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DANE MAXWELL  
MAYOR

RYAN A. FREDERIC  
CITY ATTORNEY/CITY MANAGER

FRANK CORDER  
ASSISTANT CITY MANAGER



CITY COUNCIL

WILLIE C. JONES	Councilman, Ward 1
GEORGE WOLVERTON	Councilman, Ward 2
STEPHEN BURROW	Councilman, Ward 3
MATT PARKER	Councilman, Ward 4
SCOTT TIPTON	Councilman, Ward 5
JENNIFER COLMER	Councilwoman at Large

603 WATTS AVE. • P.O. DRAWER 908  
PASCAGOULA, MS 39568-0908 • TELEPHONE 228-762-1020  
FAX 228-372-6851

January 14, 2019

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

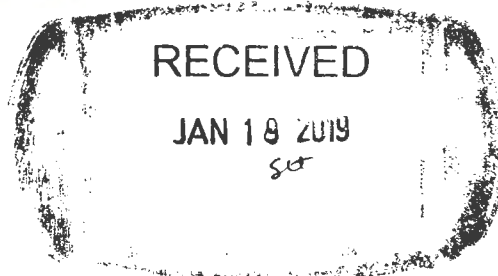
Re: Annual Municipal Audit

Accompanying this letter are two copies of the annual audit of the City of Pascagoula, Mississippi, for the fiscal year ended September 30, 2017. 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,

A handwritten signature in blue ink that reads "Sherria Trosclair". The signature is fluid and cursive, with the first name "Sherria" being more prominent than the last name "Trosclair".

Sherria Trosclair  
Comptroller  
City of Pascagoula  
Office: 228-938-6610  
Fax: 228-938-6749







# Wolfe • McDuff & Oppie

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

Michelle Oppie Gist, CPA

Kyriaki Jessica Martin, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

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JAN 18 2019

June 27, 2018

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 the City of Pascagoula, Mississippi for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 19, 2017. 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 the 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 2017. We noted no transactions entered into by the 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 estimate(s) affecting the City of Pascagoula, Mississippi's financial statements was (were):

Management's estimate of the allowance for uncollectible accounts is based on historical bad debt experience related to the nature of each receivable balance. 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.

Management's estimate of net pension liability is based on the City's proportionate share of the Public Employees Retirement System (PERS) of Mississippi's net pension liability. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation 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 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. Management has corrected all such misstatements. Material misstatements related to the conversion to accrual based accounting and implementation of GASB Statement No. 68 were detected as a result of audit procedures and were corrected by management.

#### *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 27, 2018.

#### *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 the 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 the 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

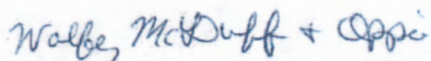
We applied certain limited procedures to Budgetary Comparison Schedule and the Pension Schedules, which are (as required) supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information 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.

#### Restriction on Use

This information is intended solely for the information and 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, 2017





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# CITY OF PASCAGOULA, MISSISSIPPI

## CITY OFFICIALS

For the Year Ended September 30, 2017

### CITY OFFICIALS

Mayor

Dane Maxwell

### CITY COUNCIL

Councilwoman at Large

Jennifer Colmer

Councilman Ward #1

Willie Jones

Councilman Ward #2

George Wolverton

Councilman Ward #3

Stephen Burrow

Councilman Ward #4

Matt Parker

Councilman Ward #5

Scott Tipton

### DEPARTMENT HEADS

City Manager

Michael Mangum

City Clerk/Comptroller

Robert J. Parker

City Attorney

Ryan Frederic

Community Development

Jennifer Dearman

City Engineer

Jaci Turner

Fire Department

Donald Carlson

Human Resources

Valarie Moore

Parks & Recreation

Darcie Crew

Planning & Inspections

Donovan Scruggs

Police Department

Kenny Johnson

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## INDEPENDENT AUDITOR'S REPORT

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JAN 18 2019

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, 2017, 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.

### 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, 2017, 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.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants

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

### 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 11 - 19, 83 - 86, and 87 - 90 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, 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.

*Walfe, McDuff + Oppel*

Pascagoula, Mississippi  
June 27, 2018



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**RECEIVED**

**JAN 18 2019**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2017**

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, 2017. 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.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and its deferred inflows of resources at the close of the current year by approximately \$47,499,860 (net position). Of this amount, approximately \$28,828,258 and \$18,671,602 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (which may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$(58,341,498) (a deficit) for its governmental activities and approximately \$1,494,312 for its business-type activities.
- ◆ The government's total net position decreased by approximately \$5,264,596 for governmental activities and increased by approximately \$623,740 for business-type activities compared to the prior restated net position.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$6,196,412, an increase of approximately \$5,934,856 from the prior year's fund balance.
- ◆ The City's General Fund reported total fund balance of approximately \$(14,235,504) (a deficit). Approximately \$(14,235,504) of this total amount, or approximately 100%, is available for spending at the government's discretion (unassigned fund balance). The unassigned fund balance for the General Fund was approximately (58)% of total General Fund expenditures for the year ended September 30, 2017.
- ◆ The City's governmental activities capital assets increased 4% (\$2,817,109) during the current fiscal year due to capital asset additions of approximately \$15,412,688, partially offset by depreciation expense of \$3,112,536 and disposals of approximately \$10,371,210. The City's business-type activities capital assets decreased by approximately 3% (\$778,909) during the current year primarily due to depreciation expense of approximately \$1,815,778 and disposals of approximately \$12,050,901, partially offset by capital asset additions of approximately \$5,256,546.
- ◆ The governments's total debt (including general and special obligations) increased approximately \$11,139,924 (38%) during the current year primarily issuance of various debt instruments.

**OVERVIEW OF THE 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 comprise 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.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2017

***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 liabilities.

The *statement of net position* presents information on all the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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.

Both of the government-wide financial statements outline functions of the City that are principally supported by intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government operations, public safety, public works, culture and recreation, and urban renewal and economic development. The City's proprietary funds include the Pascagoula Utilities Fund, Transfer Station Fund, Energy Recovery Facility Fund, and Solid Waste Fund.

The City has no component units.

The government-wide financial statements can be found immediately following this discussion and analysis.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements can be found as listed in the table of contents.

***Governmental Funds***

Governmental funds are used to account for essentially the same activities reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of financial resources and the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

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, the reader may be able to better understand the long-term impact of near-term financing decisions. Reconciliations from the governmental fund statements to the government-wide statements are provided to aid in the comparison.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2017

The City maintains three major governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Development Fund, and the Parks and Recreation Bond Projects Fund. Information for the other governmental funds is combined into a single, aggregated column.

The City adopts annual appropriated budgets for its general fund and major special revenue funds. Budgetary comparison schedules are provided to demonstrate compliance with budgetary requirements. These schedules can be found in the required supplementary information section of this report as listed in the table of contents.

***Proprietary Funds***

The City maintains one type of proprietary funds. They are the enterprise funds. Enterprise funds are included in business-type activities since they serve the entire community. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has four enterprise funds. Three enterprise funds, the Pascagoula Utilities Fund, Transfer Station Fund, and Energy Recovery Facility Fund are considered major funds and are reported individually throughout the report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has three fiduciary funds, which are maintained as private-purpose trust funds and agency funds. The agency funds have no attempt to create ongoing fund balances.

***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 on pages 49 through 79 of this report.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and net pension liability information. This required supplementary information can be found on pages 83 through 90 of this report.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2017

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for September 30, 2017 as compared to September 30, 2016:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>						
Current and other assets	\$ 9,751,415	6,614,257	7,883,336	11,388,137	17,634,751	18,002,394
Capital assets	<u>77,228,705</u>	<u>74,411,596</u>	<u>29,970,981</u>	<u>30,749,890</u>	<u>107,199,686</u>	<u>105,161,486</u>
<b>Total assets</b>	<u>86,980,120</u>	<u>81,025,853</u>	<u>37,854,317</u>	<u>42,138,027</u>	<u>124,834,437</u>	<u>123,163,880</u>
<b>Deferred outflows of resources</b>	<u>2,370,995</u>	<u>5,106,537</u>	<u>114,324</u>	<u>221,806</u>	<u>2,485,319</u>	<u>5,328,343</u>
<b>Liabilities</b>						
Long-term debt outstanding	25,123,021	13,281,848	15,355,105	16,056,354	40,478,126	29,338,202
Other liabilities	<u>34,442,410</u>	<u>38,089,959</u>	<u>3,827,878</u>	<u>8,148,375</u>	<u>38,270,288</u>	<u>46,238,334</u>
<b>Total liabilities</b>	<u>59,565,431</u>	<u>51,371,807</u>	<u>19,182,983</u>	<u>24,204,729</u>	<u>78,748,414</u>	<u>75,576,536</u>
<b>Deferred inflows of resources</b>	<u>957,426</u>	<u>667,729</u>	<u>114,056</u>	<u>107,242</u>	<u>1,071,482</u>	<u>774,971</u>
<b>Net assets</b>						
Invested in capital assets, net of debt	67,089,356	61,129,748	16,834,491	14,693,536	83,923,847	75,823,284
Restricted	20,080,400	4,293,518	342,799	333,987	20,423,199	4,627,505
Unrestricted	<u>(58,341,498)</u>	<u>(31,330,412)</u>	<u>1,494,312</u>	<u>3,020,339</u>	<u>(56,847,186)</u>	<u>(28,310,073)</u>
<b>Total net position</b>	<u>\$ 28,828,258</u>	<u>34,092,854</u>	<u>18,671,602</u>	<u>18,047,862</u>	<u>47,499,860</u>	<u>52,140,716</u>

By far the largest portion of the City's net position (177%) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not likely to be used to liquidate these liabilities.

A portion of the City's net position (43%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(56,847,186) (a deficit) ((120)%) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances for two of the three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities. The City reported a negative net position for one of the three categories of net position.

Net investment in capital assets increased by \$8,100,563 during the year. Restricted net position increased by \$15,795,694. Unrestricted net position decreased by \$28,537,113 during the year with the unrestricted net position of business-type activities decreasing by \$1,526,027 and the unrestricted net position of governmental activities decreasing by \$27,011,086.

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2017

The following table shows the changes in the City's net position for 2017 compared to 2016.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,570,779	6,390,238	15,214,413	13,351,465	20,785,192	19,741,703
Operating grants and contributions	440,610	862,724	-	-	440,610	862,724
Capital grants and contributions	3,054,734	1,161,865	-	-	3,054,734	1,161,865
General revenues:						
Property taxes	9,447,253	9,437,909	235,390	234,322	9,682,643	9,672,231
Franchise taxes	1,305,122	1,361,915	-	-	1,305,122	1,361,915
Sales tax	6,043,820	5,304,244	-	-	6,043,820	5,304,244
Other taxes	1,306,914	1,179,322	-	-	1,306,914	1,179,322
Other general revenues	440,779	670,029	254,957	295,915	695,736	965,944
<b>Total revenues</b>	<u>27,610,011</u>	<u>26,368,246</u>	<u>15,704,760</u>	<u>13,881,702</u>	<u>43,314,771</u>	<u>40,249,948</u>
<b>Program expenses</b>						
General government	12,874,305	9,775,635	-	-	12,874,305	9,775,635
Public safety	12,649,871	12,657,871	-	-	12,649,871	12,657,871
Public works	3,486,967	3,461,451	-	-	3,486,967	3,461,451
Culture and recreation	2,092,694	1,845,783	-	-	2,092,694	1,845,783
Urban renewal and economic development	648,346	938,174	-	-	648,346	938,174
Debt service - interest	1,122,424	454,988	-	-	1,122,424	454,988
Water, sewer and gas	-	-	13,813,056	16,511,456	13,813,056	16,511,456
Transfer station	-	-	10,670	10,669	10,670	10,669
Energy recovery and solid waste	-	-	1,257,294	1,318,539	1,257,294	1,318,539
<b>Total expenses</b>	<u>32,874,607</u>	<u>29,133,902</u>	<u>15,081,020</u>	<u>17,840,664</u>	<u>47,955,627</u>	<u>46,974,566</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(5,264,596)</u>	<u>(2,765,656)</u>	<u>623,740</u>	<u>(3,958,962)</u>	<u>(4,640,856)</u>	<u>(6,724,618)</u>
Transfers in (out)	<u>-</u>	<u>(2,717,653)</u>	<u>-</u>	<u>2,717,653</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<u>(5,264,596)</u>	<u>(5,483,309)</u>	<u>623,740</u>	<u>(1,241,309)</u>	<u>(4,640,856)</u>	<u>(6,724,618)</u>
Net position - beginning of year	<u>34,092,854</u>	<u>39,576,163</u>	<u>18,047,862</u>	<u>19,289,171</u>	<u>52,140,716</u>	<u>58,865,334</u>
Net position - end of year	<u>\$ 28,828,258</u>	<u>34,092,854</u>	<u>18,671,602</u>	<u>18,047,862</u>	<u>47,499,860</u>	<u>52,140,716</u>

**Governmental Activities**

Governmental activities decreased the City's net position by \$5,264,596. The overall decrease reflects expenses exceeding revenues for the year by \$5,264,596.

Revenues for the year experienced an increase of \$1,470,755 in operating and capital grants as well as a decrease of \$(590,469) in general revenues including various taxes from the previous year, which resulted in a substantial portion of the decrease in net position in the governmental funds.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2017**

***Business-type Activities***

Business-type activities increased the City's total net position by \$623,740 during the year. Revenues for the business-type activities increased by \$1,823,058 (13%). Expenses for the business-type activities decreased \$2,759,644 ((15)%). Expenses decreased by \$2,708,467 in the Pascagoula Utilities Fund. Expenses decreased by \$61,245 in the Other Non-Major funds.

The overall increase in revenues in the Pascagoula Utilities Fund is due to an increase in charges for services received as a result of a comprehensive project to eliminate old meters and billing discrepancies as well as enhance supervisory efforts.

**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 to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,196,412, an increase of \$5,934,856 in comparison with the prior year. This overall increase was primarily due to the \$12,345,246 increase in the Parks and Recreation Capital Projects fund. The balance in this fund increased primarily due to issuance of bonds.

Of the combined \$6,196,412 governmental fund balances at year end, \$- is classified as nonspendable; \$20,080,400 (324%) is classified as restricted by grantors, state or federal laws, or enabling legislation; and \$351,516 is classified as committed. The remaining \$(14,235,504) (a deficit) is classified as unassigned ((230)%). By definition unassigned balances include all deficit balances. There was one fund with unassigned fund balance deficit at year-end, the General Fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$(14,235,504) (a deficit), while the total fund balance was \$(14,235,504) (a deficit). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total general fund balances at the end of the fiscal year represent (58)% and (58)%, respectively, of total general fund expenditures. These percentages decreased from the prior year computation of unassigned and total fund balances of 28% and 29%, respectively. The City's general fund balance decreased by \$5,062,593 during the current fiscal year.

***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Total net position for the City's enterprise funds as of September 30, 2017 was \$18,671,602, an increase of 623,740 from the previous fiscal year's restated net position. Of the net position of the enterprise funds, \$16,834,491 is the net investment in capital assets of the enterprise funds. Restricted and unrestricted net position totaled \$342,799 and \$1,494,312, an increase of \$8,812 and a decrease of \$1,526,027, respectively, compared to the previous year.

Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$(155,235) (a deficit) for the Pascagoula Utilities Fund; \$1,607,588 for the Transfer Station Fund; and \$(1,817,875) (deficit) for the Energy Recovery Fund. The Pascagoula Utilities Fund showed an increase in fund balance while the Energy Recovery Fund

**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2017

showed no change. The Transfer Station Fund showed a decrease in fund balance. Other factors concerning the finances of these funds are addressed in the discussion of the City's business-type activities.

***General Fund Budgetary Highlights***

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund and the Community Development Fund.

Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund, Community Development Fund, and the Hurricane Katrina Fund are provided in this report on pages 83 through 86 as required supplemental information.

During the year there was an \$3,372,082 increase in appropriations between the original budget and the final amended budget. Budgeted revenues increased by \$165,902 from the original to the amended budget.

Following is the main component of the overall budget appropriations increase during the year:

- ◆ There was an \$2,809,053 increase in the public works capital outlay appropriation from the original budget to the amended budget. The overall increase was due to budget for capital outlay expenses related to expenditures of bond funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$107,199,686 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, vehicles, and equipment. The City's investment in capital assets for the current fiscal year increased by \$2,817,109 and decreased by \$778,909 for governmental activities and business-type activities, respectively, compared to the prior year.

Major capital asset events during the current fiscal year included the following:

- ◆ Additions to capital assets (net of asset retirements) totaled \$(1,752,877).
- ◆ Major asset additions included \$6,744,340 in construction in progress and improvements for various community projects.

Depreciation expense totaled \$4,928,314 for the year with \$3,112,536 in the governmental activities and \$1,815,778 in the business-type activities.

The following table presents a summary of the City's capital assets (net of depreciation) for the current and prior fiscal year.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 13,079,365	13,085,895	84,751	84,751	13,164,116	13,170,646
Construction in progress	6,275,847	10,538,181	722,891	3,715,385	6,998,738	14,253,566
Buildings	3,300,516	3,566,196	5,376,468	4,302,158	8,676,984	7,868,354
Improvements - other	32,282,783	24,007,875	23,312,539	22,449,777	55,595,322	46,457,652
Equipment	2,256,729	2,339,028	474,332	197,819	2,731,061	2,536,847
Infrastructure	20,033,465	20,874,421	-	-	20,033,465	20,874,421
<b>Total</b>	<b>\$ 77,228,705</b>	<b>74,411,596</b>	<b>29,970,981</b>	<b>30,749,890</b>	<b>107,199,686</b>	<b>105,161,486</b>

Additional information on the City's capital assets can be found in Note 4 of this report.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2017

***Debt Administration***

At September 30, 2017 and 2016, the City had \$40,478,126 and \$29,338,202, respectively, in long-term debt outstanding. As of September 30, 2017, principal payments in the amount of \$2,518,206 were due within one year.

The following table summarizes debt outstanding as of September 30, 2017 and 2016.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds (backed by the City)	\$21,368,333	9,599,333	-	-	21,368,333	9,599,333
Revenue bonds and notes (backed by specific tax and fee revenues)	2,513,486	2,513,486	15,339,084	16,056,354	17,852,570	18,569,840
Capital leases	<u>1,241,202</u>	<u>1,169,029</u>	<u>16,021</u>	<u>-</u>	<u>1,257,223</u>	<u>1,169,029</u>
<b>Total</b>	<u><b>\$25,123,021</b></u>	<u><b>13,281,848</b></u>	<u><b>15,355,105</b></u>	<u><b>16,056,354</b></u>	<u><b>40,478,126</b></u>	<u><b>29,338,202</b></u>

More detailed information about the City's long-term liabilities is presented in Note 5 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 increased slightly from 5.9% in 2016 to 6.1% in 2017. However, the monthly rates have been trending lower, and fell to 5.0% as of April of 2018. The annual unemployment rate is still higher than the State of Mississippi's 2017 rate of 5.1%.

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 City is currently in the final stages of completing a \$15 million infrastructure upgrade funded by bond issue. Also, a \$12.5 million bond issue in 2017 has allowed the City to begin our recreational facility enhancement projects. In the meantime, further growth is projected for the city's gross metropolitan product. A new 2% prepared food tax is expected to generate an additional \$900,000 plus in revenue, which will offset the cost of the debt service on the recreation bond.

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.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2017**

In the fiscal year 2017/2018 Budget, General Fund revenues are budgeted at \$35,708,689, an increase of \$3,074,201 from the 2016/2017 budgeted revenues of \$32,634,488. That represents a 9.4% increase. The two major factors contributing to this increase are in the amount budgeted in Other Financing Sources for loan proceeds which increased by \$1,063,204, and the amount budgeted in Transfers In from the Utility Fund which increased by \$1,022,734. The primary sources of revenue for the General Fund are property taxes and sales taxes, which amount to 26.2% and 16.8%, respectively, of the revenue budgeted for the fiscal year 2018.

General Fund expenditures for the fiscal year 2017/2018 are budgeted at \$35,618,409, an increase of \$2,983,921 (9.1%) over fiscal year 2017 budget of \$32,634,488. The major portion of the General Fund's budget goes to Public Safety, which represents 39.2% of the budget for fiscal year 2018. The General Fund budget for 2017/2018 includes \$10,964,893 in capital outlay, the vast majority of which is to be funded by the remaining proceeds of financial instruments including the 2014 and 2017 GO bond issues.

Utility Fund revenues are budgeted to be \$18,247,277 for 2017/2018. This represents a decrease of \$3,709,123 from the fiscal year 2017 budget which totaled \$21,956,400. The principal source of revenue for the Utility Fund is charges for utility services which amounts to \$15,681,407, or 85.9% of the Utility Fund's total budgeted revenue for the fiscal year 2018.

Utility Fund expenditures are budgeted to be \$17,590,338 for fiscal year 2018, a decrease of \$3,270,596 (15.7%) over the \$20,860,934, budgeted for fiscal year 2016/2017. The Utility Fund budget includes \$2,390,059 in the fiscal year 2018 for capital outlay, the majority which will be funded by the remaining proceeds of the 2014 GO bond issues.

**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.

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## **BASIC FINANCIAL STATEMENTS**

For the Year Ended September 30, 2017

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:
  - Statement of Net Position
  - Statement of Activities
  
- ◆ Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds
  - Fiduciary 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.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
September 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,064,454	6,358,515	12,422,969
Receivables, net	2,639,211	1,497,996	4,137,207
Prepaid items	407,502	13,886	421,388
Internal balances	640,248	(640,248)	-
Restricted cash and cash equivalents	-	653,187	653,187
Capital assets:			
Land and construction in progress	19,355,212	807,642	20,162,854
Other capital assets, net of depreciation	57,873,493	29,163,339	87,036,832
Total capital assets	77,228,705	29,970,981	107,199,686
<b>Total assets</b>	<b>86,980,120</b>	<b>37,854,317</b>	<b>124,834,437</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond charges	86,973	-	86,973
Deferred outflows of resources related to pensions	2,284,022	114,324	2,398,346
<b>Total deferred outflows of resources</b>	<b>2,370,995</b>	<b>114,324</b>	<b>2,485,319</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,371,231	1,741,182	4,112,413
Unearned revenues	36,896	-	36,896
Customer deposits	-	653,187	653,187
Long-term liabilities:			
Due within one year			
Bond obligations	1,103,979	696,022	1,800,001
Notes payable	98,738	20,046	118,784
Capital leases	596,055	3,366	599,421
Compensated absences	65,475	4,067	69,542
Due in more than one year			
Bond obligations	20,264,354	14,302,246	34,566,600
Notes payable	2,414,748	320,770	2,735,518
Capital leases	645,147	12,655	657,802
Net pension liability	31,273,043	1,388,376	32,661,419
Compensated absences	695,765	41,066	736,831
<b>Total liabilities</b>	<b>59,565,431</b>	<b>19,182,983</b>	<b>78,748,414</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unamortized premium on bond	390,623	36,494	427,117
Deferred savings on revenue refundings	-	27,176	27,176
Deferred inflows of resources related to pensions	566,803	50,386	617,189
<b>Total deferred inflows of resources</b>	<b>957,426</b>	<b>114,056</b>	<b>1,071,482</b>
<b>NET POSITION</b>			
Investment in capital assets (net of related debt)	67,089,356	16,834,491	83,923,847
Restricted net position:			
Forfeiture and seizure	276,334	-	276,334
Fire rebate	121,991	-	121,991
Hurricane recovery	794,774	-	794,774
Fire and police disability	122,107	-	122,107
Capital projects	15,112,445	-	15,112,445
Debt service	2,760,470	342,799	3,103,269
Recreation special tax	844,132	-	844,132
South Mississippi metro enforcement team	9,820	-	9,820
Other purposes	38,327	-	38,327
Unrestricted net position	(58,341,498)	1,494,312	(56,847,186)
<b>Total net position</b>	<b>\$ 28,828,258</b>	<b>18,671,602</b>	<b>47,499,860</b>

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The accompanying notes are an integral part of these financial statements.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2017

	Expenses	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>							
General government	\$ 12,874,305	4,950,136	440,610	3,054,734	(4,428,825)	-	(4,428,825)
Public safety	12,649,871	117,005	-	-	(12,532,866)	-	(12,532,866)
Public works	3,486,967	-	-	-	(3,486,967)	-	(3,486,967)
Culture and recreation	2,092,694	466,296	-	-	(1,626,398)	-	(1,626,398)
Urban renewal and economic development	648,346	37,342	-	-	(611,004)	-	(611,004)
Debt service - interest and issuance costs	1,122,424	-	-	-	(1,122,424)	-	(1,122,424)
<b>Total governmental activities</b>	<u>32,874,607</u>	<u>5,570,779</u>	<u>440,610</u>	<u>3,054,734</u>	<u>(23,808,484)</u>	<u>-</u>	<u>(23,808,484)</u>
<b>Business-type activities:</b>							
Water, sewer and gas fund	13,813,056	13,940,749	-	-	-	127,693	127,693
Transfer station	10,670	-	-	-	-	(10,670)	(10,670)
Energy recovery and solid waste	1,257,294	1,273,664	-	-	-	16,370	16,370
<b>Total business-type activities</b>	<u>15,081,020</u>	<u>15,214,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,393</u>	<u>133,393</u>
<b>Total primary government</b>	<u>\$47,955,627</u>	<u>20,785,192</u>	<u>440,610</u>	<u>3,054,734</u>	<u>(23,808,484)</u>	<u>133,393</u>	<u>(23,675,091)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					7,625,593	-	7,625,593
Property taxes, levied for debt service					1,821,660	235,390	2,057,050
Franchise taxes					1,305,122	-	1,305,122
Sales tax					6,043,820	-	6,043,820
Other taxes					1,306,914	-	1,306,914
Contributions in aid					64,088	-	64,088
Unrestricted investment earnings					29,110	28,764	57,874
Gain (loss) on the sale of capital assets					68,588	(231,098)	(162,510)
Miscellaneous					278,993	457,291	736,284
<b>Total general revenues and transfers</b>					<u>18,543,888</u>	<u>490,347</u>	<u>19,034,235</u>
<b>CHANGE IN NET POSITION</b>					(5,264,596)	623,740	(4,640,856)
<b>Net position - beginning, as previously reported</b>					31,031,263	21,628,237	52,659,500
<b>Prior period adjustments, Note 17</b>					<u>3,061,591</u>	<u>(3,580,375)</u>	<u>(518,784)</u>
<b>Net position - beginning of year, as restated</b>					<u>34,092,854</u>	<u>18,047,862</u>	<u>52,140,716</u>
<b>Net position - end of year</b>					<u>\$ 28,828,258</u>	<u>18,671,602</u>	<u>47,499,860</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

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**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**



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**CITY OF PASCAGOULA, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2017

	General Fund	Special Revenue Funds Community Development Fund	Capital Projects Funds Parks and Recreation Bond Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	-	12,352,246	8,006,657	20,358,903
Receivables, net	1,638,196	897,644	-	103,371	2,639,211
Due from other funds	640,248	128,264	-	-	768,512
<b>Total assets</b>	<b>2,278,444</b>	<b>1,025,908</b>	<b>12,352,246</b>	<b>8,110,028</b>	<b>23,766,626</b>
<b>LIABILITIES</b>					
Interfund payable-pooled cash	14,294,449	-	-	-	14,294,449
Accounts payable	643,285	396,086	7,000	21,435	1,067,806
Other accrued liabilities	797,163	-	-	-	797,163
Compensated absences, current	65,475	-	-	-	65,475
Unearned revenue	34,973	-	-	1,923	36,896
Due to other funds	342,823	-	-	-	342,823
<b>Total liabilities</b>	<b>16,178,168</b>	<b>396,086</b>	<b>7,000</b>	<b>23,358</b>	<b>16,604,612</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Unavailable revenue	335,780	629,822	-	-	965,602
<b>Total Deferred inflow of resources</b>	<b>335,780</b>	<b>629,822</b>	<b>-</b>	<b>-</b>	<b>965,602</b>
<b>FUND BALANCES</b>					
Restricted for:					
Debt service	-	-	-	2,760,470	2,760,470
Recreation special tax	-	-	-	844,132	844,132
Hurricane recovery	-	-	-	794,774	794,774
South Mississippi metro enforcement team	-	-	-	9,820	9,820
Forfeiture and seizure	-	-	-	276,334	276,334
Fire rebate	-	-	-	121,991	121,991
Fire and police disability	-	-	-	122,107	122,107
Capital projects	-	-	12,345,246	2,767,199	15,112,445
Other purposes	-	-	-	38,327	38,327
Committed for:					
Machpelah cemetery	-	-	-	190,989	190,989
Lighthouse preservation	-	-	-	150,127	150,127
Rental rehabilitation	-	-	-	7,019	7,019
Historic preservations	-	-	-	1,880	1,880
Inner harbor	-	-	-	1,501	1,501
Unassigned	(14,235,504)	-	-	-	(14,235,504)
<b>Total fund balances</b>	<b>(14,235,504)</b>	<b>-</b>	<b>12,345,246</b>	<b>8,086,670</b>	<b>6,196,412</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,278,444</b>	<b>1,025,908</b>	<b>12,352,246</b>	<b>8,110,028</b>	<b>23,766,626</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
September 30, 2017

Total governmental funds balance	\$	6,196,412
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*Amounts reported for governmental activities in the statement of net position are different than those reported in the fund financial statements because of the following:*

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	120,328,744		
less: accumulated depreciation	<u>(43,100,039)</u>		77,228,705

A portion of the City's receivables are collected after year-end; but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are deferred and not reported in the governmental funds.	965,602
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Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	407,502
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,284,022		
Deferred inflows of resources related to pensions	<u>(566,803)</u>		1,717,219

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.	(303,650)
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Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(291,703)		
Bond obligations	(21,368,333)		
Notes payable	(2,513,486)		
Capital leases	(1,241,202)		
Compensated absences	(695,765)		
Net pension liability	<u>(31,273,043)</u>		<u>(57,383,532)</u>

Net position of governmental activities	\$	<u>28,828,258</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Parks and Recreation Bond Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 7,625,593	-	-	1,821,660	9,447,253
Franchise fees	1,305,122	-	-	-	1,305,122
Fees and fines	525,598	-	-	65,868	591,466
Licenses and permits	117,005	-	-	-	117,005
Intergovernmental	6,481,417	-	-	869,317	7,350,734
Charges for services	2,219,552	-	-	-	2,219,552
Investment earnings	21,810	-	-	7,300	29,110
Contribution in aid	64,088	-	-	-	64,088
Grants	444,208	2,681,860	-	5,266	3,131,334
Miscellaneous	145,313	-	-	133,680	278,993
<b>Total revenues</b>	<u>18,949,706</u>	<u>2,681,860</u>	<u>-</u>	<u>2,903,091</u>	<u>24,534,657</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,597,869	-	-	812,661	5,410,530
Public safety	12,539,561	-	-	110,310	12,649,871
Public works	3,447,122	-	-	39,845	3,486,967
Culture and recreation	1,992,604	-	99,298	792	2,092,694
Urban renewal and economic development	587,956	55,124	-	5,266	648,346
Debt service:					
Principal payments	370,809	-	-	842,608	1,213,417
Interest and fiscal charges	37,056	-	-	303,255	340,311
Bond issuance cost	-	-	405,575	-	405,575
Capital outlay	1,132,784	3,031,178	40,504	1,731,709	5,936,175
<b>Total expenditures</b>	<u>24,705,761</u>	<u>3,086,302</u>	<u>545,377</u>	<u>3,846,446</u>	<u>32,183,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,756,055)</u>	<u>(404,442)</u>	<u>(545,377)</u>	<u>(943,355)</u>	<u>(7,649,229)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	12,500,000	-	12,500,000
Bond premium	-	-	390,623	-	390,623
Issuance of capital leases	554,589	-	-	-	554,589
Proceeds from sale of capital assets	75,119	-	-	-	75,119
Insurance recoveries	63,754	-	-	-	63,754
<b>Total other financing sources (uses)</b>	<u>693,462</u>	<u>-</u>	<u>12,890,623</u>	<u>-</u>	<u>13,584,085</u>
<b>Net change in fund balances</b>	<u>(5,062,593)</u>	<u>(404,442)</u>	<u>12,345,246</u>	<u>(943,355)</u>	<u>5,934,856</u>
<b>Fund balance - beginning, as previously reported</b>	<u>(794,299)</u>	<u>(1,848,008)</u>	<u>-</u>	<u>4,310,659</u>	<u>1,668,352</u>
<b>Prior period adjustments, Note 17</b>	<u>(8,378,612)</u>	<u>2,252,450</u>	<u>-</u>	<u>4,719,366</u>	<u>(1,406,796)</u>
<b>Fund balance - beginning of year, as restated</b>	<u>(9,172,911)</u>	<u>404,442</u>	<u>-</u>	<u>9,030,025</u>	<u>261,556</u>
<b>Fund balance - end of year</b>	<u>\$ (14,235,504)</u>	<u>-</u>	<u>12,345,246</u>	<u>8,086,670</u>	<u>6,196,412</u>

The accompanying notes are an integral part of these financial statements.

**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, 2017**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 5,934,856</b>
<i>Amounts reported for governmental activities in the statement of activities are different than those reported in the fund financial statements because of the following:</i>		
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. This is the amount by which depreciation expense exceeded capital outlay in the current period:		
Capital outlay	5,936,176	
Depreciation expense	<u>(3,112,536)</u>	
Excess of capital outlay over depreciation expense		2,823,640
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.		
		(6,531)
Receivables that do not meet the "measurable and available" criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned.		
		211,861
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Bond issuance	(12,500,000)	
Capital leases issuance	(554,589)	
Principal payments	1,213,417	
Amortization of premium, discount and deferred charges on refunding	(12,424)	
Amortization of bond deferred charges	(315,605)	
Change in accrued interest payable	<u>(48,509)</u>	
		(12,217,710)
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.		
		(424,371)
Governmental funds report pension contributions as expenditures. However, the Statement of Activities reports pension expense and other activity related to pension liability:		
Pension contributions	(2,263,093)	
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	<u>620,805</u>	
		(1,642,288)
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	33,263	
Prepaid expenses	<u>22,684</u>	55,947
<b>Changes in net position of governmental activities</b>		<b>\$ <u>(5,264,596)</u></b>

The accompanying notes are an integral part of these financial statements.

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
September 30, 2017

	Enterprise Funds					
	Major Funds					
	Pascagoula Utilities Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds	Total Enterprise Funds	Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,799,330	1,607,588	-	1,951,597	6,358,515	-
Accounts receivable, net	1,155,197	-	-	342,799	1,497,996	-
Due from other funds	-	-	-	-	-	214,559
Prepaid expenses	13,886	-	-	-	13,886	-
Restricted cash and cash equivalents	653,187	-	-	-	653,187	-
Total current assets	4,621,600	1,607,588	-	2,294,396	8,523,584	214,559
Noncurrent assets:						
Capital assets:						
Land and construction in progress	722,891	-	84,751	-	807,642	-
Other capital assets, net of accumulated depreciation	29,163,339	-	-	-	29,163,339	-
Total noncurrent assets	29,886,230	-	84,751	-	29,970,981	-
Total assets	34,507,830	1,607,588	84,751	2,294,396	38,494,565	214,559
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pensions	114,324	-	-	-	114,324	-
Total deferred outflows of resources	114,324	-	-	-	114,324	-
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	471,792	-	1,177,627	91,763	1,741,182	214,559
Compensated absences	4,067	-	-	-	4,067	-
Due to other funds	-	-	640,248	-	640,248	-
Bond obligations	696,022	-	-	-	696,022	-
Capital leases	3,366	-	-	-	3,366	-
Notes payable	20,046	-	-	-	20,046	-
Total current liabilities	1,195,293	-	1,817,875	91,763	3,104,931	214,559
Noncurrent liabilities:						
Deposits	653,187	-	-	-	653,187	-
Compensated absences	41,066	-	-	-	41,066	-
Bond obligations	8,175,645	-	6,126,601	-	14,302,246	-
Capital leases	12,655	-	-	-	12,655	-
Notes payable	320,770	-	-	-	320,770	-
Net pension liability	1,388,376	-	-	-	1,388,376	-
Total noncurrent liabilities:	10,591,699	-	6,126,601	-	16,718,300	-
Total liabilities	11,786,992	-	7,944,476	91,763	19,823,231	214,559

The accompanying notes are an integral part of these financial statements.

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
September 30, 2017

	Enterprise Funds					
	Major Funds				Total Enterprise Funds	Internal Service Fund
	Pascagoula Utilities Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds		
DEFERRED INFLOWS OF RESOURCES						
Unamortized premium on bond	36,494	-	-	-	36,494	-
Deferred savings on revenue refundings	27,176	-	-	-	27,176	-
Deferred inflows of resources related to pensions	50,386	-	-	-	50,386	-
<b>Total deferred inflows of resources</b>	<b>114,056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,056</b>	<b>-</b>
NET POSITION						
Invested in capital assets, net of related debt	22,876,341	-	(6,041,850)	-	16,834,491	-
Restricted:						
Debt service	-	-	-	342,799	342,799	-
Unrestricted	(155,235)	1,607,588	(1,817,875)	1,859,834	1,494,312	-
<b>Total net position</b>	<b>\$ 22,721,106</b>	<b>1,607,588</b>	<b>(7,859,725)</b>	<b>2,202,633</b>	<b>18,671,602</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2017

	Enterprise Funds					
	Major Funds					
	Pascagoula Utilities Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds	Total Enterprise Funds	Internal Service Fund
<b>OPERATING REVENUES</b>						
Charges for services	\$ 13,940,749	-	-	1,273,664	15,214,413	-
Property taxes	-	-	-	235,390	235,390	-
Miscellaneous	457,291	-	-	-	457,291	2,794,905
<b>Total operating revenues</b>	<u>14,398,040</u>	<u>-</u>	<u>-</u>	<u>1,509,054</u>	<u>15,907,094</u>	<u>2,794,905</u>
<b>OPERATING EXPENSES</b>						
Personnel services	1,004,725	-	-	-	1,004,725	-
Insurance claims and expenses	-	-	-	-	-	3,219,276
Administrative expenses	3,561,472	-	-	83,300	3,644,772	-
Wastewater treatment	3,944,016	-	-	-	3,944,016	-
Natural gas purchases	1,397,567	-	-	-	1,397,567	-
Waste collection	-	-	-	1,051,846	1,051,846	-
Waste disposal	-	-	-	35,484	35,484	-
Utilities	855,153	-	-	-	855,153	-
Supplies	529,224	-	-	-	529,224	-
Depreciation	1,805,108	10,670	-	-	1,815,778	-
Other services and charges	443,175	-	-	86,664	529,839	-
<b>Total operating expenses</b>	<u>13,540,440</u>	<u>10,670</u>	<u>-</u>	<u>1,257,294</u>	<u>14,808,404</u>	<u>3,219,276</u>
Operating income (loss)	<u>857,600</u>	<u>(10,670)</u>	<u>-</u>	<u>251,760</u>	<u>1,098,690</u>	<u>(424,371)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Gain (loss) of sale of assets	4,525	(235,623)	-	-	(231,098)	-
Amortization of bond premium	5,214	-	-	-	5,214	-
Amortization of deferred savings on revenue refunding bond	3,883	-	-	-	3,883	-
Interest earnings	23,477	-	-	5,287	28,764	-
Interest expense	(281,713)	-	-	-	(281,713)	-
<b>Total nonoperating revenues</b>	<u>(244,614)</u>	<u>(235,623)</u>	<u>-</u>	<u>5,287</u>	<u>(474,950)</u>	<u>-</u>
<b>Change in net position</b>	612,986	(246,293)	-	257,047	623,740	(424,371)
<b>Total net position - beginning, as previously reported</b>	25,688,495	1,853,881	(7,859,725)	1,945,586	21,628,237	(915,678)
<b>Prior period adjustments, Note 17</b>	<u>(3,580,375)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,580,375)</u>	<u>1,340,049</u>
<b>Total net position - beginning of year, as restated</b>	<u>22,108,120</u>	<u>1,853,881</u>	<u>(7,859,725)</u>	<u>1,945,586</u>	<u>18,047,862</u>	<u>424,371</u>
<b>Total net position - end of year</b>	<u>\$ 22,721,106</u>	<u>1,607,588</u>	<u>(7,859,725)</u>	<u>2,202,633</u>	<u>18,671,602</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Year Ended September 30, 2017

	Enterprise Funds					
	Major Funds					
	Pascagoula Utilities Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds	Total Enterprise Funds	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 13,917,910	65,828	(363)	1,614,106	15,597,481	385,057
Payments for goods and services	(14,959,019)	(15,014)	363	(1,354,791)	(16,328,461)	(3,179,962)
Payments to employees	(899,456)	-	-	-	(899,456)	-
Other receipts (payments)	458,108	-	-	-	458,108	2,794,905
<b>Net cash provided (used) by operating activities</b>	<u>(1,482,457)</u>	<u>50,814</u>	<u>-</u>	<u>259,315</u>	<u>(1,172,328)</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
Sales tax lien payments	(99,577)	-	-	-	(99,577)	-
<b>Net cash used in non-capital financing activities</b>	<u>(99,577)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,577)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase and construction of capital assets	(1,252,717)	-	-	-	(1,252,717)	-
Proceeds from sale of capital assets	4,525	-	-	-	4,525	-
Principal paid on capital debt	(721,024)	-	-	-	(721,024)	-
Bond issuance costs	(817)	-	-	-	(817)	-
Interest paid on capital debt	(271,799)	-	-	-	(271,799)	-
<b>Net cash used in capital and related financing activities</b>	<u>(2,241,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,241,832)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Restricted customer deposits	1,416	-	-	-	1,416	-
Interest received	23,477	-	-	5,287	28,764	-
<b>Net cash provided by investing activities</b>	<u>24,893</u>	<u>-</u>	<u>-</u>	<u>5,287</u>	<u>30,180</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,798,973)</u>	<u>50,814</u>	<u>-</u>	<u>264,602</u>	<u>(3,483,557)</u>	<u>-</u>
<b>Cash and cash equivalents:</b>						
Beginning of year	7,251,490	1,556,774	-	1,686,995	10,495,259	-
End of year	\$ 3,452,517	1,607,588	-	1,951,597	7,011,702	-

The accompanying notes are an integral part of these financial statements.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Year Ended September 30, 2017

	Enterprise Funds					
	Major Funds				Total Enterprise Funds	Internal Service Fund
	Pascagoula Utilities Fund	Transfer Station Fund	Energy Recovery Facility Fund	Other Nonmajor Funds		
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>						
Operating income (loss)	\$ 857,600	(10,670)	-	251,760	1,098,690	(424,371)
Adjustments to reconcile operating income (loss) to net cash						
Depreciation expense	1,805,108	10,670	-	-	1,815,778	-
(Increase) decrease in current assets:						
Accounts receivable	(116,244)	-	-	(8,812)	(125,056)	-
Due from other funds	93,405	65,828	363	113,864	273,460	385,057
Other assets	817	-	-	-	817	-
Increase (decrease) in current liabilities:						
Accounts payable	316,882	-	(494,765)	(97,134)	(275,017)	39,314
Due to other funds	(4,545,294)	(15,014)	494,402	(363)	(4,066,269)	-
Other liabilities	99,528	-	-	-	99,528	-
Compensated absences	5,741	-	-	-	5,741	-
Net cash provided (used) by operating activities	\$ (1,482,457)	50,814	-	259,315	(1,172,328)	-

The accompanying notes are an integral part of these financial statements.

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**FIDUCIARY FUNDS FINANCIAL STATEMENTS**



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**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
September 30, 2017

	<b>Private- Purpose Trust Fund</b>	<b>Agency Funds</b>		
	<b>Pascagoula Port Commission Fund</b>	<b>Pascagoula Redevelopment Authority Fund</b>	<b>Tax Clearing Fund</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 57,696	1,331,927	2,643	1,392,266
Property tax receivable	-	-	169,466	169,466
<b>Total assets</b>	<u>57,696</u>	<u>1,331,927</u>	<u>172,109</u>	<u>1,561,732</u>
<b>LIABILITIES</b>				
Due to other governments	-	1,331,927	172,109	1,504,036
<b>Total liabilities</b>	<u>-</u>	<u>1,331,927</u>	<u>172,109</u>	<u>1,504,036</u>
<b>NET POSITION</b>				
Restricted for port commission	57,696	-	-	57,696
<b>Total net position</b>	<u>\$ 57,696</u>	<u>-</u>	<u>-</u>	<u>57,696</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
For the Year Ended September 30, 2017

	<b>Private- Purpose Trust Fund Pascagoula Port Commission Fund</b>	<b>Total Fiduciary Funds</b>
<b>ADDITIONS</b>		
Rental income	\$ 2,004	2,004
<b>Total additions</b>	<u>2,004</u>	<u>2,004</u>
<b>Change in net position</b>	2,004	2,004
<b>Net position - beginning of year</b>	55,692	55,692
<b>Net position - end of year</b>	<u>\$ 57,696</u>	<u>57,696</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

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

**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.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The City does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

**B. Basis of Presentation**

***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function 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 customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general 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, deferred outflows/inflows, 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 deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance.

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2017**

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

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.

*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 purposes of enhancing the community.
- ◆ 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, 2017, the City had one major capital projects fund: the Parks and Recreation Project Fund.

*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.

*Non-Major Governmental Funds*

Other Non-major governmental funds is a summarization of all of the non-major governmental including:

- ◆ 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).
- ◆ 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, 2017

**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, 2017, the City had five non-major capital projects funds: the 2014 Bond Capital Projects Fund, ISTEА-Capital Projects Fund, ISTEА-Orchard Road Fund, Bond Capital Improvements Fund and the Capital Projects Fund.

*Non-Major Enterprise Fund*

- ◆ Solid Waste Management Fund accounts for operations of the solid waste operations.

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 the Group Insurance Fund and Self-funded Unemployment Insurance Fund

*Fiduciary Funds*

- ◆ Fiduciary fund types include the private-purpose trust funds (Pascagoula Port Commission Fund) and the agency funds (Pascagoula Redevelopment Authority Fund and Tax Clearing Fund). These funds are used to account for assets held by the City in a trustee capacity for individuals, other governments, and/or other funds and are accounted for in essentially the same manner as Proprietary Funds. Private-purpose Trust funds account for resources that are required to be held in trust for the benefit of the respective entities. Agency funds are generally used to account for miscellaneous assets that the government holds on behalf of others. Agency funds are custodial in nature and do not present results of operations.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter 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.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

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

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 deferred inflows of resources. Amounts received prior to the entitlement period are 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 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.

**D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances**

***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, 2017.

***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.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

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

***Prepaid Items***

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

***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

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***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.

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.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

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

***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 the 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 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 that approximates the effective interest method. Debt issuance costs are expenses as incurred.

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.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mississippi Public Employees' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has a deferred outflow which is presented as a deferred outflow of resources related to bond charges and pension obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has a deferred inflow which is presented as a deferred inflow of resources related to bonds and pension obligations.

***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."



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

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

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:

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

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's 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. Intent can be expressed by the City's Council or by an official or body to which the City's Council delegates the authority. 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, 2017**

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

The City has various restrictions placed over certain revenue sources from federal, 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, 2017, the City complied, in all material respects, with these revenue restrictions.

Net position restricted through enabling legislation consists of \$20,423,199 for purposes as indicated in the government-wide statement of net position.

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.

***Internal Activity***

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

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

***Use of Estimates***

The preparation of the financial statements in conformity with accounting 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.

**NOTE 2. DEPOSITS**

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 \$13,075,381, and the respective bank balances totaled \$13,265,867.

The City's deposits were fully insured or collateralized as required by statute at September 30, 2017.

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's Council in accordance with Mississippi statutes. The approved city depositories for the 2016-2017 calendar years are Merchants & Marine Bank and The First.

Deposits at September 30, 2017, (including restricted deposits) are as follows:

<b>Deposits</b>	<b>Bank Balances</b>	<b>Total Carrying Value</b>
Pooled deposits:		
Cash and cash equivalents	\$ 12,371,081	12,202,918
Non-pooled deposits:		
Cash and cash equivalents:		
Payroll fund	818,000	788,421
Municipal court fund	46,057	53,313
SMMET	30,729	30,729
Petty cash	-	175
Cash drawer	-	600
	<u>\$ 13,265,867</u>	<u>13,076,156</u>
Reconciliation to government-wide statement of net assets:		
Restricted cash		\$ 653,187
Unrestricted cash		12,422,969
		<u>\$ 13,076,156</u>

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 2. DEPOSITS (continued)**

***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. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The City's policies regarding legal requirements of deposits are discussed above.

**A. 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, 2017, are as follows:

Restricted Assets	Cash Including Time Deposits
<b>Business-type activities:</b>	
Customer deposits	\$ 653,187
<b>Total business-type activities</b>	<u>\$ 653,187</u>

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable at September 30, 2017, consisted of the following:

Functions/Programs	Accounts Receivable	Allowance for Uncollectible Accounts	Net Accounts Receivable
<b>Governmental activities:</b>			
General Fund:			
Ad valorem taxes	\$ 63,596	-	63,596
Franchise taxes	445,714	-	445,714
Sales tax	463,320	-	463,320
Grants	256,315	-	256,315
Police court fines	29,481,893	29,151,712	330,181
Other	166,335	87,265	79,070
	<u>30,877,173</u>	<u>29,238,977</u>	<u>1,638,196</u>
Special Revenue:			
Other	16,702	489	16,213
Debt Service:			
Ad valorem taxes	9,128	-	9,128
Sales tax	78,030	-	78,030
Community Development Fund:			
Grants	897,644	-	897,644
<b>Total governmental activities</b>	<u>\$ 31,878,677</u>	<u>29,239,466</u>	<u>2,639,211</u>
<b>Business-type activities:</b>			
Water, sewer and gas services	\$ 2,874,987	1,719,790	1,155,197
Solid waste management	342,799	-	342,799
<b>Total business-type activities</b>	<u>\$ 3,217,786</u>	<u>1,719,790</u>	<u>1,497,996</u>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017, was as follows:

<b>Capital Assets</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	\$ 13,085,895	-	(6,530)	13,079,365
Construction in progress	10,538,181	5,214,179	(9,476,513)	6,275,847
Total capital assets not being depreciated	23,624,076	5,214,179	(9,483,043)	19,355,212
Capital assets being depreciated:				
Buildings	8,207,053	-	-	8,207,053
Improvements - other	28,543,448	9,476,512	-	38,019,960
Infrastructure	44,015,913	-	-	44,015,913
Equipment	10,896,776	721,997	(888,167)	10,730,606
Total capital assets being depreciated	91,663,190	10,198,509	(888,167)	100,973,532
Less accumulated depreciation for:				
Buildings	4,640,857	265,680	-	4,906,537
Improvements - other	4,535,573	1,201,604	-	5,737,177
Infrastructure	23,141,492	840,956	-	23,982,448
Equipment	8,557,748	804,296	(888,167)	8,473,877
Total accumulated depreciation	40,875,670	3,112,536	(888,167)	43,100,039
Total capital assets being depreciated, net	50,787,520	7,085,973	-	57,873,493
<b>Total governmental activities</b>	<b>\$ 74,411,596</b>	<b>12,300,152</b>	<b>(9,483,043)</b>	<b>77,228,705</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 84,751	-	-	84,751
Construction in progress	3,715,385	900,290	(3,892,784)	722,891
Total capital assets not being depreciated	3,800,136	900,290	(3,892,784)	807,642
Capital assets being depreciated:				
Buildings	8,285,733	-	(869,917)	7,415,816
Infrastructure and improvements - other	56,794,497	3,892,784	(1,769,375)	58,917,906
Equipment	6,852,058	463,472	(5,518,825)	1,796,705
Total capital assets being depreciated	71,932,288	4,356,256	(8,158,117)	68,130,427
Less accumulated depreciation for:				
Buildings	3,983,575	374,973	(2,319,200)	2,039,348
Infrastructure and improvements - other	34,344,720	1,345,116	(84,469)	35,605,367
Equipment	6,654,239	186,959	(5,518,825)	1,322,373
Total accumulated depreciation	44,982,534	1,907,048	(7,922,494)	38,967,088
Total capital assets being depreciated, net	26,949,754	2,449,208	(235,623)	29,163,339
<b>Total business-type activities</b>	<b>\$ 30,749,890</b>	<b>3,349,498</b>	<b>(4,128,407)</b>	<b>29,970,981</b>

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 4. CAPITAL ASSETS (continued)**

A summary of construction-in-progress transactions for the year ended September 30, 2017, follows:

<b>Construction In-Progress</b>	<b>Expended through September 30, 2017</b>	<b>Remaining Commitment</b>
<b>Governmental activities:</b>		
Beachfront Promenade Project	\$ 4,098,099	1,293,384
Safe Routes to School-Jackson Elementary	193,130	94,295
Safe Routes to School-Beach Elementary	249,158	38,266
MCC Park Improvements	117,589	2,390
Recreation Center Improvements	113,272	185,000
Hospital Road Widening	838,175	1,102,866
Market Street-Bond	241,298	350,929
Buena Vista/Williams-Bond	127,774	232,093
Grove Street-Bond	30,553	73,227
Drainage Improvement - Washington (Bond Project)	170,281	1,188,343
Recreation Center Improvements	16,550	163,209
Hyland Drainage Improvements	79,968	703,533
<b>Total governmental activities</b>	<b>\$ 6,275,847</b>	<b>5,427,535</b>
<b>Business-type Activities:</b>		
Hospital Road Widening	\$ 227,393	345,005
Market Street (Bond)	54,546	61,791
Buena Vista/Williams (Bond)	40,404	403,471
Grove Street (Bond)	13,347	232,756
Martin Street (Bond)	190,833	1,259,184
Water Meter Replacement Project	172,071	233,030
Fire Hydrant Replacement Project	24,297	109,690
<b>Total business-type activities</b>	<b>\$ 722,891</b>	<b>2,644,927</b>

Depreciation expense was charged to programs for the year ended September 30, 2017 as follows:

<b>Functions/Programs</b>	<b>Depreciation Expense</b>
<b>Governmental activities:</b>	
General government	\$ 3,112,536
<b>Business-type activities:</b>	
Water, sewer and gas fund	\$ 1,805,108
Transfer station	10,670
<b>Total business-type activities</b>	<b>\$ 1,815,778</b>

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 5. 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, 2017, is shown below:

<b>Long-Term Liabilities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
Debt obligations:					
General obligation debt	\$ 9,599,333	12,500,000	731,000	21,368,333	1,103,979
Notes payable	2,513,486	-	-	2,513,486	98,738
Capital leases	1,169,029	554,589	482,416	1,241,202	596,055
Total debt obligations	<u>13,281,848</u>	<u>13,054,589</u>	<u>1,213,416</u>	<u>25,123,021</u>	<u>1,798,772</u>
Other liabilities:					
Compensated absences	790,439	-	29,199	761,240	65,475
Net pension liability	32,252,948	-	979,905	31,273,043	-
Total other liabilities	<u>33,043,387</u>	<u>-</u>	<u>1,009,104</u>	<u>32,034,283</u>	<u>65,475</u>
Total governmental activities	<u>\$ 46,325,235</u>	<u>13,054,589</u>	<u>2,222,520</u>	<u>57,157,304</u>	<u>1,864,247</u>
<b>Business-type activities:</b>					
Debt obligations:					
Water and sewer bonds	\$ 9,550,667	-	679,000	8,871,667	696,022
Water and sewer notes payable	379,086	-	38,270	340,816	20,046
Energy Recovery Facility (ERF)	6,126,601	-	-	6,126,601	-
Capital leases	-	19,775	3,754	16,021	3,366
Total debt obligations	<u>16,056,354</u>	<u>19,775</u>	<u>721,024</u>	<u>15,355,105</u>	<u>719,434</u>
Other liabilities:					
Compensated absences	39,392	5,741	-	45,133	4,067
Net pension liability	1,403,144	-	14,768	1,388,376	-
Sales tax audit lien	99,577	-	99,577	-	-
Total other liabilities	<u>1,542,113</u>	<u>5,741</u>	<u>114,345</u>	<u>1,433,509</u>	<u>4,067</u>
Total business-type activities	<u>\$ 17,598,467</u>	<u>25,516</u>	<u>835,369</u>	<u>16,788,614</u>	<u>723,501</u>

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 5. LONG-TERM LIABILITIES (continued)**

**A. Bonds Payable**

At September 30, 2017, the City's outstanding bonds payable are described as follows:

<b>Bond Obligations</b>	<b>Date of Issue</b>	<b>Final Maturity Date</b>	<b>Rates</b>	<b>Original Issue</b>	<b>Balance September 30, 2017</b>
<b>Governmental activities:</b>					
General obligation bonds:					
2006 General Obligation Refunding Bonds	11/7/2006	11/1/2023	3.53% - 4.20%	\$ 4,255,000	1,535,000
General Obligation Bonds, Series 2014	12/1/2014	4/1/2034	1.31% - 3.291%	8,000,000	7,333,333
General Obligation Bonds, Series 2017	6/16/2017	7/1/2040	3.00% - 3.625%	12,500,000	12,500,000
<b>Total governmental activities</b>					<b>\$ 21,368,333</b>
<b>Business-type activities:</b>					
Revenue refunding bonds:					
2012 Combined Water & Sewer System Revenue Refunding Bonds	11/8/2012	6/1/2024	2.00% - 2.50%	\$ 4,160,000	2,455,000
Revenue bonds:					
1981 Incinerator System Revenue Bonds	1/1/1981			6,430,000	5,626,601
1983 Incinerator System Revenue Bonds	1/1/1981			500,000	500,000
Special Revenue Bonds, Series 2014,	12/1/2014	4/1/2034	1.31%-3.291%	7,000,000	6,416,667
<b>Total business-type activities</b>					<b>\$ 14,998,268</b>

The annual debt service requirements to maturity for the City's outstanding bonds are as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities - Bonds</b>			
	<b>Bonds</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>
2018	\$ 1,103,979	646,196	696,022	314,532	-	-
2019	1,149,312	608,105	705,689	271,611	-	-
2020	1,177,311	581,426	722,689	229,949	-	-
2021	832,977	606,118	742,023	231,625	-	-
2022	858,643	581,703	741,357	197,099	-	-
2023-2127	4,493,538	2,487,302	2,221,462	673,228	-	-
2028-2037	11,752,573	2,550,121	3,042,425	332,832	-	-
suspended	-	-	-	-	6,126,601	1,177,627
<b>Total</b>	<b>\$ 21,368,333</b>	<b>8,060,971</b>	<b>8,871,667</b>	<b>2,250,876</b>	<b>6,126,601</b>	<b>1,177,627</b>

***General Obligation Bonds***

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

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The governmental activities bonds are generally repaid from ad valorem taxes through the debt service funds.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 5. LONG-TERM LIABILITIES (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, 2017, the principal balance was \$6,126,601. 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:

- ◆ The City's obligation to make principal and interest payments was suspended through December 31, 1996.
- ◆ 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.
- ◆ 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.
- ◆ 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 2017. Therefore, based on the terms of the agreement with NOAA, no payment is due for the year ended September 30, 2017.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 5. LONG-TERM LIABILITIES (continued)**

**B. Notes Payable**

At September 30, 2017, the City's outstanding notes payable are described as follows:

Notes Payable	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2017
<b>Governmental activities:</b>					
2006 Unsecured community disaster loan	1/20/2006	9/30/2035	2.72%	\$ 4,461,387	2,513,486
<b>Total governmental activities</b>					<b>\$ 2,513,486</b>
<b>Business-type activities:</b>					
2013 State Revolving Fund Loan	1/1/2013	9/1/2032	1.75%	429,865	340,816
<b>Total business-type activities</b>					<b>\$ 340,816</b>

Principal and interest maturities will be as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Notes Payable			
	Principal	Interest	Principal	Interest
2018	\$ 98,738	61,319	\$ 20,046	5,881
2019	101,424	58,634	20,382	5,450
2020	104,183	55,875	20,759	5,091
2021	107,017	53,041	21,125	4,724
2022	109,927	50,130	21,497	4,352
2023-2127	596,147	204,140	113,314	15,934
2028-2037	1,396,050	364,585	123,693	6,006
<b>Total</b>	<b>\$ 2,513,486</b>	<b>847,724</b>	<b>340,816</b>	<b>47,438</b>

***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 caused by damages to properties resulting in decreased 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. During fiscal year 2015, 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, 2017.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 5. LONG-TERM LIABILITIES (continued)**

**C. Capital Leases**

The City has entered into several capital leasing agreements as of September 30, 2017. At September 30, 2017, the City's outstanding capital leases are described as follows:

<u>Capital Leases</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Rates</u>	<u>Original Issue</u>	<u>Annual Installment</u>	<u>Balance September 30, 2017</u>
<b>Governmental activities:</b>						
Capital lease payable to Tax-Exempt Leasing Corp., secured by a 2012 E-One HP78 Aerial Fire Truck	8/15/2011	8/15/2018	3.49%	\$ 681,989	104,100	107,732
Capital lease payable to Key Government Finance, Inc., secured by Cisco network equipment	11/17/2015	2/17/2018	0%*	177,813	59,271	59,271
Capital lease payable to Ford Motor Credit Co., secured by five 2016 Ford Explorer police cars	12/16/2015	12/16/2017	6.00%	147,055	51,901	48,963
Capital lease payable to Government Capital Corporation, secured by police emergency management software	4/15/2016	10/15/2019	3.25%	743,369	137,723	605,646
Capital lease payable to Ford Motor Credit Co., secured by a Ford F150 and two police cars	5/31/2016	5/31/2018	6.00%	68,680	21,573	22,867
Capital lease payable to Ford Motor Credit Co., secured by a Ford F150	4/21/2017	3/21/2021	5.45%	30,124	3,538	26,586
Capital lease payable to Ford Motor Credit Co., secured by ten Ford Police Inceptors	6/22/2017	6/22/2019	5.25%	278,435	97,599	180,836
Capital lease payable to Ford Motor Credit Co., secured by three 2016 Ford Taurus Sedans	11/18/2016	11/18/2018	5.50%	71,045	24,960	46,085
Capital lease payable to Nissan, secured by a four Nissan Leaf Electric Cars	1/26/2017	2/2/2020	2.42%	79,100	15,015	64,085
Capital lease payable to AGJ Systems & Networks, secured by virtual infrastructure	2/6/2017	3/2/2020	9.00%	95,885	16,754	79,131
<b>Total governmental activities</b>						<u>\$ 1,241,202</u>

\*Interest is not paid by the City of Pascagoula, Mississippi.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 5. LONG-TERM LIABILITIES (continued)**

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year Ending September 30,		Future Minimum Capital Lease Obligations	
		Principal	Interest
<b>Governmental activities:</b>			
	2018	\$ 596,056	50,758
	2019	373,034	24,596
	2020	268,000	8,460
	2021	4,112	67
	2022	-	-
<b>Total governmental activities</b>		<b>\$ 1,241,202</b>	<b>83,881</b>

As of September 30, 2017, the cost of the vehicles and equipment under capital leases for governmental activities was \$2,420,425 and accumulated depreciation for those assets was \$706,765. Annual amortization expense is included in depreciation expense.

**D. Legal Debt Margin**

Per Section 21-33-303 Miss. Code Ann. (1972), the City cannot issue bonds in an amount which, when added to the then outstanding bonded indebtedness of the City shall exceed fifteen percent of the assessed value of taxable property according to the last completed assessment for taxation. In computing bonded indebtedness, there may be deducted all bonds issued for school, water, sewage systems, gas light and power purposes. However, in no case shall the total indebtedness exceed twenty percent of all assessed value of the property.

At September 30, 2017, based on the assessed valuations as of August 31, 2017 of \$227,785,431, the constitutional total general obligation debt limit for "City purposes" was \$45,557,086, which after reduction for outstanding bonds of \$27,785,000, outstanding notes payable of \$2,854,302, outstanding capital leases of \$1,257,222, provides a general obligation debt margin of \$13,660,562.

**NOTE 6. INTERFUND BALANCES**

Interfund balances at September 30, 2017, consisted of the following:

DUE FROM:	DUE TO:								
	Governmental Activities			Business-type Activities					Total
	General Fund	Community Develop. Fund	Other Gov. Funds	Water, Sewer and Gas Fund	Transfer Station Fund	Energy Rec. Facility Fund	Other Ent. Funds	Internal Service Funds	
<b>Governmental activities:</b>									
General Fund	\$ -	128,264	-	-	-	-	-	214,559	342,823
<b>Business-type activities:</b>									
Energy Recovery Fund	640,248	-	-	-	-	-	-	-	640,248
<b>Total</b>	<b>\$ 640,248</b>	<b>128,264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214,559</b>	<b>983,071</b>

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.



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 7. 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-Gautier School District (PGSD) and for service of certain related debt. PGSD 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, 2017, the City's 2017 tax rate was as follows:

<u>Ad Valorem Tax Levy</u>	<u>MILLS</u>
<b><u>For the Municipality:</u></b>	
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
<b><u>For the Pascagoula-Gautier School District:</u></b>	
Pascagoula-Gautier School District Operations	<u>45.88</u>
<b>Total levy of ad valorem taxes for municipal and school district purposes</b>	<u><u>87.93</u></u>

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 8. PENSIONS**

**A. Defined Benefit Pension Plan**

***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.

***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, 2017 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, 2017, 2016, and 2015 was \$1,647,953, \$1,643,481, and \$1,607,812 respectively, which equal to the required contributions for each year.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 8. PENSIONS (continued)**

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

At September 30, 2017, the City reported a liability of \$28,259,770 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.17 percent, which was an increase of .01 from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$3,547,047. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Annual Changes</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 406,002	206,203
Net difference between projected and actual earnings on pension plan investments	-	362,830
Changes of assumptions	628,108	48,156
Changes in proportion and differences between the City contributions and proportionate share of contributions	802,624	-
The City contributions subsequent to the measurement date	377,485	-
<b>Total</b>	<b>\$ 2,214,219</b>	<b>617,189</b>

\$377,485 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended September 30,</b>	<b>Pension Expense</b>
2018	\$ 668,838
2019	902,628
2020	193,933
2021	(545,854)
2022	-
<b>Total</b>	<b>\$ 1,219,545</b>

***Actuarial assumptions***

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investments expense, including inflation

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 8. PENSIONS (continued)**

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table with Scale BB to 2022, set forward one year for males.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
<b>Total</b>	<b>100.00 %</b>	

***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	\$ 37,064,575	28,259,770	20,949,868

***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, 2017**

**NOTE 8. PENSIONS (continued)**

**B. 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, 2017 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 fifty percent of their average monthly compensation and to an additional 1.7 percent for each year of creditable service beyond twenty 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.

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, 2017, the total COLAs for MRS plans were \$5,536,896.

***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.

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 8. PENSIONS (continued)**

***Employees Covered by Benefit Terms***

At June 30, 2017, the following employees were covered by the benefit terms:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	70
Inactive members entitled to but not yet receiving benefits	-
Active members	-
<b>Total</b>	<u><u>70</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, 2017, 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, 2017, 2016, 2015 was \$677,726, \$706,304, and \$695,520 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Ultimate asset reserve
Asset valuation method	Five year smoothed market
Inflation	3.50%
Salary increases	4.00-5.50%, including inflation
Investment rate of return	7.75%, net of pension plan investments 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, 2017 were based on the June 30, 2015 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.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 8. PENSIONS (continued)**

***Changes in the Net Pension Liability***

<b>Annual Changes</b>	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balances at June 30, 2016</b>	\$ 12,334,146	7,258,049	5,076,097
Changes for the year:			
Service cost	-	-	-
Interest	902,507	-	902,507
Changes of assumptions	52,812	-	52,812
Difference between expected and actual experience	17,501	-	17,501
Contributions - employer	-	677,726	(677,726)
Contributions - employee	-	-	-
Net investment income	-	979,439	(979,439)
Benefit payments, including refunds of employee contributions	(1,377,800)	(1,377,800)	-
Administrative expense	-	(13,555)	13,555
Other changes	-	3,658	(3,658)
<b>Net changes</b>	<b>(404,980)</b>	<b>269,468</b>	<b>(674,448)</b>
<b>Balances at June 30, 2017</b>	<b>\$ 11,929,166</b>	<b>7,527,517</b>	<b>4,401,649</b>

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

<b>Total Pension Liability Roll-Forward</b>	
(a) Total pension liability as of June 30, 2016	\$ 12,334,146
(b) Entry age normal cost for the period July 1, 2016 - July 1, 2017	-
(c) Actual benefit payments and refunds for the period July 1, 2016 - July 1, 2017	(1,377,800)
(d) Expected total pension liability as of June 30, 2017 = [(a) x (1.0775)] + (b) - [(c) x (1.03875)]	11,858,853
(e) Actual total pension liability as of June 30, 2017 with old assumptions and old benefit terms	11,876,354
(f) Experience (Gain)/Loss: (e) - (d)	17,501
(g) Actual total pension liability as of June 30, 2017 with old assumptions and new benefit terms	11,876,354
(h) Benefit term (Gain)/Loss: (g) - (e)	-
(i) Actual total pension liability as of June 30, 2017 with new assumptions and new benefit terms	11,929,166
(j) Assumptions (Gains)/Loss: (i) - (g)	\$ 52,812

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

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Plan's net pension liability (asset)	\$ 5,260,473	4,401,649	3,646,357

***Pension plan fiduciary net position***

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

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 8. PENSIONS (continued)**

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

For the year ended September 30, 2017, the City recognized pension expense of:

<b>Pension Expense</b>	
Service Cost	\$ -
Interest on the total pension liability	902,507
Current period benefit changes	-
Expensed portion of current period difference between expected and actual experience in the total pension liability	17,501
Expensed portion of current period changes of assumptions	52,812
Member contributions	-
Projected earnings on plan investments	(534,846)
Expensed portion of current period difference between actual and projected earnings on plan investments	(88,919)
Administrative expense	13,555
Other	(3,658)
Recognition of beginning deferred outflows of resources as pension expense	187,241
Recognition of beginning deferred inflows of resources as pension expense	-
<b>Pension expense (income)</b>	<b><u>\$ 546,193</u></b>

At September 30, 2017, 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>
Net difference between projected and actual earnings on plan investments	<u>\$ 127,466</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 127,466</u></b>	<b><u>-</u></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:

<b>Year ended September 30,</b>	<b>Pension Expense</b>
2018	\$ 98,322
2019	98,323
2020	19,738
2021	(88,917)
2022	-
<b>Total</b>	<b><u>\$ 127,466</u></b>



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

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**NOTE 8. PENSIONS (continued)**

**C. 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.

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

**A. 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, 2017, a liability of \$214,559 has been recorded, which represents estimated claims incurred but not yet reported.

Changes in this claims liability during fiscal year 2017 and 2016 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2016 - 2017	\$ 175,244	2,641,774	2,602,459	214,559
2015 - 2016	284,447	1,807,000	1,916,203	175,244

**B. 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.

**C. 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.

**D. 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.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 9. COMMITMENTS AND CONTINGENCIES (continued)**

**E. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is covered for significant losses through commercial insurance carriers except for the following self-insurance funds as noted below, which are covered through self-insurance risk pools.

***Self-Insurance - Workers Compensation Fund***

The City is a member of the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to a limit as required by the State of Mississippi Workers' Compensation Statute. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

***Self-Insurance - Liability Fund***

The City is a member of the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members according to limits established by the Mississippi Tort Claims Act. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined.

**F. 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, 2017 - November 30, 2018	\$ 297,389	3,568,668
December 1, 2016 - November 30, 2017	297,389	3,568,668

The 2017 contract has been extended to 2018. There were no cost of living adjustments for the year ended September 30, 2017.

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 \$8,072,462. The majority of these commitments are being funded by various state and federal grants. See Note 4 for more detailed information on these commitments.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2017**

**NOTE 10. RELATED-PARTY TRANSACTIONS**

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

**NOTE 11. 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 \$328,668 for 2016-2017 fiscal year. Complete financial statements can be obtained from the administrative offices of the Authority located at 1225 Jackson Avenue, Pascagoula, MS 39567.

**NOTE 12. JOINTLY GOVERNED ORGANIZATION**

On November 2, 1970, the City entered into an agreement with the Cities of Moss Point, Gautier, Ocean Springs, and Lucedale, and the Board of Supervisors of Jackson and George Counties to mutually cooperate in securing a more economical public library system through combined resources, interest, materials, and facilities to be known as the Jackson George Regional Library System. There are no specific monetary terms in the agreement and the City of Pascagoula, Mississippi, has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other financing sources. The City contributed \$273,287 to the Library System for the year ended September 30, 2017.

**NOTE 13. TAX ABATEMENTS**

The City of Pascagoula grants abatements from real property ad valorem taxes pursuant to MS Code of 1972 Sections 27-31-31 and 17-21-5. These sections authorize local governing authorities to exempt from municipal ad valorem taxes, excluding ad valorem for school districts, improvements, renovations and new construction located in the municipality's designated central business district.

Abatements are also granted from personal property ad valorem taxes, excluding ad valorem for school districts, as authorized under MS Code of 1972 Sections 27-31-105 for replacement of equipment and 27-31-101 for new enterprises.

For fiscal year ended September 30, 2017, the City of Pascagoula abated real property taxes, excluding ad valorem for school districts, in the amount of \$52,870 and personal property taxes of \$516,689 including the following abatements which account for 95% of the total abated tax:

- ◆ The vast majority of the exemptions were granted to a single shipbuilding manufacturing enterprise which applies annually for 100% abatement from personal property tax on equipment replacements. This enterprise currently has six active abatements totaling \$502,000 in abated tax for this fiscal year.
- ◆ Two financial institutions built new facilities in the central business district. They each received 100% real property exemptions for the newly constructed improvements. For the current fiscal year the abated taxes for these institutions totaled \$39,980.

The remainder of the abated taxes of \$27,580 benefited six additional commercial enterprises including restaurants, professional offices, wholesalers and manufacturers.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 13. TAX ABATEMENTS (continued)**

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with eight entities as of September 30, 2017.

Purpose	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
<b>Real Property Exemptions:</b>		
Reconstruction of bank facility	100 %	\$ 25,517
New construction of bank facility	100	14,463
New construction of restaurant	80	7,892
New construction of office building	80	2,128
New construction of restaurant	80	1,462
Laundry facility improvements	80	1,408
<b>Total real property exemptions</b>		<u>52,870</u>
<b>Personal Property Exemptions:</b>		
Shipbuilding facility equipment	100	132,024
Shipbuilding facility equipment	100	91,198
Shipbuilding facility equipment	100	89,611
Shipbuilding facility equipment	100	75,753
Shipbuilding facility equipment	100	71,138
Shipbuilding facility equipment	100	42,703
Shipbuilding facility equipment	92	5,788
Shipbuilding facility equipment	100	8,012
Warehouse and distribution facility equipment	72	462
<b>Total personal property exemptions</b>		<u>516,689</u>
<b>Total abated taxes</b>		<u>\$ 569,559</u>

**NOTE 14. INSURANCE LOSS RECOVERIES**

The City received \$63,774 in insurance loss recoveries related to impairment of capital assets during the year ended September 30, 2017. In the government-wide Statement of Activities, the insurance loss recoveries related to governmental activities were reported as general government charges for services.

**NOTE 15. DEFICIT FUND BALANCES/RETAINED EARNINGS**

Deficit fund balances of individual funds are as follows:

Fund Description	Deficit Fund Balance
<b>Governmental activities:</b>	
General Fund	\$ 14,235,504
<b>Business-type activities:</b>	
Energy Recovery Fund	\$ 7,859,725

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2017

**NOTE 16. EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The unrestricted net position amount of \$(56,847,186) (a deficit) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$2,398,346 balance of the deferred outflow of resources at September 30, 2017 will be recognized as expenses and decrease unrestricted net position over the next three years.

The unrestricted net position amount of \$(56,847,186) (a deficit) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$617,189 balance of the deferred inflow of resources at September 30, 2017 will be recognized as revenue and increase unrestricted net position over the next four years.

**NOTE 17. PRIOR PERIOD ADJUSTMENTS**

A summary of significant Net Position/Fund Balance adjustments is as follows:

**Statement of Activities**

<b><u>Explanation</u></b>	<b><u>Amount</u></b>
To correct the overstatement of fixed assets	\$ (476,127)
To correct the understatement of grant activities	24,090
To correct the overstatement of group insurance activities	1,340,049
To correct the overstatement of internal balances	(1,406,796)
<b>Total</b>	<b>\$ (518,784)</b>

**Statement of Revenues, Expenditures and Changes in Fund Balances/Net Position**

<b><u>Fund</u></b>	<b><u>Explanation</u></b>	<b><u>Amount</u></b>
General Fund	To correct the overstatement of internal balances	\$ (8,378,612)
Community Development Fund	To correct the overstatement of internal balances	2,252,450
Other Non-major Funds	To correct the overstatement of internal balances	4,719,366
Pascagoula Group Insurance Funds	To correct the overstatement of group insurance activities	1,340,049
Pascagoula Utilities Fund	To correct the overstatement of fixed assets	(3,580,375)
<b>Total</b>		<b>\$ (3,647,122)</b>

**NOTE 18. 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, 2018, (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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**GENERAL FUND**  
For the Year Ended September 30, 2017

	<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	\$ 9,217,852	9,217,852	6,881,099	(2,336,753)
Licenses and permits	1,904,124	1,904,124	1,476,388	(427,736)
Grants	313,725	356,887	219,596	(137,291)
Inter-governmental revenues	8,027,650	8,027,650	6,873,146	(1,154,504)
Charges for services	2,163,090	2,163,090	2,106,198	(56,892)
Fines and forfeitures	1,038,200	1,038,200	599,208	(438,992)
Interest	69,200	69,200	21,811	(47,389)
Rents	86,250	86,250	69,237	(17,013)
Miscellaneous	348,100	470,840	247,354	(223,486)
<b>Amounts available for appropriations</b>	<b>23,168,191</b>	<b>23,334,093</b>	<b>18,494,037</b>	<b>(4,840,056)</b>

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, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Charges to appropriations (outflows):</b>				
<i>General Government</i>				
Personnel services	1,702,213	1,559,251	1,517,864	(41,387)
Supplies	113,125	113,125	101,335	(11,790)
Other services and charges	712,746	967,979	1,179,423	211,444
Capital outlay	129,272	129,272	98,542	(30,730)
Debt service	-	-	76,025	76,025
<i>General Administration</i>				
Personnel services	-	-	4,064	4,064
Supplies	7,300	7,300	22,899	15,599
Other services and charges	1,795,168	1,825,168	2,113,103	287,935
Capital outlay	153,000	119,700	-	(119,700)
Debt service	-	-	16,811	16,811
Transfers	-	31,870	30,000	(1,870)
<i>Public Safety</i>				
Personnel services	11,755,936	11,755,936	10,948,960	(806,976)
Supplies	465,850	457,450	679,601	222,151
Other services and charges	493,470	517,572	764,748	247,176
Capital outlay	955,080	1,062,780	473,829	(588,951)
Debt service	8,200	8,200	307,521	299,321
<i>Public Works</i>				
Supplies	347,950	347,985	226,126	(121,859)
Other charges	2,570,849	2,714,198	2,443,533	(270,665)
Capital outlay	6,110,579	8,919,362	478,670	(8,440,692)
<i>Health &amp; Welfare</i>				
Personnel services	209,191	209,191	165,574	(43,617)
Supplies	15,550	15,550	19,006	3,456
Other services and charges	46,350	47,170	375,385	328,215
Capital outlay	11,000	11,000	-	(11,000)
<i>Culture &amp; Recreation</i>				
Personnel services	1,379,668	1,379,668	1,243,253	(136,415)
Supplies	266,200	285,435	268,212	(17,223)
Other services and charges	1,368,550	1,353,348	1,622,813	269,465
Capital outlay	324,300	324,300	128,935	(195,365)
Debt service	-	-	3,754	3,754
<i>Planning, Building, &amp; Code Enforcement</i>				
Personnel services	573,615	573,615	565,912	(7,703)
Supplies	53,600	65,975	34,327	(31,648)
Other services and charges	293,590	338,233	498,417	160,184
Capital outlay	32,500	32,500	58,924	26,424
Debt service	-	-	3,754	3,754
<i>Conservation, Urban &amp; Economic Development</i>				
Personnel services	458,461	458,461	310,727	(147,734)
Supplies	26,000	35,720	22,428	(13,292)
Other services and charges	252,175	336,256	591,553	255,297
Capital outlay	3,000	3,000	-	(3,000)
<b>Total charges to appropriations</b>	<u>32,634,488</u>	<u>36,006,570</u>	<u>27,396,028</u>	<u>(8,610,542)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(9,466,297)	(12,672,477)	(8,901,991)	3,770,486

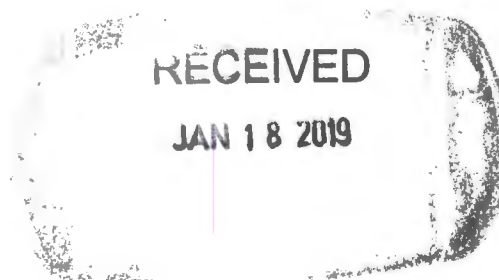
The notes to required supplementary information are an integral part of this schedule.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**GENERAL FUND**  
For the Year Ended September 30, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Other Financing Sources (Uses):</b>				
Other financing sources	8,242,200	8,242,200	629,708	(7,612,492)
Transfers (out)	<u>1,224,097</u>	<u>1,224,097</u>	<u>-</u>	<u>(1,224,097)</u>
<b>Total other financing sources (uses)</b>	<u>9,466,297</u>	<u>9,466,297</u>	<u>629,708</u>	<u>(8,836,589)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(3,206,180)</u>	<u>(8,272,283)</u>	<u>(5,066,103)</u>
<b>Fund balance - beginning of year</b>			<u>(9,172,911)</u>	
<b>Fund balance - end of year</b>			<u>\$ (17,445,194)</u>	

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

<b>Fund Balance - end of year (Budgetary Basis)</b>	\$ (17,445,194)
Accruals for expenses incurred but not paid	3,142,926
Accruals for revenues recognized but not year received	<u>66,764</u>
<b>Fund Balance - end of year (GAAP)</b>	<u>\$ (14,235,504)</u>



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

**CITY OF PASCAGOULA, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**COMMUNITY DEVELOPMENT FUND**  
For the Year Ended September 30, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Resources (inflows):</b>				
Grants	\$ 4,942,830	5,694,393	2,073,768	(3,620,625)
<b>Amounts available for         appropriations</b>	<u>4,942,830</u>	<u>5,694,393</u>	<u>2,073,768</u>	<u>(3,620,625)</u>
<b>Charges to appropriations (outflows):</b>				
Other charges and services	5,235,720	8,621,420	55,123	(8,566,297)
Capital outlay	<u>-</u>	<u>-</u>	<u>2,815,835</u>	<u>2,815,835</u>
<b>Total charges to         appropriations</b>	<u>5,235,720</u>	<u>8,621,420</u>	<u>2,870,958</u>	<u>(5,750,462)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(292,890)	(2,927,027)	(797,190)	2,129,837
<b>Other Financing Sources (Uses):</b>				
<b>Net change in fund balance</b>	<u>\$ (292,890)</u>	<u>(2,927,027)</u>	<u>(797,190)</u>	<u>2,129,837</u>
<b>Fund balance - beginning of year</b>			<u>404,442</u>	
<b>Fund balance - end of year</b>			<u>\$ (392,748)</u>	
<b>Differences between budgetary and GAAP fund balance:</b>				
<b>Fund Balance, end of year (Budgetary Basis)</b>				\$ (392,748)
Accruals for expenses incurred but not paid				(215,344)
Accruals for revenues recognized but not year received				<u>608,092</u>
<b>Fund Balance, end of year (GAAP)</b>				<u>\$ -</u>

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

**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 3 Years Shown)\*\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.17 %	0.16 %	0.16 %
City's proportionate share of the net pension liability (asset)	\$ 28,259,770	\$ 28,579,995	24,732,844
City's covered payroll	\$ 10,845,992	\$ 10,390,535	10,255,519
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.55 %	275.06 %	241.17 %
Plan fiduciary net position as a percentage of the total pension liability	57.47 %	57.47 %	67.21 %

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of 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 3 Years Shown)\*\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,647,953	\$ 1,643,481	1,607,812
Contributions in relation to the contractually required contribution	<u>(1,647,953)</u>	<u>(1,643,481)</u>	<u>(1,607,812)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
 City of Pascagoula's covered payroll	 \$ 10,465,213	 \$ 10,434,800	 10,208,330
 Contributions as a percentage of covered payroll	 15.75 %	 15.75 %	 15.75 %

\*\*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 CHANGES IN THE NET PENSION LIABILITY\***  
Municipal Retirement System and Fire and Police Disability and Relief Fund  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>			
Service cost	\$ -	\$ -	-
Interest	902,507	928,517	965,667
Changes of benefit terms	-	-	-
Differences between expected and actual experience	17,501	119,699	(40,288)
Changes of assumptions	52,812	-	395,634
Benefit payments, including refunds of employee contributions	<u>(1,377,800)</u>	<u>(1,389,869)</u>	<u>(1,432,103)</u>
<b>Net change in total pension liability</b>	(404,980)	(341,653)	(111,090)
<b>Total pension liability - beginning</b>	<u>12,334,146</u>	<u>12,675,799</u>	<u>12,786,889</u>
<b>Total pension liability - ending (a)</b>	<u>11,929,166</u>	<u>12,334,146</u>	<u>12,675,799</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	677,726	706,304	695,520
Contributions - member	-	-	-
Net investment income	979,439	39,757	247,097
Benefit payments, including refunds of employee contributions	(1,377,800)	(1,389,869)	(1,432,103)
Administrative expense	(13,555)	(14,126)	(13,910)
Other	<u>3,658</u>	<u>43,964</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	269,468	(613,970)	(503,396)
<b>Plan net position - beginning</b>	<u>7,258,049</u>	<u>7,872,019</u>	<u>8,375,415</u>
<b>Plan net position - ending (b)</b>	<u>7,527,517</u>	<u>7,258,049</u>	<u>7,872,019</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 4,401,649</u>	<u>\$ 5,076,097</u>	<u>4,803,780</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	63.10 %	58.85 %	62.10 %
<b>Covered-employee payroll***</b>	N/A	N/A	N/A
<b>Net pension liability (asset) as a percentage of covered-employee payroll***</b>	N/A	N/A	N/A

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

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS\***  
Municipal Retirement System and Fire and Police Disability and Relief Fund  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	2017	2016	2015
Actuarially determined contribution	\$ 677,726	\$ 706,304	695,520
Contributions in relation to the actuarially determined contribution	(677,726)	(706,304)	(695,520)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Covered employee payroll***	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of 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, 2017

**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, 2017.

**NOTE 2. PENSION SCHEDULES**

**A. Methods and Assumptions Used to Determine Contribution Rates for Public Employees' Retirement System of Mississippi (PERS)**

***Changes of Assumptions***

**2017:**

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

**2016:**

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

**2015:**

- ◆ The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- ◆ The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended September 30, 2017**

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

- ◆ Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- ◆ Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- ◆ The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

***Changes of Benefit Provisions***

**2016:**

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

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

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2017 were based on the June 30, 2015 actuarial valuation.

Actuarial cost method	Ultimate asset reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increase	4.00 - 5.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS OF MUNICIPAL OFFICIALS**  
For the Year Ended September 30, 2017

<b>Name</b>	<b>Position</b>	<b>Amount</b>
Dane Maxwell	Mayor	\$ 100,000
Willie Jones	Councilman	100,000
George Wolverton	Councilman	100,000
Stephen Burrow	Councilman	100,000
Matt Parker	Councilman	100,000
Scott Tipton	Councilman	100,000
Jennifer Colmer	Councilman	100,000
Michael Mangum	City Manager	100,000
Ryan A. Frederic	City Attorney	50,000
Kenneth Johnson	Chief of Police	50,000
Robert J. Parker	Comptroller	50,000
Karen Kennedy	City Clerk	50,000
Donnie Carlson	Fire Chief	50,000
Kenny Johnson	Police Chief	50,000

**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2017

<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 Mississippi Department of Marine Resources</i>			
Coastal Zone Management Administration			
Awards	11.419	FY2014-P401-8PA	\$ 5,266
	11.419	FY2014-P401-9PA	27,060
	11.419	FY2016-P604-03	141,000
	11.419	FY2016-P604-02	22,743
<b>Total Department of Commerce National Oceanic and Atmospheric Administration (NOAA)</b>			<b>196,069</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed through State of Mississippi</i>			
CDBG-Entitlement Grant Cluster			
Community Development Block			
Grants/Entitlement Grants	14.218	B-15-MC-28-0005	941
	14.218	B-16-MC-28-0005	8,925
	14.218	B-15-MC-28-0005	2,375
	14.218	B-15-MC-28-0005	15,520
	14.218	B-16-MC-28-0005	19,500
	14.218	B-14-MC-28-0005	94,668
	14.218	B-15-MC-28-0005	13,000
			154,929
Community Development Block			
Grants/Special Purpose Grants/Insular Areas	14.225	B-10-SP-MS-0129	345,108
<b>Total CDBG-Entitlement Grant Cluster</b>			<b>500,037</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>500,037</b>
<b><u>U.S. Department of the Interior Fish and Wildlife Service</u></b>			
<i>Passed through Mississippi Department of Environmental Quality</i>			
Natural Resource Damage Assessment,			
Restoration and Implementation	15.658*	MDEQ 15-0067	2,031,363
<b>Total U.S. Department of the Interior Fish and Wildlife Service</b>			<b>2,031,363</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Passed through State of Mississippi</i>			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738	2016-DJ-BX-0113	17,780
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738	G17-GC0003A	37,200
<b>Total U.S. Department of Justice</b>			<b>\$ 54,980</b>

The accompanying notes are an integral part of this schedule

**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2017

<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 Mississippi Department of Transportation</i>			
Highway Planning and Construction Cluster			
Highway Research and Development Program	20.205	STP-8971-00(005)LPA/	\$ 321,317
	20.205	SRSP-7872-00(004)/10	143,519
	20.205	SRSP-7872-00(004)/10	<u>121,802</u>
Total Highway Planning and Construction Cluster			586,638
<i>Passed through Mississippi Office of Highway Safety</i>			
Highway Safety Cluster			
National Priority Safety Programs	20.616	154-AL-2016-ST-22-61	4,024
	20.616	154-AL-2017-ST-22-61	<u>12,096</u>
Total Highway Safety Cluster			<u>16,120</u>
<b>Total U.S. Department of Transportation</b>			<u><u>602,758</u></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 3,385,207</u></u>

\* Major Program

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The accompanying notes are an integral part of this schedule



**CITY OF PASCAGOULA, MISSISSIPPI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2017**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") included the federal award activity of City of Pascagoula, Mississippi under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Pascagoula, Mississippi, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Pascagoula, Mississippi.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Pascagoula, Mississippi has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

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

Michelle Oppie Gist, CPA

Kyriaki Jessica Martin, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • [www.wmocpas.com](http://www.wmocpas.com)

**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, each major fund, and the aggregate remaining fund information of City of Pascagoula, Mississippi, as of and for the year ended September 30, 2017, 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, 2018.

**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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants  
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 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**

**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.

*Wolfe, McBuff & Oppa*

Pascagoula, Mississippi  
June 27, 2018



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

Michelle Oppie Gist, CPA

Kyriaki Jessica Martin, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • [www.wmocpas.com](http://www.wmocpas.com)

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

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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, 2017.

*Membership in:*

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 2

**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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Walfe, McBuff & Oppen*

Pascagoula, Mississippi  
June 27, 2018





**Wolfe • McDuff & Oppie**

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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, 2017, and have issued our report dated June 27, 2018. 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, 2018

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**CITY OF PASCAGOULA, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2017

**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?                     | No         |
| b. Significant deficiency(ies) identified?               | None noted |
| 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?                                                            | None noted |
| 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 2 CFR 200.516(a)? | No         |
| 7. Identification of major programs:                                                                  |            |

Name of Federal Program or Cluster

Natural Resource Damage Assessment, Restoration and Implementation

CFDA Number

15.658

- |                                                                             |           |
|-----------------------------------------------------------------------------|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee?                                   | No        |

**Section II: Financial Statement Findings**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

**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.

