

CITY OF PASCAGOULA, MISSISSIPPI

FORENSIC AUDIT REPORT

July 2, 2018



COLLINS, BARR & HEMBREE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

We were engaged to provide forensic auditing and accounting services to the City of Pascagoula, Mississippi (the City). The scope of our work was determined by the Mayor and City Council and was discussed at an entrance conference held on May 2, 2018. Our work has focused on the financial position of the City, trends in the financial position during the period from October 1, 2011 through May 31, 2018, and the factors that have contributed to those trends. This report sets forth the procedures performed in connection with this engagement and related findings and recommendations.

Overview

The forensic auditing and accounting services performed have revealed the City is currently in an unstable financial position. The City's general fund balance has decreased significantly in each of the fiscal years from 2012 to 2017, and it is expected to record another significant decrease in fiscal year 2018. In addition, the utilities fund has recorded an operating loss in each of the past several years, and the internal service funds maintained by the City to account for self-insured risks have a significant collective deficit fund balance. The liquidity to meet the obligations of the general fund is currently being provided by bond proceeds remaining on hand from the issuance of general obligation bonds in 2017. When these proceeds are expended on the various projects financed by the general obligation bonds, the City will be facing a crisis with respect to its ability to meet its financial obligations in the general fund.

The current financial crisis cannot be readily ascertained from the City's financial reports because the City has recorded general obligation bond proceeds in the general fund. These proceeds were not adequately segregated and restricted in the annual audit reports of the City through the year ended September 30, 2016. We understand that these amounts will be separated in the audit report for the year ended September 30, 2017, which is scheduled for release soon.

Using the internal unaudited accounting records for the period from October 1, 2017, through the date of our procedures, we estimate that the City currently has a significant deficit unassigned fund balance in the general fund. The deficit amount could be approximately \$14 million by September 30, 2018, exceeding 50% of the estimated expenditures for the year, if the current revenue and expenditure trends continue.

Two primary factors have contributed to the current financial crisis. First, the City has not followed best practices in the use of fund accounting. Activity that would have been more appropriately recorded in special revenue funds and capital projects funds has been recorded in the general fund during the past several years. Second, the City has not complied with state statutes related to budgeting. Municipal governing authorities are directed by statute to keep expenditures within the budget established and within the actual revenues. Municipal governing authorities should revise the budget to re-allocate funds, if it appears that anticipated revenues are not forthcoming and that a deficit will occur in one or more funds. This has not been the case with respect to the City's general fund.

The Mayor and members of the City Council should take immediate and measurable action in an effort to restore the financial health of the City. We recommend the City obtain legal counsel regarding the implications of appropriating amounts for expenditure that may exceed available funds. Regarding this matter, we call your attention to Miss. Code Ann. Section 21-35-1 et seq. In addition, we recommend seeking to lessen expenditures in any way possible while a plan to restore the financial health of the City is developed and formalized. If immediate action is not taken, the City is at risk of defaulting on their financial obligations.

Governmental Accounting

The purpose of financial reporting by the City is to provide information to facilitate decision making by various users of the financial statements. The Governmental Accounting Standards Board (GASB) is the body designated to establish accounting principles for state and local governments. In GASB Concepts Statement No. 1, accountability is identified as the paramount objective of financial reporting by state and local governments. GASB asserts that accountability is based on the transfer of responsibility for resources or actions from the citizenry to another party, such as the management of a governmental entity; therefore, financial reporting should communicate adequate information to user groups to enable them to assess the performance of those parties empowered to act in the place of the citizenry.

The City's accounting system should be designed to present fairly and with full disclosure the funds and activities of the city government in conformity with applicable generally accepted accounting principles and to determine and demonstrate compliance with finance-related legal and contractual provisions. The National Council on Governmental Accounting defined a "fund" as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Proper use of funds and fund accounting must be utilized in order to meet the financial reporting objectives set forth. GASB has identified certain fund types that are to be used in recording a governmental entity's activities. The City's general fund is used to account for all financial resources not accounted for and reported in another fund. During our procedures, we identified general fund activity which we believe would have been more appropriately recorded in special revenue funds and capital projects funds. Recording this activity in the general fund resulted in partially concealing a trend of deterioration in the unassigned general fund balance.

Special revenue 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. The City recorded a prior period adjustment on October 1, 2015, to reclassify several funds out of the general fund classification and into the special revenue fund classification. Prior to that date, the City had been reporting activity involving restricted and committed financial resources in the unrestricted activity of the general fund.

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. One important reason governments use capital projects funds is to avoid distorting operating trend data. Capital projects funds can also be a valuable management tool for reporting projects financed through the issuance of bonds to ensure compliance with the purposes set forth in the bond resolution.

We noted the City issued general obligation bonds in fiscal year 2015. The proceeds of the bonds were recorded in the general fund, and all subsequent expenditures of those funds have been recorded in the general fund. In addition, the City issued additional general obligation bonds in fiscal year 2017. Activity related to this series of bonds has also been recorded in the general fund.

We discussed the accounting for these bond issues with the current comptroller. She indicated that the City had experienced problems in maintaining adequate accounting records with respect to the bond related expenditures. In fact, much of this recordkeeping has been done manually and is not a direct product of the accounting system. Manual processes are much more prone to error, thereby increasing the risk of misstatement by the City. When we requested a summary of the bond proceeds on hand at various dates, as well as a current balance, this information was not readily available and could only be determined after information was compiled from various sources.

We also obtained the bond documents related to the bonds issued during fiscal years 2015 and 2017. Documents from each of these bond issues contained provisions requiring the establishment of a separate capital projects fund for each bond issue into which the proceeds from the sale of the bonds was to be recorded. In addition, these provisions called for holding and disbursing the monies from the capital projects funds for the acquisition and construction of the bond projects. We discussed these provisions with a representative of the Mississippi Development Bank, and he confirmed our understanding of the requirements. We believe the City has violated the provisions of the bond documents by accounting for the bond proceeds and projects in the general fund.

We have prepared Exhibits I-III to demonstrate the impact recording special revenues and capital projects funds activity in the general fund had in distorting the historical operating trend of the general fund. Exhibit I is a schedule of the adjusted net change in the general fund balance for each fiscal year from 2012 through 2016. This schedule adjusts the net change in fund balance from each year's audit report to reflect the amount that would have been reported had the special revenue and capital projects activities been recorded in their respective fund types for all years. Exhibit II is a schedule of the adjusted general fund balance at the end of each fiscal year from 2012 to 2016. This schedule adjusts the general fund balance from each year's audit report to reflect the general fund balance (deficit) that would have been reported had the special revenue and capital projects activities been recorded in their respective fund types for all years.

Using the information from Exhibits I and II, we prepared the schedule of historical fund balance information in Exhibit III. This schedule presents a rollforward of the general fund balance as reported in the City's prior audit reports and segregates this information into a column for the unrestricted general fund activity and a column for the activity related to special revenue and capital projects resources. The poor financial condition of the City is manifested in the column reflecting unrestricted general fund activity.

One additional item should be noted regarding the information presented in Exhibit III. The annual change in fund balance is detailed by the amount of net change that was reported each year in the audit report and the amount of increase or decrease resulting from prior period adjustments in that year. A prior period adjustment is used to account for and report an error in previously issued financial statements. Recurring prior period adjustments can also distort operating trends in the City's financial information as the increases and decreases in fund balance are recorded directly to a previously reported fund balance amount without being included in the revenues, expenditures and other financing sources (uses) of any individual year. The prior period adjustments reported by the City during the fiscal years from 2012 to 2016 are presented in Exhibit IV. As indicated, the most significant of these adjustments relate to the adjustment of receivables and payables and to the reclassification of certain funds from the general fund classification to the special revenue fund classification.

As an example of the manner in which the prior period adjustments distort operating trends, we call your attention to the information presented in Exhibit III for the fiscal year ended September 30, 2013. During this year, the City reported a net change in fund balance for the general fund of \$(310,759); however, the fund balance during that year decreased by \$5,040,091. The difference between the results reported for the activities conducted during that year and the total change in fund balance is the result of a \$4,729,332 prior period adjustment that was deducted from the fund balance previously reported as of September 30, 2012. This amount was never reported as current activity by the City. The prior period adjustment was primarily recorded to adjust balances related to hurricane relief funds. This reporting is unusual in that it resulted in reporting a significant surplus in these funds for the year ended September 30, 2013, while the fund balance in those funds was decreased during that year.

Current General Fund Deficit

As indicated in Exhibit III, the City had an accumulated deficit in unrestricted general fund resources of \$5,354,580 as of September 30, 2016. During our procedures, this was the latest date for which audited information was available. In order to assist in evaluating the financial condition of the City at a more recent date, we obtained unadjusted trial balances at September 30, 2017, and April 30, 2018, from the comptroller and prepared the schedule of estimated unrestricted general fund deficit as of September 30, 2018 that is presented Exhibit VI.

We adjusted the September 30, 2017, general fund revenue and expenditure balances to eliminate the effect of transactions related to the issuance of the Series 2017 general obligation bonds and any expenditure of bond proceeds from the Series 2014 and Series 2017 bonds. A schedule of activity from these bond issues is included in this report as Exhibit V.

After adjusting the fiscal year 2017 balances, we prepared an estimate of fiscal year 2018 revenues and expenditures from the general ledger activity recorded through April 30, 2018. Consideration was given to the fact that certain of the revenues such as real property taxes and certain of the expenditures are not recorded ratably throughout the year. We obtained the assistance of the comptroller to ensure the reasonableness of our estimates. The fiscal year 2018 revenue and expenditure balances were also adjusted to eliminate the effect of transactions related to any expenditure of proceeds from the Series 2014 and Series 2017 general obligation bonds.

As indicated in Exhibit VI, we have estimated the accumulated deficit in unrestricted general fund financial resources at approximately \$14,000,000 as of September 30, 2018. We have estimated that the deficit in unrestricted general fund resources will increase approximately \$3,800,000, from \$10,200,000 to \$14,000,000. The level of exactness in the amounts presented in Exhibit VI should not be used to presume a level of precision in our estimates that is not warranted. It is important to remember that we have relied on unaudited financial records in preparing the estimate of the accumulated deficit at the end of fiscal year 2018; however, we believe the estimate is supported by the records that were made available.

The City currently has a substantial amount of bond proceeds on hand. These bond proceeds are providing liquidity to the City's general fund that would not otherwise be available. As the bond proceeds are being expended, this liquidity is being depleted. The City does not have additional restricted financial resources or amounts available in other funds that could be temporarily loaned to the general fund in order to supplant the bond proceeds. An immediate solution to this problem must be found in order to avoid the City being in a situation of not being able to meet its current financial obligations and debt service requirements.

Budgetary Information

The City's budget is a plan of financial operations that provides a basis for the planning, controlling and evaluating of the entity's activities. Ultimately, the legal authority for the City's expenditures is reflected in the legal adoption of the budget each year and subsequent revisions made to the originally adopted budget. The budgetary process is far more significant than it might be for private commercial enterprises because of the public nature of the process and the fiduciary responsibility of public officials.

We obtained the originally adopted budgets for the fiscal years from 2015 to 2018. We read these budgets in order to assess the extent to which these budgets addressed the planned governmental activities of each of these respective years. In addition, we compared the budgeted activities to the budgetary comparison schedules in the audit reports for the fiscal years from 2012 to 2016. The budgetary comparison schedules are presented in summarized form in Exhibit VII. The budget amounts presented in the exhibit are final budget amounts and take into account budget amendments approved during each of these years.

Based on the procedures performed, we concluded that the budgets prepared by the City have not served as an appropriate basis for controlling and evaluating the entity's governmental activities. As noted in Exhibit VII, the City has reported significant budgetary variances in each of the fiscal years presented.

Final budgeted revenue for the fiscal years from 2012 to 2016 averaged approximately \$26,750,000, and the actual revenue amounts reported for these fiscal years averaged approximately \$22,375,000. This indicates the actual revenue reported by the City during this period has been approximately 84% of the final budgeted amount. Each year, the City has consistently budgeted amounts that exceeded both the prior and current year actual amounts. The amounts in the final budget are not considered reasonable, and the City did not appropriately revise these amounts each year in their final budgets.

Final budgeted expenditures amounts are also considered to be unreasonable. The final amount of budgeted expenditures for the fiscal years from 2012 to 2016 averaged approximately \$32,350,000, and the actual expenditure amounts reported for these fiscal years averaged approximately \$23,325,000. This indicates the actual expenditures reported by the City during this period has been approximately only 72% of the final budgeted amount. Actual expenditures did not exceed \$25,750,000 in any of the years reported in Exhibit VII; however, the City's final budgeted expenditures exceeded this amount in each of these years. This allowed the City to report a favorable budget variance with respect to its expenditures each year.

The area that is considered to be least reasonable is other financing sources and uses. The final amount budgeted for other financing sources and uses for the fiscal years from 2012 to 2016 has averaged approximately \$7,275,000, and the actual amount reported for other financing sources and uses for these fiscal years averaged approximately \$1,550,000. This indicates the actual amount reported by the City during this period has been approximately 21% of the final budgeted amount. We requested supporting documentation for the amounts budgeted for other financing sources and uses each year; however, no records could be located by the current comptroller that supported the amounts in the budgets.

The results summarized in Exhibit VII indicate the City has not exercised due care in the preparation and revision of its budgets during the period from 2012 to 2016. Miss. Code Ann. § 21-35-15 addresses limits on expenditures in municipal budgets. It states, "The governing authorities shall at all times keep within the sums named in their said budget and within the annual revenue, always seeking to lessen expenditures instead of exceeding revenue and budget estimates." This same section also goes on to state, "The total expenditures authorized to be made from any fund shall not exceed the aggregate cash balance, in such fund at the close of the fiscal year immediately preceding, plus the amount of estimated revenues to accrue to such fund, as determined and fixed in the manner provided by this chapter," referring to Chapter 35 on municipal budgets.

Opinion No. 2006-00033 from the Mississippi Office of the Attorney General clarifies the meaning of § 21-35-15 stating, "Municipal governing authorities are directed to keep expenditures within the budget established and within the actual revenues. Additionally, municipal governing authorities shall revise the budget to re-allocate funds, if it appears that anticipated revenues are not forthcoming and that a deficit will occur in one or more funds." We recommend the City review its budgeting policies and procedures in order to ensure that it is complying with all applicable state statutes.

Internal Service Funds

Internal service funds may be used to report any activity that provides goods or services to other funds on a cost reimbursement basis. The City uses internal service funds to report risk management activities provided for group insurance and unemployment insurance.

We prepared the schedule of internal service fund operations presented in Exhibit VIII using information extracted from the City's annual audit reports. This schedule demonstrates that the City's charges to its participating funds have not been adequate to cover the expenses of the risk management activities recorded in the internal service funds. At September 30, 2016, the internal service funds reported a deficit net position of \$(915,678), indicating unreimbursed expenses in this amount. The City's unaudited trial balances indicate that the deficit net position of the internal service funds had increased to approximately \$(1,300,000) as of September 30, 2017, and subsequently decreased to approximately \$(920,000) as of April 30, 2018.

The deficit in internal service funds indicates that the charges to the participating fund has not been adequate to cover the expense of participation for each of these funds. This would include the general fund; therefore, the general fund will be required to make some payment to the internal service funds to eliminate its share of the deficit net position recorded in the internal service funds. Based on our discussion with the comptroller, this amount could not be readily determined and has not been considered in our estimate of the general fund deficit that will exist at September 30, 2018 presented in Exhibit VI.

We recommend the City make a determination of how the deficit in net position will be eliminated in the internal service funds and make the payments necessary to eliminate this deficit. The City should implement controls to ensure that the expenses recorded in the internal service funds be fully reimbursed in a timely manner. This will provide the City with a more accurate indication of the financial condition of each of the participating funds. We understand that work has started on evaluating the contributions being made to the Group Health fund.

Bond Project Expenditures

As previously discussed, the City has not maintained separate accounting funds for financial resources obtained through bond financing for the purpose of the construction and acquisition of capital assets. This has resulted in a cumbersome method of tracking the expenditure of these financial resources that is also prone to error. Proper tracking of these expenditures is required in order to ensure that the City complies with all applicable statutory and legal requirements related to these resources.

During our procedures, we noted the City had expended \$163,000 related to dredging work in the Inner Harbor. Supporting documentation maintained by the City indicate this expenditure was to be paid from the proceeds of the Series 2014 general obligation bonds. We noted this amount was an allocated portion of an expenditure made and recorded in the Inner Harbor fund. We could not find evidence that this amount had been repaid to the Inner Harbor fund from the bond proceeds maintained in the general fund. We discussed this item with the comptroller, and she concurred with our belief that \$163,000 needs to be transferred from the general fund to the Inner Harbor fund in order to properly account for this portion of the general obligation bond proceeds.

Operating Transfers

We noted a \$1,250,000 operating transfer out of the utilities fund was presented in the audit report for fiscal year 2012. This operating transfer was made to the general fund; however, no operating transfer in was presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the general fund for the year ended September 30, 2012. We recommend that operating transfers be recorded and presented in a manner that is consistent between the two fund types involved in these transactions.

In addition, we noted that operating transfers between the utilities fund and the general fund were not being recorded in a predictable manner. We recommend the City pay special attention to these type transfers and that the rationale for any operating transfers be documented. In the absence of proper documentation, operating transfers from the utilities fund to the general fund can be construed to be an unauthorized tax.

Utilities Receivables

We obtained aged trial balances for the utilities related receivables outstanding at various dates. Using this information, we prepared the schedule of utilities receivables presented in Exhibit IX.

We noted the amount of utilities receivables outstanding over 120 days had increased by \$259,926 between September 30, 2016, and May 31, 2018. Receivables outstanding for this length of time are generally considered to be 100% uncollectible by the City. This means that approximately \$13,000 of utilities charges billed each month are ultimately not being collected. We discussed this matter with the comptroller and the utilities billing manager, and they believe that most of this amount can be attributed to final billings for customers that move out of the area. This amount seems to be larger than this factor alone would explain.

We recommend the City review this matter to determine if there are additional factors that could be contributing to this problem. In addition, we recommend the City evaluate the adequacy of the utility deposits collected from customers at the time service is connected. The trend in uncollected receivables indicates that these amounts might not be sufficient to cover the customers' last billings.

* * * *

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Collin Barr & Hembree, LLP

July 2, 2018

City of Pascagoula, Mississippi
 Schedule of Adjusted Net Change in General Fund Balance

EXHIBIT I

	Year Ended September 30,				
	2012	2013	2014	2015	2016
Increase (decrease) in general fund balance per audit report	\$ (3,359,896)	\$ (310,759)	\$ (3,244,549)	\$ 6,527,659	\$ (7,684,831)
Adjustments for special revenue and capital projects activity:					
Eliminate special revenue activity	225,887	(3,185,723)	(549,469)	(1,337,436)	-
Eliminate proceeds of bonds	-	-	-	(8,000,000)	-
Eliminate capital expenditures from bond proceeds	-	-	-	569,779	2,869,940
Adjusted net change in general fund balance	<u>\$ (3,134,009)</u>	<u>\$ (3,496,482)</u>	<u>\$ (3,794,018)</u>	<u>\$ (2,239,998)</u>	<u>\$ (4,814,891)</u>

City of Pascagoula, Mississippi
 Schedule of Adjusted General Fund Balance

EXHIBIT II

	As of September 30,				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total general fund balance (deficit) per audit report	\$ 11,207,663	\$ 6,167,572	\$ 2,619,645	\$ 9,307,168	\$ (794,299)
Adjustments for special revenue and capital projects funds:					
Eliminate special revenue funds	(2,426,639)	(535,328)	(1,077,882)	(2,415,318)	-
Eliminate capital projects funds	-	-	-	(7,430,221)	(4,560,281)
Adjusted general fund balance (deficit)	<u>\$ 8,781,024</u>	<u>\$ 5,632,244</u>	<u>\$ 1,541,763</u>	<u>\$ (538,371)</u>	<u>\$ (5,354,580)</u>

City of Pascagoula, Mississippi
 Prior Period Adjustments

EXHIBIT IV

Year ended September 30,	Fund	Amount	Notes
2012	060 - Inner Harbor	<u>\$ 790</u>	Adjustment to decrease prior year deferred revenue
2013	010 - General	\$ 240,129	Adjustment to prior year accounts receivable and accounts payable
	015 - Tax clearing	154,305	Adjustment to prior year accounts receivable and accounts payable
	020 - Special tax recreation	3,105	Adjustment to prior year accounts receivable and accounts payable
	030 - Payroll	107,573	Adjustment to prior year accounts receivable and accounts payable
	050 - Fire insurance rebate	186	Adjustment to prior year accounts receivable and accounts payable
	095 - Hurricane Katrina	<u>(5,234,630)</u>	Adjustment to prior year accounts receivable and accounts payable
		<u>\$ (4,729,332)</u>	
2014	010 - General	\$ (296,463)	Adjustment to prior year accounts receivable and accounts payable
	020 - Special tax recreation	<u>(6,915)</u>	Adjustment to prior year accounts receivable and accounts payable
		<u>\$ (303,378)</u>	
2015	010 - General	<u>\$ 159,864</u>	Adjustment to prior year capital expenditures and deposits held
2016	012 - Police grants	\$ (233)	Reclassification of fund to special revenue classification
	015 - Tax clearing	(2,643)	Reclassification of fund to special revenue classification
	020 - Special tax recreation	(636,719)	Reclassification of fund to special revenue classification
	040 - Forfeiture & seizure	(41,743)	Reclassification of fund to special revenue classification
	042 - South MS metro enforcement team	(209,796)	Reclassification of fund to special revenue classification
	050 - Fire insurance rebate	(145,136)	Reclassification of fund to special revenue classification
	060 - Inner harbor	(342,001)	Reclassification of fund to special revenue classification
	070 - Machpelah cemetery	(242,273)	Reclassification of fund to special revenue classification
	093 - Isaac	(33,652)	Reclassification of fund to special revenue classification
	094 - Hurricane Gustav	(30,002)	Reclassification of fund to special revenue classification
	095 - Hurricane Katrina	(466,262)	Reclassification of fund to special revenue classification
	096 - Hurricane Dennis	(37,331)	Reclassification of fund to special revenue classification
	097 - Hurricane Ivan	(212,927)	Reclassification of fund to special revenue classification
	099 - Hurricane George	(14,600)	Reclassification of fund to special revenue classification
	010 - General	<u>(1,318)</u>	Adjustment to prior year balances
		<u>\$ (2,416,636)</u>	

City of Pascagoula, Mississippi
Schedule of Bond Activity
2018

EXHIBIT V

	G.O. Bonds Series 2014	G.O. Bonds Series 2017	Total
	<u> </u>	<u> </u>	<u> </u>
Balance on hand at September 30, 2014	\$ -	\$ -	\$ -
Issuance of bonds	8,000,000	-	8,000,000
Expenditure of bond proceeds	<u>(569,779)</u>	<u>-</u>	<u>(569,779)</u>
Balance on hand at September 30, 2015	7,430,221	-	7,430,221
Issuance of bonds	-	-	-
Expenditure of bond proceeds	<u>(2,869,940)</u>	<u>-</u>	<u>(2,869,940)</u>
Balance on hand at September 30, 2016	4,560,281	-	4,560,281
Issuance of bonds	-	12,500,000	12,500,000
Expenditure of bond proceeds	<u>(1,677,282)</u>	<u>(147,753)</u>	<u>(1,825,035)</u>
Balance on hand at September 30, 2017	2,882,999	12,352,247	15,235,246
Issuance of bonds	-	-	-
Expenditure of bond proceeds	<u>(2,882,999)</u>	<u>(2,852,949)</u>	<u>(5,735,948)</u>
Balance on hand at September 30, 2018	<u>\$ -</u>	<u>\$ 9,499,298</u>	<u>\$ 9,499,298</u>

City of Pascagoula, Mississippi
 Schedule of Estimated Unrestricted General Fund Deficit
 September 30, 2018

EXHIBIT VI

Fund balance per unadjusted general ledger at September 30, 2017	\$ 4,900,743.16	}		
Less: Bond proceeds included in September 30, 2017 fund balance	-			\$ (10,170,389.54)
\$12.5 million bond issue	(12,352,246.70)			
\$15.0 million bond issue	(2,718,886.00)			
Add: FY '18 estimated expenditures from bond proceeds		}		
\$12.5 million bond issue	2,852,948.77			
\$15.0 million bond issue	2,718,886.00			(3,836,776.27)
Estimated net change in general fund balance for fiscal year 2018	<u>(9,408,611.04)</u>			
Estimated unrestricted general fund balance at September 30, 2018	<u><u>\$ (14,007,165.81)</u></u>		<u><u>\$ (14,007,165.81)</u></u>	

City of Pascagoula, Mississippi
 Schedule of Budgetary Variances

EXHIBIT VII

Description	Final Budget	Actual	Variance Favorable (Unfavorable)
Year Ended 9/30/2012:			
Revenues	\$ 30,346,023	\$ 25,715,238	\$ (4,630,785)
Expenditures	(27,068,766)	(24,237,180)	2,831,586
Other Financing Sources (Uses)	<u>4,253,000</u>	<u>1,242,295</u>	<u>(3,010,705)</u>
Net Change in Fund Balance	<u>\$ 7,530,257</u>	<u>\$ 2,720,353</u>	<u>\$ (4,809,904)</u>
Year Ended 9/30/2013:			
Revenues	\$ 28,867,982	\$ 24,186,259	\$ (4,681,723)
Expenditures	(28,239,434)	(22,941,356)	5,298,078
Other Financing Sources (Uses)	<u>7,790,517</u>	<u>(61,440)</u>	<u>(7,851,957)</u>
Net Change in Fund Balance	<u>\$ 8,419,065</u>	<u>\$ 1,183,463</u>	<u>\$ (7,235,602)</u>
Year Ended 9/30/2014:			
Revenues	\$ 26,015,300	\$ 20,422,409	\$ (5,592,891)
Expenditures	(33,608,933)	(22,753,278)	10,855,655
Other Financing Sources (Uses)	<u>4,066,768</u>	<u>126,992</u>	<u>(3,939,776)</u>
Net Change in Fund Balance	<u>\$ (3,526,865)</u>	<u>\$ (2,203,877)</u>	<u>\$ 1,322,988</u>
Year Ended 9/30/2015:			
Revenues	\$ 25,776,310	\$ 19,342,698	\$ (6,433,612)
Expenditures	(37,537,988)	(22,694,771)	14,843,217
Other Financing Sources (Uses)	<u>8,233,566</u>	<u>9,192,225</u>	<u>958,659</u>
Net Change in Fund Balance	<u>\$ (3,528,112)</u>	<u>\$ 5,840,152</u>	<u>\$ 9,368,264</u>
Year Ended 9/30/2016:			
Revenues	\$ 22,718,832	\$ 22,171,543	\$ (547,289)
Expenditures	(35,349,803)	(24,040,734)	11,309,069
Other Financing Sources (Uses)	<u>12,006,600</u>	<u>(2,720,052)</u>	<u>(14,726,652)</u>
Net Change in Fund Balance	<u>\$ (624,371)</u>	<u>\$ (4,589,243)</u>	<u>\$ (3,964,872)</u>

City of Pascagoula, Mississippi
 Schedule of Internal Service Fund Operations

Exhibit VIII

	Year ended September 30,				
	2012	2013	2014	2015	2016
OPERATING REVENUES:					
Charges for services	\$ 2,980,488	\$ 3,154,633	\$ 3,024,191	\$ 3,172,905	\$ 2,926,000
	-	-	-	-	-
Total operating revenues	<u>2,980,488</u>	<u>3,154,633</u>	<u>3,024,191</u>	<u>3,172,905</u>	<u>2,926,000</u>
OPERATING EXPENSES:					
Insurance claims and expenses	2,875,389	3,173,597	3,677,573	4,096,892	2,576,853
Total operating expenses	<u>2,875,389</u>	<u>3,173,597</u>	<u>3,677,573</u>	<u>4,096,892</u>	<u>2,576,853</u>
Operating income (loss)	<u>105,099</u>	<u>(18,964)</u>	<u>(653,382)</u>	<u>(923,987)</u>	<u>349,147</u>
Fund balance, beginning of year, as originally reported	(150,505)	(45,406)	137,740	(340,838)	(1,264,825)
Prior period adjustments	-	202,110	174,804	-	-
Fund balance, beginning of year, as restated	<u>(150,505)</u>	<u>156,704</u>	<u>312,544</u>	<u>(340,838)</u>	<u>(1,264,825)</u>
Fund balance, end of year	<u>\$ (45,406)</u>	<u>\$ 137,740</u>	<u>\$ (340,838)</u>	<u>\$ (1,264,825)</u>	<u>\$ (915,678)</u>

City of Pascagoula, Mississippi
 Schedule of Utilities Receivables
 2018

EXHIBIT IX

<u>Date</u>	<u>Current</u>	<u>1-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91-120</u>	<u>Over 120</u>	<u>Total</u>	<u>Increase in Over 120</u>	<u>Increase per Month</u>
9/30/2016	<u>\$ 331,516</u>	<u>\$ 319,282</u>	<u>\$ 98,458</u>	<u>\$ 29,807</u>	<u>\$ 10,671</u>	<u>\$ 1,455,995</u>	<u>\$ 2,245,729</u>		
9/30/2017	<u>\$ 353,607</u>	<u>\$ 331,264</u>	<u>\$ 74,177</u>	<u>\$ 23,611</u>	<u>\$ 15,863</u>	<u>\$ 1,590,340</u>	<u>\$ 2,388,862</u>	<u>\$ 134,345</u>	<u>\$ 11,195</u>
5/31/2018	<u>\$ 366,516</u>	<u>\$ 347,161</u>	<u>\$ 126,647</u>	<u>\$ 41,079</u>	<u>\$ 35,262</u>	<u>\$ 1,715,921</u>	<u>\$ 2,632,586</u>	<u>\$ 125,581</u>	<u>\$ 15,698</u>
						10/1/2016 to 5/31/2018	<u>\$ 259,926</u>	<u>\$ 12,996</u>	