. For the year ended September 30, 2015, the City's millage rate for the Firemen and Policemen Disability and Relief Fund was 3.00 mills. The City's contributions to the plan for the year ended September 30, 2015, 2014, 2013 was \$687,577, \$789,347, and \$1,019,663 respectively, which equal to the required contributions for each year.

Service credit is awarded for employment in a covered position based on the number of months a member works during a fiscal year. All wages and contributions must be properly reported before service credit can be awarded.

**Net Pension Liability**

The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50 – 6.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ended September 30, 2015 were based on the June 30, 2013 actuarial valuation.

**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 there would be no employee contributions due to the Plan being closed to new entrants and that employer contributions will be made at the current actuarially determined contribution rates. 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 inactive employees. 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.

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balances at June 30, 2014</b>	\$ 12,786,889	8,375,415	4,411,474
Changes for the year:	-	-	-
Service cost	-	-	-
Interest	965,667	-	965,667
Changes of assumptions	395,634	-	395,634
Difference between expected and actual experience	(40,288)	-	(40,288)
Contributions - employer	-	695,520	(695,520)
Contributions - employee	-	-	-
Net investment income	-	247,097	(247,097)
Benefit payments, including refunds of employee contributions	(1,432,103)	(1,432,103)	-
Administrative expense	-	(13,910)	13,910
Other changes	-	-	-
Net changes	(111,090)	(503,396)	392,306
<b>Balances at June 30, 2015</b>	<u>\$ 12,675,799</u>	<u>7,872,019</u>	<u>4,803,780</u>

**Roll-forward of the Total Pension Liability**

<b>Total Pension Liability Roll-Forward</b>	
(a) Total pension liability as of June 30, 2014	\$ 12,786,889
(b) Entry age normal cost for the period July 1, 2014 - July 1, 2015	\$ -
(c) Actual benefit payments and refunds for the period July 1, 2014 - July 1, 2015	\$ (1,432,103)
(d) Expected total pension liability as of June 30, 2015 = [(a) x (1.08)] + (b) - [(c) x (1.4)]	\$ 12,320,453
(e) Actual total pension liability as of June 30, 2015 with old assumptions (8.00%)	\$ 12,280,165
(f) Experience (Gain)/Loss: (e) - (d)	\$ (40,288)
(g) Actual total pension liability as of June 30, 2015 with new assumptions (7.75%)	\$ 12,675,799
(h) Assumptions (Gains)/Loss: (g) - (e)	\$ 395,634



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's net pension liability (asset)	\$ 5,754,736	4,803,780	3,971,328

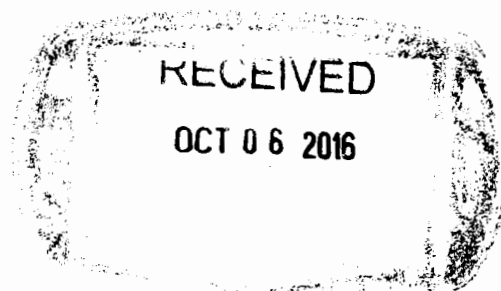
**Pension plan fiduciary net position**

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the MRS Plan**

For the year ended September 30, 2015, the City recognized pension expense of:

<b>Pension Expense</b>	
Service Cost	\$ -
Interest on the total pension liability	965,667
Current period benefit changes	-
Expensed portion of current period difference between expected and actual experience in the total pension liability	(40,288)
Expensed portion of current period changes of assumptions	395,634
Member contributions	-
Projected earnings on plan investments	(640,013)
Expensed portion of current period difference between actual and projected earnings on plan investments	78,583
Administrative expense	13,910
Other	-
Recognition of beginning deferred outflows of resources as pension expense	-
Recognition of beginning deferred inflows of resources as pension expense	-
<b>Pension expense (income)</b>	<b>\$ 773,493</b>





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the MRS Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ -	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	314,333	-
Employer contributions subsequent to the measurement date	47,764	-
<b>Total</b>	<b>\$ 362,097</b>	<b>-</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the MRS Plan will be recognized in pension expense as follows:

**Year ended September 30,**

2016	\$ 78,583
2017	78,583
2018	78,583
2019	78,584
2020	-
Thereafter	-
<b>Total</b>	<b>\$ 314,333</b>

**D. Deferred Compensation Plan**

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**E. Commitments and Contingencies**

**Group Insurance**

Since 1991, the City has maintained the Group Insurance Fund to account for the City's employee health care coverage which is self-insured by the City. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. Processing of claims is accomplished through a contract with a claims administration firm. Eighty percent of the first \$2,500 of preferred provider expenses and 100% of preferred provider expenses thereafter are payable by the plan after a \$500 deductible per participant per calendar year, with a lifetime maximum benefit of \$2,000,000. For non-preferred provider expenses, there is no out-of-pocket expense limit and covered expenses are payable at 50%, unless otherwise specified in the plan. The plan carries insurance to cover claims in excess of \$50,000 per participant. At September 30, 2015, a liability of \$284,447 has been recorded, which represents estimated claims incurred but not yet reported.

Changes in this claims liability during fiscal year 2015 and 2014 were as follows:

	<b>Balance at Beginning of Fiscal Year</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Fiscal Year</b>
2014 - 2015	\$ 260,135	3,463,196	3,438,884	284,447
2013 - 2014	146,137	3,281,547	3,167,549	260,135

**Unemployment Insurance**

The City became self-insured for unemployment claims effective January 1, 2005. As claims are presented, they are paid directly by the City. The amount of future claims against the City attributable to prior year wages paid cannot be determined, therefore a contingent liability has not been recorded.

**Related Party Transactions**

No known transactions requiring disclosure occurred between the City and its employees or elected officials.

**Grants and Awards**

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**Litigation**

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

**Contract Commitments**

**Service Contracts:**

The City contracts with private contractors for various services.

On December 19, 2006, the City entered into a contract with Utility Partners, LLC to provide utility management, operations and maintenance services. The contract calls for amounts payable as follows:

<b>Period</b>	<b>Monthly Payments</b>	<b>Annual Payments</b>
December 1, 2015 - November 30, 2016	\$ 297,389	3,568,668
December 1, 2014 - November 30, 2015	294,444	3,533,328

Any extensions to the contract will call for a 3% increase per year, due to cost of living adjustments.

The City has a two-year term contract with Delta Sanitation Services. The contractor is paid on a per unit basis.

**Construction Contracts:**

The City has entered into various construction contracts for infrastructure improvements with an estimated remaining commitment of \$7,842,297. The majority of these commitments are being funded by various state and federal grants. See Note 3 D for more detailed information on these commitments.

**F. Joint Venture**

The City is a member of the joint venture Jackson County Utility Authority (the Authority), which was established by an act of the Mississippi Legislature to design and implement a water pollution abatement plan. The Authority is responsible for the operations and maintenance of the wastewater treatment plants for the cities of Gautier, Moss Point, Ocean Springs and Pascagoula. The Authority enters into subscription agreements with each of the governing bodies and districts to fund its operations. The City of Pascagoula, Mississippi's subscription agreement called for monthly payments of \$224,169 for 2014-2015 fiscal year.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2015, a complete copy of which is on file at the administrative offices of the Authority located at 1225 Jackson Avenue, Pascagoula, MS 39567.

**STATEMENT OF NET POSITION**

**ASSETS**

Current assets	\$ 2,380,509
Restricted investments	3,023,861
Capital assets	<u>142,277,431</u>
Total assets	<u>147,681,801</u>

**DEFERRED INFLOWS OF RESOURCES**

2,072,713

**LIABILITIES**

Current liabilities	9,801,739
Noncurrent liabilities	<u>20,869,572</u>
Total liabilities	<u>30,671,311</u>

**DEFERRED OUTFLOWS OF RESOURCES**

269,758

**NET POSITION**

\$ 118,813,445

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION**

Operating revenues	\$ 12,223,572
Operating expenses	(17,857,177)
Non-operating revenues	32,395
Non-operating expenses	(340,273)
Capital contributions and grants	<u>5,624,610</u>
Change in net position	<u>\$ (316,873)</u>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**NOTE 4. OTHER NOTES (continued)**

**G. Deficit fund balances/Retained earnings**

Deficit fund balances of individual funds are as follows:

**Governmental activities:**

Community Development Fund	\$ 2,218,141
FEMA Acquisition Fund	213,996
Special Revenue Projects Fund	3,691
ISTEA Fund	6
Internal Service Fund	1,264,825

**Business-type activities:**

Energy Recovery Fund	7,859,724
Group Insurance Fund	1,246,071
Unemployment Insurance Fund	18,754

**H. Prior Period Adjustments**

A prior period adjustment of \$25,789,506 was made to correct September 30, 2014 net position related to the understatement of net pension liability.

Net position, September 30, 2014 as originally presented	\$ 85,747,441
To correct understatement	(25,789,506)
As restated	<u>\$ 59,957,935</u>

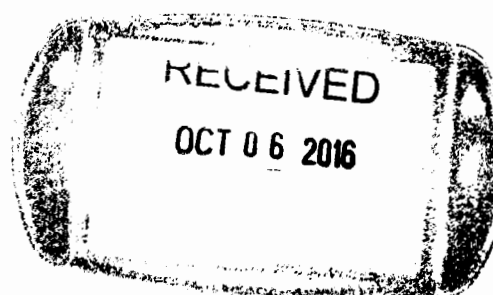
**I. Subsequent events**

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 27, 2016, (the date the financial statements were available to be issued) and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.





**REQUIRED SUPPLEMENTARY INFORMATION**





**CITY OF PASCAGOULA, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**GENERAL FUND**  
For the Year Ended September 30, 2015

	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Over (Under)</b>
<b>Resources (inflows):</b>				
Taxes	\$ 8,865,546	8,865,546	7,562,703	(1,302,843)
Licenses and permits	2,080,800	2,080,800	1,677,812	(402,988)
Grants	2,572,123	2,719,252	1,417,378	(1,301,874)
Inter-governmental revenues	8,466,130	8,561,130	5,472,366	(3,088,764)
Charges for services	1,989,490	1,989,490	1,975,064	(14,426)
Fines and forfeitures	1,069,000	1,069,000	1,036,330	(32,670)
Interest	96,600	96,600	36,696	(59,904)
Rents	104,090	104,090	89,868	(14,222)
Miscellaneous	<u>260,150</u>	<u>290,402</u>	<u>74,481</u>	<u>(215,921)</u>
Amounts available for appropriations	<u>25,503,929</u>	<u>25,776,310</u>	<u>19,342,698</u>	<u>(6,433,612)</u>

The notes to required supplementary information are an integral part of this schedule.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**GENERAL FUND**  
For the Year Ended September 30, 2015  
(continued)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Charges to appropriations (outflows):</b>				
<i>General Government</i>				
Personnel services	1,994,572	1,994,572	1,889,847	(104,725)
Supplies	118,365	118,365	104,902	(13,463)
Other charges	858,322	891,418	693,746	(197,672)
Capital outlay	53,860	53,860	415,492	361,632
<i>General Administration</i>				
Other charges	1,552,185	1,551,340	1,511,895	(39,445)
Debt service	-	-	171,760	171,760
Transfers	255,027	281,993	-	(281,993)
<i>Police</i>				
Personnel services	6,670,130	6,719,465	4,906,352	(1,813,113)
Supplies	352,600	3,353,180	308,048	(3,045,132)
Other charges	432,663	435,579	426,529	(9,050)
Debt service	8,200	8,200	99,761	91,561
Capital outlay	155,913	438,538	-	(438,538)
<i>Forfeiture &amp; Seizure</i>				
Supplies	4,000	4,000	3,637	(363)
Other charges	40,000	40,000	242	(39,758)
Capital outlay	22,337	49,495	27,781	(21,714)
<i>Fire</i>				
Personnel services	4,353,574	4,353,574	4,348,903	(4,671)
Supplies	143,450	143,450	125,897	(17,553)
Other charges	77,175	75,825	35,803	(40,022)
Capital outlay	92,000	93,350	70,869	(22,481)
Debt service	112,000	112,000	111,492	(508)
<i>Code Enforcement</i>				
Personnel services	579,997	579,997	535,645	(44,352)
Supplies	26,000	26,000	64,371	38,371
Other charges	375,540	389,790	124,993	(264,797)
Capital outlay	79,000	79,000	23,343	(55,657)
<i>Public works</i>				
Personnel services	234,395	251,395	231,918	(19,477)
Supplies	462,400	478,160	412,313	(65,847)
Other charges	3,927,428	4,143,233	3,352,703	(790,530)
Capital outlay	5,841,153	6,165,492	52,616	(6,112,876)
<i>Machpelah Cemetery</i>				
Other charges	122,870	122,870	98,573	(24,297)
<i>Culture &amp; Recreation</i>				
Personnel services	1,157,828	1,157,918	1,081,011	(76,907)
Supplies	179,750	188,322	178,163	(10,159)
Other charges	549,345	575,815	515,352	(60,463)
Capital outlay	247,900	345,118	181,329	(163,789)
<i>Inner Harbor</i>				
Other charges	10,000	10,000	-	(10,000)
Capital outlay	1,800,000	1,800,000	-	(1,800,000)
<i>Grants &amp; Economic Development</i>				
Personnel services	313,445	321,769	312,172	(9,597)
Supplies	26,618	26,618	52,528	25,910
Other charges	349,025	411,180	224,785	(186,395)
Capital outlay	27,000	29,100	-	(29,100)
Total charges to appropriations	<u>33,606,067</u>	<u>37,819,981</u>	<u>22,694,771</u>	<u>(15,125,210)</u>
Excess (deficiency) of revenues over expenditures	(8,102,138)	(12,043,671)	(3,352,073)	8,691,598

The notes to required supplementary information are an integral part of this schedule.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**GENERAL FUND**  
For the Year Ended September 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Other Financing Sources (Uses):</b>				
Other financing sources	8,016,000	8,016,000	9,661,546	1,645,546
Transfers (out)	<u>499,559</u>	<u>499,559</u>	<u>(469,321)</u>	<u>(968,880)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>9,192,225</u>	<u>9,192,225</u>
Net Change in fund balance	<u>\$ (8,102,138)</u>	<u>(12,043,671)</u>	5,840,152	<u>17,883,823</u>
Fund balance - beginning			2,619,645	
Prior period adjustment			<u>159,864</u>	
Fund balance - end of year			<u>\$ 8,619,661</u>	

**Differences between budgetary and GAAP fund balance:**

Fund Balance, end of year (Budgetary Basis)	\$ 8,619,661
Accruals for expenses incurred but not paid	1,884,911
Accruals for revenues recognized but not year received	<u>(1,197,404)</u>
Fund Balance, end of year (GAAP)	<u>\$ 9,307,168</u>

The accompanying notes are an integral part of this statement.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**COMMUNITY DEVELOPMENT FUND**  
For the Year Ended September 30, 2015

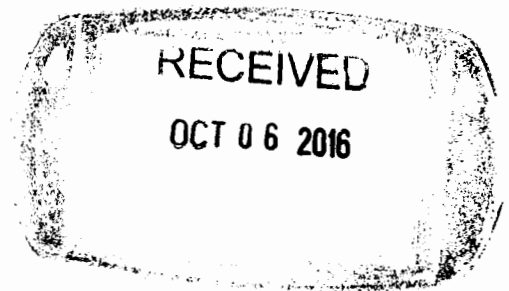
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Resources (inflows):</b>				
Grants	\$ 7,042,046	11,244,715	4,473,511	(6,771,204)
Amounts available for appropriations	7,042,046	11,244,715	4,473,511	(6,771,204)
<b>Charges to appropriations (outflows):</b>				
Other charges	5,507,517	13,137,464	447,235	(12,690,229)
Capital outlay	-	-	2,377,909	2,377,909
Total charges to appropriations	5,507,517	13,137,464	2,825,144	(10,312,320)
Excess (deficiency) of revenues over expenditures	1,534,529	(1,892,749)	1,648,367	3,541,116
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	-	-	(146,556)	(146,556)
Total other financing sources (uses)	-	-	(146,556)	(146,556)
Net Change in fund balance	\$ 1,534,529	(1,892,749)	1,501,811	3,394,560
Fund balance - beginning			(3,123,807)	
Prior period adjustment			5,911	
Fund balance - end of year			\$ (1,616,085)	
<b>Differences between budgetary and GAAP fund balance:</b>				
Fund Balance, end of year (Budgetary Basis)			\$	(1,616,085)
Accruals for expenses incurred but not paid				205,502
Accruals for revenues recognized but not year received				(807,558)
Fund Balance, end of year (GAAP)			\$	(2,218,141)

The accompanying notes are an integral part of this statement.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 2 Years Shown)\*\*

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.16 %	0.17 %
City's proportionate share of the net pension liability (asset)	\$ 24,732,844	20,634,887
City's covered-employee payroll	\$ 10,255,519	10,337,081
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	241.17 %	199.62 %
Plan fiduciary net position as a percentage of the total pension liability	67.21 %	61.02 %



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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF CITY CONTRIBUTIONS\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 2 Years Shown)\*\*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,615,244	1,628,091
Contributions in relation to the contractually required contribution	<u>(1,615,244)</u>	<u>(1,628,091)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
 City of Pascagoula's covered-employee payroll	 \$ 10,255,519	 10,337,081
 Contributions as a percentage of covered-employee payroll	 15.75 %	 15.75 %

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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY\***  
Municipal Retirement System and Fire and Police Disability and Relief Fund  
Last 10 Fiscal Years (Only 1 Year Shown)\*\*

	<u>2015</u>
<b>Total pension liability</b>	
Service cost	\$ -
Interest	965,667
Changes of benefit terms	-
Differences between expected and actual experience	(40,288)
Changes of assumptions	395,634
Benefit payments, including refunds of employee contributions	<u>(1,432,103)</u>
<b>Net change in total pension liability</b>	(111,090)
<b>Total pension liability - beginning</b>	<u>12,786,889</u>
<b>Total pension liability - ending (a)</b>	<u>12,675,799</u>
<b>Plan fiduciary net position</b>	-
Contributions - employer	695,520
Contributions - member	-
Net investment income	247,097
Benefit payments, including refunds of employee contributions	(1,432,103)
Administrative expense	(13,910)
Other	<u>-</u>
<b>Net change in plan fiduciary net position</b>	(503,396)
<b>Plan net position - beginning</b>	<u>8,375,415</u>
<b>Plan net position - ending (b)</b>	<u>7,872,019</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 4,803,780</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	62.10 %
<b>Covered-employee payroll***</b>	N/A
<b>Net pension liability (asset) as a percentage of covered-employee payroll***</b>	N/A

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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

\*\*\* Payroll-related information not provided because plan is closed to new entrants and there are very few remaining active members and many municipalities have no remaining active members.

The notes to required supplementary information are an integral part of this schedule.





**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS\***  
Municipal Retirement System and Fire and Police Disability and Relief Fund  
Last 10 Fiscal Years (Only 1 Year Shown)\*\*

	<u>2015</u>
Actuarially determined contribution	\$ 695,520
Contributions in relation to the actuarially determined contribution	<u>(695,520)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll***	N/A
Contributions as a percentage of covered-employee payroll	N/A

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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

\*\*\* Payroll-related information not provided because plan is closed to new entrants and there are very few remaining active members and many municipalities have no remaining active members.

The notes to required supplementary information are an integral part of this schedule.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended September 30, 2015

**NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

**A. Budgets and Budgetary Accounting**

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, during August, a budget is prepared by the City's management and submitted to the City Council for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

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.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the General Fund and the Community Development Fund of the City. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

**B. Excess of Expenditures over Appropriations (Budget)**

There were no expenditures in excess of appropriations (budget) for the fiscal year ended September 30, 2015.

**NOTE 2. PENSION SCHEDULES**

**A. Changes of Benefit Terms**

None.

**B. Changes of Assumptions**

- Inflation decreased from 3.50% to 3.00%
- Salary changed from 4.25 - 19.50%, average, including inflation to 3.75 - 19.00%
- Investment rate of return decreased from 8.00%, net of pension plan investment expense, including inflation to 7.75%

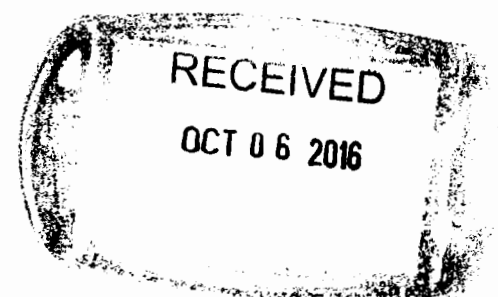


**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended September 30, 2015

**NOTE 2. PENSION SCHEDULES (continued)**

**C. Methods and Assumptions Used to Determine Contribution Rates for Municipal Retirement System and Fire and Police Disability and Relief Fund**

Actuarial cost method	Ultimate asset reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Inflation	3.50%
Salary increase	4.50 - 6.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation





**OTHER SUPPLEMENTARY INFORMATION**





**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS OF MUNICIPAL OFFICIALS**  
For the Year Ended September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Jim Blevins	Mayor	\$ 100,000
Marvin Pickett	Councilman	100,000
Freddy Jackson	Councilman	100,000
David Tadlock	Councilman	100,000
Burt Hill	Councilman	100,000
Scott Tipton	Councilman	100,000
Brenda Simkins	Councilman	100,000
Joseph R. Huffman	City Manager	162,000
Eddie Williams	City Attorney	162,000
Kenneth Johnson	Chief of Police	50,000
Robert J Parker	City Clerk / Comptroller	50,000



**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2015

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance (CFDA) Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Commerce National Oceanic and Atmospheric Administration (NOAA)</u></b>			
<i>Passed through State of Mississippi</i>			
Coastal Zone Management Administration Awards	11.419	FY2010-P414	\$ 171,414
	11.419	FY2012-P210	65,283
	11.419	FY2013-P113	1,392
	11.419	FY2014-P401-8PA	8,492
	11.419	FY2014-P401-9PA	24,572
	11.419	FY2015-P501-12PA	<u>13,150</u>
<b>Total Department of Commerce National Oceanic and Atmospheric Administration (NOAA)</b>			<u>284,303</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed through State of Mississippi</i>			
Community Development Block Grants/Entitlement Grants	14.218*	B-12-MC-28-0005	20,271
	14.218*	B-13-MC-28-0005	135,836
	14.218*	B-13-MC-28-0005	8,947
	14.218*	B-13-MC-28-0005	10,000
	14.218*	B-14-MC-28-0005	21,086
	14.218*	B-14-MC-28-0005	27,108
	14.218*	B-14-MC-28-0005	<u>50,750</u>
			<u>273,998</u>
Community Development Block Grant- State Administered CDBG Cluster Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii	14.228*	R-103-290-01-KCR	148,049
	14.228*	R-109-290-05-KCR	<u>1,779,357</u>
			<u>1,927,406</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>2,201,404</u>
<b><u>U.S. Department of the Interior Fish and Wildlife Service</u></b>			
<i>Passed through State of Mississippi</i>			
Coastal Impact Assistance Program	15.668	MS.30.703	114,200
	15.668	MS.R.752	<u>77,349</u>
<b>Total U.S. Department of the Interior Fish and Wildlife Service</b>			<u>191,549</u>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2015

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance (CFDA) Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed through State of Mississippi</i>			
Highway Training and Education	20.215	STP-9999-09(045)/107	<u>28,093</u>
Public Transportation Research, Technical Assistance, and Training	20.514	STP-8971-00(005)LPA/10	29,866
	20.514	SRSP-7872-00(004)/10	<u>32,365</u>
			<u>62,231</u>
Highway Safety Cluster			
National Priority Safety Programs	20.616	14MD-226-1	5,878
	20.616	15ST-226-1	<u>40,090</u>
			<u>45,968</u>
<b>Total U.S. Department of Transportation</b>			<u>136,292</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
<i>Passed through State of Mississippi</i>			
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814*	00D11813	<u>274,680</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>274,680</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,088,228</u>

\* Major Program

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. Some pass-through entities did not assign identifying numbers to the City.



**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

**RECEIVED**

**OCT 06 2016**







**Wolfe • McDuff & Oppie**  
CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Association)

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

The Honorable Mayor and Members of the City Council  
City of Pascagoula, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pascagoula, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Pascagoula, Mississippi's basic financial statements and have issued our report thereon dated June 27, 2016.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs,<sup>f</sup> we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2015-001 to be material weaknesses.

*Membership in:*

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***  
**Page 2**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Pascagoula, 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 Pascagoula, Mississippi's Response to Findings**

City of Pascagoula, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Pascagoula, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Walke, McLuff & Cppai*

Pascagoula, Mississippi  
June 27, 2016





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and Members of the City Council  
City of Pascagoula, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the City of Pascagoula, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Pascagoula, Mississippi's major federal programs for the year ended September 30, 2015. City of Pascagoula, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Pascagoula, Mississippi's major federal programs based on our audit of the types 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Pascagoula, Mississippi'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 of the City of Pascagoula, Mississippi's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Pascagoula, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Membership in:

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AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control  
Over Compliance Required by OMB Circular A-133**  
Page 2

**Other Matters**

As part of obtaining reasonable assurance about whether City of Pascagoula, 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*

**Report on Internal Control over Compliance**

Management of the City of Pascagoula, Mississippi, 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 of compliance, we considered the City of Pascagoula, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Pascagoula, Mississippi's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Waite, McEliff + Oppa*

Pascagoula, Mississippi  
June 27, 2016







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

The Honorable Mayor and Members of the City Council  
City of Pascagoula, Mississippi

We have audited the accompanying financial statements of the City of Pascagoula, Mississippi as of and for the year ended September 30, 2015, and have issued our report dated June 27, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Wolfe, McDuff & Oppie*

Pascagoula, Mississippi  
June 27, 2016

Membership in:  
American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center





**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2015

**Section I: Summary of Auditor's Results**

**Financial Statements:**

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:                      | Unmodified |
| 2. Internal controls over financial reporting:           |            |
| a. Material weakness(es) identified?                     | Yes        |
| b. Significant deficiency(ies) identified?               | No         |
| 3. Noncompliance material to financial statements noted? | No         |

**Federal Awards:**

- |   |            |
|---|------------|
| 4. Internal control over major programs:  |            |
| a. Material weakness(es) identified?  | No         |
| b. Significant deficiency(ies) identified?  | No         |
| 5. Type of auditor's report issued on compliance for major programs:  | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No         |
| 7. Identification of major programs:  |            |

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grants/Entitlement Grants	14.218
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee?                                   | No        |



**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2015

**Section II: Financial Statement Findings**

The results of our tests disclosed the following findings and questioned costs related to the financial statements.

**Material Weakness**

**Finding 2015-001**

Criteria:

Principle 11.05 of the Standards for Internal Control in the Federal Government, published by the U.S. Government Accountability Office states that management should evaluate information processing objectives to meet the defined information requirements of completeness, accuracy, and validity.

Condition:

Auditor noted several instances of material misstatement in account balances that required material adjustments.

Context:

The City has not established procedures to ensure that its external financial statements are free from material errors. As a result, it was necessary for the auditor to identify account balances where material adjustments were required in order for the information to be presented in accordance with generally accepted accounting principles. Repeat finding 2014-B-2.

Effect:

Materially overstated or understated account balances in the current year.

Cause:

Auditor identified an inconsistent or incorrect implementation of internal control that ensure proper recording procedures.

Recommendation:

The City should implement additional internal controls over financial reporting such as additional review processes, including the addition of controls surrounding the conversion of account balances from the current financial resources measurement focus to the accrual basis of accounting.

Views of responsible officials:

The City agrees with this finding. The City's Corrective Action Plan is presented on page 101.

**Section III: Federal Award Findings and Questioned Costs**

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





**HARRY J. BLEVINS**  
MAYOR

**JOSEPH R. HUFFMAN**  
CITY MANAGER

**EDDIE C. WILLIAMS**  
CITY ATTORNEY



**CITY COUNCIL**

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**AUDITEE'S CORRECTIVE ACTION PLAN**  
Year Ended September 30, 2015

As required by Section 315(c) of OMB Circular A-133, the City of Pascagoula, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015:

Finding

Corrective Action Plan Details

2015-001

a. Name of Contact Person Responsible for Corrective Action

Name: Robert Parker

Phone Number: (228) 938-6716

b. Corrective Action Planned

The City, strengthened by the addition of another position in the Finance Department, will institute new and improved reporting controls including review measures, as well as transition procedures to convert account balances to the accrual basis of accounting.

c. Anticipated Completion Date

This will start immediately and will be foregoing in the future.





**Wolfe • McDuff & Oppie**  
CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Association)

Michelle Oppie Gist, CPA

K. Jessica Mavromihalis, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (Retired)

Jack A. Oppie, CPA (1960-2014)

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended September 30, 2014

The following is an update of the prior audit finding and is prepared in accordance with the Office of Management and Budget Circular A-133, Section .315(b).

**2014-B-1**

Finding

Prior to 2004, Municipal Court Receivables were not accrued due to the uncertainty of collection. However, with the implementation of GASB 34 in 2004, full accrual financial statements were required. In 2004, the City began working on a system to record these receivables. A new financial subsidiary system was purchased; however old receivables cannot be transferred over to the new system unless payments are collected on them. Currently, the City is operating under both systems until payments can be collected on old accounts. In 2014, the City was able to generate an aged receivable report to substantiate its balances. As of September 30, 2015, the City is still trying to resolve the matter.

According to the vendor, the computer system that was installed to handle this operation was compatible with the existing accounting software. After nearly a year of attempting the reconciliation, it was determined that the software is not compatible, and the City is working with the vendor to remedy the situation.

Status

Corrected

Auditee's Response

The City has brought together all of the relevant vendors to find a cost efficient solution to the problem. This collaboration has resulted in a process that is extremely complicated, labor-intensive and expensive. Progress has been made, and one of the systems export function has been established to send the required data to the other system. The team is now working with the technicians of the other system to accept the necessary data through an import progression.

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**Summary Schedule of Prior Audit Finding**  
**Page 2**

**2014-B-2**

Finding

The City has not established procedures to ensure that its external financial statements are free from material errors. As a result, it was necessary for the auditor to identify account balances where material adjustments were required in order for the information to be presented in accordance with generally accepted accounting principles.

Status

Ongoing. See current year finding 2015-001.

Auditee's Response

The City is in the process of implementing control procedures that will establish the required adjustments for conversion of their financial statements to the accrual basis of accounting. This implementation will include the purchase of a new software module, reorganization of the accounting department and potentially adding staff as well.

**2014-B-3**

Finding

During our test of cash balances, we noted that the City does not record daily cash activity from the municipal court system in the general ledger. Transactions that are not recorded in the City's books and records are more susceptible to misappropriation. Also, because this information was not recorded in the general ledger, the City was unable to perform a cash reconciliation for this account.

Status

Corrected

Auditee's Response

Various procedures have been examined to ensure the integrity of the court records and many of those have been implemented such as cash from municipal court activity is deposited every day by the Court Clerk and a report is generated that ties into that cash amount. Those reports are sent to the Accounting Department in a timely manner to be entered into a spreadsheet which the City uses to reconcile cash and payable figures from the Encode report. Additional measures are planned and scheduled to be in place on July 1<sup>st</sup>.

Contact: Robert Parker, City Clerk/Comptroller

