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WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

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September 17, 2019

Honorable Mayor and
Board of Alderman
City of Pass Christian, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pass Christian for the year ended September 30, 2018. 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 April 30, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Pass Christian are described in Note 1 to the financial statements. The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required:

GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

We noted no transactions entered into by City of Pass Christian during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

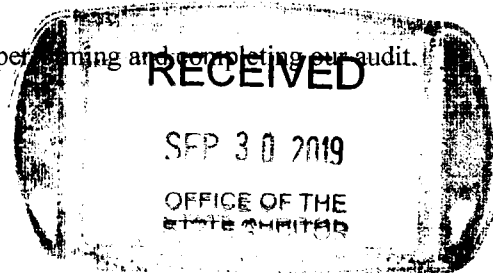
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance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

Management's estimate of the net pension liability and relate deferrals is based on information provided to the City by the actuarial reports published by the Public Employees' Retirement System of Mississippi prepared and audited by Cavanaugh MacDonald Consulting, LLC on November 14, 2018. We evaluated the key factors and assumptions used to develop the estimate of the City's proportionate share of net pension liability 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.



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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 September 17, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

We did, however, during the course of our audit, find several opportunities for the City to strengthen its internal controls in relation to water, sewer and garbage billings which accompany this letter as an attachment. These issues, although not material enough in relation to the financial statements, are being communicated in an effort for the City to address these issues prior to a possible failure in internal controls.

Other Matters

We applied certain limited procedures to the budgetary comparison, and required pension plan schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the surety bond schedule which accompanies the financial statements but is 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 Board of Alderman and management of City of Pass Christian and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Walter Woodruff * [Signature]

Attachment to Communication to Management and Board of Alderman:

After additional audit procedures performed on the water, sewer and garbage billings, we found several opportunities to strengthen control over billing:

1. It appears that there is little to no follow up on meters that show no reading after several bill runs. This could very likely be that the meter is broken and should be replaced. In addition, we noted instances where customers have been billed estimated readings for in excess of one year.

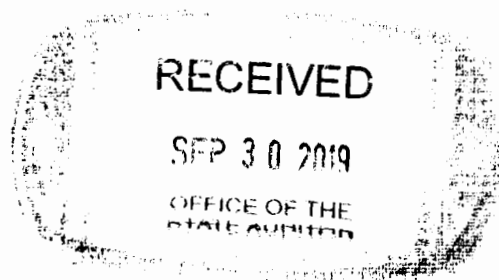
We would recommend that meters showing no readings be investigated timely to ensure that the meter is, in fact, not in use and not broken. We would also recommend that the City investigate the reasons as to why bills are being estimated and determine a policy to address these issues.

2. It was found that multiple residential accounts are set up as commercial accounts and vice versa. This misclassification is resulting in an over (under) payment of sales taxes for commercial use and/or an error in water/sewage billings.

We would recommend that an internal audit of all accounts be performed to determine that each account is classified properly as commercial/residential and that sales tax is being assessed properly in compliance with Miss Code Ann. 27-65-19.

3. An unusually high outstanding balance of garbage billings is reflected in the Accounts Receivable aging. This amount recorded as over 120 days due has continued to slowly increase throughout the years.

We would recommend that these accounts be examined to determine if errors have been made or if these accounts need to be turned over for collection.





City of Pass Christian

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J. "Buddy" Clarke, Alderman Ward 1
Regina Charlot, Alderman Ward 2
Anthony Hall, Alderman Ward 3
Victor Pickich, Alderman Ward 4
Kenny Torgeson, Alderman-at-Large

Leo "Chipper" McDermott, Mayor

Wright, Ward, Hatten & Guel
Gulfport, MS

This representation letter is provided in connection with your audit of the financial statements of the City of Pass Christian which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 17, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 30, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

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Information Provided

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of Board of Alderman or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

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- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 42) We have appropriately disclosed the city's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

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45) With respect to the Schedule of Surety Bonds :

- a) We acknowledge our responsibility for presenting the Schedule of Surety Bonds in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signature: _____

Title: Mayor _____

Signature: _____

Title: Finance Director/City Clerk _____

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CITY OF PASS CHRISTIAN, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2018

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OFFICE OF THE
STATE AUDITOR



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FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

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INDEPENDENT AUDITOR'S REPORT

September 17, 2019

Honorable Mayor and
Board of Alderman
City of Pass Christian, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pass Christian, Mississippi (the City), as of and for the year ended September 30, 2018, 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 *Governmental 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Pass Christian, Mississippi, as of September 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The State of Mississippi requires that municipalities submit a schedule of surety bonds maintained for City personnel in compliance with §21-17-5 of Mississippi Code of 1972. This schedule has been presented on page 55. This schedule is the responsibility of management and was derived from and relate 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 surety bonds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2019, on our consideration of the City of Pass Christian'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 result 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 the City of Pass Christian's internal control over financial reporting and compliance.

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Other Reporting Required by State of Mississippi

In accordance with the State of Mississippi, we have also issued our report dated September 17, 2019, on our consideration of the City of Pass Christian's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Pass Christian's internal control over financial reporting and compliance.

Walter Wadsworth & Sons

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS



This section of the City of Pains Christian, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2018 and 2017. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Pains Christian is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of the City of Pains Christian as of July 1, 2018 is 6,075. The median household income is \$31,094 with 89% of persons or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position decreased \$3,397,171 or 3% as a result primarily due to additional pension costs associated with GASB Statement No. 68, and additional capital outlay.
- General revenues amounted to of \$5,474,005 or 58% of total revenues. This amount increased \$165,321 from 2017, primarily due to an increase in general sales taxes collected for the year. Program revenues amounted to \$3,967,591 or 42% of total revenues, which increased \$11,459 from 2017.
- Capital assets, net of accumulated depreciation, decreased \$609,815 in the governmental activities and decreased \$2,258,889 in the business-type activities during 2018. The decrease in governmental business-type activities is primarily due to the additional depreciation.
- Bonds payable decreased by \$105,000 in the governmental activities, and compensated absences payable decreased \$117,246. Notes payables decreased by \$23,008 in the business-type activities and compensated absences payable decreased \$7,542. The City's total debt outstanding at September 30, 2018 is \$1,392,620 of which the liability for compensated absences is \$84,787.

Fund Highlights

- *General Fund* -- This fund is used for the general operations of the City. The General Fund had \$5,809,831 in revenues, which shows an increase of \$399,136 from 2017 and \$5,703,543 in expenditures, an increase of \$465,921 from 2017, in the current year. The General Fund's fund balance increased by \$379,255.
- *Building Construction Fund* -- This fund is used to account for insurance proceeds received as a result of Hurricane Katrina and amounts set-aside by the Board to cover the City's portion of construction projects not reimbursed by federal grants. The fund balance of \$5,287,669 represents monies still available for construction and repair.

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Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Pass Christian as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Pass Christian as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the City's activities are reported as governmental and business-type activities, which include all of the City's services including general government, police, fire, public works, culture and recreations, community services, water and sewer utility and harbor. The City of Pass Christian has no component units.

Table 1 and Table 2 provide a summary of the City's net position and changes in net position for 2018 compared to 2017.

TABLE 1
City of Pass Christian, Mississippi
Condensed Statement of Net Position
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 14,631,353	14,664,111	3,996,132	3,847,856	18,627,485	18,511,967
Capital assets	26,377,499	26,987,314	66,329,356	68,588,245	92,706,855	95,575,559
Total Assets	41,008,852	41,651,425	70,325,488	72,436,101	111,334,340	114,087,526
Deferred Outflows	944,570	778,206	82,136	67,670	1,026,706	845,876
Liabilities						
Current liabilities	101,156	316,042	420,803	448,916	521,959	764,958
Non-current liabilities	8,382,765	7,836,292	745,808	709,502	9,128,573	8,545,794
Total Liabilities	8,483,921	8,152,334	1,166,611	1,158,418	9,650,532	9,310,752
Deferred Inflows	4,029,374	3,545,621	19,139	17,857	4,048,513	3,563,478
Net Position						
Investment in capital assets, net of related debt	25,112,499	25,617,314	66,329,356	68,588,245	91,441,855	94,205,559
Restricted net assets	169,827	171,544	12,091	6,104	181,918	177,648
Unrestricted	4,157,801	4,942,818	2,880,427	2,733,147	7,038,228	7,675,965
Total Net Position	\$ 29,440,127	30,731,676	69,221,874	71,327,496	98,662,001	102,059,172

TABLE 2
City of Pass Christian, Mississippi
Condensed Statement of Activities
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues	\$ 714,835	535,037	3,252,756	3,421,095	3,967,591	3,956,132
General revenues	5,442,939	5,293,534	31,066	15,150	5,474,005	5,308,684
Total revenues	6,157,774	5,828,571	3,283,822	3,436,245	9,441,596	9,264,816
Expenses:						
General government	1,337,662	1,515,547	-	-	1,337,662	1,515,547
Public safety	3,715,782	3,551,340	-	-	3,715,782	3,551,340
Public works	1,514,071	1,877,673	-	-	1,514,071	1,877,673
Culture and recreation	490,726	498,700	-	-	490,726	498,700
Beautification	236,855	282,307	-	-	236,855	282,307
Economic Development	74,549	-	-	-	74,549	-
Interest on long-term debt	30,252	32,735	-	-	30,252	32,735
Water and sewer	-	-	2,919,894	2,571,785	2,919,894	2,571,785
Harbor	-	-	2,518,976	2,593,158	2,518,976	2,593,158
Total expenses	7,399,897	7,758,302	5,438,870	5,164,943	12,838,767	12,923,245
Transfers	(49,426)	(76,557)	49,426	76,557	-	-
Increase (Decrease) in net assets	(1,291,549)	(2,006,288)	(2,105,622)	(1,652,141)	(3,397,171)	(3,658,429)
Net Position - beginning	30,731,676	32,737,964	71,327,496	72,979,637	102,059,172	105,717,601
Net Position - ending	\$ 29,440,127	30,731,676	69,221,874	71,327,496	98,662,001	102,059,172

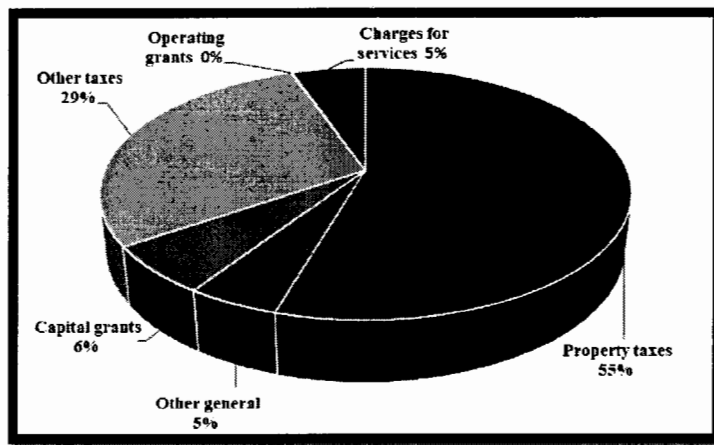
Governmental Activities

Total net position decreased \$1,291,549 as a result primarily due to capital outlay and additional pension expense.

Under the accrual basis of accounting, general revenues amounted to of \$5,442,939 or 88% of total revenues. This amount increased \$149,405 from 2017 primarily due to increase in general sales taxes collected. Program revenues amounted to \$714,835 or 12% of total revenues, which increased \$179,798 from 2017.

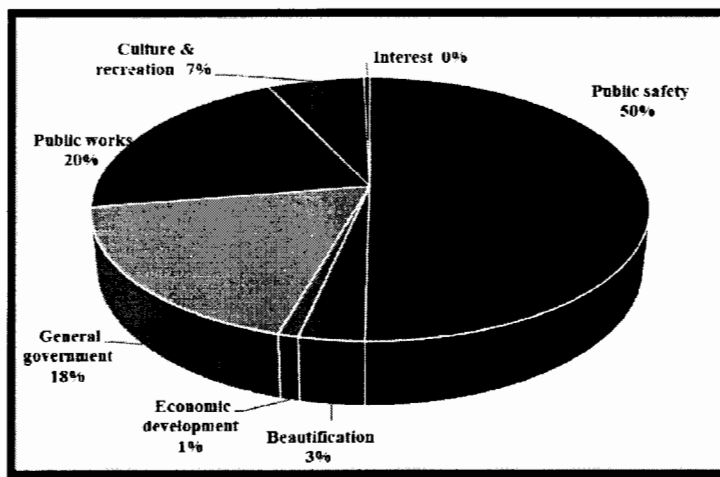
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

Chart 1 – Governmental Revenue Sources



Major governmental expense activities are shown in the following chart.

Chart 2 – Governmental Activities



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Business-type activities

Net position for the business-type activities was \$69,221,874 a decrease of \$2,105,622 primarily due to an increase in depreciation expense and additional pension expense.

Reporting the City of Pass Christian's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Pass Christian, the City's major funds are the General, Emergency Disaster, and Building Insurance Construction Funds.

Governmental Funds

The City's governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The City's proprietary funds focus on business-type activities conducted by the City. These funds are reported using the accrual method of account, which uses an "economic resources" measurement focus. Under the accrual basis of accounting revenues are recognized in the period in which they are earned regardless of when cash flows occur. Expenses are recorded when the recognized when the service is performed or the goods are received regardless of when the invoice is paid. Proprietary Fund information helps you to determine whether business-type activities are self-maintaining or if they are being subsidized by general government revenues. The proprietary funds show operating revenues and expenses that support the primary operations of the fund.

Fiduciary Funds

Fiduciary Funds show amounts held by the City for the benefit of others and clearing accounts used by the city to track payroll expenditures and property tax receipts and disbursements.

The City's Funds

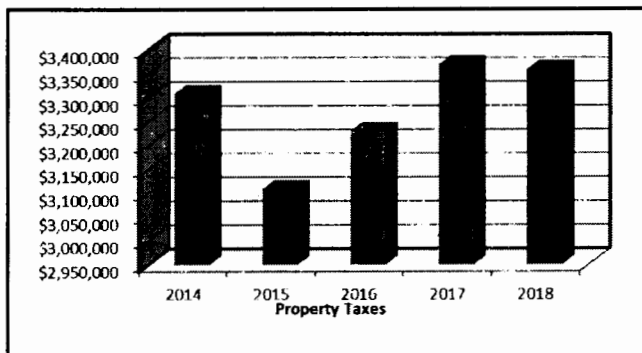
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and non-spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds. As of the end of the current year, the City of Diamondhead utilized only the General Fund and will establish additional fund types as they become necessary.

Information about the City's major governmental funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting.

General Fund Budgeting 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. Governmental auditing standard require that cities present budgetary comparison schedules as required supplementary information to the financial statements. The most significant budgeted fund is the General Fund.

During the course of 2018, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Board of Alderman for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.



Property Tax Revenue

This chart depicts property tax revenue for the past five years. Amounts represent taxes collected in each fiscal year.

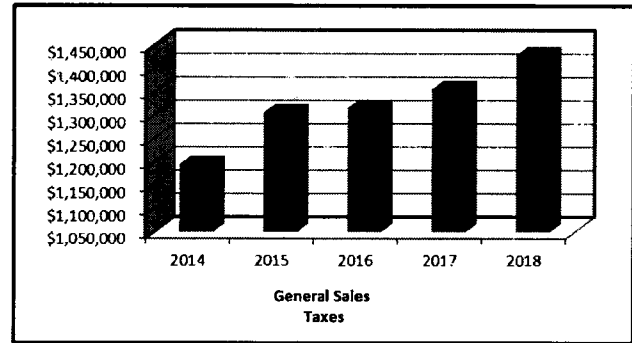
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General Sales Tax Revenue

This chart depicts general sales tax revenue received in the past five years. General Sales Tax revenue has increased in 2018 as new business start to open in the City.



Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2018 and 2017.

TABLE 3
City of Pass Christian, Mississippi
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,790,775	1,790,775	142,135	142,135	1,932,910	1,932,910
Construction in progress	-	162,782	-	-	-	162,782
Buildings	13,140,352	13,455,937	1,205,160	1,249,498	14,345,512	14,705,435
Infrastructure	9,800,931	9,888,978	64,715,367	66,913,600	74,516,298	76,802,578
Mobile equipment	1,458,675	1,532,011	39,213	35,120	1,497,888	1,567,131
Furniture and equipment	186,766	156,831	227,481	247,892	414,247	404,723
Total	\$ 26,377,499	26,987,314	66,329,356	68,588,245	92,706,855	95,575,559

The primary increase in capital assets occurred in construction in progress and completed infrastructure.

General Long-term Obligations

At September 30, 2018, the City had \$1,477,407 outstanding debt obligations, which included \$84,787 of compensated absences payable.

TABLE 4
City of Pass Christian, Mississippi
Schedule of Long-term Debt
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 1,265,000	1,370,000	-	-	1,265,000	1,370,000
Revolving Loans	-	-	127,620	150,628	127,620	150,628
Compensated Absences	78,692	195,938	6,095	13,637	84,787	209,575
Total	\$ 1,343,692	1,565,938	133,715	164,265	1,477,407	1,730,203

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid overtime as people leave or retire. This liability refers to vacation pay for employees of the city. See Note 1(k) for more details.

Contact the City's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Marian Governor, City Clerk/Finance Director
City of Pass Christian, Mississippi
200 West Scenic Drive
Pass Christian, MS 39571
(228) 452-3310

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FINANCIAL STATEMENTS



City of Pass Christian, Mississippi

Statement of Net Position September 30, 2018

	Governmental	Business-Type	Total
Assets			
Current assets			
Cash	\$ 9,640,813	3,303,077	12,943,890
Taxes receivable	3,718,412	-	3,718,412
Intergovernmental receivables	522,654	282,328	804,982
Receivables (net of allowance for bad debt)	389,319	352,407	741,726
Miscellaneous receivables	971	-	971
Intra-activities balances	216,117	(159,391)	56,726
Prepaid insurance	143,067	12,091	155,158
Restricted current asset - cash	-	205,620	205,620
Total current assets	14,631,353	3,996,132	18,627,485
Capital assets, net of accumulated depreciation:			
Land and construction in progress	1,790,775	142,135	1,932,910
Other depreciable capital assets	24,586,724	66,187,221	90,773,945
Total capital assets	26,377,499	66,329,356	92,706,855
Total assets	41,008,852	70,325,488	111,334,340
Deferred outflow of resources			
Deferred amount on pensions	944,570	82,136	1,026,706
Total deferred outflow of resources	944,570	82,136	1,026,706
Liabilities			
Current liabilities			
Claims and wages payable	88,638	162,960	251,598
Unearned revenue	-	52,223	52,223
Accrued interest payable	12,518	-	12,518
Payable from restricted assets - customer deposits	-	205,620	205,620
Total current liabilities	101,156	420,803	521,959
Non-current liabilities			
Net pension liability	7,039,073	612,093	7,651,166
Due within one year:			
Capital debt	110,000	-	110,000
Noncapital debt	7,475	24,085	31,560
Due in more than one year:			
Capital debt	1,155,000	-	1,155,000
Noncapital debt	71,217	109,630	180,847
Total non-current liabilities	8,382,765	745,808	9,128,573
Total liabilities	8,483,921	1,166,611	9,650,532
Deferred inflows of resources			
Property tax for future reporting period	3,409,270	-	3,409,270
Receivable for future reporting period	400,000	-	400,000
Deferred amount on pensions	220,104	19,139	239,243
Total deferred inflows of resources	4,029,374	19,139	4,048,513
Net position			
Investment in capital assets, net of related debt	25,112,499	66,329,356	91,441,855
Restricted net position			
Nonexpendable			
Prepaid	143,067	12,091	155,158
Expendable:			
Restricted for special purposes	26,760	-	26,760
Unrestricted	4,157,801	2,880,427	7,038,228
Total net position	\$ 29,440,127	69,221,874	98,662,001

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



City of Pass Christian, Mississippi

Statement of Activities For Fiscal Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (1,337,662)	161,909	-	-	\$ (1,175,753)		(1,175,753)
Public safety	(3,715,782)	139,178	7,106	26,332	(3,543,166)		(3,543,166)
Public works	(1,514,071)	-	-	354,990	(1,159,081)		(1,159,081)
Culture, recreation and community services	(490,726)	25,320	-	-	(465,406)		(465,406)
Beautification	(236,855)	-	-	-	(236,855)		(236,855)
Economic development	(74,549)	-	-	-	(74,549)		(74,549)
Interest on long-term debt	(30,252)	-	-	-	(30,252)		(30,252)
Total governmental activities	(7,399,897)	326,407	7,106	381,322	(6,685,062)		(6,685,062)
Business-type activities:							
Water and sewer	(2,919,894)	2,475,869	-	-		(444,025)	(444,025)
Harbor	(2,518,976)	424,776	-	352,111		(1,742,089)	(1,742,089)
Total business-type activities	(5,438,870)	2,900,645	-	352,111		(2,186,114)	(2,186,114)
Total government	\$ (12,838,767)	3,227,052	7,106	733,433		(2,186,114)	(8,871,176)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,221,171	-	3,221,171
Property taxes, levied for special purposes					137,641	-	137,641
Sales taxes					1,429,133		1,429,133
Franchise taxes					359,352		359,352
Grants and contributions not restricted to a special purpose					147,585	-	147,585
Unrestricted investment earnings					46,460	20,344	66,804
Miscellaneous					101,597	10,722	112,319
Total general revenues					5,442,939	31,066	5,474,005
Transfers					(49,426)	49,426	-
Total general revenues and transfers					5,393,513	80,492	5,474,005
Changes in net position					(1,291,549)	(2,105,622)	(3,397,171)
Net position - beginning of year					30,731,676	71,327,496	102,059,172
Net position - end of year					\$ 29,440,127	\$ 69,221,874	\$ 98,662,001

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



City of Pass Christian, Mississippi

Balance Sheet -- Governmental Activities September 30, 2018

	Major		Other Governmental Funds	Total Governmental Funds
	General Fund	Building Construction Fund		
ASSETS				
Cash	\$ 3,959,017	5,228,767	453,029	9,640,813
Receivables:				
Property tax	3,435,803	-	1,144	3,436,947
Sales tax	124,711	-	-	124,711
Franchise taxes	156,754	-	-	156,754
Intergovernmental	60,027	-	62,627	122,654
Court fines & fees	389,319	-	-	389,319
Miscellaneous	971	-	-	971
Prepaid insurance	143,067	-	-	143,067
Due from other funds	263,073	58,902	-	321,975
Advances to other funds	27,260	-	-	27,260
Total assets	<u>8,560,002</u>	<u>5,287,669</u>	<u>516,800</u>	<u>14,364,471</u>
LIABILITIES				
Accounts payable	18,831	-	3,661	22,492
Accrued wages payable	66,146	-	-	66,146
Due to other fund	51,833	-	81,285	133,118
Total Liabilities	<u>136,810</u>	<u>-</u>	<u>84,946</u>	<u>221,756</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	3,409,270	-	-	3,409,270
Unavailable revenue - fines	389,319	-	-	389,319
Total Deferred Inflows of Resources	<u>3,798,589</u>	<u>-</u>	<u>-</u>	<u>3,798,589</u>
FUND BALANCES				
Nonexpendable				
Prepaid	143,067	-	-	143,067
Restricted:				
Unemployment compensation	26,760	-	-	26,760
Grant purpose	-	-	23,592	23,592
Public safety	-	-	86,310	86,310
Assigned:				
Community support	-	-	52,899	52,899
Capital projects	-	5,287,669	269,053	5,556,722
Unassigned	4,454,776	-	-	4,454,776
Total Fund Balances	<u>\$ 4,624,603</u>	<u>5,287,669</u>	<u>431,854</u>	<u>10,344,126</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,560,002</u>	<u>5,287,669</u>	<u>516,800</u>	<u>14,364,471</u>

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



City of Pass Christian, Mississippi

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position September 30, 2018

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 10,344,126
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Governmental capital assets	\$ 35,325,196	
Less: accumulated depreciation	<u>(8,947,697)</u>	26,377,499
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Court fines receivable		389,319
Long-term debt is not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (1,265,000)	
Compensated absences	<u>(78,692)</u>	(1,343,692)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		
		(12,518)
Other long-term liabilities, including net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(7,039,073)
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	\$ 944,570	
Deferred inflows of resources related to pensions	<u>(220,104)</u>	724,466
Net Position of Governmental Activities		<u><u>\$ 29,440,127</u></u>

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

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City of Pass Christian, Mississippi

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds For the Fiscal Year Ended September 30, 2018

	Major			
	General	Building	Other	Total
	Fund	Construction	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Property taxes	\$ 3,221,171	-	137,641	3,358,812
General sales taxes	1,429,133	-	-	1,429,133
Franchise fees	359,352	-	-	359,352
Licenses and permit fees	126,909	-	-	126,909
Intergovernmental	502,574	-	33,439	536,013
Charges for services	62,690	-	-	62,690
Fines and forfeitures	66,759	-	-	66,759
Investment earnings	13,142	31,242	2,076	46,460
Miscellaneous	28,101	-	3,141	31,242
Total revenues	5,809,831	31,242	176,297	6,017,370
Expenditures:				
General government	1,133,027	20,522	-	1,153,549
Public safety	3,131,327	13,017	19,640	3,163,984
Public works	823,785	57,098	40,071	920,954
Culture & recreation	138,145	-	157,500	295,645
Beautification	228,604	-	-	228,604
Economic development	69,740	-	-	69,740
Capital outlay	42,624	384,875	-	427,499
Debt service:				
Principal	105,000	-	-	105,000
Interest and other fiscal charges	31,291	-	-	31,291
Total expenditures	5,703,543	475,512	217,211	6,396,266
Excess (deficiency) of revenues over expenditures	106,288	(444,270)	(40,914)	(378,896)
Other financing sources (uses):				
Proceeds from sale of assets	7,900	-	-	7,900
Proceeds from insurance	62,455	-	-	62,455
Transfers in	202,612	-	-	202,612
Transfers out	-	(252,038)	-	(252,038)
Total other financing sources (uses)	272,967	(252,038)	-	20,929
Net change in fund balances	379,255	(696,308)	(40,914)	(357,967)
Fund balances - beginning	4,245,348	5,983,977	472,768	10,702,093
Fund balances - ending	\$ 4,624,603	5,287,669	431,854	10,344,126

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



City of Pass Christian, Mississippi

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities For the Fiscal Year Ended September 30, 2018

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (357,967)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$427,499 and the depreciation expense amounted to \$1,037,314.	(609,815)
Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	105,000
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting.	70,049
Pension expense and other related activity do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	
Pension expense	(617,101)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Accrued interest payable on long-term debt	1,039
Changes in compensated absences	<u>117,246</u>
Change in net position of governmental activities	\$ <u><u>(1,291,549)</u></u>

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



City of Pass Christian, Mississippi

Statement of Net Position

Proprietary Funds

September 30, 2018

	Proprietary Funds		
	Water and Sewer	Harbor	Total
Assets			
Current assets:			
Cash	\$ 3,248,839	54,238	3,303,077
Intergovernmental receivables	-	282,328	282,328
Customer accounts receivable, net	340,548	11,859	352,407
Interfund receivable	51,833	-	51,833
Prepaid insurance	6,745	5,346	12,091
Restricted current asset - cash	205,620	-	205,620
Total current assets	<u>3,853,585</u>	<u>353,771</u>	<u>4,207,356</u>
Non-current assets			
Capital assets:			
Land	1,548	140,587	142,135
Buildings	-	1,385,557	1,385,557
Infrastructure	39,069,194	41,821,195	80,890,389
Mobile equipment	-	157,389	157,389
Furniture and equipment	211,827	232,428	444,255
Less accumulated depreciation	(9,658,412)	(7,031,957)	(16,690,369)
Total non-current assets	<u>29,624,157</u>	<u>36,705,199</u>	<u>66,329,356</u>
Total Assets	<u>33,477,742</u>	<u>37,058,970</u>	<u>70,536,712</u>
Deferred outflow of resources			
Deferred outflow - pension liability	-	82,136	82,136
Total deferred outflow of resources	<u>-</u>	<u>82,136</u>	<u>82,136</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	23,616	132,895	156,511
Accrued wages	-	6,449	6,449
Interfund payables	207	210,517	210,724
Unearned revenue	18,366	33,857	52,223
Advances from other funds	500	-	500
Notes payable	23,414	-	23,414
Customer deposits	205,620	-	205,620
Total current liabilities	<u>271,723</u>	<u>383,718</u>	<u>655,441</u>
Non-current liabilities:			
Notes payable	104,206	-	104,206
Net pension liability	-	612,093	612,093
Compensated absences	-	6,095	6,095
Total non-current liabilities	<u>104,206</u>	<u>618,188</u>	<u>722,394</u>
Total liabilities	<u>375,929</u>	<u>1,001,906</u>	<u>1,377,835</u>
Deferred inflow of resources			
Deferred inflow - pension liability	-	19,139	19,139
Total deferred inflow of resources	<u>-</u>	<u>19,139</u>	<u>19,139</u>
Net position			
Investment in capital assets, net of related debt	29,624,157	36,705,199	66,329,356
Restricted -Nonexpendable	6,745	5,346	12,091
Unrestricted	3,470,911	(590,484)	2,880,427
Total net position	<u>\$ 33,101,813</u>	<u>36,120,061</u>	<u>69,221,874</u>

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

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City of Pass Christian, Mississippi

Statement of Revenues, Expenditures and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended September 30, 2018

	Proprietary Funds		
	Water and Sewer	Harbor	Total
Revenues:			
Charges for services	\$ 2,445,564	343,308	2,788,872
Tap and connection fees	30,305	-	30,305
Lease income	-	81,468	81,468
Miscellaneous operating revenues	2,650	8,072	10,722
Total operating revenues	<u>2,478,519</u>	<u>432,848</u>	<u>2,911,367</u>
Operating expenses:			
Personal services	-	430,629	430,629
Contractual services	1,385,960	154,482	1,540,442
Utilities	154,885	129,811	284,696
Repairs and maintenance	563,318	34,281	597,599
Other supplies and expenses	43,126	33,449	76,575
Depreciation	770,153	1,736,324	2,506,477
Total operating expenses	<u>2,917,442</u>	<u>2,518,976</u>	<u>5,436,418</u>
Operating income (loss)	<u>(438,923)</u>	<u>(2,086,128)</u>	<u>(2,525,051)</u>
Non-operating revenues (expenses)			
Interest and investment revenue	19,856	488	20,344
Interest expense	(2,452)	-	(2,452)
Capital grant income	-	352,111	352,111
Transfers in	75,772	-	75,772
Transfers out	-	(26,346)	(26,346)
Total non-operating revenues (expenses)	<u>93,176</u>	<u>326,253</u>	<u>419,429</u>
Change in net position	(345,747)	(1,759,875)	(2,105,622)
Net Position - beginning	<u>33,447,560</u>	<u>37,879,936</u>	<u>71,327,496</u>
Total net position - ending	<u>\$ 33,101,813</u>	<u>36,120,061</u>	<u>69,221,874</u>

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

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City of Pass Christian, Mississippi

Statement Cash Flows Proprietary Funds For the Fiscal Year Ended September 30, 2018

	Water and Sewer	Harbor	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 2,441,702	430,612	2,872,314
Other operating receipts	2,650	8,072	10,722
Cash paid to suppliers and contractors	(2,304,473)	(226,730)	(2,531,203)
Cash paid to employees	-	(384,083)	(384,083)
Net cash provided by (used in) operating activities	139,879	(172,129)	(32,250)
Cash Flows From Non-Capital Financing Activities			
Advances from (to) other funds	24,439	228,267	252,706
Net cash flows from non-capital financing activities	24,439	228,267	252,706
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	-	(247,588)	(247,588)
Contributions and grants received for capital projects	-	94,085	94,085
Repayment of notes payable	(23,008)	-	(23,008)
Interest on notes payable	(2,452)	-	(2,452)
Net cash used in capital and related financing activities	(25,460)	(153,503)	(178,963)
Cash Flows From Investing Activities			
Interest received	19,856	488	20,344
Net cash flows from investing activities	19,856	488	20,344
Net increase (decrease) in cash	158,714	(96,877)	61,837
Cash - October 1	3,295,745	151,115	3,446,860
Cash - September 30	\$ 3,454,459	54,238	3,508,697

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



City of Pass Christian, Mississippi

Statement Cash Flows Proprietary Funds (continued) For the Fiscal Year Ended September 30, 2018

	Water and Sewer	Harbor	Total
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used In) Operating Activities:			
Operating income (loss)	\$ (438,923)	(2,086,128)	(2,525,051)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	770,153	1,736,324	2,506,477
(Increase) decrease in assets:			
Accounts receivable	(38,006)	11,052	(26,954)
Intergovernmental receivable	-	-	-
Prepaid insurance	(3,872)	(2,115)	(5,987)
Pension related assets	-	(14,466)	(14,466)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	(157,184)	127,408	(29,776)
Wages payable	-	416	416
Unearned revenue	2,076	(5,216)	(3,140)
Customer deposits	5,635	-	5,635
Pension related liabilities	-	68,138	68,138
Compensated absences	-	(7,542)	(7,542)
Net cash provided by (used in) operating activities	\$ 139,879	(172,129)	(32,250)

Reconciliation of Cash Per Statement of Cash Flows to the Statement of Net Position

	Current Assets	Restricted Current Assets	Total
Cash - October 1			
Water and sewer	\$ 3,095,760	199,985	3,295,745
Harbor	151,115	-	151,115
Total cash - October 1	3,246,875	199,985	3,446,860
Net increase (decrease)	56,202	5,635	61,837
Cash - September 30			
Water and sewer	3,248,839	205,620	3,454,459
Harbor	54,238	-	54,238
Total cash - September 30	\$ 3,303,077	205,620	3,508,697

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

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City of Pass Christian, Mississippi

Combining Statement of Assets and Liabilities – Fiduciary Funds September 30, 2018

	Unemployment Escrow	Agency Clearing Accounts	Total
Assets			
Cash	26,760	131,739	158,499
Intergovernmental receivable		80,802	80,802
Intra-activities receivable	-	58,213	58,213
Total Assets	<u>26,760</u>	<u>270,754</u>	<u>297,514</u>
Liabilities			
Inter-activities payable	26,760	88,179	114,939
Accounts payable	-	80,854	80,854
Accrued liabilities	-	101,721	101,721
Total Liabilities	<u>26,760</u>	<u>270,754</u>	<u>297,514</u>
Net Position			
Held in trust for benefits and other purposes	<u>-</u>	<u>-</u>	<u>-</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 1 - Summary of Significant Accounting Policies

The City of Pass Christian, Mississippi, (the "City") was incorporated February 21, 1848 under the laws of the State of Mississippi. The City operates under a Code Charter form of government, which provides for an elected mayor and a five-member board of Alderman. The following services are authorized by the City's charter: Public Safety (Police, Fire, Civil Defense and Protection Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture, Recreation and Community Services, Public Improvements, Planning and Zoning, and General Administrative Services. The accounting and reporting policies of the City relating to the funds and accounts groups included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing board. As defined by accounting principles generally accepted in the United States of America, the City is considered a "primary government." The City is governed by a five member board in which each member was elected by the citizens of each defined ward.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in Accounting Principles Generally Accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the reporting entity:

Pass Christian Municipal Separate School District, Pass Christian Recovery, Inc., Pass Christian Housing Authority and Pass Christian Main Street.

These potential component units have separate elected and/or appointed boards and provide services to residents, generally within the geographic boundaries of the City. These are excluded from the reporting entity because the City does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Harrison County Utility Authority

This potential component unit was established by State Code and its governing board is appointed jointly by the area governments' governing bodies. This is an independent unit that selects management staff, sets user charges, establishes budgets and controls all aspects of its daily activities. The District has been determined to be a joint venture of the participating agencies. See Note 11 for details.

B. Basis of Presentation.

The City's basic financial statement consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the City as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business -type activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues, not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.



City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The City's proprietary funds apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of the proprietary funds are classified as operating and non-operating. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's primary operations. All other revenue and expenses are reported as non-operating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major Governmental Funds:

General Fund - This is the City's primary operating fund. It is used to account for all activities of the general government for which a separate fund has not been established.

Building Construction Fund - This is a capital projects fund created for the purpose of accounting for insurance proceeds and board approved construction projects using those funds.

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City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other assets.

PROPRIETARY FUNDS

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

It is the intent of the Board of Alderman that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and that periodic determination of revenues earned, expenses incurred, and net income be identified for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers' Association.

E. Deposits and Investments

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any City, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

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

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

F. Receivables

All trade receivables are shown net of an allowance for uncollectibles. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by customers of the water and sewer department and the harbor fund since the City started providing these services to citizens. The allowances are based on trade receivables in excess of 120 days outstanding.

G. Inter-fund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of inter-fund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned.

Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Any outstanding balances between fiduciary funds and the government-wide activities of the government are reported as Intra-entity Balances and included in intergovernmental receivables on the Statement of Net Position.

H. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs has been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the City's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	5-10 years
Leased property under capital leases	*	*
* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.		

I. Unearned Revenue.

Receipts from revenues and grants for which the earning process is not complete are classified as deferred revenue, a liability, on the statement of net position.

J. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and the Proprietary Fund financial information, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business activities Statement of Net Position.

K. Compensated Absences.

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

The City's vacation policy provides for two weeks of vacation after two years of employment. An employee may accumulate unused vacation leave hours without limitation, however, cash payments upon employee termination or retirement are limited to a maximum of two weeks of pay. Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided in the financial statements. Unused vacation and sick leave balances may be credited to the Public Employee's Retirement System (PERS) as time worked.

L. 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 and so will not be recognized as an outflow of resources expenditure until then.

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 a future period and so will not be recognized as an inflow of resources until that time.

Deferred amounts on pensions – Deferred outflows and inflows of resources should be reported when to show the City's proportionate share of amounts of the effects of actuarial differences and changes in assumptions to economic or demographic factors and differences between actual and projected earnings of multi-employer pension plan. In addition, a deferred inflow should be reported for employer contributions to the pension plan made subsequent to the measurement date.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

M. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. The following are descriptions of fund classifications used by the City:

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as non-spendable and is neither restricted nor committed. Assignments of fund balance are created by management pursuant to authorization established by the Board of Alderman.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

N. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or 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."

O. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

P. Property Tax Revenues

Numerous statutes exist under which the Board of Alderman may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Alderman, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Q. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

R. Capital Contributions

Assets contributed by other organizations and governmental agencies are recorded at fair value at the time of the contribution. In the governmental fund statements, an equal amount of expense by function is recorded for capital assets that will not be capitalized because it does not meet the capitalization threshold. The fair value of these assets is recorded as operating grants in the Statement of Activities. Those assets received that will be capitalized are recorded as capital outlay in the fund statements and capital grant revenues in the Statement of Activities.

S. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.



City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

T. Unearned Revenue.

Receipts from revenues and grants for which the earning process is not complete are classified as unearned revenue, a liability, on the statement of net position.

U. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

V. Change in Accounting Standard

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, Tax Abatement Disclosures and GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. The provisions of these standards have been incorporated into the financial statements and notes.

Note 2 – Stewardship, Compliance and Accountability

A. Budgetary Data

The procedures used by the City in establishing budget are mandated by Mississippi State law. A brief summary of the City's policies for recording budgetary data in the financial statements are as follows:

1. Prior to August 1, the Mayor submits to the Board of Alderman a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. No later than September 15, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.
5. Budgets for the governmental and proprietary funds are adopted on a cash basis except for expenditures which include those paid within 30 days of the fiscal year end as required by state statute.

B. Budgetary – GAAP Reporting Reconciliations

Annual budgets are adopted for the major and non-major governmental funds. Budgetary comparisons, presented in the required supplementary information section of this report, are on the budgetary basis. Certain adjustments are necessary to compare actual data on a GAAP versus budget basis. These reconciling adjustments can be found in the notes to the required supplementary information.



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 3 – Cash

A summary of cash at September 30, 2018 is as follows:

	Deposits with Financial Institutions		Cash on Hand	Total
	Unrestricted	Restricted		
Governmental funds:				
General Fund	\$ 3,957,192	-	1,825	3,959,017
Building Construction Fund	5,228,767	-	-	5,228,767
Other governmental fund	453,029	-	-	453,029
Total governmental funds	9,638,988	-	1,825	9,640,813
Proprietary funds:				
Water & Sewer Fund	3,248,839	205,620	-	3,454,459
Harbor Fund	54,138	-	100	54,238
Total proprietary funds	3,302,977	205,620	100	3,508,697
Fiduciary Funds	158,499	-	-	158,499
Total cash	\$ 13,100,464	205,620	1,925	13,308,009

The carrying amount of the city's total deposits with financial institutions at September 30, 2018, was \$13,308,009, and the bank balance was \$13,706,812. Of this amount \$205,620 is restricted for utility customer's deposits. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by §27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

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City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 4 – Interfund Transactions and Balances

Government-wide Financial Statements

A. Intra-activities Balances

At September 30, 2018 the City had the following intra entity balances:

<u>Loans and Advances Government Agencies</u>	<u>Loans and advances Government Agencies</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	153,011
Governmental Activities	Fiduciary Activities	114,939
Business-type Activities	Governmental Activities	51,833
Fiduciary Activities	Business-type Activities	58,213
		<u>\$ 377,996</u>

These amounts represent excess cash transfers to the agency clearing funds that are owed back to the City Depository. Amounts advanced to the Unemployment Fund of \$26,760 are required by state statute and are restricted in the governmental net position.

B. Transfers

<u>Tranfers to</u>	<u>Tranfers from</u>	<u>Amount</u>
Business-type Activities	Governmental Activities	<u>\$ 49,426</u>

These amounts represent monies transferred from the governmental-type activities to the business-type activities for debt service costs.

Fund Financial Statements

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 22,383
General Fund	Water & Sewer Fund	207
General Fund	Harbor Fund	152,304
General Fund	Agency Funds	88,179
Building Construction Fund	Other Governmental Funds	58,902
Water & Sewer Fund	General Fund	51,833
Agency Clearing Accounts	Harbor Fund	58,213
		<u>\$ 432,021</u>

During the course of the year, certain expenditures were paid on a reimbursement basis requiring the City to borrow monies at year-end from the general fund in order to prevent a deficit cash balance in certain funds. Allocation percentages of federal reimbursement for construction projects caused expenditures to be paid from the wrong fund requiring many "due to/due from" transactions requiring cash transfer after year end.



City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 4 – Interfund Transactions and Balances (continued)

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Building Construction Fund	\$ 176,266
General Fund	Harbor Fund	26,346
Water & Sewer Fund	Building Construction Fund	75,772
Total		<u>\$ 278,384</u>

Transfers were made in the course of the year for loans to various funds. Other transfers were made to reimburse the various funds for expenditures made on the behalf of other fund purposes.

C. Long-term Advances

A long-term advance was made from the general fund to the Employment Compensation Revolving Fund (Unemployment Fund) that is established in compliance with Miss. Code Ann. (1972) § 71-5-359. This amount is shown on the financial statements as an advance to other fund in the general fund and as amounts held in trust for benefit and other purposes in the fiduciary funds in the amount of \$26,760 for the year ended September 30, 2018. In addition, the General fund made a long-term advance to the Water & Sewer fund of \$500 to establish a new checking account to account for the Water & Sewer credit card collections.

Note 5 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2018, consisted of the following:

Governmental activities

Taxes receivable:

Property taxes	\$ 3,436,947
Sales taxes	124,711
Franchise taxes	156,754
Total taxes receivable	<u>3,718,412</u>

Intergovernmental receivable:

MS Senate Bill 2002	400,000
Federal Emergency Management Agency	117,804
Public Safety grants	3,725
State aid	1,125
Total intergovernmental	<u>522,654</u>

Court fines receivable	1,052,708
Less: allowance for doubtful accounts	<u>(663,389)</u>
Total court fines receivable, net	<u>389,319</u>

Miscellaneous - credit card processing fees	<u>971</u>
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Total receivable - governmental activities	<u>\$ 4,631,356</u>
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City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 5 – Receivables (Continued)

Property tax for future reporting period – Of the \$3,436,947 reported as property taxes receivable, \$3,409,270 has been deferred in the funds. Deferred inflows of resources should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Intergovernmental receivable for a future reporting period – In July 2018 the Mississippi State Senate passed SB2002 amending §27-103-302, Miss. Code Ann. (1972) that set aside monies from the State BP Settlement Fund to assist the City of Pass Christian in paying the costs associated with repairs, resurfacing and other improvements to roads in the amount of \$400,000. Although these monies are receivable to the City at September 30, 2018 they are deferred in the funds because these resources are not available for current year expenditures.

Court fines receivables – Court fines are recorded as deferred inflow of sources in the fund financial statements due to the funds using modified accrual basis. However, revenues received during the year are recorded in the government-wide financial statements on the full-accrual basis of accounting. Court fines receivable at September 30, 2018, were \$1,052,708, of which an allowance of \$663,389 has been determined as uncollectible with \$389,319 deemed collectible.

B. Business-type Activities

Receivable in the business-type activities at September 30, 2018, consisted of the following:

Business-type activities

Intergovernmental receivable:

Mississippi Tideland Grant	\$ 282,328
Total intergovernmental	<u>282,328</u>

Customer accounts receivable:

Customer utility charges (billed)	583,039
Customer berth rentals	11,860
Customer accounts, earned but unbilled	101,664
Less: allowance for doubtful accounts	<u>(344,156)</u>
Total customer accounts receivable, net	<u>352,407</u>

Total receivable - business-type activities	<u>\$ 634,735</u>
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All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of \$344,156 at September 30, 2018 has been provided in the Water and Sewer Enterprise Fund for estimated uncollectible utility charges. No allowance at September 30, 2018 has been provided in the Harbor Fund for estimated uncollectible berth rental fees.

Unearned revenue as of September 30, 2018, in the amount of \$18,366 in the Water & Sewer Fund and \$33,857 in the Harbor Fund represents customer account receivables that have been prepaid or amounts to be refunded.

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City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 6 – Capital assets

The following is a summary of capital assets activity for the year ended September 30, 2018:

A. Governmental Activities

	Balance Oct 1, 2017	Additions	Completed Construction/ Adjustments	Balance Sept 30, 2018
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,790,775	-	-	1,790,775
Construction in progress	162,782	-	(162,782)	-
Total non-depreciable capital assets	1,953,557	-	(162,782)	1,790,775
<u>Depreciable capital assets:</u>				
Building	15,805,254	-	-	15,805,254
Infrastructure	11,965,127	174,412	162,782	12,302,321
Mobile equipment	3,921,663	217,295	-	4,138,958
Furniture and equipment	1,252,096	35,792	-	1,287,888
Total depreciable capital assets	32,944,140	427,499	162,782	33,534,421
<u>Depreciation</u>				
Building	2,349,317	315,585	-	2,664,902
Infrastructure	2,076,149	425,241	-	2,501,390
Mobile equipment	2,389,652	290,631	-	2,680,283
Furniture and equipment	1,095,265	5,857	-	1,101,122
Total accumulated depreciation	7,910,383	1,037,314	-	8,947,697
Total depreciable capital assets, net	25,033,757	(609,815)	162,782	24,586,724
Governmental activities capital assets, net	\$ 26,987,314	(609,815)	-	26,377,499

Depreciation expense was charged to the following governmental functions:

General government	\$ 69,570
Public safety	250,933
Public works	519,144
Culture and recreation	192,920
Beautification	4,747
Total depreciation - government-type activities	\$ 1,037,314

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 7 – Capital assets (continued)

B. Business-type Activities

The following is a summary of capital assets activity for the year ended September 30, 2018:

	Balance 1, 2017	Oct Additions	Completed Construction/ Adjustments	Balance Sept 30, 2018
<u>Non-depreciable capital assets:</u>				
Land	142,135	-		142,135
Total non-depreciable capital assets	142,135	-	-	142,135
<u>Depreciable capital assets:</u>				
Building	1,385,557	-	-	1,385,557
Infrastructure	80,661,801	228,588	-	80,890,389
Mobile equipment	147,584	9,805	-	157,389
Furniture and equipment	435,060	9,195	-	444,255
Total depreciable capital assets	82,630,002	247,588	-	82,877,590
<u>Depreciation</u>				
Building	136,059	44,338	-	180,397
Infrastructure	13,748,201	2,426,821	-	16,175,022
Mobile equipment	112,464	5,712	-	118,176
Furniture and equipment	187,168	29,606	-	216,774
Total accumulated depreciation	14,183,892	2,506,477	-	16,690,369
Total depreciable capital assets, net	68,446,110	(2,258,889)	-	66,187,221
Governmental activities capital assets, net	<u>\$ 68,588,245</u>	<u>(2,258,889)</u>	<u>-</u>	<u>66,329,356</u>

Depreciation expense was charged to the following governmental functions:

Water and Sewer	\$ 770,153
Harbor	1,736,324
Total depreciation - business-type activities	<u>\$ 2,506,477</u>

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 8 – Long-term Debt

A. Governmental Activities

Transactions for the year ended September 30, 2018 are summarized as follows:

	Balance 10/1/2017	Additions	Retirements	Balance 9/30/2018	Due Within one Year
General Obligation Bonds	\$ 1,370,000	-	(105,000)	1,265,000	110,000
Compensated Absences	195,938	87,692	(204,938)	78,692	7,475
	<u>\$ 1,565,938</u>	<u>87,692</u>	<u>(309,938)</u>	<u>1,343,692</u>	<u>117,475</u>

General Obligation – Public Improvement Bonds, Series 2018 – On January 30, 2013, the City issued \$1,700,000 in general obligation bonds to be used for public improvements in the City. The bond is to be repaid over 15 years and carries a fixed interest rate of 2.375%. Payment on this bond will be made from general ad valorem tax collections.

Annual debt service requirements to maturity for this note payable are as follows:

September 30	Principal	Interest	Total
2019	\$ 110,000	28,738	138,738
2020	110,000	26,125	136,125
2021	115,000	23,453	138,453
2022	120,000	20,663	140,663
2023	125,000	17,753	142,753
2024-2028	685,000	41,503	726,503
	<u>\$ 1,265,000</u>	<u>158,235</u>	<u>1,423,235</u>

B. Business-type Activities

Transactions for the year ended September 30, 2018 are summarized as follows:

	Balance 10/1/2017	Additions	Retirements	Balance 9/30/2018	Due Within one Year
Revolving Loans	\$ 150,628	-	(23,008)	127,620	23,414
Compensated Absences	13,637	6,924	(14,466)	6,095	671
	<u>\$ 164,265</u>	<u>6,924</u>	<u>(37,474)</u>	<u>133,715</u>	<u>24,085</u>

Revolving Loans - The City's utility enterprise fund finances extensions and improvements to its system through note obligations, which are subordinate to the revenue bonds.

The utility currently has one state revolving loan, which enabled the City to provide sewer services in needed areas. The loan is to be repaid over a period of twenty years, bearing an interest rate of 1.75%. Payment on this loan is made by way of sales tax reductions from amounts due to the City for sales tax collected in the City. The Water and Sewer Fund then reimburses the General Fund for the amount of the deduction.



City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 8 – Long-term Debt (continued)

Annual debt service requirements to maturity for this note payable are as follows:

September 30	Principal	Interest	Total
2019	\$ 23,414	2,046	25,460
2020	23,827	1,633	25,460
2021	24,247	1,213	25,460
2022	24,675	785	25,460
2023	25,110	350	25,460
2024	6,347	19	6,366
	<u>\$ 127,620</u>	<u>6,046</u>	<u>133,666</u>

C. Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2018, the amount of outstanding debt was equal to 1.81% of the latest property assessments.

D. Compensated Absences

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund and Harbor Fund.

Note 9 – Property and Sales Tax Revenue

A. Property Tax Revenues

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Harrison County tax assessor from information extracted from the City assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as January 1. Taxes on real and personal property are levied by the Board of Alderman at the first regular meeting in September. In accordance with the Mississippi Code of 1972, as amended, the Board of Alderman may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding ten years or a minimum of 20 mills. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2018 was 48.46 mills or \$48.46 per \$1,000 of assessed valuation.



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 9 – Property and Sales Tax Revenue (continued)

Property taxes at the fund level are recorded as receivables and deferred inflow of resources at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end. 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 GAAP have been recognized as revenue.

B. General Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Pass Christian) back to the City monthly. General sales tax revenue reported in the General Fund was \$1,429,133.

Note 10 – Unemployment Compensation Fund

The City maintains a revolving fund for unemployment compensation benefits with a balance of approximately 2% of the first \$6,000 of employee wages paid in the preceding calendar year. These contributions are in lieu of making payments to the Mississippi Employment Security Commission.

Note 11 – Retirement Plan

The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature.

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, 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 cities. 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.



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 11 – Retirement Plan (continued)

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 is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. Contributions to the pension plan from the City were \$459,592 for the year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$7,039,073 in the governmental activities and \$612,093 in the business-type activities for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, 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 PERS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion was .046%, which was an increase of 0.005% from its proportion measured at June 30, 2017. For the year ended September 30, 2018, the City recognized PERS pension expense for governmental activities of \$1,030,472 and for business-type activities \$89,606.

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 11 – Retirement Plan (continued)

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Governmental	Business-type	Total
Differences between expected and actual experience	\$ 30,859	2,683	33,542
Changes of assumptions	4,154	361	4,515
Changes in proportion and differences between City contributions and proportionate share of contributions	799,039	69,482	868,521
City contributions subsequent to the measurement date	110,518	9,610	120,128
Total deferred outflows of resources	<u>\$ 944,570</u>	<u>82,136</u>	<u>1,026,706</u>

	Deferred Inflows of Resources		
	Governmental	Business-type	Total
Differences between expected and actual experience	\$ 29,674	2,580	32,254
Changes of assumptions	3,888	338	4,226
Net difference between projected and actual earnings on pension plan investments	139,927	12,167	152,094
Changes in proportion and differences between City contributions and proportionate share of contributions	46,615	4,054	50,669
Total deferred inflows of resources	<u>\$ 220,104</u>	<u>\$ 19,139</u>	<u>\$ 239,243</u>

Deferred liabilities and assets, with the exception of differences between projected and actual investment earnings, are amortized over the average of expected remaining service lives. Differences between projected and actual investment earnings are amortized over 5 years.

Within the deferred outflows, a net amount of \$120,128 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

The remaining net amount (\$906,578 of deferred outflows and \$239,243 of deferred inflows) of \$667,335 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
September 30,	
2019	\$ 462,108
2020	232,698
2021	6,934
2022	(34,405)
	<u>\$ 667,335</u>

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City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 11 – Retirement Plan (continued)

Actuarial assumptions

The total pension liabilities in the June 30, 2018, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including inflation
Investment rate of return	7.75 percent (net of pension plan investment expense, including inflation)
Assessed property value rate of increase	N/A

The table for post-retirement mortality rates used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2018 with male rates set forward one year. The RP-Disabled Retiree Table set forward five years for males and four years for females, was used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on the 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 the plans' 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 rate 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US 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	0.00
Total	100.00 %	



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 11 – Retirement Plan (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent, which was based on the future long-term expected rate of return of 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions for PERS will be made at rates set in the Board's Funding Policy. 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 investments was applied to all periods of projected benefit payments to determine the plan's total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, 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 one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1 % Increase (8.75%)
City's Proportionate share of PERS	\$ 10,074,391	\$ 7,651,166	\$ 5,637,147

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which can be obtained at www.pers.ms.gov.

Three-year Trend Information

The following table provides the employer contribution to PERS for the last three fiscal years:

Fiscal Years Ending	Employer Contributions
2018	\$ 459,592
2017	411,805
2016	405,206

Note 12 – Commitments and Contingencies

A. Risk Management

Claims and Judgments - 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 carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 12 – Commitments and Contingencies (continued)

Federal Grants - The city has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

Litigation - The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

B. Commitments

Contract for "Turnkey" Operations of Water and Wastewater Systems – On October 19, 2010, the City renewed a contract with WPSCO, Inc. for operation and maintenance of the City's water and sewer systems and utility billing of water and sewer systems. The fee under the contract is \$41,620/mo for the year ended September 30, 2018. Annually, the amount shall be adjusted by the consumer price index by the U.S. Department of Labor Statistics. During the fiscal year ended September 30, 2018 the City paid a total of \$503,908 to WPSCO under this contract.

Agreement for Emergency Communications – In March 2009, as provided by Miss. Code Ann. (1972) §17-13-1 and §17-17-5 et. seq., the City entered into an interlocal cooperation agreement with Harrison County, Mississippi (the "County"), whereby the County will provide all emergency communications, including 911 services to the City upon payment of monthly fees to cover 23% of all direct salaries and fringe benefits for all dispatchers operating within the Sheriff's dispatch units for all jurisdictions and 100% of all overtime and holiday pay for dispatchers working on City matters. Amounts under this agreement for the year ended September 30, 2018 were \$89,385.

Cooperative Agreement with Mississippi Regional Housing Authority - In July 1980, the City entered into an agreement with Mississippi Regional Housing Authority No. VIII, authorizing "in lieu of taxes" on housing projects operated by the housing authority within the municipality.

C. Jointly Governed Organizations and Joint Ventures

Joint Venture - The City of Pass Christian contracts with the Harrison County Utility Authority (the "Authority"), whereby the Authority picks up and disposes the City's solid waste and treats and disposes of the City's wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control law and the Federal Water Pollution Control Act.

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$427,420 for solid waste pickup and \$352,679 for wastewater treatment for the year.



City of Pass Christian, Mississippi

Notes to the Financial Statements

September 30, 2018

Note 12 – Commitments and Contingencies (continued)

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2018:

CONDENSED STATEMENT OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS

Current assets	\$ 12,142,402
Restricted assets	12,925,981
Capital assets, net	247,474,234
Deferred outflows	11,400,207
Total assets and deferred outflows	<u>283,942,824</u>

LIABILITIES AND DEFERRED INFLOWS

Current liabilities	15,969,096
Noncurrent liabilities	102,552,431
Deferred inflows	40,995
Total liabilities and deferred inflows	<u>118,562,522</u>

NET POSITION

165,380,302

CONDENSED STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

Operating revenue	\$ 18,164,579
Operating expenses	(19,018,641)
Depreciation and amortization	(15,229,586)
Nonoperating revenues, net	4,147,409
Change in net position	<u>\$ (11,936,239)</u>

The City's obligation to pay operational costs of the Authority is joint and several with the obligations of all other public agencies similarly contracting with the Authority. Whenever any public City shall default in the payment to the Authority of its respective payment, the Authority may adjust the contract sums of the remaining public agencies, which are not in default so as to increase their contract sums by a proportional amount.

A complete copy of these financial statements is on file at the administrative offices of the District which are located at 14108 Airport Road, Pass Christian, Mississippi 39503, or may be obtained by calling (228) 868-8752.

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City of Pass Christian, Mississippi

Notes to the Financial Statements
September 30, 2018

Note 12 – Commitments and Contingencies (continued)

Jointly Governed Organization - On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Pass Christian Public Library, the City of Pass Christian, the Board of Supervisors of Harrison County, The Board of Trustees of the Pass Christian-Harrison County Library, the City of Biloxi, and the Board of Trustees of the Biloxi Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement. 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 funding sources. The City contributed \$157,500 to the Library for the year ended September 30, 2018.

Note 13 – Tax Abatements

As of September 30, 2018, the City provides tax abatements and exemptions under Miss. Code Ann. § 17-21-7, that allows municipalities to exempt certain structures in specific economic development districts to encourage economic development and facilitate reconstruction and redevelopment of certain businesses and residential property for a period no longer than 7 years.

Property owners make an application for abatement by submitting documentation to substantiate the qualifying investment with the City pursuant to an economic recovery or redevelopment plan of the City to Harrison County. The abatement agreement stipulates a percentage reduction of property taxes, which can be as much as 100%. The City will then pass a resolution granting the exemption once an application has been approved and all requirements have been met. The Board of Supervisors can then choose to abate the county ad valorem tax based on the City's recommendation and resolution. The amount of the abatement is deducted from the recipient's tax bill.

It is estimated for the year ended September 30, 2018, that approximately \$9,064 ad valorem real property taxes have been abated. All City tax abatements expired on January 1, 2018.

Note 14 – Subsequent Events

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 30, 2018, (the date the financial statements were available to be issued), and determined that no significant subsequent events have occurred requiring disclosure in the notes to the financial statement.

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REQUIRED SUPPLEMENTARY INFORMATION



City of Pass Christian, Mississippi

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund

Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Budgetary Basis	Variances	
	Original	Final		Favorable (Unfavorable)	
				Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 3,287,000	3,287,000	3,220,030	-	(66,970)
General sales tax	1,300,000	1,300,000	1,410,573	-	110,573
Fines and forfeitures	100,000	100,000	66,759	-	(33,241)
Licenses and permits	140,240	140,240	144,909	-	4,669
Intergovernmental	190,500	190,500	185,566	-	(4,934)
Charges for services	67,000	67,000	58,061	-	(8,939)
Franchise fees	311,500	311,500	283,179	-	(28,321)
Investment earnings	7,075	7,075	13,142	-	6,067
Miscellaneous	45,000	45,000	95,183	-	50,183
Total Revenues	5,448,315	5,448,315	5,477,402	-	29,087
Expenditures:					
General government:					
Personnel services	671,370	677,393	673,340	(6,023)	4,053
Supplies	25,950	25,774	22,855	176	2,919
Contractual	449,220	381,500	402,243	67,720	(20,743)
Capital outlay	2,500	2,500	1,203	-	1,297
Total general government	1,149,040	1,087,167	1,099,641	61,873	(12,474)
Public safety:					
Personnel services	2,583,890	2,591,958	2,564,820	(8,068)	27,138
Supplies	241,783	254,083	216,344	(12,300)	37,739
Contractual	383,583	361,333	340,840	22,250	20,493
Capital outlay	23,138	69,781	55,912	(46,643)	13,869
Total public safety	3,232,394	3,277,155	3,177,916	(44,761)	99,239
Public works:					
Personnel services	477,102	476,625	461,882	477	14,743
Supplies	107,050	103,246	95,497	3,804	7,749
Contractual	263,540	277,344	269,389	(13,804)	7,955
Capital outlay	5,500	5,500	4,058	-	1,442
Total public works	853,192	862,715	830,826	(9,523)	31,889
Culture, recreation, and community services					
Personnel services	110,369	101,585	82,106	8,784	19,479
Supplies	39,724	43,544	30,357	(3,820)	13,187
Contractual	22,250	22,250	22,861	-	(611)
Total culture and recreation and community services	172,343	167,379	135,324	4,964	32,055

Continued on Next Page



City of Pass Christian, Mississippi

Statement of Revenues, Expenditures and Changes in Fund Balance General Fund

Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2018

Beautification:					
Personnel services	189,285	160,543	160,263	28,742	280
Supplies	61,500	58,301	35,732	3,199	22,569
Contractual	30,110	68,110	33,714	(38,000)	34,396
Capital outlay	-	19,880	19,880	(19,880)	-
Total beautification	<u>280,895</u>	<u>306,834</u>	<u>249,589</u>	<u>(25,939)</u>	<u>57,245</u>
Economic Development					
Personnel services	62,720	59,220	56,678	3,500	2,542
Supplies	1,250	1,250	75	-	1,175
Contractual	9,000	12,500	11,639	(3,500)	861
Capital outlay	-	19,880	19,880	(19,880)	-
Total economic development	<u>72,970</u>	<u>92,850</u>	<u>88,272</u>	<u>(19,880)</u>	<u>4,578</u>
Debt service	<u>136,291</u>	<u>136,291</u>	<u>136,291</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>5,897,125</u>	<u>5,930,391</u>	<u>5,717,859</u>	<u>(33,266)</u>	<u>212,532</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(448,810)</u>	<u>(482,076)</u>	<u>(240,457)</u>	<u>(33,266)</u>	<u>241,619</u>
Other Financing Sources (Uses):					
Proceeds from sale of surplus	25,000	25,000	7,900	-	(17,100)
Transfers out	-	-	(4,521)	-	4,521
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>3,379</u>	<u>-</u>	<u>(21,621)</u>
Net change in fund balances	(423,810)	(457,076)	(237,078)	(33,266)	219,998

Reconciliation of Cash-basis Budget to Statement of Revenues, Expenditures and Changes in Fund Balance

Net Change in fund balance - Budget-Cash Basis		\$ (237,078)
Revenues and other financing sources per Budget-Cash-basis	5,485,302	
Changes in accrual of revenues	394,884	394,884
Transfers in	202,612	202,612
Revenues and other financing sources per Fund Financial Statements	<u>6,082,798</u>	
Expenditures and other financing uses per Cash-basis Budget	5,722,380	
Additional accrued expenses	(18,837)	18,837
Expenditures and other financing uses per Fund Financial Statement	<u>5,703,543</u>	
Net Change in fund balance - Fund Financials		<u>\$ 379,255</u>



City of Pass Christian, Mississippi

Notes to the Required Supplementary Information For the Fiscal Year Ended September 30, 2018

A. Budgetary Information.

State statutes authorize the State Auditor to regulate the municipal budget process. Expenditures must be defined to the minimum level prescribed by the State Auditor. The State Auditor has set this level at the purpose level. Municipalities are prohibited from spending in excess of the lowest level adopted in the budget except for capital outlay, election expense and emergency warrants.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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City of Pass Christian, Mississippi

Schedule of City's Proportionate Share of the Net Pension Liability Last 10 Fiscal Years*

For Fiscal Year Ended September 30, 2018

	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.046%	0.041%	0.038%	0.036%
City's proportionate share of the net pension liability (asset)	\$ 7,651,166	6,815,591	6,787,750	5,637,543
City's covered payroll	\$ 2,918,044	2,614,635	2,572,737	2,278,432
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	262.20%	260.67%	263.83%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.



City of Pass Christian, Mississippi

Schedule of City's Contributions Last 10 Fiscal Years* For the Fiscal Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 459,592	411,805	405,206	358,853
Contributions in relation to the contractually required contribution	<u>459,592</u>	<u>411,805</u>	<u>405,206</u>	<u>358,853</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,918,044	2,614,635	2,572,737	2,278,432
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

- * This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.



City of Pass Christian, Mississippi

Schedule of City's Contributions Notes to the Required Supplementary Information – Pension Schedules For the Fiscal Year Ended September 30, 2018

Pension Schedules

A. Changes in 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.
 - 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.

B. Changes in benefit provisions

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

C. Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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SUPPLEMENTAL INFORMATION



City of Pass Christian, Mississippi

Schedule of Surety Bonds (Required by State of Mississippi) For the Fiscal Year Ended September 30, 2018

Position	Surety	Amount
Mayor	CNA Surety	\$ 100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Alderman	CNA Surety	100,000
Assistant Court Clerk	CNA Surety	50,000
Assistant Police Chief	CNA Surety	50,000
Beautification Director	CNA Surety	50,000
City Clerk/Payroll	CNA Surety	50,000
Code Enforcement Officer	CNA Surety	50,000
Code Office Clerk	CNA Surety	50,000
Court Clerk	CNA Surety	50,000
Harbor Clerk	CNA Surety	50,000
Harbor Master	CNA Surety	50,000
Harbor Security	CNA Surety	50,000
Harbor Security	CNA Surety	50,000
Harbor Security	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
On-duty Police Officer	CNA Surety	50,000
Police Chief	CNA Surety	50,000
Purchasing/Accounts Payable Clerk	CNA Surety	50,000
Records Clerk - Police Dept.	CNA Surety	50,000
Records Clerk - Police Dept.	CNA Surety	50,000
Recreation Director	CNA Surety	50,000
Senior Center Director	CNA Surety	50,000
Undercover Drug Officer	CNA Surety	50,000

SPECIAL REPORTS

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PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

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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*

September 17, 2019

Honorable Mayor and
Board of Alderman
City of Pass Christian, 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 City of Pass Christian, Mississippi's (the "City") governmental activities, business-type activities, each major fund and the aggregate remaining fund information as of September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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 the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Walter Wadsworth & Sons

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

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LIMITED INTERNAL CONTROL AND
COMPLIANCE REVIEW MANAGEMENT REPORT

September 17, 2019

Honorable Mayor and
Board of Alderman
City of Pass Christian, Mississippi

In planning and performing our audit of the financial statements of the City of Pass Christian, Mississippi for the year ended September 30, 2018, we considered the City's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Pass Christian, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 17, 2019, on the financial statements of the City of Pass Christian, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with §7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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.

Wright Ward Hatten & Guel

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City of Pass Christian, Mississippi

Schedule of Findings and Questioned Costs For the Fiscal Year Ended September 30, 2018

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
General and other major funds	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified that are not considered to be material weaknesses? No

3. Noncompliance material to the financial statements noted? None noted

SECTION 2 – 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 *Governmental Auditing Standards*.

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