

CITY OF GULFPORT, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year ended September 30, 2018



Prepared by:
Department of Finance

CITY OF GULFPORT, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

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INTRODUCTORY SECTION

The Introductory Section is intended to familiarize the reader with the organizational structure of the City of Gulfport, Mississippi, the nature and scope of the services it provides and the specifics of the its legal operation environment.





COMPTROLLER/CITY CLERK

P.O. Box 1780

Gulfport, MS 39502

Phone: 228-234-8590

September 6, 2019

Honorable Mayor, City Council and Citizens of the City of Gulfport

Gulfport, MS 39501

The Department of Finance is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gulfport, Mississippi (the "City"), prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2018. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the report is accurate in all material respects and is designed to present fairly the financial position and results of operations of the City for fiscal year ended September 30, 2018. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Annual Financial Report consists of three parts. **(I) The Introductory Section** includes this transmittal letter, the City's organizational chart, a list of principal City officials, and the geographic location of the City. **(II) The Financial Section** includes: Management's Discussion and Analysis, the basic financial statements (government-wide and fund statements), notes to the financial statements, other required supplementary information (RSI), and the combining and individual fund financial statements and schedules, as well as the independent auditors' report on the financial statement schedules. **(III) The Statistical Section** includes several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, generally presented on a multi-year basis.

The City is a member of the Harrison County Utility Authority, a joint venture with other local cities to provide adequate wastewater treatment. The City is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center and the Gulfport Redevelopment Commission ("GRC"). A synopsis of the joint ventures' financial statements for the fiscal year ended September 30, 2018, is included in the notes section of this report.

The Reporting Entity and Services Provided

Incorporated on July 28, 1898, Gulfport is located in South Mississippi in Harrison County. Gulfport is a code-charter municipality operating under a Mayor/Council form of government. The Mayor is full-time and the Council-members are part-time and elected by wards. The Mayor and Council serve concurrent four-year terms. On July 1, 1997, the City added two additional members to the council as a result of a 1994 annexation bringing the total to seven.

In December 1993 the City annexed 33 square miles north of Gulfport becoming the second largest city in Mississippi with a land area of 56 square miles and a population around 68,000. A full range of services are provided including: police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, planning and zoning, recreational and cultural services, and general administrative services.

Current Economic Conditions

The national, state, and local economies are slowly recovering from one of the worst recessions recorded in many decades along with the impact felt by the worst man-made disaster recorded in history with the British Petroleum oil spill. Employment is one critical component of the economic development of an area. Per the Mississippi Employment Security Commission, the unemployment rate for Harrison County at September 2017 was 4.5% and at September 2018 was 4.8%, an increase of 0.3%. See Schedule 14 for a ten-year historical review. With this increase, the City will continue to be faced with the challenge to meet the needs of its citizens for some time.

The overall financial condition of the City can be best described as “Steady Growth.” The cost of insurance and insurability issues continue to create challenges for homeowners, local businesses, and investors. Unemployment continues to remain high, but consumer confidence is slowly improving as indicated by increased sales tax revenue starting in 2012 and continuing through current times.

Future Economic Outlook

- ✦ A state of the art Aquarium is planned to be completed by late early 2020. The aquarium will not only attract visitors and spur economic development and jobs, city leaders believe, but also create educational awareness of the Coast's diverse marine life and enhance marine research. A hotel close to the aquarium in addition to a walking bridge across US 90 to Jones Park is also planned to be completed to enhance the Aquarium experience.
- ✦ Downtown Revitalization - Many new restaurants now operate within the downtown district and many more are slated to come. Gulfport is slowly becoming the headquarters for many corporations and nightlife has never been stronger. The walkable social district which includes Fishbone Alley has enhanced the attraction to downtown dining and visiting.
- ✦ Centennial Plaza is also expected to complete its hotel and amenities in late 2019, which will enhance US 90 attractions in Gulfport.

Financial Information

Accounting System

The Department of Comptroller is responsible for providing the financial services for the City including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management, budgeting, and purchasing.

The Department of Comptroller is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's current internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The City maintains specific budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Mayor and City Council. Activities of the general fund special revenue funds, debt service fund, capital projects funds, and proprietary funds are included in the annual appropriated budget. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major expenditure classification and require approval by the governing body; however, equal transfers between line items within a classification may be approved by the Department Director. For management purposes, the City manages its capital projects program by establishing project length budgets. Under this method, initial project budgets are established and remaining project funds from the previous year are automatically rolled over at year-end to establish revised project budgets. The benefits of this method allows the City to only address project budgets on the initial set-up and any amendments that may be necessary throughout the life of the project.

The City maintains an encumbrance accounting system as one budgetary control technique. Encumbrances reserve appropriations, which have been obligated through purchase orders or contractual documents. Encumbered amounts lapse at year-end; however, they are generally re-appropriated as part of the following year's budget.

Enterprise Funds

Gulfport's enterprise operations consist of the Water and Sewer Fund and the Joseph T. Jones Memorial Park Fund. The Water and Sewer Fund accounts for additional water and sewer revenues and expenditures to construct and maintain the water and sewer system. The Joseph T. Jones Memorial Park Fund was created to account for operations, maintenance, and leasing of boat slips and other facilities within Jones Park. Financial statements related to both of these enterprise funds are contained in this report.

Independent Auditors

The City of Gulfport is required by Section 21-35-31 of the Mississippi Code of 1972 to have an annual audit by independent certified public accountants. In compliance with these requirements, the City selected the firm of Mauldin & Jenkins, LLC to perform the audit for fiscal year ended September 30, 2018. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors rendered an unmodified opinion.

The City of Gulfport is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-128, Audits of States and Local Governments. Information related to the single audit, including internal control and compliance reports and an opinion on federal financial assistance is included in a separately issued single audit report.

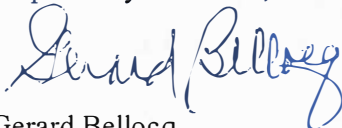
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulfport, Mississippi for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2017. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, I believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and I will be submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance. I also wish to express my appreciation for the cooperation of the other City departments in providing information for this report. Credit also is due to the Mayor, Chief Administrative Officer and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gulfport, Mississippi's finances.

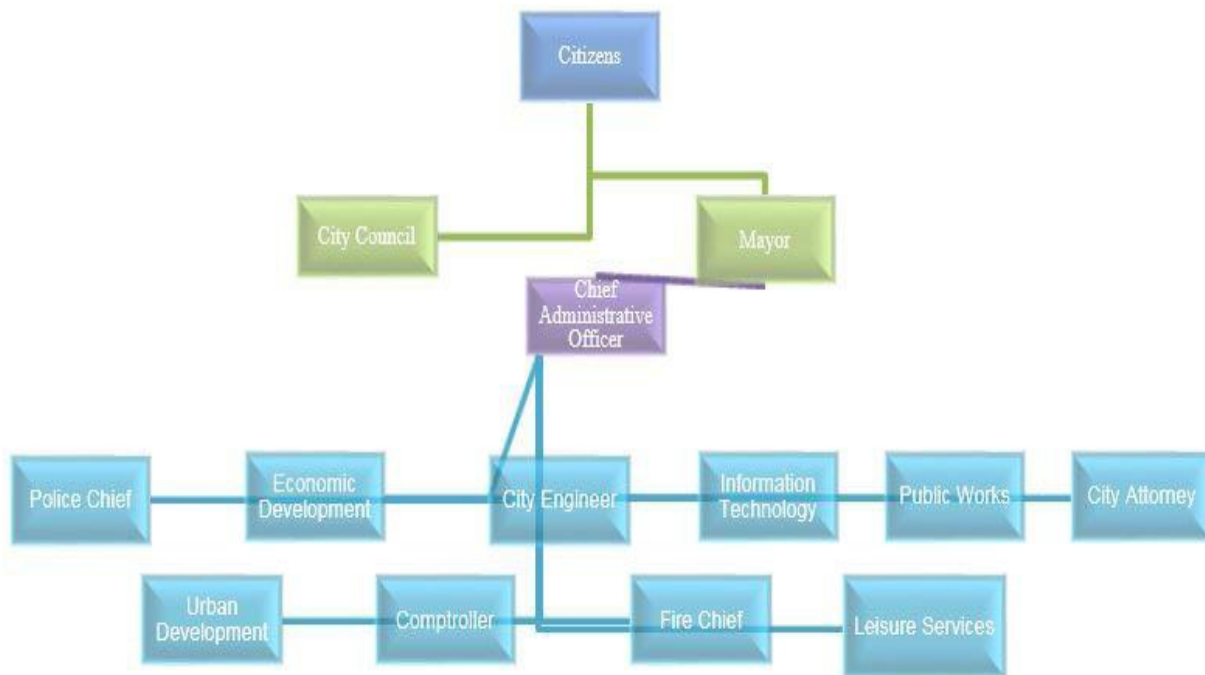
Respectfully submitted,



Gerard Bellocq
Comptroller

CITY OF GULFPORT, MISSISSIPPI

ORGANIZATIONAL CHART SEPTEMBER 30, 2018



Appointed Officials

Chief Administrative Officer – John Kelly
Police Chief – Leonard Papania
Leisure Services Director – Gus Wesson
Urban Development Director – Greg Pietrangelo
City Clerk – Linda Elias
General Counsel- Hugh Keating
City Attorney- Jeff Bruni
Fire Chief – Michael Beyerstedt
City Engineer – Kris Riemann
Public Works Director – Wayne Miller

CITY OF GULFPORT, MISSISSIPPI

LISTING OF CITY OFFICIALS SEPTEMBER 30, 2018

Elected Officials



**Billy Hewes
Mayor**



**Kenneth L. Casey Sr.
Councilman,
Ward 1**



**Ronald Roland
Councilman,
Ward 2**



**Ella Holmes-Hines
Councilwoman,
Ward 3**



**F.B. "Rusty" Walker, IV
Councilman,
Ward 4**



**Myles Sharp
Councilman,
Ward 5**



**Robert "R. Lee"
Flowers Councilman,
Ward 6**



**Cara Pucheu
Councilwoman,
Ward 7**

CITY OF GULFPORT, MISSISSIPPI

GEOGRAPHIC LOCATION
SEPTEMBER 30, 2018





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Gulfport
Mississippi**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

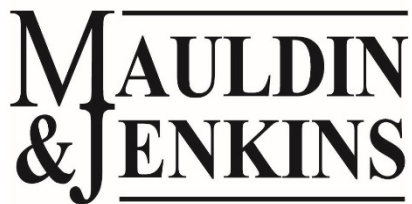
September 30, 2017

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION

The financial section contains the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements (which include the Government-Wide and Fund Level Financial Statements, Notes to the Financial Statements, Required Supplementary Information and the combining and individual fund financial statements and schedules.



INDEPENDENT AUDITOR'S REPORT

**Members of the City Council and Mayor Billy Hewes, III
Gulfport, 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 Gulfport, 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 of Gulfport, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City 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 and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combined and individual fund financial statements are the responsibility of management and were 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 combined and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF GULFPORT, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

Introduction

This section is a required component of the City of Gulfport, Mississippi's (the "City") Comprehensive Annual Financial Report and should be read in conjunction with the City's transmittal letter at the front of this report and the City's financial statements which immediately follow this section. As management of the City of Gulfport, Mississippi, we offer this narrative and analysis of the financial activities for fiscal year ended September 30, 2018. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant "future" effect on the financial position or results of operations.

Financial Highlights

- The City's General Fund, the main operating fund, operated in the "black" with revenues exceeding operating expenditures by over \$1.8 million.
- The City's General Fund's fund balance, which represents the difference between assets minus liabilities, increased during the year from \$10.9 million in 2017 to \$11.8 million in 2018.
- The City's total capital assets increased by \$20.7 million or 3.6%; going from \$580.6 million in 2017 to \$601.3 million in 2018. Capital assets consist of land, construction in process, buildings, infrastructure, machinery and equipment, and vehicles.
- The City's overall long-term debt, including compensated absences, increased by \$101.4 million, going from \$104.6 million in 2017 to \$206 million in 2018.

Brief Description of the Financial Statements

This annual report consists of a series of financial statements which are presented in a hierarchical structure. The highest level of reporting and most summarized statements are the Statement of Net Position (i.e., balance sheet) and Statement of Activities (i.e., income statement) contained on pages 26 and 27, respectively. These two statements provide financial information on the government as a whole similar to how private sector companies report their finances. These two statements are the only place within this report where a reader can review the operations and worth of the City as a whole. All of the City's annual revenues and expenses are reported in the Statement of Activities while the City's assets and liabilities are reported in the Statement of Net Position. These two statements answer the question "Is the City, as a whole, better off or worse off as a result of the year's activities?"

The second tier of financial reporting is the "Major" Fund Financial Statements. The fund financial statements begin on page 28 and provide detailed information about the City's most significant funds. Funds are accounting entities used to track specific funding sources and uses for particular programs. Individual funds are either established by law or set up for management purposes. Three separate statements are issued: one for activities that are of a governmental nature, a separate set of statements are contained for activities that are of a business-like nature, and a separate set of statements are contained for activities that are of a fiduciary nature.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds – Most of the City's basic services are reported in the governmental funds. Examples include activities relating to governmental funds which are public safety, public works (non-water and sewer), culture and recreation, urban development, capital projects, debt service and general administration. The financial statements of Governmental Funds are reported on the modified accrual basis – which measures cash and all other financial assets that can readily be converted to cash. Governmental statements provide a more detailed short-term view. The amounts contained on these statements are adjusted for full accrual and rolled over to the government-wide statements. Governmental Fund Financial Statements are contained on pages 28 – 31.

Proprietary Funds – Contain funds existing from fees charged to customers for services provided by the City. Activities relating to the City's Water and Sewer Operations and Joseph T. Jones yacht basin are reported in this section. The financial presentation of these activities is reported on pages 32 – 36 of this report. These financial statements are reported on the full accrual basis – revenues are recognized when earned and measurable. Because both the proprietary fund statements and the government-wide statements are reported on the full accrual method of accounting, the total column of the proprietary funds statements are the same contained on the government-wide business type activities column of the Statement of Net Position and Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in separate statements in this report beginning on page 37.

Financial Analysis of the City as a Whole Condensed Government-wide Statement of Net Position As of September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 87,821,508	\$ 54,455,983	\$ 12,749,048	\$ 12,903,998	\$ 100,570,556	\$ 67,359,981
Capital assets, net	320,830,082	313,697,757	280,453,483	266,883,706	601,283,565	580,581,463
Total assets	<u>408,651,590</u>	<u>368,153,740</u>	<u>293,202,531</u>	<u>279,787,704</u>	<u>701,854,121</u>	<u>647,941,444</u>
Deferred outflows of resources	<u>1,460,691</u>	<u>3,915,275</u>	<u>1,099,520</u>	<u>1,417,678</u>	<u>2,560,211</u>	<u>5,332,953</u>
Liabilities						
Current liabilities	11,074,795	10,176,690	14,255,450	16,671,421	25,330,245	26,848,111
Noncurrent liabilities	149,386,848	111,882,824	56,570,416	58,103,590	205,957,264	169,986,414
Total liabilities	<u>160,461,643</u>	<u>122,059,514</u>	<u>70,825,866</u>	<u>74,775,011</u>	<u>231,287,509</u>	<u>196,834,525</u>
Deferred inflows of resources	<u>26,869,399</u>	<u>26,383,640</u>	<u>124,282</u>	<u>123,617</u>	<u>26,993,681</u>	<u>26,507,257</u>
Net position:						
Net investment in capital assets	282,914,775	281,766,765	223,437,734	194,234,500	506,352,509	476,001,265
Restricted	468,628	1,267,164	-	6,405	468,628	1,273,569
Unrestricted	(60,602,164)	(59,408,068)	(85,831)	12,065,849	(60,687,995)	(47,342,219)
Total net position	<u>\$ 222,781,239</u>	<u>\$ 223,625,861</u>	<u>\$ 223,351,903</u>	<u>\$ 206,306,754</u>	<u>\$ 446,133,142</u>	<u>\$ 429,932,615</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Government-Wide Statement of Net Position

Total Primary Government

From an "overall balance sheet perspective", the net position of the City as compared to the previous year increased significantly from \$429.9 million in 2017 to \$446.1 million in 2018, while total assets increased \$54 million, from \$647.9 million in 2017 to \$701.9 million in 2018. Much of this increase is a result of increase in investments and capital assets. Total liabilities increased by \$34.5 million, from \$196.8 million to \$231.3 million. This increase in liabilities is mostly due to the increase in noncurrent bonds payable. Net position serves as a useful indicator of a government's financial position over time. By far, the majority of the City's net assets are related to investment in capital assets, i.e. roads, bridges, parks, water, sewer, machinery, etc., net of related debt is \$506.4 million which represents approximately over 114% of the City's total net position.

Current assets increased by \$33.2 million during the year, increasing from \$67.4 million in 2017 to \$100.6 million in 2018.

The below two sections are a breakdown of the Total Primary Government into the two sections entitled Governmental Activities and Business-Type Activities.

Governmental Activities

Total assets for Governmental type activities increased by \$40.5 million, from \$368.2 million in 2017 to \$408.7 million in 2018; while the increase in current assets (cash, short term receivables, etc.) increased by \$33.3 million, from \$54.5 million to \$87.8 million. The majority of this increase is a result of an increase in investments. Total governmental activities liabilities increased \$38.4 million, from \$122.1 million in 2017 to \$160.5 million in 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

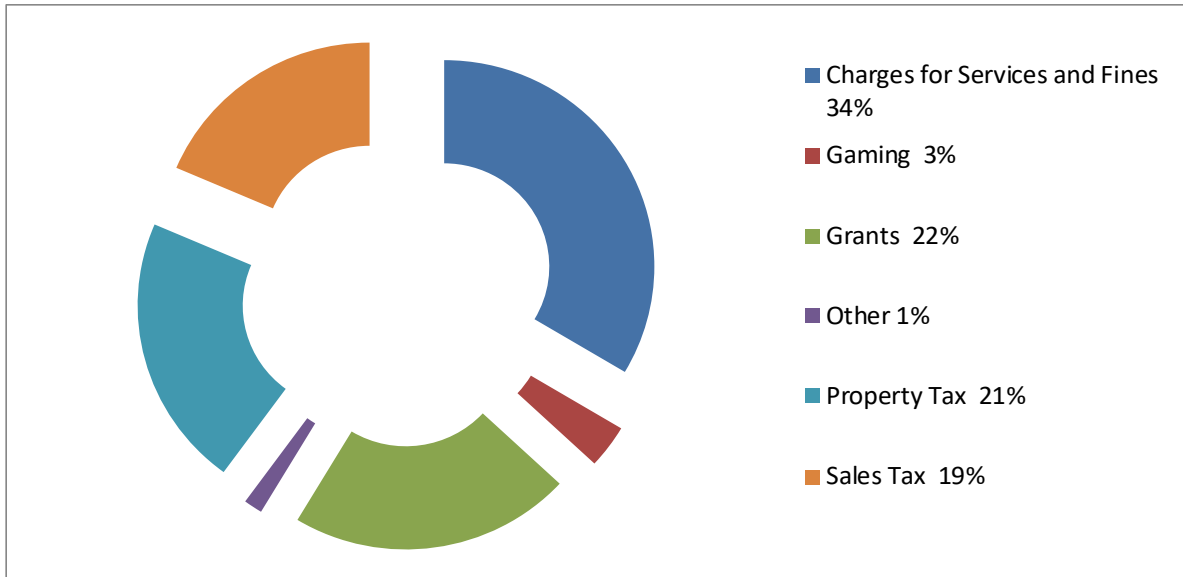
The City's business type activities consist of the Water and Sewer, the Joseph T. Jones Memorial Park Funds, and the assets of the Gulfport Redevelopment Commission. Total assets increased by \$13.4 million; from \$279.8 million in 2017 to \$293.2 million in 2018, with current assets decreasing by \$155 thousand, and capital assets increasing by \$13.6 million.

Condensed Government Wide Statement of Activities For the Year Ended September 30, 2018 and 2017

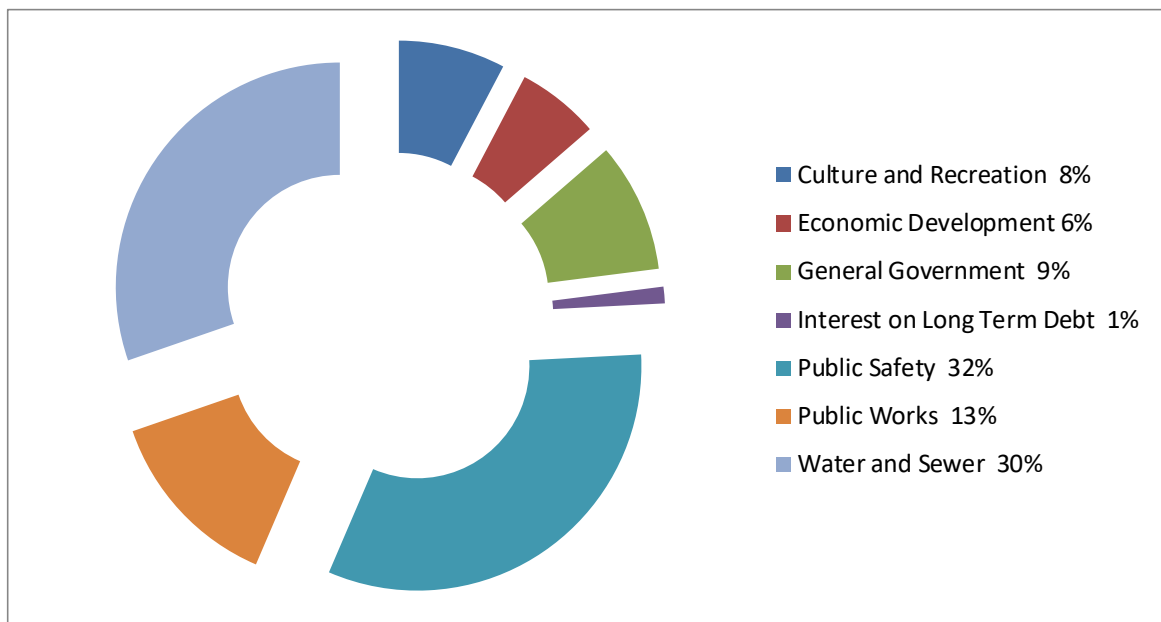
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for services	\$ 4,127,577	\$ 4,789,039	\$ 36,511,579	\$ 34,865,410	\$ 40,639,156	\$ 39,654,449
Operating grants and contributions	1,223,481	531,807	-	-	1,223,481	531,807
Capital grants and contributions	20,890,038	13,637,379	-	1,622,689	20,890,038	15,260,068
General revenues						
Property taxes	24,952,961	24,626,011	-	-	24,952,961	24,626,011
Sales taxes	22,093,578	21,048,200	-	-	22,093,578	21,048,200
Franchise	4,067,817	3,497,919	-	-	4,067,817	3,497,919
Gaming	3,839,811	3,912,284	-	-	3,839,811	3,912,284
Other	490,497	4,107,350	36,303	706,744	526,800	4,814,094
Total revenues	<u>81,685,760</u>	<u>76,149,989</u>	<u>36,547,882</u>	<u>37,194,843</u>	<u>118,233,642</u>	<u>113,344,832</u>
Program Expenses						
General government	10,368,615	8,955,761	-	-	10,368,615	8,955,761
Public safety	34,710,217	36,652,652	-	-	34,710,217	36,652,652
Public works	12,245,395	12,637,532	-	-	12,245,395	12,637,532
Health and welfare	386,980	-	-	-	386,980	-
Economic development	2,831,726	4,296,975	-	-	2,831,726	4,296,975
Culture and recreation	8,332,983	6,730,779	-	-	8,332,983	6,730,779
Interest	2,362,895	1,508,188	-	-	2,362,895	1,508,188
Water and Sewer	-	-	29,672,180	30,710,859	29,672,180	30,710,859
Joseph T. Jones	-	-	2,561,572	2,884,485	2,561,572	2,884,485
GRC	-	-	1,002,790	1,771,032	1,002,790	1,771,032
Total expenses	<u>71,238,811</u>	<u>70,781,887</u>	<u>33,236,542</u>	<u>35,366,376</u>	<u>104,475,353</u>	<u>106,148,263</u>
Transfers	<u>(12,299,634)</u>	<u>(18,242,482)</u>	<u>12,299,634</u>	<u>18,242,482</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(1,852,685)</u>	<u>(12,874,380)</u>	<u>15,610,974</u>	<u>20,070,949</u>	<u>13,758,289</u>	<u>7,196,569</u>
Net Position - beginning, previously reported	223,625,861	235,457,336	206,306,754	185,240,044	429,932,615	420,697,380
Prior period adjustment	1,008,063	1,042,905	1,434,175	995,761	2,442,238	2,038,666
Net Position - beginning, as restated	<u>224,633,924</u>	<u>236,500,241</u>	<u>207,740,929</u>	<u>186,235,805</u>	<u>432,374,853</u>	<u>422,736,046</u>
Net Position - ending	<u>\$ 222,781,239</u>	<u>\$ 223,625,861</u>	<u>\$ 223,351,903</u>	<u>\$ 206,306,754</u>	<u>\$ 446,133,142</u>	<u>\$ 429,932,615</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Government-Wide Statement of Activities Where Does The Money Come From?



Where Does the Money Go?



MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

The City's revenues exceeded expenses by \$13.8 million for the 2018 year with federal grants returning to normal levels.

Charges for Services and Fines – Charges for services accounts for \$40.6 million, or 34.4%, of the City's total revenues.

Property Tax — Property tax accounts for \$25 million, or 21%, of the City's total revenues and is considered the most stable revenue source for the City. The City's property tax revenue is expected to recognize growth in the near future as a result of commercial property investments.

Sales Tax – Another significant source of revenue for the City is sales tax accounting for \$22.1 million, or 18.7%, of the City's total revenues. The City is beginning to recognize slow to moderate growth in Sales Taxes from the previous year.

Gaming – Gaming accounts for \$3.8 million, or 3.3%, of the City's total revenues.

Grants – The City received a total of \$22.1 million in grants for the 2018 year as compared to \$24.2 million in 2017. The majority of these grants were related to the City's recovery from Hurricane Katrina and the largest granting agency was the Federal Emergency Management Agency ("FEMA").

Expenses

The City's total government-wide expenses were \$104.5 million in 2018 as compared to \$106.1 million in 2017; representing a decrease of \$1.6 million, or 1.5%. This decrease is mainly attributed to public safety, economic development, and water and sewer decreases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The table below represents the cost of each of the City's major governmental functional areas – Public Works, Public Safety, Culture and Recreation, General Government, and Economic Development. The costs are separated into total cost and net cost. The net cost shows the financial burden that was placed on the City's taxpayers after taking into account the program revenues generated by each of the major functional areas.

Governmental Activities - Costs

	Total Cost of Service	Net Cost of Service
Governmental activities:		
General government	\$ 10,368,615	\$ (6,087,399)
Public safety	34,710,217	(33,041,983)
Public works	12,245,395	5,647,954
Health and welfare	386,980	(386,980)
Economic development	2,831,726	(897,245)
Culture and recreation	8,332,983	(7,869,167)
Interest on long-term debt	2,362,895	(2,362,895)
Total governmental activities	<u>\$ 71,238,811</u>	<u>\$ (44,997,715)</u>

Fund Financial Analysis

The City maintains fund accounting to comply with budgetary and legal compliance and for specific management control. The following is a brief discussion of financial highlights from the major fund financial statements.

Governmental Funds

The focus of the governmental fund financial statements is to provide information on current financial resources of the City. Funds included in this category are as follows: General Fund, Capital Project Funds (i.e., Public Improvements 1996, 1998, 2001, and 2003), Special Revenue Funds (i.e., Forfeits and Seizures, Community Development, Police and Fire Retirement, and Police Traffic Safety), Disaster Relief and Debt Service Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund is the primary “governmental operating fund” of the City. Activities that are traditional in nature to governmental entities are reported in this fund (i.e., public safety, public works (operations and maintenance), culture and recreation, economic development, and general government). The General Fund accounts for nearly 71.9% of the City's total revenues and 67.2% of the City's total expenditures. Overall, the General Fund's financial condition improved as compared to the previous year.

General Fund - Financial Summary

	2018	2017
Total revenues	\$ 57,664,155	\$ 55,410,758
Total expenditures	55,858,577	55,303,481
Excess (deficit) of revenues over expenses	1,805,578	107,277
Other sources (uses)	(866,947)	1,683,627
Net change in fund balance	938,631	1,790,904
Fund balance, beginning	10,851,374	8,246,329
Prior period adjustments	-	814,141
Fund balance, ending, as restated	<u>\$ 11,790,005</u>	<u>\$ 10,851,374</u>

- The General Fund operated in the “black” by \$1,805,578 for the 2018 year with revenues of \$57.7 million and expenditures of \$55.9 million. New initiatives continue to take place in upcoming annual budgets to balance ongoing expenditures to recurring revenues.
- General Fund assets increased by \$3.7, from \$36.9 million in 2017 to \$40.6 million in 2018.
- The General Fund's unassigned fund balance increased from (\$21.5) million to \$11.8 million. Unrestricted fund balance is extremely important in that it represents that portion of the City's assets (mainly cash and receivables) that are not designated for expenditures. The purpose of these funds are to: 1) stabilize tax rates in an economic downturn, 2) provide the City with resources in the event of a natural disaster, and 3) provide the City with resources for other unforeseen events and or circumstances.
- Total General Fund revenues increased by 4.1% in 2018, from \$55.4 million in 2017 to \$57.7 million in 2018.
- Total General Fund expenditures increased by 1% in 2018, from \$54.6 million in 2017 to \$55.9 million in 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Community Development Program Fund – Financial Summary

	2018	2017
Total revenues	\$ 1,650,655	\$ 860,466
Total expenditures	1,850,028	2,002,346
Excess (deficit) of revenues over expenses	(199,373)	(1,141,880)
Fund balance, beginning	(1,835,244)	(705,792)
Prior period adjustments	-	12,428
Fund balance, ending	<u>\$ (2,034,617)</u>	<u>\$ (1,835,244)</u>

- The Community Development Program Fund operated in the “red” by \$199,373 for the 2018 year with revenues of \$1.7 million and expenditures of \$1.9 million.
- Community Development Program Fund assets increased by \$532,700, from \$37,449 in 2017 to \$570,149 in 2018.

Capital Projects Fund – Financial Summary

	2018	2017
Total revenues	\$ 14,282,226	\$ 11,488,290
Total expenditures	18,020,933	7,415,506
Excess (deficit) of revenues over expenses	(3,738,707)	4,072,784
Other sources (uses)	32,491,743	(18,798,588)
Net Change in fund balance	28,753,036	(14,725,804)
Fund balance, beginning	8,056,050	22,648,164
Prior period adjustments	-	133,690
Fund balance, ending	<u>\$ 36,809,086</u>	<u>\$ 8,056,050</u>

- The Capital Projects Fund operated in the “red” by \$3.7 million for the 2018 year with revenues of \$14.2 million and expenditures of \$18 million. The total increase in Fund Balance was primarily due to bond proceeds of \$35 million.
- Capital Projects Fund assets increased by \$30 million; from \$9.8 million in 2017 to \$39.8 million in 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Service Fund – Financial Summary

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 4,817,984	\$ 4,653,979
Total expenditures	<u>5,921,000</u>	<u>5,315,010</u>
Excess (deficit) of revenues over expenses	(1,103,016)	(661,031)
Other sources (uses)	<u>821,697</u>	<u>712,171</u>
Net Change in fund balance	(281,319)	51,140
Fund balance, beginning	-	(125,849)
Prior period adjustments	-	74,709
Fund balance, ending	<u><u>\$ (281,319)</u></u>	<u><u>\$ -</u></u>

- The Debt Service Fund operated in the “red” by \$1,103,016 for the 2018 year with revenues of \$4.8 million and expenditures of \$5.9 million. Transfers from other funds were made from other funds for debt service.
- Debt Service Fund assets increased by \$.7 million, from \$1 million in 2017 to \$4.7 million in 2018.
- Detail debt schedules can be located in the Notes to the Basic Financial Statements, Note 9: Long-term Debt.

Business-Type Activities Water and Sewer Fund

The purpose of the City's Water and Sewer Fund is to account for activities of its water and sewer operations. The financial reporting of this fund is contained on the government-wide financial statements under the column entitled “business-type activities”. Below is a condensed operating statement of the City's Water and Sewer Fund.

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 4,817,984	\$ 4,653,979
Total expenditures	<u>5,921,000</u>	<u>5,315,010</u>
Excess (deficit) of revenues over expenses	(1,103,016)	(661,031)
Other sources (uses)	<u>821,697</u>	<u>712,171</u>
Net Change in fund balance	(281,319)	51,140
Fund balance, beginning	-	(125,849)
Prior period adjustments	-	74,709
Fund balance, ending	<u><u>\$ (281,319)</u></u>	<u><u>\$ -</u></u>

The City's water and sewer fund's operating income was \$5.5 million in 2017 as compared to \$7 million in 2018. It is important to remember that income from operations does not include interest expense as this is reported in the non-operating items nor does this amount include repayment of principal on borrowed funds. Revenues increased by \$1 million while expenses decreased by \$515,831 during 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The amount identified above as "Other" includes capital contributions from FEMA for replacement of the City's sanitary sewer and water systems along the coastline and contributions from developers who turned over assets to the City for perpetual maintenance. This amount is expected to begin a downward trend as the City's rebuilding efforts from Hurricane Katrina damages come to an end.

General Fund Budgetary Highlights

The City's General Fund Budget has been prepared in accordance with the laws of the State of Mississippi. The City maintains specific budgetary controls to ensure compliance with legal provisions embodied in the annual budget approved by the Mayor and Council. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department and major expenditure classification (i.e., personnel services, supplies, other services, and capital outlay) and require approval by the governing body.

Summary of Budget to Actual (Budget Basis) Amounts General Fund For the year ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>
Taxes:			
Property	\$ 19,660,000	\$ 19,660,000	\$ 19,284,130
Sales	21,162,929	21,162,929	21,993,504
Gaming fees	4,108,061	4,108,061	3,898,982
Licenses, permits and franchise fees	5,180,685	5,180,685	5,267,120
Intergovernmental	4,567,825	4,242,444	3,085,719
Charges for services/rents/leases	2,252,945	2,443,628	2,385,767
Fines and fees	1,302,631	1,302,631	1,091,140
Interest income	22,299	22,299	217,009
Miscellaneous/other	204,495	206,077	163,690
Total revenues	<u>58,461,870</u>	<u>58,328,754</u>	<u>57,387,061</u>
General government	10,170,116	10,125,489	8,560,822
Public safety	30,779,472	30,947,322	30,011,310
Public works	9,667,233	10,095,771	8,249,594
Economic development	2,465,191	2,494,970	2,043,150
Culture and recreation	5,924,217	6,133,214	5,930,558
Total expenditures	<u>59,006,229</u>	<u>59,796,766</u>	<u>54,795,434</u>
Excess (deficit) of revenues over expenditures	<u>\$ (544,359)</u>	<u>\$ (1,468,012)</u>	<u>\$ 2,591,627</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City amended its General Fund's Revenue and Expenditure budget many times over the year. At year-end, the budget was adjusted to actual and approved by Council. Below is a brief description of major budget amendments.

- The revenue budget (original versus revised) was amended downward by \$100 thousand, or -0.2%. The original budget of \$58.4 million as compared to the revised budget of \$58.3 million was primarily due to shortfalls in intergovernmental grant expectations.
- The Expenditure Budget was increased by \$800 thousand, or 1.3%.
- Overall, the City's General Fund actual revenues for 2018 (budget basis) of \$57.4 million, a \$1.1 million decrease from the original budget, details are described below.
- A significant amount of this difference is attributed to the timing of grant revenue received. This revenue is expected to be received in the next fiscal year.
- Property tax revenues are \$0.4 million below original budget.
- Sales tax revenues are \$0.8 million above original budget.
- Court fines and forfeitures are \$0.2 million below original budget.
- Charges for services are \$0.1 above original budget.
- Gaming revenues are \$0.2 below original budget.

The City's General Fund actual expenditures were less than its original budgeted expenditures by a \$3.4 million, 5.8% change. While some departments exceeded their original budgets, others decreased expenditures from the original budget resulting in the less than 8.5% overall budget change from original to final budget.

Capital Assets and Debt Administration

Capital Assets

Schedule of Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and						
construction in progress	\$ 54,654,895	\$ 39,346,636	\$ 54,654,895	\$ 46,732,927	\$ 109,309,790	\$ 86,079,563
Buildings	59,838,691	60,982,874	6,222,188	6,619,926	66,060,879	67,602,800
Improvements and						
infrastructure	207,126,498	201,681,415	215,680,337	210,478,460	422,806,835	412,159,875
Machinery and						
equipment	2,822,381	3,391,945	2,523,761	1,921,300	5,346,142	5,313,245
Capital leases	2,714,503	5,568,489	190,887	692,815	2,905,390	6,261,304
Vehicles	14,411,583	2,726,398	1,181,415	438,278	15,592,998	3,164,676
Total	<u>\$ 341,568,551</u>	<u>\$ 313,697,757</u>	<u>\$ 280,453,483</u>	<u>\$ 266,883,706</u>	<u>\$ 622,022,034</u>	<u>\$ 580,581,463</u>

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2018 asset values were estimated at \$622 million and included a wide range of assets: land, buildings, parks, roads, bridges, drainage systems, machinery, vehicles, and water and sewer systems. Asset values increased by \$41.4 million, or 7.1%, (after depreciation) as compared to the prior year. See Note 7 in the financial section of this report for more detailed information on capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Depreciation expense for the 2018 year totaled \$15.6 million and was allocated to the following classes of assets:

Allocation of Depreciation by Major Asset Class

	Governmental Activities	Business-type Activities	Total
Buildings	\$ 1,414,330	\$ 430,514	\$ 1,844,844
Improvements and infrastructure	5,310,171	6,404,898	11,715,069
Machinery and equipment	719,300	277,239	996,539
Vehicles	630,938	120,335	751,273
Equipment under capital leases	219,803	84,086	303,889
Total	<u>\$ 8,294,542</u>	<u>\$ 7,317,072</u>	<u>\$ 15,611,614</u>

Depreciation is both an extremely useful tool and is often underutilized in the financial planning process. In order to adequately maintain the City's assets, the amounts contained in the above depreciation allocation table should become a recurring expense item in future City budgets.

Significant increases in capital acquisitions and improvements include:

- Construction in progress - \$23.2 million
- Improvements and infrastructure - \$10.6 million
- Vehicles - \$12.4 million

Debt Administration

Schedule of Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds payable	\$ 69,919,969	\$ 32,971,371	\$ 36,853,100	\$ 43,440,240	\$ 106,773,069	\$ 76,411,611
Notes payable	-	-	22,262,369	22,559,775	22,262,369	22,559,775
Capital leases payable	3,755,315	2,788,370	141,623	221,957	3,896,938	3,010,327
Net pension liability	77,978,953	77,301,955	2,839,148	2,792,731	80,818,101	80,094,686
Compensated absences	2,578,783	2,539,805	87,377	85,593	2,666,160	2,625,398
Claims and judgements	28,000	28,000	-	-	28,000	28,000
Liability for self insurance	1,127,650	1,795,051	-	-	1,127,650	1,795,051
Total	<u>\$ 155,388,670</u>	<u>\$ 117,424,552</u>	<u>\$ 62,183,617</u>	<u>\$ 69,100,296</u>	<u>\$ 217,572,287</u>	<u>\$ 186,524,848</u>

Note: The above amounts do not include debt relating to Memorial Hospital at Gulfport or Harrison County Utility Authority, which are joint ventures of the City.

For more detailed information on long-term debt activity see Note 9 in the financial section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Known Facts Effecting Future Financial Issues

1. Unfunded Hurricane Katrina Projects

It has been determined that many Hurricane Katrina related recovery projects which were originally thought to be wholly funded by FEMA may not meet FEMA's eligibility requirements. The total amount of unfunded projects is unknown to date. Any shortfall recognized within the Disaster Recovery Fund is ultimately to be funded by the General Fund. The funding source for the potential unfunded projects has not been identified.

2. Asset/infrastructure deterioration

The City's book value of its capital assets exceeds \$601.3 million with infrastructure comprising more than 80% of this amount. Capital assets include the following: land, buildings, machinery, equipment, vehicles, and infrastructure, (i.e., roads, drainage systems, and water and sewer systems, etc.) Relating to this, the City's annual depreciation expense exceeds \$15.3 million. This amount is significant as the City currently has no policy or financial plan in place regarding a perpetual asset lifecycle replacement program. Depreciation is an important but often underutilized tool in the financial planning process and should become a recurring budgeted expense item in future budgets to ensure that assets are replaced as their useful lives become expired. Unaddressed, this only places a larger burden on future generations.

Perhaps the single most important challenge facing this City will be addressing "serious" water and sewer infrastructure needs. The City Engineer previously identified approximately \$117 million in needed water improvements and \$49.2 in needed sewer improvements. These improvements began to satisfy EPA standards set forth for which the City must adhere to. The City Engineer has developed a 12-year Water and Sewer Capital Master Plan that details the methods of funding the Water and Sewer improvement and to meet the EPA standards. The City issued bonds in the amount of \$30 million in FYE 2015. \$14 million of the bond issue was allocated for Water and Sewer infrastructure upgrades and improvements. In addition, water and sewer rate increases recommended in the 12-year Water and Sewer Capital Master Plan were approved in 2015 and have been implemented beginning in FYE 2016.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Office at 228-868-5705. The City's web site is www.Gulfport-ms.gov.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF NET POSITION SEPTEMBER 30, 2018

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 5,789,498	\$ 4,584,095	\$ 10,373,593
Receivables, net	30,668,229	4,281,723	34,949,952
Court fines receivable, net	6,111,667	-	6,111,667
Inventories	-	17,474	17,474
Due from other governments	5,975,211	-	5,975,211
Internal balances	2,581,648	(2,581,648)	-
Prepaid insurance	855,382	-	855,382
Restricted assets:			
Cash and cash equivalents	8,972,133	5,496,793	14,468,926
Investments	26,867,740	950,611	27,818,351
Total current assets	87,821,508	12,749,048	100,570,556
Noncurrent Assets			
Capital assets:			
Nondepreciable	45,302,775	54,654,895	99,957,670
Depreciable, net	275,527,307	225,798,588	501,325,895
Total noncurrent assets	320,830,082	280,453,483	601,283,565
Total assets	408,651,590	293,202,531	701,854,121
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refundings	-	1,038,855	1,038,855
Pension	1,460,691	60,665	1,521,356
Total deferred outflows or resources	1,460,691	1,099,520	2,560,211
LIABILITIES			
Current Liabilities			
Accounts payable	3,332,168	4,159,072	7,491,240
Accrued interest	1,085,847	497,209	1,583,056
Sales tax payable	-	5,833	5,833
Accrued wages payable	612,896	21,732	634,628
Retainage payable	11,249	40,841	52,090
Unearned revenues	30,813	-	30,813
Customer deposits payable	-	2,462,365	2,462,365
Capital leases due within one year	574,267	48,843	623,110
Notes payable due within one year	-	1,786,810	1,786,810
Bonds payable due within one year	3,622,407	5,171,581	8,793,988
Compensated absences due within one year	1,805,148	61,164	1,866,312
Total current liabilities	11,074,795	14,255,450	25,330,245
Noncurrent Liabilities			
Liability for self-insurance	1,127,650	-	1,127,650
Capital leases due in more than one year	3,181,048	92,780	3,273,828
Notes payable due in more than one year	-	20,475,559	20,475,559
Bonds payable due in more than one year	66,297,562	33,136,716	99,434,278
Compensated absences due in more than one year	773,635	26,213	799,848
Net pension liability	77,978,953	2,839,148	80,818,101
Death benefit claims	28,000	-	28,000
Total noncurrent liabilities	149,386,848	56,570,416	205,957,264
Total liabilities	160,461,643	70,825,866	231,287,509
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	25,190,004	-	25,190,004
Deferred charges on refundings	-	54,307	54,307
Pension	1,679,395	69,975	1,749,370
Total deferred inflows of resources	26,869,399	124,282	26,993,681
NET POSITION			
Net investment in capital assets	282,914,775	223,437,734	506,352,509
Restricted for:			
Public safety	468,628	-	468,628
Unrestricted	(60,602,164)	(85,831)	(60,687,995)
Total net position	\$ 222,781,239	\$ 223,351,903	\$ 446,133,142

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

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 10,368,615	\$ 3,057,735	\$ 1,223,481	\$ -	\$ (6,087,399)	\$ -	\$ (6,087,399)
Public safety	34,710,217	347,110	-	1,321,124	(33,041,983)	-	(33,041,983)
Public works	12,245,395	258,916	-	17,634,433	5,647,954	-	5,647,954
Health and welfare	386,980	-	-	-	(386,980)	-	(386,980)
Economic development	2,831,726	-	-	1,934,481	(897,245)	-	(897,245)
Culture and recreation	8,332,983	463,816	-	-	(7,869,167)	-	(7,869,167)
Interest	2,362,895	-	-	-	(2,362,895)	-	(2,362,895)
Total governmental activities	<u>71,238,811</u>	<u>4,127,577</u>	<u>1,223,481</u>	<u>20,890,038</u>	<u>(44,997,715)</u>	<u>-</u>	<u>(44,997,715)</u>
Business-type activities:							
Water and Sewer	29,672,180	34,955,643	-	-	-	5,283,463	5,283,463
Joseph T. Jones Park	2,561,572	1,294,236	-	-	-	(1,267,336)	(1,267,336)
Gulfport Redevelopment Commission	1,002,790	261,700	-	-	-	(741,090)	(741,090)
Total business-type activities	<u>33,236,542</u>	<u>36,511,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,275,037</u>	<u>3,275,037</u>
Total primary government	<u>\$ 104,475,353</u>	<u>\$ 40,639,156</u>	<u>\$ 1,223,481</u>	<u>\$ 20,890,038</u>	<u>(44,997,715)</u>	<u>3,275,037</u>	<u>(41,722,678)</u>
General revenues:							
Property taxes, levied for special purposes					19,429,085	-	19,429,085
Property taxes, levied for general purposes					5,523,876	-	5,523,876
Sales taxes					22,093,578	-	22,093,578
Franchise taxes					4,067,817	-	4,067,817
Gaming fees					3,839,811	-	3,839,811
Earnings on investments					490,497	36,303	526,800
Transfers					(12,299,634)	12,299,634	-
Total general revenues and transfers					<u>43,145,030</u>	<u>12,335,937</u>	<u>55,480,967</u>
Change in net position					(1,852,685)	15,610,974	13,758,289
Net position, beginning of year,							
as restated					224,633,924	207,740,929	432,374,853
Net position, end of year					<u>\$ 222,781,239</u>	<u>\$ 223,351,903</u>	<u>\$ 446,133,142</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund (major fund) – This fund is used to account for all governmental sources and uses of financial resources applicable to the general operations of the City of Gulfport, Mississippi, which are not legally or by sound financial management to be accounted for in another fund.

Capital Projects Fund (major fund) – This fund is used to account for tax revenues and certain government grants specifically committed for the construction of major capital facilities and public improvement projects not otherwise funded by general obligation bonds.

Nonmajor Governmental Funds are presented by fund type in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2018

ASSETS	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,917,513	\$ -	\$ 300	\$ 2,917,813
Receivables				
Property tax	19,902,960	-	5,739,353	25,642,313
Sales tax	3,566,097	-	-	3,566,097
Franchise taxes	1,104,090	-	-	1,104,090
Gaming fees	311,072	-	-	311,072
Intergovernmental receivable	207,671	3,931,045	1,836,495	5,975,211
Court fines and fees	6,111,667	-	-	6,111,667
Other	44,657	-	-	44,657
Due from other funds	6,408,759	455,437	-	6,864,196
Restricted assets:				
Cash equivalents	-	8,498,486	473,647	8,972,133
Investments	-	26,867,740	-	26,867,740
Total assets	<u>\$ 40,574,486</u>	<u>\$ 39,752,708</u>	<u>\$ 8,049,795</u>	<u>\$ 88,376,989</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,910,729	\$ 925,569	\$ 207,738	\$ 3,044,036
Retainage payable	-	-	11,249	11,249
Accrued wages payable	608,858	-	4,038	612,896
Unearned revenues	30,813	-	-	30,813
Due to other funds	525,893	-	3,114,218	3,640,111
Total liabilities	<u>3,076,293</u>	<u>925,569</u>	<u>3,337,243</u>	<u>7,339,105</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable intergovernmental revenue	-	2,018,053	1,550,734	3,568,787
Unavailable permit revenue	44,632	-	-	44,632
Unavailable property tax revenue	19,551,889	-	5,638,115	25,190,004
Unavailable court fine revenue	6,111,667	-	-	6,111,667
Total deferred inflows of resources	<u>25,708,188</u>	<u>2,018,053</u>	<u>7,188,849</u>	<u>34,915,090</u>
FUND BALANCES				
Restricted for:				
Public safety	-	-	486,986	486,986
Committed for:				
Capital projects	-	36,809,086	-	36,809,086
Unassigned	11,790,005	-	(2,963,283)	8,826,722
Total fund balances, as restated	<u>11,790,005</u>	<u>36,809,086</u>	<u>(2,476,297)</u>	<u>46,122,794</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 40,574,486</u>	 <u>\$ 39,752,708</u>	 <u>\$ 8,049,795</u>	 <u>\$ 88,376,989</u>

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

CITY OF GULFPORT, MISSISSIPPI

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2018

Total governmental funds balance		\$ 46,122,794
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	\$ 480,210,802	
Less: accumulated depreciation	<u>(159,380,720)</u>	320,830,082
Long-term liabilities are not due and payable in the current period expenditures and, therefore, are not reported in the governmental funds.		
Bonds payable	\$ (63,496,900)	
Capital leases payable	(3,755,315)	
Compensated absences	(2,578,783)	
Claims payable	<u>(28,000)</u>	(69,858,998)
Governmental funds report the effect of discounts, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond premium		(6,423,069)
Other long-term assets are not available to pay or current period expenditures and, therefore, are unavailable in the funds.		
Court fines receivable	\$ 6,111,667	
Permit receivable	44,632	
Intergovernmental receivable	<u>3,568,787</u>	9,725,086
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.		
		(77,978,953)
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	\$ 1,460,691	
Deferred inflows of resources related to pensions	<u>(1,679,395)</u>	(218,704)
Internal Service Funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Position as follows:		
Current assets	\$ 3,847,523	
Current liabilities	(1,051,026)	
Estimated claims payable	<u>(1,127,650)</u>	1,668,847
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(1,085,846)</u>
Net position of governmental activities		<u><u>\$ 222,781,239</u></u>

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

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 19,429,085	\$ -	\$ 5,523,876	\$ 24,952,961
Sales tax	22,093,578	-	-	22,093,578
Franchise taxes	4,067,817	-	-	4,067,817
Gaming fees	3,839,811	-	-	3,839,811
Licenses and permits	1,335,447	-	-	1,335,447
Intergovernmental	3,040,811	14,160,255	2,610,312	19,811,378
Charges for services	2,385,767	-	-	2,385,767
Fines and forfeitures	1,091,140	-	-	1,091,140
Interest income	217,009	121,971	128,130	467,110
Miscellaneous	163,690	-	-	163,690
Total revenues	<u>57,664,155</u>	<u>14,282,226</u>	<u>8,262,318</u>	<u>80,208,699</u>
EXPENDITURES				
Current:				
General government	9,190,907	-	-	9,190,907
Public safety	29,704,157	-	1,065,173	30,769,330
Public works	8,651,285	-	-	8,651,285
Economic development	2,136,205	-	557,414	2,693,619
Culture and recreation	6,176,023	-	-	6,176,023
Capital outlay	-	17,775,404	1,712,188	19,487,592
Debt service:				
Principal	-	190,100	3,763,955	3,954,055
Interest	-	55,429	2,144,844	2,200,273
Other debt service costs	-	-	12,201	12,201
Total expenditures	<u>55,858,577</u>	<u>18,020,933</u>	<u>9,255,775</u>	<u>83,135,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,805,578</u>	<u>(3,738,707)</u>	<u>(993,457)</u>	<u>(2,926,586)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	71,500	-	9,224	80,724
Bond issuance	-	35,000,000	-	35,000,000
Bond premium	-	5,580,237	-	5,580,237
Capital leases	-	1,705,500	-	1,705,500
Transfers in	-	-	938,447	938,447
Transfers out	(938,447)	(9,793,994)	(116,750)	(10,849,191)
Total other financing sources (uses)	<u>(866,947)</u>	<u>32,491,743</u>	<u>830,921</u>	<u>32,455,717</u>
Net change in fund balances	938,631	28,753,036	(162,536)	29,529,131
FUND BALANCES (DEFICIT), beginning of year, as restated	<u>10,851,374</u>	<u>8,056,050</u>	<u>(2,313,761)</u>	<u>16,593,663</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ 11,790,005</u>	<u>\$ 36,809,086</u>	<u>\$ (2,476,297)</u>	<u>\$ 46,122,794</u>

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

CITY OF GULFPORT, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

Net change in fund balances - total governmental funds.	\$ 29,529,131
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 20,108,789	
Depreciation	(8,294,542)	
Contribution of capital assets to business-type activities	<u>(2,388,890)</u>	9,425,357

Proceeds from the sale of capital assets are recorded as other sources of income in the Statement of Revenues, Expenditures and Changes in Fund Balances, however, these proceeds are offset by disposal of assets to show gains or losses from the sale of capital assets in the Statement of Activities.

(359,092)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of debt	\$ 3,954,055	
Bond proceeds	(35,000,000)	
Premium of bond proceeds	(5,580,237)	
Capital lease proceeds	(1,705,500)	
Bond premiums amortization	538,162	
Deferred amounts on bond refunding amortization	<u>(329,071)</u>	(38,122,591)

Because some revenues will not be collected for several months after the City's fiscal year-end, they are considered "available" revenues in the governmental funds.

Amounts not meeting prior year availability criteria, recognized in the governmental funds in current year:

Fines and forfeitures	\$ (893,099)
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Amounts not meeting current year availability criteria, not recognized in the governmental funds in current year:

Intergovernmental	\$ 2,302,141	
Permits	<u>44,632</u>	1,453,674

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.

Additional pension expense	(3,126,677)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	\$ (688,584)	
Compensated absences	<u>(38,978)</u>	(727,562)

Internal service funds are used by management to charge the costs of certain functions to individual funds. The net revenue of certain activities in the internal service funds is reported with governmental activities.

75,075

\$ (1,852,685)

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

PROPRIETARY FUND FINANCIAL STATEMENTS

Water and Sewer Fund (major fund) – This fund is used to account for the activities of the Water and Sewer operations of the City of Gulfport, Mississippi.

Gulfport Redevelopment Commission Fund (major fund blended component unit) – The Commission's sole purpose is to finance, develop and manage City owned property. Its assets were received from the City and consist of the south parcel of the VA property given to the City by the Department of Veteran Affairs in 2009.

Joseph T. Jones Park Fund (nonmajor fund) – This fund is used to account for operations, maintenance, and leasing of boat slips and other facilities within the Joseph T. Jones Memorial Park.

Internal Service Funds are presented in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2018

			Nonmajor Fund		Governmental
	Water and	Gulfport	Joseph T.		Activities
	Sewer Fund	Redevelopment	Jones Park		Internal
		Commission	Fund	Totals	Service
					Fund
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,343,194	\$ 213,822	\$ 27,079	\$ 4,584,095	\$ 2,871,685
Accounts receivable, net of allowances	3,961,298	270,628	49,797	4,281,723	-
Inventory	-	-	17,474	17,474	-
Due from other funds	860	-	-	860	120,456
Prepaid insurance	-	-	-	-	855,382
Restricted assets:					
Cash	5,486,193	-	10,600	5,496,793	-
Investments	950,611	-	-	950,611	-
Total current assets	<u>14,742,156</u>	<u>484,450</u>	<u>104,950</u>	<u>15,331,556</u>	<u>3,847,523</u>
NONCURRENT ASSETS					
Capital assets:					
Land	659,327	29,963,149	592,970	31,215,446	-
Construction in progress	773,752	21,341,516	1,324,181	23,439,449	-
Buildings	-	5,905,150	2,534,312	8,439,462	-
Improvements and infrastructure	274,981,693	-	23,909,422	298,891,115	-
Machinery and equipment	2,957,667	22,995	1,644,381	4,625,043	-
Vehicles	3,766,974	-	71,916	3,838,890	-
Equipment under capital leases	467,138	-	-	467,138	-
Less: accumulated depreciation	<u>(82,850,551)</u>	<u>(1,879,914)</u>	<u>(5,732,595)</u>	<u>(90,463,060)</u>	<u>-</u>
Total noncurrent assets	<u>200,756,000</u>	<u>55,352,896</u>	<u>24,344,587</u>	<u>280,453,483</u>	<u>-</u>
Total assets	<u>215,498,156</u>	<u>55,837,346</u>	<u>24,449,537</u>	<u>295,785,039</u>	<u>3,847,523</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on refundings	1,038,855	-	-	1,038,855	-
Deferred amounts on pension	45,499	-	15,166	60,665	-
Total deferred outflows of resources	<u>\$ 1,084,354</u>	<u>\$ -</u>	<u>\$ 15,166</u>	<u>\$ 1,099,520</u>	<u>\$ -</u>

(Continued)

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2018

	Water and Sewer Fund	Gulfport Redevelopment Commission	Nonmajor Fund Joseph T. Jones Park Fund	Totals	Governmental Activities Internal Service Fund
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 1,457,028	\$ 2,557,087	\$ 144,957	\$ 4,159,072	\$ 288,133
Accrued interest	439,290	57,919	-	497,209	-
Sales tax payable	5,782	-	51	5,833	-
Accrued wages payable	17,192	-	4,540	21,732	-
Retainage payable	40,841	-	-	40,841	-
Due to other funds	1,857,671	-	724,837	2,582,508	762,893
Liability for self-insurance claims	-	-	-	-	1,127,650
Bonds payable	5,171,581	-	-	5,171,581	-
Notes payable	1,786,810	-	-	1,786,810	-
Leases payable	48,843	-	-	48,843	-
Compensated absences	49,930	-	11,234	61,164	-
Customer deposits	2,451,765	-	10,600	2,462,365	-
Total current liabilities	<u>13,326,733</u>	<u>2,615,006</u>	<u>896,219</u>	<u>16,837,958</u>	<u>2,178,676</u>
NONCURRENT LIABILITIES					
Bonds payable	33,136,716	-	-	33,136,716	-
Notes payable	14,714,277	5,761,282	-	20,475,559	-
Leases payable	92,780	-	-	92,780	-
Net pension liability	2,129,361	-	709,787	2,839,148	-
Compensated absences	21,398	-	4,815	26,213	-
Total noncurrent liabilities	<u>50,094,532</u>	<u>5,761,282</u>	<u>714,602</u>	<u>56,570,416</u>	<u>-</u>
Total liabilities	<u>63,421,265</u>	<u>8,376,288</u>	<u>1,610,821</u>	<u>73,408,374</u>	<u>2,178,676</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts on refunding	54,307	-	-	54,307	-
Deferred amount on pensions	52,481	-	17,494	69,975	-
Total deferred inflows of resources	<u>106,788</u>	<u>-</u>	<u>17,494</u>	<u>124,282</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	143,740,251	55,352,896	24,344,587	223,437,734	-
Unrestricted	9,314,206	(7,891,838)	(1,508,199)	(85,831)	1,668,847
Total net position	<u>\$ 153,054,457</u>	<u>\$ 47,461,058</u>	<u>\$ 22,836,388</u>	<u>\$ 223,351,903</u>	<u>\$ 1,668,847</u>

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

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer Fund	Gulfport Redevelopment Commission	Nonmajor Fund Joseph T. Jones Park Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 34,632,601	\$ 259,200	\$ 857,800	\$ 35,749,601	\$ -
Employee contributions	-	-	-	-	1,274,578
Retiree contributions	-	-	-	-	142,190
Employer contributions and estimate changes	-	-	-	-	7,314,905
Miscellaneous	323,042	2,500	436,436	761,978	559,442
Total operating revenues	<u>34,955,643</u>	<u>261,700</u>	<u>1,294,236</u>	<u>36,511,579</u>	<u>9,291,115</u>
OPERATING EXPENSES					
Personal services	1,145,346	-	348,776	1,494,122	-
Contractual services	16,896,080	567,021	923,719	18,386,820	-
Materials and supplies	2,718,846	-	505,002	3,223,848	-
Administrative expenses	1,249,796	-	75,000	1,324,796	879,104
Premium payments	-	-	-	-	2,255,781
Claims	-	-	-	-	6,104,543
Depreciation expense	5,952,908	377,850	709,075	7,039,833	-
Total operating expenses	<u>27,962,976</u>	<u>944,871</u>	<u>2,561,572</u>	<u>31,469,419</u>	<u>9,239,428</u>
Operating income (loss)	<u>6,992,667</u>	<u>(683,171)</u>	<u>(1,267,336)</u>	<u>5,042,160</u>	<u>51,687</u>
NONOPERATING INCOME (EXPENSES)					
Loss on disposal of sale of capital assets	(58,070)	-	-	(58,070)	-
Interest income	35,098	-	1,205	36,303	23,387
Interest expense	(1,633,323)	(57,919)	-	(1,691,242)	-
Other debt service costs	(17,811)	-	-	(17,811)	-
Total nonoperating income (expenses)	<u>(1,674,106)</u>	<u>(57,919)</u>	<u>1,205</u>	<u>(1,730,820)</u>	<u>23,387</u>
Income (loss) before capital contributions and transfers	<u>5,318,561</u>	<u>(741,090)</u>	<u>(1,266,131)</u>	<u>3,311,340</u>	<u>75,074</u>
CAPITAL CONTRIBUTIONS	1,064,709	-	1,324,181	2,388,890	-
TRANSFERS IN	<u>-</u>	<u>9,910,744</u>	<u>-</u>	<u>9,910,744</u>	<u>-</u>
Change in net position	6,383,270	9,169,654	58,050	15,610,974	75,074
Net position, beginning of year, as restated	<u>146,671,187</u>	<u>38,291,404</u>	<u>22,778,338</u>	<u>207,740,929</u>	<u>1,593,773</u>
Net position, end of year	<u>\$ 153,054,457</u>	<u>\$ 47,461,058</u>	<u>\$ 22,836,388</u>	<u>\$ 223,351,903</u>	<u>\$ 1,668,847</u>

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

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer Fund	Gulfport Redevelopment Commission	Nonmajor Fund Joseph T. Jones Park Fund	Totals	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 34,365,918	\$ 1,518,328	\$ 1,238,175	\$ 37,122,421	\$ -
Cash received from other operating receipts	-	-	-	-	199,508
Cash received from employees and others	-	-	-	-	1,729,767
Cash received from employer contributions	-	-	-	-	7,314,905
Payments to employees	(1,034,470)	-	-	(1,034,470)	(9,337,134)
Payments to suppliers	(20,647,802)	-	-	(20,647,802)	-
Payments for contractual services	-	-	(1,030,970)	(1,030,970)	-
Payments for other goods and services	-	-	(319,193)	(319,193)	-
Net cash provided by (used in) operating activities	<u>12,683,646</u>	<u>1,518,328</u>	<u>(111,988)</u>	<u>14,089,986</u>	<u>(92,954)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	9,910,744	-	9,910,744	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>9,910,744</u>	<u>-</u>	<u>9,910,744</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(4,173,882)	(12,657,740)	(1,271)	(16,832,893)	-
Proceeds from debt	-	1,458,427	-	1,458,427	-
Principal payments on debt	(6,380,667)	-	-	(6,380,667)	-
Interest paid on debt	(2,079,562)	(116,750)	-	(2,196,312)	-
Net cash used in capital related financing activities	<u>(12,634,111)</u>	<u>(11,316,063)</u>	<u>(1,271)</u>	<u>(23,951,445)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	35,098	-	1,205	36,303	23,387
Net cash provided by investing activities	<u>35,098</u>	<u>-</u>	<u>1,205</u>	<u>36,303</u>	<u>23,387</u>
Increase (decrease) in cash and cash equivalents	<u>84,633</u>	<u>113,009</u>	<u>(112,054)</u>	<u>85,588</u>	<u>(69,567)</u>
Cash and cash equivalents:					
Beginning of year	<u>9,744,754</u>	<u>100,813</u>	<u>149,733</u>	<u>9,995,300</u>	<u>2,941,252</u>
End of year	<u><u>\$ 9,829,387</u></u>	<u><u>\$ 213,822</u></u>	<u><u>\$ 37,679</u></u>	<u><u>\$ 10,080,888</u></u>	<u><u>\$ 2,871,685</u></u>
Classified as:					
Cash and cash equivalents	\$ 4,343,194	\$ 213,822	\$ 27,079	\$ 4,584,095	\$ 2,871,685
Restricted assets, cash	5,486,193	-	10,600	5,496,793	-
	<u><u>\$ 9,829,387</u></u>	<u><u>\$ 213,822</u></u>	<u><u>\$ 37,679</u></u>	<u><u>\$ 10,080,888</u></u>	<u><u>\$ 2,871,685</u></u>

(Continued)

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer Fund	Gulfport Redevelopment Commission	Nonmajor Fund Joseph T. Jones Park Fund	Totals	Governmental Activities Internal Service Fund
Reconciliation of operating income					
(loss) to net cash provided by					
(used in) operating activities:					
Operating income (loss)	\$ 6,992,667	\$ (683,171)	\$ (1,267,336)	\$ 5,042,160	\$ 51,687
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	5,952,908	377,850	709,075	7,039,833	-
Changes in assets and liabilities:					
Increase in accounts receivable	(588,865)	(270,628)	(16,080)	(875,573)	-
Increase in inventories	-	-	(11,069)	(11,069)	-
Increase in due from other funds	(860)	-	-	(860)	-
Decrease in prepaid expenses	-	-	-	-	53,439
Decrease in deferred outflows - pension	68,810	-	18,978	87,788	-
Increase (decrease) in accounts payable	(770,834)	2,142,719	98,156	1,470,041	268,467
Decrease in sales tax payable	(488)	-	(37)	(525)	-
Decrease in wages payable	(2,139)	-	-	(2,139)	-
Decrease in accrued liabilities	-	-	(1,814)	(1,814)	(466,547)
Decrease in retainage payable	(47,930)	(48,442)	-	(96,372)	-
Decrease in unearned revenue	-	-	(39,981)	(39,981)	-
Increase in due to other funds	742,339	-	385,701	1,128,040	-
Increase in deferred inflows - pension	5,086	-	3,337	8,423	-
Increase in net pension liability	34,813	-	11,604	46,417	-
Increase in customer deposits	293,833	-	-	293,833	-
Increase (decrease) in compensated absences	4,306	-	(2,522)	1,784	-
Net cash provided by (used in) operating activities	<u>\$ 12,683,646</u>	<u>\$ 1,518,328</u>	<u>\$ (111,988)</u>	<u>\$ 14,089,986</u>	<u>\$ (92,954)</u>
Noncash investing and financing activities:					
Purchase of capital assets by other funds	<u>\$ 1,064,709</u>	<u>\$ -</u>	<u>\$ 1,324,181</u>	<u>\$ 2,388,890</u>	<u>\$ -</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Funds are used to report resources held by the City in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Combining schedules presented in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUNDS SEPTEMBER 30, 2018

ASSETS

Cash	\$ 330,833
Assets held for disposal	<u>54,350</u>
Total assets	<u>\$ 385,183</u>

LIABILITIES

Due to others	<u>\$ 385,183</u>
Total liabilities	<u>\$ 385,183</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF GULFPORT, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gulfport, Mississippi, (the “City”) was incorporated on July 28, 1898, under the laws of the State of Mississippi. The City operates under a Mayor-Council form of government. The following services are provided by the City: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Social and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

A. Reporting Entity

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainders of the notes are organized to provide explanations, including required disclosures, of the City's financial activities.

B. Financial Reporting Entity

The City is a charter city in which citizens elect the mayor at large and seven council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Unit Disclosure

The criteria for including component unit information with the primary government consist of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criterion also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with the data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The City presents its component unit using the blended method.

The Gulfport Redevelopment Commission is an Urban Renewal Agency of the City of Gulfport, formed and existing under the “Urban Renewal Laws” of the State of Mississippi, Title 43, Chapter 35, Article I, Mississippi Code of 1972, and its five-member board of commissioners is appointed by the mayor and confirmed by the council of the City of Gulfport. Its sole purpose is to promote and facilitate the urban renewal and development of certain parcels of real property, improvements or other assets or projects as they may be designated from time to time by the City. The Gulfport Redevelopment Commission provides services solely to the City and is reported as an enterprise fund using the blended method.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

Related Organizations

The Gulfport Municipal Separate School District has been excluded from the reporting entity, because it is an “other stand-alone government”. The school district is a related organization, but not a component unit of the City of Gulfport. The governing authorities of the City do select a majority of the school district’s board, but do not have ongoing financial accountability for the school district.

Joint Ventures and Jointly Governed Organizations

Management of the City has identified two joint ventures with the City (Harrison County Utility Authority and Memorial Hospital at Gulfport) and two jointly governed organizations with the City (Harrison County Library System and Gulfport-Biloxi Regional Airport Authority).

A joint venture is a legal entity or other organization that results from contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients.

A jointly governed organization is similar in nature to a joint venture in that they provide goods and services to the citizenry of two or more governments. However, they do not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments.

See Note 17 for more information regarding related organizations not included in the City’s reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements

The City presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds.

All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund used to account for all capital projects that are not associated with a specific debt issuance.

Proprietary Funds – Business-type activities

Proprietary Funds are accounted for using the economic resources measurement focus; and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Proprietary Funds – Business-type activities (Continued)

The City has presented the following major proprietary funds:

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Gulfport Redevelopment Commission Fund

The Gulfport Redevelopment Commission Fund is used to finance, develop and manage City owned property. Its assets were received from the City and consist of the south parcel of the VA property given to the City by the Department of Veteran Affairs in 2009.

Proprietary Funds – Governmental-type activities

The City reports Internal Service Funds, which are used to account for the self-funded property and casualty self-insurance, workman's compensation, and self-funded health and disability insurance provided to departments of the City.

Fiduciary Funds

The City reports the Fiduciary Funds which are agency funds that account for resources held by the City in a custodial capacity for other governments, private organizations, or individuals. In addition these funds report for the assets seized by a multi-jurisdictional narcotics task force which are held for final disposition before distribution to participating agencies.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected but unsettled at year-end. A two-month availability period is used for recognition of most other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are franchise taxes, sales taxes and gaming revenues collected and held by the State at year-end on behalf of the City. Licenses and permits, certain charges for services, fines and forfeits and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received.

The financial transactions of the City are recorded in the individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting (Continued)

GASB Statement No. 34 sets forth the minimum criteria for the determination of major funds. The nonmajor funds are combined in one column in the fund financial statements and detailing in the combining section.

E. Cash and Investments

The City's cash and cash equivalents are primarily considered to be cash on hand, amounts in demand deposits and certain money market mutual funds. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered cash equivalents.

The City maintains and controls a major cash pool in which the majority of the City's funds share. Each fund's portion of the pool is on their respective balance sheet as cash and cash equivalents, some of which are restricted assets.

Cash with fiscal agents, along with various investments, are components of an investment account maintained by a fiscal agent. Cash with fiscal agents is that minor portion of the account which is not invested or any particular moment in time. This amount represents the residual cash that the fiscal agent does not have tied up in investment at September 30.

State statutes authorize the City to invest in: 1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, 2) certificates of deposit when insured or secured by acceptable collateral, and 3) obligations of the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court.

Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

All trade receivables are shown net of an allowance for uncollectible accounts. An allowance in the amount of \$7,255,525 at September 30, 2018, has been reported in the Water and Sewer fund for estimated uncollectible utility charges. The allowance is based on trade receivables in excess of 90 days outstanding.

G. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

H. Transactions between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both governmental and proprietary funds.

I. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year; and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

J. Restricted Assets

Each customer deposits funds with the City when a water and sewer account is opened. These funds are restricted and are held by the City until the customer account is closed, at which time the amounts are refundable to the customer. Also certain debt issues require contingency deposits be maintained separately for future debt payments.

K. Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital asset received in service concession arrangements are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been provided over the estimated useful lives using the straight-line method. The following estimated useful lives for proprietary fund assets are used to compute depreciation:

Buildings	40 years
Water and Sewer system	50 years
Infrastructure	60 years
Improvements other than buildings	10 – 25 years
Machinery and equipment	5 – 10 years
Vehicles	5 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of September 30, 2018, the City had deferred outflows of resources associated with bond refundings in the amount of \$1,038,855 and deferred amounts on pensions in the amount of \$1,521,356 which are reflected in the Statement of Net Position.

In addition to liabilities, the statement of net 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 or periods and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2018, the City had deferred inflows of resources for property taxes in the amount of \$25,190,004; deferred amounts associated with bond refunding in the amount of \$54,307, and deferred amounts on pensions in the amount of \$1,749,370, which are reflected in the Statement of Net Position.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

Net position represents the difference between deferred inflows and outflows assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed either through enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N. Compensated Absences

City policy allows employees hired prior to January 8, 2013, to accumulate all unused vacation, compensatory (comp time) and sick leave. Those hired after January 8, 2013, may not carry annual leave over from year to year without approval. Retiring and terminating employees covered under the Disability and Relief-Municipal Retirement System are paid for all unused vacation, sick leave, and unused comp time. All other employees are paid for up to 30 days of unused vacation and all unused comp time upon retirement or termination, while excess vacation and all accumulated sick leave remaining are counted as creditable service toward retirement.

Generally, vacation, sick leave and compensatory absences vest and are recorded as the obligation is incurred. In the proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year.

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2018. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

O. Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Designations

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balance as follows:

Non-spendable – amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints. The City has no non-spendable fund balances as of September 30, 2018.

Restricted – amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions or enabling legislation.

Committed – amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The City has a committed fund balance of \$36,809,086 as of September 30, 2018.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Council or by an official or body to which the City Council delegates authority. The City has no assigned fund balances as of September 30, 2018.

Unassigned – amounts which include positive fund balances of the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Designations (Continued)

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

The procedures used by the City in establishing the budgetary data recorded in the general purpose financial statements are as follows:

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division by June 1 each year.
3. The Finance Division reviews expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Data (Continued)

8. The budget is formally amended in July each year, if necessary. However, budget revisions are made throughout the year (prior to July), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types.
10. The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.
11. The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are incorporated into the City's purchasing system. Purchase requisitions entered into the computer system that will cause a line item to exceed its budget will automatically be disallowed. The department head will then be required to make an inter-department budget transfer or request a budget amendment.
12. Encumbrance accounting, under which executed but unperformed purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and are re-appropriated in the next year's budget.
13. Unexpended appropriations lapse at year-end in all funds.

NOTE 3. PROPERTY TAX, GAMING, SALES TAX AND LEASE REVENUES

Property Tax

Harrison County bills and collects the real, personal, and auto ad valorem taxes for the City. Taxes on real and personal property are levied by the City Council at the first regular meeting in September for the ensuing fiscal year, which begins on October 1. Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount that resulted from the assessments of the previous year plus new construction.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX, GAMING, SALES TAX AND LEASE REVENUES (CONTINUED)

Property Tax (Continued)

Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar 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. All taxes are remitted monthly to the City. In addition, Harrison County also remits to the City a pro-rata share of road and bridge taxes collected by the County. 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 when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year.

The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial.

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 and other purposes for the year ended September 30, 2018 was 34.00 mills or \$34.00 per \$1,000 of assessed valuation.

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. As provided, the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it. Accordingly, taxes for the Gulfport School District are also billed and collected by the County and remitted to the City for disbursement to the School District.

Ad valorem taxes collected and settled in accordance with this legal requirement are not recognized as revenues and expenditures of the municipality. The tax levies noted below with respect to the school funds were made in accordance with this legal requirement.

Gaming Tax Revenues

In the early part of 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In May of 1993, the first casino opened in Gulfport. As of September 30, 2018, one casino was operating within the City. Gaming activities are taxed in a variety of ways.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX, GAMING, SALES TAX AND LEASE REVENUES (CONTINUED)

Gaming Tax Revenues (Continued)

The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4% to .8%. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. Total gaming revenue of \$4,120,961 was reported in the General Fund which consists of \$3,839,811 in gaming revenues and \$281,150 of gaming license fees for the year ended September 30, 2018.

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 Gulfport) back to the City monthly. Sales tax revenue reported in the General Fund as of September 30, 2018, was \$22,093,578.

Lease Revenue (Operating Leases)

The City, through the Gulfport Redevelopment Commission, leases property and certain facilities to various tenants within its development sites. The majority of these leases are non-cancelable operating leases. Property leased by the Commission recorded in capital assets is as follows at September 30, 2018:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Land	\$ 18,762,027	\$ -	\$ 18,762,027
Buildings and Improvements	5,105,150	1,847,915	3,257,235
	<u>\$ 23,867,177</u>	<u>\$ 1,847,915</u>	<u>\$ 22,019,262</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX, GAMING, SALES TAX AND LEASE REVENUES (CONTINUED)

Lease Revenue (Operating Leases) (Continued)

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2018:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 25,000
2020	25,000
2021	25,000
	<u>\$ 75,000</u>

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2018, and also do not consider renewal options which may be available for certain lease contracts. Income under this portion of the leases is not included in future minimum rental amounts. Rental income for fiscal year 2018 received through all leases was \$259,200.

NOTE 4. CASH AND OTHER DEPOSITS AND INVESTMENTS

A. Cash and Other Deposits

The City maintains a cash and investment pool for use by all funds except the Proprietary funds – Internal Service Funds and Fiduciary Funds which either maintain a separate account or have investments held separately by a trustee.

At September 30, 2018, the carrying amount of the City's deposits was \$25,173,352 and the bank balance was \$25,892,838. The difference represents outstanding checks and other reconciling items.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CASH AND OTHER DEPOSITS AND INVESTMENTS (CONTINUED)

A. Cash and Other Deposits (Continued)

The Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation. As of September 30, 2018, none of the City's bank balance of \$25,892,838 was exposed to custodial credit risk.

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

	Invested in Sweep Account		Non-pooled		
	Unrestricted	Restricted	Unrestricted	Restricted	Total
Governmental funds:					
Major funds:					
General	\$ 2,914,198	\$ -	\$ 3,315	\$ -	\$ 2,917,513
Capital Projects	8,498,486	-	-	-	8,498,486
Non-major funds	-	-	300	473,647	473,947
Total governmental funds	<u>11,412,684</u>	<u>-</u>	<u>3,615</u>	<u>473,647</u>	<u>11,889,946</u>
Proprietary funds:					
Business-type activities:					
Water and Sewer	-	2,752,833	4,343,194	2,733,360	9,829,387
Joseph T. Jones Park	-	-	37,679	-	37,679
Gulfport Redevelopment Commission	-	-	-	213,822	213,822
Total business-type	<u>\$ -</u>	<u>\$ 2,752,833</u>	<u>\$ 4,380,873</u>	<u>\$ 2,947,182</u>	<u>\$ 10,080,888</u>
Governmental-type activities:					
Internal service fund:					
Claims Contingency	\$ -	\$ -	\$ -	\$ 2,871,685	\$ 2,871,685
Total proprietary funds	<u>-</u>	<u>2,752,833</u>	<u>4,380,873</u>	<u>5,818,867</u>	<u>12,952,573</u>
Fiduciary funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,833</u>	<u>330,833</u>
Total cash and cash equivalents	<u>\$ 11,412,684</u>	<u>\$ 2,752,833</u>	<u>\$ 4,384,488</u>	<u>\$ 6,623,347</u>	<u>\$ 25,173,352</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CASH AND OTHER DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

At September 30, 2018, the City's surplus funds that were not invested in overnight sweep repurchase agreements (considered short-term and reported above as cash) were invested in Hancock Horizon Government Money Market Mutual Funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk.

A summary of the City's investments and the inputs used in valuing the City's investments at September 30, 2018, are as follows:

	Fair Value 9/30/2018	Fair Value Measurement (Level 1)	Fair Value Measurement (Level 2)
Governmental activities:			
Treasury Bonds	\$ 26,867,740	\$ 26,443,659	\$ 424,081
Business-type activities:			
Hancock Horizon Government Money Market Mutual	\$ 950,611	\$ 950,611	\$ -

Custodial Credit Risk – Investments – The custodial credit for investments is the risk that, in the event of the failures of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis.

Securities are to be held by a third-party custodian. The investment in the Hancock Horizon Government Money Market Mutual fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government, however are made up exclusively of short-term U. S. Government Securities.

Credit Risk – Investments – Generally, credit risk is the risk that issuers of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations ("NRSROs"). A disclosure of investments by amount and issuer for any issuer that represents 5% or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

The Statement of Net Position includes the following receivables at September 30, 2018:

Taxes receivables:	
Property taxes	\$ 25,642,313
Sales taxes	3,566,097
Franchise taxes	1,104,090
Gaming taxes	311,072
Other	44,657
Total taxes receivables	<u>30,668,229</u>
Customer accounts receivable:	
Customer charges for services (billed)	9,691,282
Customer accounts, earned but unbilled	1,845,966
Less: allowance for doubtful accounts	<u>(7,255,525)</u>
Total customer accounts receivable, net	<u>4,281,723</u>
Total receivables, net	<u><u>\$ 34,949,952</u></u>

The Statement of Net Position includes the following court fines receivables at September 30, 2018:

Court fines receivable	\$ 21,329,875
Less: allowance for doubtful accounts	<u>(15,218,208)</u>
Total court fines receivable, net	<u><u>\$ 6,111,667</u></u>

The governmental funds reported deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Funds also report unavailable revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred inflows of resources were reported in the governmental funds in the amount of \$25,190,003 for property tax assessments not yet due, \$6,111,667 for court fines receivable, \$44,632 for permits receivable, and \$3,568,787 for intergovernmental receivable. At the end of the current fiscal year, unearned revenue in the amount of \$30,813 was reported in the governmental funds.

Amounts reported as due from other governments on the Statement of Net Position are as follows:

Due from other governments:	
Federal	\$ 1,836,495
State	<u>4,138,716</u>
Total due from other governments	<u><u>\$ 5,975,211</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. INTERFUND TRANSACTIONS AND BALANCES

Government-wide Financial Statements

Internal Balances

At September 30, 2018, the City had the following internal balances:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Governmental activities	Business-type activities	\$ 2,581,648

These amounts are shown as a netted amount of short-term loans between governmental and business-type activities. These loans are temporary in nature, bear no interest, and are considered "available spendable resources."

Capital asset transfers

At September 30, 2018, the City had the following capital asset transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Business-type activities	Governmental activities	\$ 2,388,890

These amounts show capital asset transfers between governmental and business-type activities and is show as a reconciling item to the governmental activities net position.

Fund Financial Statements

The following is a summary of interfund balances at September 30, 2018:

Due From/To Other Funds

	<u>Due To</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects Fund</u>	<u>Water and Sewer Fund</u>	<u>Internal Service</u>	
<u>Due From</u>					
General Fund	\$ -	\$ 405,437	\$ -	\$ 120,456	\$ 525,893
Water and Sewer Fund	1,857,671	-	-	-	1,857,671
Nonmajor Governmental	3,113,582	-	636	-	3,114,218
Nonmajor Enterprise	674,613	50,000	224	-	724,837
Internal Service	762,893	-	-	-	762,893
Total	<u>\$ 6,408,759</u>	<u>\$ 455,437</u>	<u>\$ 860</u>	<u>\$ 120,456</u>	<u>\$ 6,985,512</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)

Government-wide Financial Statements (Continued)

Due From/To Other Funds (Continued)

Various Funds have made short-term advances to other funds. These advances, shown as “Due from Other Funds”, are temporary in nature, bear no interest, and are considered “available spendable resources”.

Transfers In/Out

In addition to the above inter-fund loans, the following transfers were made between funds during the year ended September 30, 2018:

Transfer From	Transfer To		Total
	Nonmajor Governmental	Nonmajor Enterprise	
General Fund	\$ 938,447	\$ -	\$ 938,447
Capital Projects Fund	-	9,793,994	9,793,994
Nonmajor Governmental	-	116,750	116,750
Total	<u>\$ 938,447</u>	<u>\$ 9,910,744</u>	<u>\$ 10,849,191</u>

The City transfers funds from the Capital Projects Fund to pay for grant matching requirements and other costs incurred that are originally paid for out of the General fund and other funds. The City also transferred amounts to the Gulfport Redevelopment Commission for construction costs and line of credit principal and interest payments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the year ended September 30, 2018, was as follows:

	(As restated) Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 26,804,288	\$ 46,576	\$ (5,889)	\$ -	\$ 26,844,975
Construction in progress	11,626,863	12,787,225	(187,162)	(5,769,126)	18,457,800
Total capital assets, not being depreciated	<u>38,431,151</u>	<u>12,833,801</u>	<u>(193,051)</u>	<u>(5,769,126)</u>	<u>45,302,775</u>
Capital assets, being depreciated:					
Buildings	77,077,305	-	(24,114)	1,631,391	78,684,582
Improvements other than buildings	38,115,277	6,214,199	-	118,917	44,448,393
Infrastructure	281,208,541	373,544	-	1,629,928	283,212,013
Machinery and equipment	10,746,757	395,503	(254,148)	-	10,888,112
Vehicles	15,284,959	291,742	(1,165,118)	-	14,411,583
Equipment under capital leases	3,263,344	-	-	-	3,263,344
Total capital assets, being depreciated	<u>425,696,183</u>	<u>7,274,988</u>	<u>(1,443,380)</u>	<u>3,380,236</u>	<u>434,908,027</u>
Less accumulated depreciation for:					
Buildings	(17,431,561)	(1,414,330)	-	-	(18,845,891)
Improvements other than buildings	(12,692,435)	(1,518,515)	-	-	(14,210,950)
Infrastructure	(102,531,302)	(3,791,656)	-	-	(106,322,958)
Machinery and equipment	(7,575,164)	(719,300)	228,733	-	(8,065,731)
Vehicles	(11,804,017)	(630,938)	1,048,606	-	(11,386,349)
Equipment under capital leases	(329,038)	(219,803)	-	-	(548,841)
Total accumulated depreciation	<u>(152,363,517)</u>	<u>(8,294,542)</u>	<u>1,277,339</u>	<u>-</u>	<u>(159,380,720)</u>
Total capital assets, being depreciated, net	<u>273,332,666</u>	<u>(1,019,554)</u>	<u>(166,041)</u>	<u>3,380,236</u>	<u>275,527,307</u>
Governmental activities capital assets, net	<u>\$ 311,763,817</u>	<u>\$ 11,814,247</u>	<u>\$ (359,092)</u>	<u>\$ (2,388,890)</u>	<u>\$ 320,830,082</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

Capital Asset Activity (Continued)

The depreciation expense was charged as a direct expense to programs of the primary government as follows:

Governmental activities:	
General government	\$ 306,742
Public safety	1,674,196
Public works	4,044,392
Culture and recreation	1,914,667
Health and welfare	353,627
Economic development	918
	<u>8,294,542</u>
Total depreciation expense - governmental activities	<u>\$ 8,294,542</u>

	(As restated) Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 31,214,151	\$ 1,296	\$ -	\$ -	\$ 31,215,447
Construction in progress	15,257,710	15,167,915	(51,398)	(6,934,779)	23,439,448
Total capital assets, not being depreciated	<u>46,471,861</u>	<u>15,169,211</u>	<u>(51,398)</u>	<u>(6,934,779)</u>	<u>54,654,895</u>
Capital assets, being depreciated:					
Buildings	8,439,462	-	-	-	8,439,462
Improvements and infrastructure	288,567,447	1,000,000	-	9,323,669	298,891,116
Machinery and equipment	4,478,773	185,520	(39,250)	-	4,625,043
Vehicles	3,388,203	478,162	(27,475)	-	3,838,890
Equipment under capital leases	467,138	-	-	-	467,138
Total capital assets, being depreciated	<u>305,341,023</u>	<u>1,663,682</u>	<u>(66,725)</u>	<u>9,323,669</u>	<u>316,261,649</u>
Less accumulated depreciation for:					
Buildings	(1,786,760)	(430,514)	-	-	(2,217,274)
Improvements and infrastructure	(77,083,120)	(6,127,659)	-	-	(83,210,779)
Machinery and equipment	(1,859,369)	(277,239)	35,326	-	(2,101,282)
Vehicles	(2,561,866)	(120,335)	24,726	-	(2,657,475)
Equipment under capital leases	(192,165)	(84,086)	-	-	(276,251)
Total accumulated depreciation	<u>(83,483,280)</u>	<u>(7,039,833)</u>	<u>60,052</u>	<u>-</u>	<u>(90,463,061)</u>
Total capital assets, being depreciated, net	<u>221,857,743</u>	<u>(5,376,151)</u>	<u>(6,673)</u>	<u>9,323,669</u>	<u>225,798,588</u>
Business-type activities capital assets, net	<u>\$ 268,329,604</u>	<u>\$ 9,793,060</u>	<u>\$ (58,071)</u>	<u>\$ 2,388,890</u>	<u>\$ 280,453,483</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

Capital Asset Activity (Continued)

The depreciation expense was charged as a direct expense to programs of the primary government as follows:

Business-type activities:	
Water and sewer	\$ 5,952,908
Joseph T. Jones Memorial Park	709,075
Gulfport Redevelopment Commission	<u>377,850</u>
Total depreciation expense - business-type activities	<u><u>\$ 7,039,833</u></u>

Net Investment in Capital Assets/Net Position

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 26,844,975	\$ 31,215,447
Construction in progress	18,457,800	23,439,448
Other capital assets, net of accumulated depreciation	275,527,307	225,798,588
Add: deferred outflow of resources on refunding	-	1,038,855
Less: retainage payable	(11,249)	(40,841)
Less: related long-term debt outstanding - spent	(37,904,058)	(57,959,456)
Less: deferred inflow of resources on refunding	<u>-</u>	<u>(54,307)</u>
	<u><u>\$ 282,914,775</u></u>	<u><u>\$ 223,437,734</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LEASES

Capital Leases

In prior fiscal years, the City has obtained lease financing for the purchase of computer equipment, other machinery and equipment, and fire trucks with accessories. In May 2018, City obtained lease financing of \$1,705,500 for the purchase of lighting equipment. This lease has an interest rate of 3.25% maturing February 2025. Principal and interest payments of \$245,528 are due in annual installments commencing on February 2019 through February 2026. Title to the assets is held in the name of the City and the banks as lien holder. The City insures the assets and accounts for the leasing arrangements. The following is a schedule of the City's capital leases as of September 30, 2018:

	Stated Interest Rate	Present Value of Remaining Payments as of September 30, 2018
Governmental activities:		
Computer equipment	1.81%	\$ 43,151
Fire trucks	3.00%	1,506,031
Equipment - Lighting	3.25%	1,515,400
Equipment - Various	1.58%	690,733
Total governmental activities		<u>3,755,315</u>
Business-type activities:		
Equipment - Various	1.58%	<u>141,623</u>
Total business-type activities		<u>141,623</u>
Total capital lease obligations		<u><u>\$ 3,896,938</u></u>

Equipment and related accumulated amortization under capital lease are as follows:

Governmental activities:	
Computer equipment	\$ 415,679
Fire trucks	1,910,117
Equipment - Lighting	1,705,500
Equipment - Various	1,367,342
Less: accumulated depreciation	<u>(634,072)</u>
Net value	<u>4,764,566</u>
Business-type activities:	
Equipment - Various	300,149
Less: accumulated depreciation	<u>(15,285)</u>
Net value	<u><u>\$ 284,864</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LEASES (CONTINUED)

Capital Leases (Continued)

As of September 30, 2018, capital lease annual amortizations are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2019	\$ 677,787	\$ 49,980
2020	650,945	45,815
2021	630,733	47,685
2022	408,644	-
2023	408,643	-
2024 – 2028	1,306,633	-
2029	163,115	-
Less: interest	(491,185)	(1,857)
Present value of remaining payments	<u>\$ 3,755,315</u>	<u>\$ 141,623</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

Operating Leases

The City is committed under various non-cancelable operating leases, primarily for machinery and equipment (principally in the General Fund). Future minimum operating lease commitments are as follows:

Year Ending September 30,	Amount
2019	\$ 71,076
2020	17,648
	<u>\$ 88,724</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT

The following schedule reflects the debt transactions for governmental activities for the year ended September 30, 2018:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 25,917,400	\$ -	\$ (2,185,500)	\$ 23,731,900	\$ 1,894,600
Limited obligation bonds	425,000	-	(20,000)	405,000	20,000
Special obligation bonds	5,370,000	35,000,000	(1,010,000)	39,360,000	1,040,000
Capital leases payable	2,788,370	1,705,500	(738,555)	3,755,315	574,267
Compensated absences	2,539,805	2,707,630	(2,668,652)	2,578,783	1,805,148
Claims and judgements	28,000	-	-	28,000	-
	37,068,575	39,413,130	(6,622,707)	69,858,998	5,334,015
Plus bond premium	1,258,971	5,702,260	(538,162)	6,423,069	667,807
Total governmental activities	<u>\$ 38,327,546</u>	<u>\$ 45,115,390</u>	<u>\$ (7,160,869)</u>	<u>\$ 76,282,067</u>	<u>\$ 6,001,822</u>

The following schedule reflects the debt transactions for business-type activities for the year ended September 30, 2018:

Business-type activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 30,697,600	\$ -	\$ (4,544,500)	\$ 26,153,100	\$ 4,665,400
Special obligation bonds	10,700,000	-	-	10,700,000	-
Notes payable	22,559,775	1,458,427	(1,755,833)	22,262,369	1,786,810
Capital leases payable	221,957	-	(80,334)	141,623	48,843
Compensated absences	85,593	79,441	(77,657)	87,377	49,930
	64,264,925	1,537,868	(6,458,324)	59,344,469	6,550,983
Plus bond premium	2,042,640	-	(587,443)	1,455,197	506,181
Total business-type activities	<u>\$ 66,307,565</u>	<u>\$ 1,537,868</u>	<u>\$ (7,045,767)</u>	<u>\$ 60,799,666</u>	<u>\$ 7,057,164</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

In December 2014, the City issued \$30,000,000 of general obligation bonds with interest rates varying between 1.5-3.4% to fund various capital projects throughout the City. \$16,000,000 of this general obligation bond project was used for governmental related projects and \$14,000,000 was used to fund water and sewer related projects.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

General obligation bonds generally are issued as serial bonds with certain amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one year
Governemental Activities:					
GO Refunding - Public Improvement	\$ 15,025,000	9/10/2014	2.00-5.00%	\$ 9,824,400	\$ 1,147,600
GO Public Improvement	16,000,000	12/18/2014	1.50-3.40%	13,907,500	747,000
Total governmental activities	<u>\$ 31,025,000</u>			<u>\$ 23,731,900</u>	<u>\$ 1,894,600</u>
Business-type Activities:					
GO Refunding	\$ 2,850,000	9/10/2014	2.00-5.00%	\$ 1,860,600	\$ 217,400
GO Revenue	9,500,000	6/1/2009	3.34%	1,095,000	1,095,000
GO Revenue	14,000,000	12/18/2014	1.50-3.40%	12,153,500	653,000
GO Refunding	18,465,000	6/30/2015	2.00-5.00%	11,044,000	2,700,000
Total business-type activities	<u>\$ 44,815,000</u>			<u>\$ 26,153,100</u>	<u>\$ 4,665,400</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 1,894,600	\$ 829,075	\$ 4,665,400	\$ 992,386	\$ 8,381,461
2020	1,945,000	758,966	3,815,000	795,447	7,314,413
2021	2,038,700	678,542	3,991,300	620,221	7,328,763
2022	2,140,800	592,718	954,200	435,694	4,123,412
2023	2,322,400	500,491	1,062,600	401,871	4,287,362
2024 – 2028	8,198,400	1,489,910	7,156,600	1,366,446	18,211,356
2029 – 2033	4,106,000	512,363	3,594,000	454,362	8,666,725
2034 and 2035	1,086,000	36,040	914,000	31,960	2,068,000
	<u>\$ 23,731,900</u>	<u>\$ 5,398,105</u>	<u>\$ 26,153,100</u>	<u>\$ 5,098,387</u>	<u>\$ 60,381,492</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Prior Year Defeasance of Debt

The City has at various times entered into advance refunding transactions related to certain issues of its bonded debt. A portion of the proceeds of the refunding bond issues were placed in trust and used to purchase securities to meet all debt service requirements of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts were not included in the accompanying financial statements as the City defeased its obligations for payment of the refunded debt upon completion of the refunding transactions.

At September 30, 2018, refunded bond issues and the related principal payable from escrow is as follows:

<u>Bond Issue</u>	<u>Principal Balance</u>
2000 MDB Promissory Note	\$ 2,590,000
2001 MDB Promissory Note	1,085,000
1998 Refunded Bonds	1,760,000
2003 Refunded Bonds	2,795,000
2005 Refunded Water and Sewer Bonds	3,160,000
2007 Refunded Bonds	7,485,000
Total	<u>\$ 18,875,000</u>

Limited Obligation Bond

The City issued tax increment financing bonds to encourage economic development of certain areas of the City. The original amount of tax increment financing bonds issued in the prior year was \$480,000. This bond has an interest rate of 4.00% with principal maturing September 2034.

The principal and interest on tax increment financing bonds are paid from the increase in sales tax revenue that is generated from the developed area. These bonds are generally issued as 10 or 20 year serial bonds with varying amounts of principal maturing each year. Tax increment financing bonds outstanding as of September 30, 2018 are as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>	<u>Due in one year</u>
TIF Bond	\$ 480,000	9/23/2014	4.00%	\$ 405,000	\$ 20,000

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Limited Obligation Bond (Continued)

Annual debt service requirements to maturity for tax increment financing bonds are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 20,000	\$ 16,200	\$ 36,200
2020	20,000	15,400	35,400
2021	20,000	14,600	34,600
2022	20,000	13,800	33,800
2023	20,000	13,000	33,000
2024 – 2028	125,000	51,000	176,000
2029 – 2033	145,000	24,800	169,800
2034	35,000	1,400	36,400
	\$ 405,000	\$ 150,200	\$ 555,200

Special Obligation Bonds

The City issued special obligation bonds to provide funding for various capital improvement projects. The notes are also direct obligations of the City and pledge the full faith and credit of the City. In October 2017, the City issued special obligation bonds of \$35,000,000 to provide funding to finance the development of the Mississippi Aquarium and other authorized purposes related to public buildings and public support and pay costs of issuance of the Series 2017 bonds. This bond has an interest rate of 5.0% with principal maturing November 2037. This bond is payable in semi-annual interest payments beginning May 2018 and principal payable annually beginning November 2020 with payments ranging from \$1,230,000 to \$2,875,000.

Special obligation bonds currently outstanding are as follows: Variance is reasonable considering the City purchased additional software upgrades through Munis and Microsoft during the current year.

<u>Governmental Activities</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Outstanding Amount</u>	<u>Due in one year</u>
SO Refunding -				
Public Improvement Paving	\$ 10,000,000	7/19/2012	\$ 4,360,000	\$ 1,040,000
SO Refunding -				
Public Improvement Paving	35,000,000	10/19/2017	35,000,000	-
 <u>Business-type Activities</u>				
SO Refunding	\$ 47,565,000	4/7/2005	\$ 10,700,000	\$ -

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Special Obligation Bonds (Continued)

Annual debt service requirements to maturity for special obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 1,040,000	\$ 1,880,800	\$ -	\$ 561,750	\$ 3,482,550
2020	1,075,000	1,849,600	-	561,750	3,486,350
2021	2,335,000	1,786,600	-	561,750	4,683,350
2022	2,430,000	1,690,450	3,385,000	561,750	8,067,200
2023	1,360,000	1,590,000	3,565,000	384,038	6,899,038
2024 – 2028	7,915,000	6,830,125	3,750,000	196,875	18,692,000
2029 – 2033	10,160,000	4,581,750	-	-	14,741,750
2034 and 2035	13,045,000	1,695,625	-	-	14,740,625
	<u>\$ 39,360,000</u>	<u>\$ 21,904,950</u>	<u>\$ 10,700,000</u>	<u>\$ 2,827,913</u>	<u>\$ 74,792,863</u>

Notes Payable

State Revolving Loans

The City is currently participating in the State Revolving Loan Program to provide funds for water and sewer system upgrades and improvements. These loans are granted with a 20-year maturity with equal amounts of principal maturing each year. The interest rates on these loans are 1.75%.

Gulfport Redevelopment Commission – Line of Credit

In December 2016, Gulfport Redevelopment Commission (“GRC”) entered into a line of credit arrangement with BancorpSouth Bank, which carries a maximum possible balance of \$14,000,000. This loan has an interest rate of 2.71%. As September 30, 2018, the line of credit balance was \$5,761,282. Collateral used to secure the loan is the assignment of ground lease agreements and is guaranteed by the City of Gulfport.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Gulfport Redevelopment Commission – Line of Credit (Continued)

Annual debt service requirements for the notes are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,786,810	\$ 274,482	\$ 2,061,292
2020	1,818,331	242,961	2,061,292
2021	1,850,406	210,884	2,061,290
2022	7,644,333	178,241	7,822,574
2023	1,916,270	145,022	2,061,292
2024 – 2028	7,246,219	260,218	7,506,437
	<u>\$ 22,262,369</u>	<u>\$ 1,311,808</u>	<u>\$ 23,574,177</u>

Compensated Absences

The City's policies relative to compensated absences, method of computing accrued liabilities and reporting are discussed at Note 1. The General Fund and the Water & Sewer Fund has been primarily used in prior years to liquidate the liability for compensated absences.

Claims and Judgments

The City has a commitment to pay life insurance benefits of \$1,000 upon the death of each retiree included in the Firemen's and Policemen's Disability and Relief Plan. The City elected to cancel its insurance policy covering such claims and self-insure these benefits. As a result, a total of \$85,000 was recorded for the 85 remaining retirees receiving benefits effective October 1, 1992. As of September 30, 2018, a total of 28 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$28,000 has been included in the General Long-Term Debt at September 30, 2018. None of the liability for these benefits is estimated to be paid within one year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Legal Debt Margin

Legal Debt Margin – The amount of general obligation bonded debt that can be incurred by the City is limited by state statute. Total outstanding general obligation bonded 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 general obligation bonded debt was equal to 3.06% of the latest property assessments.

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Gulfport's total assessed valuation is \$776,028,577; therefore, the 15% limitation equals: \$116,404,287; less GO Bonds outstanding of \$23,720,900, leaving a margin for further debt issuance of \$92,683,387.

No-Commitment Debt

In November 2015, the City authorized the Hospital Revenue Refunding Bond, Series 2015A, in the amount of \$8,560,000, with interest rate of 1.5%. This issue refunded the Hospital Revenue and Refunding and Improvement Bonds Series 1994A, in the amount of \$8,500,000, with an interest rate of 5.8% to 6.2%.

In June 2016, the City authorized the Hospital Revenue Refunding Bond, Series 2016, in the amount of \$49,270,000, with interest rate of 5% maturing in 2031. The series 2016 Bonds were issued with a premium of approximately \$9,311,309. This issue refunded the Hospital Revenue Bond, Series 2001, in the amount of \$60,000,000, with an interest rate of 5.5% to 5.8%.

As of September 30, 2018, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds plus unamortized premium was \$55,026,850. These bonds do not constitute a liability of the City, are not a charge against its general credit or taxing powers and, accordingly, are not included in the City's General Long-Term Debt. However, as more fully discussed at Note 17, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS

Defined Benefit Pension Plans

The City participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi ("PERS"). Both systems are defined benefit plans and include a multi-employer; cost-sharing pension plan and an agent multi-employer pension plan as described below:

General Information about the Pension Plans

Public Employees' Retirement System

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public 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.

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% 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% 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).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Public Employees' Retirement System (Continued)

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% 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% 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 17.40% 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.

Municipal Retirement Systems

Plan Description. The City contributes to the Municipal Retirement Systems ("MRS") Fire and Police Disability and Relief Funds, an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At June 30, 2018, the date of the most recent actuarial verification available, the MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. Benefit provisions are established by Miss. Code Ann. 1972 Section 21-29, Articles 1,3,5,7, and annual local and private legislation and may be amended only by the State of Mississippi Legislature.

Benefits provided. Membership in the Fire and Police Disability and Relief Funds was granted to all City uniformed police officers and fire fighters who were not already members of PERS and who were hired prior to July 1, 1976. Employees hired after July 1, 1976 automatically become members of PERS. MRS was fully closed to new members July 1, 1976. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions. As of September 30, 2018, the plan has 88 inactive members or their beneficiaries are currently receiving benefits, no inactive members entitled to but not yet receiving benefits and no active members. Participating employees who retire regardless of age with at least 20 years of credited service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50% of their average monthly compensation and an additional 1.7% for each year of credited service over 20 years not to exceed 66-2/3% of average monthly compensation.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Municipal Retirement Systems (Continued)

Contributions. Plan contributions are based on the value of taxable property adjusted to reflect all property-related contributions, and the millage rates applied to the assessed property. A new funding policy was implemented in February 2011 which extends contributions past 2020. The certified millage rate from the June 30, 2018 valuation is 1.38 mills, therefore, the millage rate effective October 1, 2018, is 1.38 mills.

Net Pension Liability and Pension Expense

At September 30, 2018, the City reported a net pension liability of \$77,978,953 in the governmental activities and \$2,839,148 in the business-type activities for a total of \$80,818,101 for its proportionate share of the PERS net pension liability. A net pension liability in the amount of \$9,839,391 was included within the City's net pension liability for governmental activities for its share of the MRS net pension liability.

The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the 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 4.27%, unchanged from 2017.

For the year ended September 30, 2018, the City recognized PERS pension expense for governmental activities of \$6,555,452 and \$273,144 for business-type activities. For the year ended September 30, 2018, the City recognized pension expense of \$729,341 was reported for the MRS pension in the governmental activities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Schedule of Changes in Net Pension Liability

The change in Net Pension Liability, for PERS, for the fiscal year ended September 30, 2018 is as follows:

Mississippi Public Employees' Retirement System (PERS)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance	\$ 181,299,262	\$ 111,481,006	\$ 69,818,256
Changes for the year:			
Service cost	2,998,065	-	2,998,065
Interest	13,823,957	-	13,823,957
Differences between expected and actual experience	91,155	-	91,155
Contributions – employer	-	4,344,858	(4,344,858)
Contributions – employee	-	2,435,833	(2,435,833)
Net investment income	-	10,181,526	(10,181,526)
Benefit payments, including refunds of employee contributions	(11,665,744)	(11,665,744)	-
Administrative expense	-	(69,404)	69,404
Other changes	2,907,263	1,767,173	1,140,090
Net changes	8,154,696	6,994,242	1,160,454
Ending Balance	<u>\$ 189,453,958</u>	<u>\$ 118,475,248</u>	<u>\$ 70,978,710</u>

A schedule of Net Changes in the City's Proportionate Share of Net Pension Liability and Related Ratios, in addition to the information above, includes multi-year trend information (beginning with FY 2017) and is presented in the Required Supplementary Information Section as listed in the table of contents.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Schedule of Changes in Net Pension Liability (Continued)

The change in Net Pension Liability, for MRS, for the fiscal year ended September 30, 2018 is as follows:

Mississippi Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance	\$ 19,714,648	\$ 9,438,218	\$ 10,276,430
Changes for the year:			
Interest	1,453,102	-	1,453,102
Differences between expected and actual experience	(163,651)	-	(163,651)
Contributions – employer	-	1,025,767	(1,025,767)
Net investment income	-	722,036	(722,036)
Benefit payments, including refunds of employee contributions	(1,929,887)	(1,929,887)	-
Administrative expense	-	(20,515)	20,515
Other changes	-	(798)	798
Net changes	(640,436)	(203,397)	(437,039)
Ending Balance	\$ 19,074,212	\$ 9,234,821	\$ 9,839,391

A schedule the City's Proportionate Share of the Net Changes in Net Pension Liability and Related Ratios – MRS, in addition to the information above, includes multi-year trend information (beginning with FY 2017) and is presented in the Required Supplementary Information Section as listed in the table of contents.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

Mississippi Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance	\$ 19,714,648	\$ 9,438,218	\$ 10,276,430
Changes for the year:			
Interest	1,453,102	-	1,453,102
Differences between expected and actual experience	(163,651)	-	(163,651)
Contributions – employer	-	1,025,767	(1,025,767)
Net investment income	-	722,036	(722,036)
Benefit payments, including refunds of employee contributions	(1,929,887)	(1,929,887)	-
Administrative expense	-	(20,515)	20,515
Other changes	-	(798)	798
Net changes	(640,436)	(203,397)	(437,039)
Ending Balance	\$ 19,074,212	\$ 9,234,821	\$ 9,839,391

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

Deferred Inflows of Resources			
	PERS		Total
	Governmental Activities	Business-Type Activities	
Differences between expected and actual experience	\$ (287,241)	\$ (11,969)	\$ (299,210)
Changes in actuarial assumptions	(37,632)	(1,568)	(39,200)
Net difference between projected and actual earnings on pension plan investments	(1,354,522)	(56,438)	(1,410,960)
Total	\$ (1,679,395)	\$ (69,975)	\$ (1,749,370)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Within the deferred outflows and inflows, a net amount of \$1,163,573 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 ending September 30, 2019.

Under the PERS retirement plan 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 five years.

Under the MRS pension plan, unfunded liabilities are amortized over a closed 30-year period from within 16 years remaining as of June 30, 2018, as a level percent of the municipality's assessed valuation.

The remaining net amount of \$228,016 reported as deferred inflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	PERS	MRS	Total
2019	\$ 821,021	\$ 114,209	\$ 935,230
2020	(229,724)	11,389	(218,335)
2021	(1,668,419)	(115,591)	(1,784,010)
2022	(319,192)	(5,280)	(324,472)
	<u>\$ (1,396,314)</u>	<u>\$ 4,727</u>	<u>\$ (1,391,587)</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (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:

	PERS	MRS
Inflation	3.00%	3.00%
Salary increases	3.75 - 18.50%, including inflation	4.00 - 5.50%, including inflation
Investment rate of return	7.75% (net of pension plan investment expense, including inflation)	7.75% (net of pension plan investment expense, including inflation)
Assessed property value rate of increase	N/A	2.00% compounded annually, used in determining the millage rate under the funding policy

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 2022 with male rates set forward one year.

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 ended June 30, 2017. The experience report is dated April 18, 2017.

For the PERS pension plan, 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

For the MRS pension plan, the actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial value of assets was set equal to the market value on September 30, 2006, and smoothing commenced in 2007. Actuarial assets were allocated to individual cities in the same proportion that their market value of assets was to the total market value of assets for all cities.

Discount Rate

The discount rate used to measure the total pension liability for PERS and MRS was 7.75%, which was based on the future long-term expected rate of return of 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate 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 each plan's total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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%, 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%) or one percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share PERS	\$ 93,458,592	\$ 70,978,710	\$ 52,294,957
City's proportionate share MRS	\$ 11,456,679	\$ 9,839,391	\$ 8,443,968

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued PERS financial reports for PERS and MRS plans which can be obtained at www.pers.ms.gov.

Four-year Trend Information

The following table provides the employer contribution to PERS and MRS for the last four fiscal years:

Year ended September 30,	Employer Contributions	
	PERS	MRS
2018	\$ 4,344,858	\$ 945,713
2017	4,275,125	997,404
2016	4,232,508	899,471
2015	4,298,859	975,093

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Deferred Compensation Plan

The Mississippi PERS offers the City's employees voluntary participation in a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2018 and 2017, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$5,547,792 and \$5,523,187, respectively.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

The City of Gulfport Insurance Committee administers the City's self-insured medical and dental plan. City retirees may obtain health and dental insurance by participating in a group with active employees. The retirees now pay 100% of their health insurance premiums, therefore, the City no longer has a post-employment healthcare benefit reportable under GASB 75 as a single employer defined benefit health care plan.

NOTE 12. UNEMPLOYMENT COMPENSATION FUND

In accordance with Mississippi Code Section 71-5-359(f), the City has obtained a surety bond and posted this bond with the Mississippi Employment Security Commission in lieu of maintaining a cash reserve.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

Description

The City's risk management activities are recorded in the Claims Contingency Fund and the Group Life and Health Fund. The purpose of these funds is to administer general liability, police professional liability, automobile and property liability, workers' compensation, employee life, and employee health insurance programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which a municipality may be liable under the Tort Claims Act. In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

The City is in compliance with the above by providing a combination of insurance and reserves for its tort liabilities, as well as for all of its other risk management activities. A description of these programs is included below.

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The following summary reflects the City's insurance coverage and self-insured risk retention (SIR):

Workers' Compensation

Per occurrence deductible (SIR)	\$	750,000
Per occurrence deductible (Public Safety)	\$	1,000,000
Annual aggregate risk of loss through deductibles	\$	2,920,608
Specific excess coverage in force		Statutory

Employee Health Insurance

Per occurrence deductible (SIR)	\$	150,000
Annual aggregate risk of loss through deductibles		No Limit

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT (CONTINUED)

Description (Continued)

General and Other Liability Coverage

Per occurrence deductible (SIR)	\$	100,000
Annual aggregate risk of loss through deductibles	\$	700,000
MS statutory cap	\$	500,000
Specific excess coverage in force		
General liability, Employee benefit plan liability	\$1 million/occurrence; \$3 million aggregate	
Professional liability	\$2 million/occurrence; \$4 million aggregate	
Automobile, Garagekeepers liability	\$1 million / \$250,000	
CyberFirst liability	\$1 million aggregate	

Property Coverage

Named windstorm	5% per location
All other wind	50,000
All other perils	\$50,000/occurrence
Wind on water towers	No coverage
Specific excess coverage in force	
Buildings	89,161,046
Contents	5,041,775
Signs	768,400

Claims Liability

The City records an estimated liability for employee health care, workers' compensation, torts, and other claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT (CONTINUED)

Unpaid Claims Liabilities

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2017 to September 30, 2018:

	Claims Contingency	Group Health and Life
Liability balance, October 1, 2016	\$ 2,540,000	\$ 315,387
Claims and changes in estimates	(217,284)	5,137,211
Claims payments	(904,422)	(5,075,841)
Liability balance, September 1, 2017	1,418,294	376,757
Claims and changes in estimates	165,133	5,818,400
Claims payments	(785,599)	(5,865,335)
Liability balance, September 1, 2018	<u>\$ 797,828</u>	<u>\$ 329,822</u>
Assets available to pay claims at September 30, 2018	<u>\$ 2,716,012</u>	<u>\$ -</u>

The City's third-party claims administrator develops the City's reserves, including estimates for claims incurred but not reported. Administrative officials have reviewed the reserve estimates and consider them fairly stated. Additionally, the liability has been actuarially evaluated and found to be reasonable.

NOTE 14. OTHER COMMITMENTS AND CONTINGENCIES

Federal Grants

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

Management has determined that any liability for reimbursement, which may arise as the result of these audits, is not believed to be material to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The City is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$797,828 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 14 for treatment of claims incurred but not reported and other tort liability information.

Contract Commitments

Construction Contracts – The following significant contracts were outstanding at September 30, 2018:

	Contract Amount	Expended to Date	Remaining Commitment
Dedeaux Road	\$ 7,045,282	\$ 3,302,379	\$ 3,742,903
Bayou View Water Tank Replacement	2,828,402	150,171	2,678,231
Courthouse Road	5,668,239	3,399,263	2,268,976
Downtown Street Scape Enhance	1,783,383	143,393	1,639,990
Brickyard Bayou	1,141,486	487,757	653,729
Driftwood Nursing Drainage	231,292	-	231,292
34th Street Box Culvert	202,396	-	202,396
Orange Grove Community Center Roof	213,627	24,000	189,627
Flat Branch Panel Replacement	165,150	-	165,150
Ship Island Ferry Terminal	1,471,304	1,324,902	146,402
Sportsplex Field Expansions	7,130,194	6,995,687	134,507
28th Street Widening	4,591,405	4,465,957	125,448
25th Ave and 18th Street Drainage	155,610	46,868	108,742
Coffee Creek	1,478,192	1,379,098	99,094
Airport Rd Widening to Washington Ave. with roundabout	149,831	90,018	59,813
Bayou Vista Golf Course Clubhouse Improvements	94,800	47,786	47,014
20th Ave E Beach Blvd to 15th St Improvement	107,448	69,376	38,072
Seaway Rd Pedestrian Pathway	120,792	94,851	25,941
Three Rivers Rd Sewer	41,360	33,855	7,505
	<u>\$ 34,620,193</u>	<u>\$ 22,055,361</u>	<u>\$ 12,564,832</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. TAX ABATEMENTS

As of September 30, 2018, the City provides tax abatements through various state and local programs subject to the requirements of GASB Statement No. 77. State programs are authorized through Section §57-75-5(f) of Miss. Code Ann. 1972 and local programs are authorized through resolutions by the Harrison County Supervisors and City Council. These programs are as follows:

Program	Benefit	Eligibility Requirements
Fee-in-Lieu	A company may be approved by local authorities to pay a fee in lieu of standard property taxes. This negotiated fee is valid for 10 years but cannot be less than 1/3 of the property tax levy.	The City may consider a fee-in-lieu agreement when a company's private investment in land, building(s) and equipment exceeds \$100 million.
Real and Personal Property Tax Exemptions	An exemption from property taxes on land, building and equipment is available for up to 10 years. School taxes are not exempt.	Eligible businesses include: manufacturers, processors, research and development facilities, refineries, warehouse and distribution facilities, data and information processing companies and telecommunications and technology-intensive industries. The City Council must approve the exemption.
Exemption on In-State Inventory	An exemption from property taxes on finished goods that will remain in Mississippi is available. School taxes are not exempt. Any taxes paid become a direct credit to Mississippi income tax.	Manufacturers, processors, distributors, wholesalers or retailers are eligible. The City Council must approve the exemption.
Free Port Warehouse Exemption	An exemption from property taxes paid on finished goods inventories leaving Mississippi is available. The exemption may be for all property taxes and may be perpetual.	The City Council must approve the exemption.
Broadband Technology Tax (income, franchise)	An exemption from state income taxes and franchise fees paid to local governments.	Approved by the State of Mississippi.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. TAX ABATEMENTS (CONTINUED)

Total tax abatements as of September 30, 2018 are as follows:

<u>Program</u>	<u>Term</u>	<u>Abatement Period Ends</u>	<u>Assessed Value</u>	<u>Estimated Tax Abated</u>
Real and Personal	7 – 10 years	2018	\$ 689,148	\$ 23,431
Property Tax Exemptions	5 – 7 years	2019	2,329,949	79,218
	5 – 7 years	2020	1,795,119	61,034
	7 years	2021	7,277,684	247,441
	7 years	2022	81,799	2,781
	7 years	2023	267,646	9,100
	7 years	2024	488,970	16,625
Free Port Warehouse Exemptions	Open	N/A	3,743,125	127,266
Total tax abatements			<u>\$ 16,673,439</u>	<u>\$ 566,897</u>

In addition, the City derives authority for tax abatement under the Tax Increment Financing Act, Section 21-45-1 through Section 21-45-21 of the Miss. Code Ann. 1972. Under these statute, any municipality may enter into agreements with any developer whereby the developer will agree to construct, operate and maintain buildings or other facilities or improvements included within such projects as are provided in a redevelopment plan. In addition, Section 17-21-5 of the Miss. Code Ann. 1972, allows cities to exempt any or all municipal ad valorem taxes, excluding school districts, to any privately owned new or improvements to structures within a designated business district, historic landmark/preservation district, urban renewal or redevelopment district.

These redevelopment districts for the City are located in downtown Gulfport, property north of highway 49 and Mississippi City.

NOTE 16. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

Joint Ventures

Memorial Hospital at Gulfport

Memorial Hospital at Gulfport ("MHG") is an acute care, not-for-profit community hospital jointly owned by the City and the Gulfport-West Harrison County Hospital District. The Board of Trustees of MHG pursuant to Section 41-13-15 et seq. Miss. Code Ann. 1972, as amended operates it. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District. The following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2018, a copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Memorial Hospital at Gulfport (Continued)

Memorial Hospital at Gulfport Statement of Net Position

Assets

Current assets	\$ 172,184,963
Noncurrent cash and investments	86,357,055
Capital assets, net	173,532,929
Other assets	4,250,085
Total assets	<u>436,325,032</u>

Deferred Outflow of Resources

11,163,445

Liabilities

Current liabilities	53,311,853
Long-term liabilities	106,597,605
Total liabilities	<u>159,909,458</u>

Deferred Inflow of Resources

218,465

Net position

Net investment in capital assets	111,642,560
Restricted	6,793,759
Unrestricted	168,924,235
Total net position	<u>\$ 287,360,554</u>

The City has no transactions with MHG that are included in the City's financial statements. All general obligation bonds issued on behalf of Memorial Hospital were paid off during prior fiscal years. See Note 9 for additional information pertaining to conduit debt issued for Memorial Hospital at Gulfport.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Harrison County Utility Authority

The City is a member of the Harrison County Utility Authority ("HCUA"), which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the districts serviced by HCUA. Through a 50-year contract, the City is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the HCUA. Additionally, the City is jointly and severally liable for all of the liabilities of the HCUA. The HCUA is classified as a joint venture between the City and the other members.

The following is a synopsis of the HCUA's financial statements as of and for the year ended September 30, 2018, a complete copy of which is on file at the administrative offices of the District which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

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	7,890,935
Current liabilities from restricted assets	8,078,161
Long-term liabilities	102,552,431
Deferred inflows	40,995
Total liabilities and deferred inflows	<u>118,562,522</u>

NET POSITION

Net investment in capital assets	153,179,362
Restricted	11,852,985
Unrestricted	347,955
Total net assets	<u>165,380,302</u>

Total liabilities, deferred outflows and net assets	<u><u>\$ 283,942,824</u></u>
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Harrison County Utility Authority (Continued)

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	<u>4,147,409</u>
Change in net position	<u>\$ (11,936,239)</u>

The following financial information concerning transactions with the HCUA has been included in the City's financial statements under the following captions:

Water and Sewer Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position	
Contractual services (solid waste and wastewater treatment charges)	<u>\$ 6,578,119</u>

Jointly Governed Organizations

Gulfport-Biloxi Regional Airport Authority

The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The authority is comprised of one appointee each from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually, if necessary. During the past fiscal year, the City did not provide any funding to the Gulfport-Biloxi Regional Airport.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

Gulfport-Biloxi Regional Airport Authority (Continued)

On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian 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 and the City has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$383,250 for the year ended September 30, 2018. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City does not have an ongoing financial responsibility.

NOTE 17. RESTATEMENT FOR ERRORS IN PRIOR YEAR REPORTING

The City has determined that a restatement to beginning net position of governmental activities, beginning net position of business-type activities, beginning fund balance of the Disaster Relief Fund, and beginning net position of Joseph T. Jones Fund.

	Governmental Activities	Business-type Activities
Net position, as previously reported	\$ 223,625,861	\$ 206,306,754
Adjustments to beginning net position to reflect corrections of errors, net	1,008,063	1,434,175
Net position, as restated	<u>\$ 224,633,924</u>	<u>\$ 207,740,929</u>

	Disaster Relief Fund
Fund balance, as previously reported	\$ 429,820
Adjustments to beginning fund balance to reflect corrections of errors, net	(1,266,646)
Fund deficit, as restated	<u>\$ (836,826)</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. RESTATEMENT FOR ERRORS IN PRIOR YEAR REPORTING (CONTINUED)

	<u>Joseph T. Jones Fund</u>
Net position, as previously reported	\$ 21,344,163
Adjustments to beginning net position to reflect corrections of errors, net	<u>1,434,175</u>
Net position, as restated	<u>\$ 22,778,338</u>

Restatement No. 1 – Proper recognition of capital assets – governmental activities. The City has determined that a restatement to the beginning net position for its governmental activities is required to properly recognize capital assets. Adjustments to reduce the City's net position for governmental activities and the capital assets for governmental activities by \$1,933,939 were required as of October 1, 2017.

Restatement No. 2 – Proper recognition of deferred inflow of resources – unavailable revenues. The City has determined that a restatement to the beginning fund balance was required to reduce fund balance by \$1,266,646 and increase a deferred inflow of resources – unavailable as of October 1, 2017.

Restatement No. 3 – Proper recognition of capital assets – business type activities. The City has determined that a restatement to the beginning net position of Joseph T. Jones Fund and business type activities was required to properly recognize capital assets. Adjustments to increase the City's net position at the fund level and entity wide level - business type activities and capital assets by \$1,434,175 was required as of October 1, 2017.

Restatement No. 4 – Proper recognition of governmental fines receivable. The City has determined that a restatement to the beginning net position for its governmental activities was required to properly recognize fines receivable. Adjustments to increase the City's net position for governmental activities and courts receivable for governmental activities by \$2,942,002 was required as of October 1, 2017.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEFICIT FUND BALANCE/NET POSITION

The following funds have a deficit in fund balance/net position at September 30, 2018:

Disaster Relief Fund – \$647,347
Community Development Block Grant Fund – \$2,034,617
Debt Service Fund – \$281,319
Group Health and Life Fund – \$1,104,719

The funds' deficits will be reduced through intergovernmental revenues.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF GULFPORT, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - BUDGETARY BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Budget Basis	with Final Budget
REVENUES:				
Property taxes	\$ 19,660,000	\$ 19,660,000	\$ 19,284,130	\$ (375,870)
Sales taxes	21,162,929	21,162,929	21,993,504	830,575
Gaming fees	4,108,061	4,108,061	3,898,982	(209,079)
Licenses, permits and franchise fees	5,180,685	5,180,685	5,267,120	86,435
Intergovernmental	4,567,825	4,242,444	3,085,719	(1,156,725)
Charges for services/Rents/Leases	2,252,945	2,443,628	2,385,767	(57,861)
Fines and fees	1,302,631	1,302,631	1,091,140	(211,491)
Interest income	22,299	22,299	217,009	194,710
Miscellaneous/Other	204,495	206,077	163,690	(42,387)
Total revenues	58,461,870	58,328,754	57,387,061	(941,693)
EXPENDITURES:				
Current:				
General government:				
Personnel services	5,184,734	5,146,183	4,981,808	164,375
Supplies	125,461	127,923	69,614	58,309
Other services and charges	4,464,545	4,364,916	3,212,527	1,152,389
Capital outlay	395,376	486,467	292,744	193,723
Total general government	10,170,116	10,125,489	8,556,693	1,568,796
Public safety:				
Personnel services	26,481,936	25,717,160	25,179,654	537,506
Supplies	1,801,488	1,884,232	1,752,134	132,098
Other services and charges	2,370,048	2,932,212	2,725,069	207,143
Capital outlay	126,000	413,718	162,147	251,571
Total public safety	30,779,472	30,947,322	29,819,004	1,128,318
Public works:				
Personnel services	2,064,650	2,064,650	2,063,804	846
Supplies	1,329,359	1,317,791	1,183,421	134,370
Other services and charges	5,776,791	5,794,810	5,497,848	296,962
Capital outlay	496,433	918,520	249,063	669,457
Total public works	9,667,233	10,095,771	8,994,136	1,101,635
Economic development:				
Personnel services	1,851,729	1,851,729	1,769,881	81,848
Supplies	54,040	57,040	38,905	18,135
Other services and charges	323,422	350,201	292,562	57,639
Capital outlay	236,000	236,000	35,898	200,102
Total economic development	2,465,191	2,494,970	2,137,246	357,724

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

CITY OF GULFPORT, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION NOTE TO THE BUDGETARY SCHEDULE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Budgetary Presentation

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.

The budgetary comparisons present budget figures at the legal level of control. The City Council formally adopts the annual budget for the General Fund with revenues segregated by source (ad valorem tax, licenses and permits, intergovernmental, etc.). The General Fund expenditure budget is set at the character level (current, capital outlay, debt service) for each department (function) with current expenditures further detailed at the object level (personal services, supplies, and other services).

The budgets for revenues are on a cash basis – revenue is recognized if actually received within the year. Budgeted expenditures are on the cash basis with allowance for encumbrances for goods and services actually received prior to year-end and liquidated (paid) within thirty days after year-end.

Accounting principles applied in preparation of the budget comparison statements differ from the generally accepted accounting principles used in preparation of the fund statements. These differences in the principles used results in timing differences in the recognition of revenue and expenditures. At the bottom of the schedule is a reconciliation of the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – Budget Basis to the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.

CITY OF GULFPORT, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AND NOTES MISSISSIPPI PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
City's proportion of the net pension liability	0.427%	0.420%	0.420%	0.420%
City's proportionate share of the net pension liability	\$ 70,978,710	\$ 69,818,256	\$ 75,022,488	\$ 64,923,718
City's covered payroll	\$ 27,831,601	\$ 27,186,711	\$ 26,563,213	\$ 26,225,454
City's proportionate share of the net pension liability as a percentage of its covered payroll	255.0%	256.8%	282.4%	247.6%
Plan fiduciary net position as a percentage of the total pension liability	62.5%	61.5%	57.5%	61.7%

The schedule will present 10 years of information once it is accumulated.

Notes to the Schedule:

Changes of assumptions

2017

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

2016

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

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes 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 1% and a maximum rate of 5%.

CITY OF GULFPORT, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS AND NOTES AND RELATED RATIOS AND NOTES MISSISSIPPI PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR THE YEARS ENDED SEPTEMBER 30,

<u>Year</u>	<u>Statutorily Required Employer Contributions</u>	<u>Employer Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 4,292,050	\$ 4,292,050	-	\$ 27,831,601	15.42%
2017	4,275,125	4,275,125	-	27,143,651	15.75%
2016	4,232,508	4,232,508	-	26,873,067	15.75%
2015	4,298,859	4,298,859	-	27,294,343	15.75%
2014	4,064,174	4,064,174	-	25,804,279	15.75%
2013	3,817,029	3,817,029	-	26,767,384	14.26%
2012	3,529,220	3,529,220	-	27,294,818	12.93%
2011	3,365,904	3,365,904	-	28,049,200	12.00%
2010	3,181,382	3,181,382	-	26,511,517	12.00%
2009	3,447,179	3,447,179	-	28,726,492	12.00%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

Valuation date: Actuarially determined contribution rates in the Schedules of Employer Contributions are calculated as of June 30, 2017, two years prior to the end of the fiscal year in which contributions are reported.

CITY OF GULFPORT, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AND NOTES MISSISSIPPI MUNICIPAL RETIREMENT SYSTEM FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
City's proportion of the net pension liability	6.20%	5.95%	5.99%	6.20%
City's proportionate share of the net pension liability	\$ 9,839,391	\$ 10,276,430	\$ 10,276,430	\$ 10,276,430
City's covered payroll (1)	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	48.4%	47.8%	45.7%	49.6%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

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

CITY OF GULFPORT, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS AND NOTES AND RELATED RATIOS AND NOTES MISSISSIPPI MUNICIPAL RETIREMENT SYSTEM FOR THE YEARS ENDED SEPTEMBER 30,

Year	Statutorily Required Employer Contributions (1)	Employer Contributions	Contribution Deficiency (Excess)	Employee Payroll (2)	Contributions as a Percentage of Covered Payroll (2)
2018	\$ 943,358	\$ 943,358	-	N/A	N/A
2017	997,404	997,404	-	N/A	N/A
2016	899,471	899,471	-	N/A	N/A
2015	975,093	975,093	-	N/A	N/A
2014	-	899,471	-	N/A	N/A
2013	-	971,252	-	N/A	N/A
2012	-	1,259,233	-	N/A	N/A
2011	-	1,545,190	-	N/A	N/A
2010	-	1,375,214	-	N/A	N/A
2009	-	1,523,859	-	N/A	N/A

(1) Actuarially determined contributions information only available for four years.

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

Notes to the Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ended September 30, 2018 were based on the June 30, 2016 actuarial valuation.

SUPPLEMENTARY INFORMATION

Supplementary information is presented to provide greater detailed information than reported in the preceding financial statements. This information, in many cases, has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for fair presentation in order to be in conformity with Generally Accepted Accounting Principles.

NONMAJOR GOVERNMENTAL FUNDS

Combining and Individual Fund Financial Statements and Budgetary Comparison Schedules

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes. A description of these funds is found later in this section.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – This fund is used to account for the payment of principal and interest on the City's outstanding debt.

CITY OF GULFPORT, MISSISSIPPI

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SEPTEMBER 30, 2018

	Special Revenue Funds					
	Disaster Relief Fund	Community Development Block Grant Fund	Police and Firemen's Retirement Fund	Forfeitures and Seizures Fund	Debt Service Fund	Totals
ASSETS						
Cash and cash equivalents	\$ -	\$ 300	\$ -	\$ -	\$ -	\$ 300
Property taxes receivable	-	-	1,040,776	-	4,698,577	5,739,353
Intergovernmental receivable	1,266,646	569,849	-	-	-	1,836,495
Restricted cash	-	-	-	473,647	-	473,647
Total assets	<u>\$ 1,266,646</u>	<u>\$ 570,149</u>	<u>\$ 1,040,776</u>	<u>\$ 473,647</u>	<u>\$ 4,698,577</u>	<u>\$ 8,049,795</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,676	\$ 200,043	\$ -	\$ 5,019	\$ -	\$ 207,738
Retainage payable	-	11,249	-	-	-	11,249
Accrued wages payable	-	4,038	-	-	-	4,038
Due to other funds	644,671	2,105,348	-	-	364,199	3,114,218
Total liabilities	<u>647,347</u>	<u>2,320,678</u>	<u>-</u>	<u>5,019</u>	<u>364,199</u>	<u>3,337,243</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - intergovernmental	1,266,646	284,088	-	-	-	1,550,734
Deferred inflows - property taxes	-	-	1,022,418	-	4,615,697	5,638,115
Total deferred inflows of resources	<u>1,266,646</u>	<u>284,088</u>	<u>1,022,418</u>	<u>-</u>	<u>4,615,697</u>	<u>7,188,849</u>
FUND BALANCES (DEFICITS)						
Restricted for public safety	-	-	18,358	468,628	-	486,986
Unassigned	(647,347)	(2,034,617)	-	-	(281,319)	(2,963,283)
Total fund balances (deficits)	<u>(647,347)</u>	<u>(2,034,617)</u>	<u>18,358</u>	<u>468,628</u>	<u>(281,319)</u>	<u>(2,476,297)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,266,646</u>	<u>\$ 570,149</u>	<u>\$ 1,040,776</u>	<u>\$ 473,647</u>	<u>\$ 4,698,577</u>	<u>\$ 8,049,795</u>

CITY OF GULFPORT, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds					
	Disaster Relief Fund	Community Development Block Grant Fund	Police and Firemen's Retirement Fund	Forfeitures and Seizures Fund	Debt Service Fund	Totals
Revenues:						
Property taxes	\$ -	\$ -	\$ 1,004,241	\$ -	\$ 4,519,635	\$ 5,523,876
Intergovernmental	189,479	1,650,393	40,469	548,412	181,559	2,610,312
Interest income	-	262	-	11,078	116,790	128,130
Total revenues	189,479	1,650,655	1,044,710	559,490	4,817,984	8,262,318
Expenditures:						
Public safety	-	-	1,026,352	38,821	-	1,065,173
Economic development	-	557,414	-	-	-	557,414
Capital outlay	-	1,292,614	-	419,574	-	1,712,188
Principal	-	-	-	-	3,763,955	3,763,955
Interest	-	-	-	-	2,144,844	2,144,844
Other debt service costs	-	-	-	-	12,201	12,201
Total expenditures	-	1,850,028	1,026,352	458,395	5,921,000	9,255,775
Excess (deficiency) of revenues over (under) expenditures	189,479	(199,373)	18,358	101,095	(1,103,016)	(993,457)
Other financing sources (uses)						
Sale of capital assets	-	-	-	9,224	-	9,224
Transfers in	-	-	-	-	938,447	938,447
Transfers out	-	-	-	-	(116,750)	(116,750)
Total other financing sources, net	-	-	-	9,224	821,697	830,921
Net change in fund balances	189,479	(199,373)	18,358	110,319	(281,319)	(162,536)
Fund balances (deficits), beginning of year, as restated	(836,826)	(1,835,244)	-	358,309	-	(2,313,761)
Fund balances (deficits), end of year	<u>\$ (647,347)</u>	<u>\$ (2,034,617)</u>	<u>\$ 18,358</u>	<u>\$ 468,628</u>	<u>\$ (281,319)</u>	<u>\$ (2,476,297)</u>

SPECIAL REVENUE FUNDS

Budget to Actual Comparisons

Disaster Relief Fund – This fund is used to account for all federal, state and local grants and contributions that are to be used in the reconstruction, repairs and other hurricane disaster related uses for the City.

Community Development Block Grant Fund – This fund is used to account for all federal, state and local grants and contributions that are to be used in improving low-income housing in the community.

Police and Firemen's Retirement Fund – This fund is used to account for tax revenues legally restricted for funding the police and firemen's retirement plan. All collections are forwarded to the Public Employee's Retirement System (PERS) for a closed fire and police retirement system managed by PERS.

Forfeitures and Seizures Fund – This fund is used to account for monies seized and forfeited through drug enforcement actions and are specifically restricted for drug enforcement expenditures and other such public safety operations.

CITY OF GULFPORT, MISSISSIPPI

DISASTER RELIEF FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 1,382,084	\$ 1,382,084	\$ 189,479	\$ (1,192,605)
Total revenues	<u>1,382,084</u>	<u>1,382,084</u>	<u>189,479</u>	<u>(1,192,605)</u>
EXPENDITURES				
Culture and recreation				
Economic development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,382,084	1,382,084	189,479	(1,192,605)
FUND BALANCES (DEFICITS), beginning of year, as restated	<u>(836,826)</u>	<u>(836,826)</u>	<u>(836,826)</u>	<u>-</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ 545,258</u>	<u>\$ 545,258</u>	<u>(647,347)</u>	<u>\$ (1,192,605)</u>
Receivable/revenue adjustments			-	
Payable/expenditure adjustments			<u>-</u>	
Fund Deficit - September 30 - GAAP Basis			<u>\$ (647,347)</u>	

CITY OF GULFPORT, MISSISSIPPI

COMMUNITY DEVELOPMENT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 4,949,515	\$ 4,949,515	\$ 1,401,780	\$ (3,547,735)
Investment earnings	-	-	262	262
Total revenues	<u>4,949,515</u>	<u>4,949,515</u>	<u>1,402,042</u>	<u>(3,547,473)</u>
EXPENDITURES				
Economic development				
Personnel services	216,877	237,856	237,856	-
Supplies	13,600	4,381	2,118	2,263
Other contractual services	738,208	1,073,315	317,860	755,455
Capital outlay	5,066,267	9,485,552	1,090,125	8,395,427
Total expenditures	<u>6,034,952</u>	<u>10,801,104</u>	<u>1,647,959</u>	<u>9,153,145</u>
Net change in fund balance	-	(5,851,589)	(245,917)	5,605,672
FUND BALANCES (DEFICITS), beginning of year	<u>(1,835,244)</u>	<u>(1,835,244)</u>	<u>(1,835,244)</u>	-
FUND BALANCES (DEFICITS), end of year	<u><u>\$ (1,835,244)</u></u>	<u><u>\$ (7,686,833)</u></u>	<u>(2,081,161)</u>	<u><u>\$ 5,605,672</u></u>
Receivable/revenue adjustments			248,879	
Payable/expenditure adjustments			<u>(202,335)</u>	
Fund Deficit - September 30 - GAAP Basis			<u><u>\$ (2,034,617)</u></u>	

CITY OF GULFPORT, MISSISSIPPI

POLICE AND FIREMEN'S RETIREMENT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Property taxes	\$ 1,028,046	\$ 1,028,046	\$ 985,883	\$ 42,163
Intergovernmental	34,000	34,000	40,469	(6,469)
Total revenues	<u>1,062,046</u>	<u>1,062,046</u>	<u>1,026,352</u>	<u>35,694</u>
EXPENDITURES				
Public safety				
Other services	<u>1,062,046</u>	<u>1,062,046</u>	<u>1,026,352</u>	<u>35,694</u>
Total expenditures	<u>1,062,046</u>	<u>1,062,046</u>	<u>1,026,352</u>	<u>35,694</u>
Net change in fund balance	-	-	-	71,388
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 71,388</u>
Receivable/revenue adjustments			18,358	
Payable/expenditure adjustments			<u>-</u>	
Fund Deficit - September 30 - GAAP Basis			<u>\$ 18,358</u>	

CITY OF GULFPORT, MISSISSIPPI

FORFEITURES AND SEIZURES FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Intergovernmental	\$ -	\$ 553,859	\$ 548,412	\$ (5,447)
Investment earnings	-	-	11,078	11,078
Total revenues	-	553,859	559,490	5,631
EXPENDITURES				
Public safety				
Supplies	20,583	192,144	38,821	153,323
Capital outlay	376,414	758,730	419,574	339,156
Total expenditures	396,997	950,874	458,395	492,479
Excess of revenues over expenditures	(396,997)	(397,015)	101,095	498,110
Other financing sources				
Sale of capital assets	-	-	9,224	9,224
Total other financing sources	-	-	9,224	9,224
Net change in fund balance	(396,997)	(397,015)	110,319	507,334
FUND BALANCES, beginning of year	358,309	358,309	358,309	-
FUND BALANCES (DEFICITS), end of year	<u><u>\$ (38,688)</u></u>	<u><u>\$ (38,706)</u></u>	468,628	<u><u>\$ 507,334</u></u>
Receivable/revenue adjustments			-	
Payable/expenditure adjustments			-	
Fund Deficit - September 30 - GAAP Basis			<u><u>\$ 468,628</u></u>	

CITY OF GULFPORT, MISSISSIPPI

CAPITAL PROJECTS FUNDS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 77,803,868	\$ 38,431,462	\$ 13,528,352	\$ 24,903,110
Investment earnings	-	-	121,971	(121,971)
Total revenues	<u>77,803,868</u>	<u>38,431,462</u>	<u>13,650,323</u>	<u>24,781,139</u>
EXPENDITURES				
Capital outlay	<u>63,722,309</u>	<u>76,211,213</u>	<u>26,684,004</u>	<u>49,527,209</u>
Total expenditures	<u>63,722,309</u>	<u>76,211,213</u>	<u>26,684,004</u>	<u>49,527,209</u>
Deficiency of revenues under expenditures	14,081,559	(37,779,751)	(13,033,681)	(24,746,070)
OTHER FINANCING SOURCES				
Bond proceeds	<u>-</u>	<u>40,580,237</u>	<u>40,580,237</u>	<u>-</u>
Net change in fund balance	14,081,559	2,800,486	27,546,556	24,746,070
FUND BALANCES, beginning of year	<u>8,056,050</u>	<u>8,056,050</u>	<u>8,056,050</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 22,137,609</u>	<u>\$ 10,856,536</u>	35,602,606	<u>\$ 24,746,070</u>
Receivable/revenue adjustments			2,337,403	
Payable/expenditure adjustments			<u>(1,130,923)</u>	
Fund Balance - September 30 - GAAP Basis			<u>\$ 36,809,086</u>	

CITY OF GULFPORT, MISSISSIPPI

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Property taxes	\$ 4,525,000	\$ 4,525,000	\$ 4,436,756	\$ (88,244)
Intergovernmental	116,106	116,106	181,559	65,453
Investment earnings	183,000	183,000	116,790	(66,210)
Total revenues	<u>4,824,106</u>	<u>4,824,106</u>	<u>4,735,105</u>	<u>(89,001)</u>
EXPENDITURES				
Debt service				
Principal and interest payments	<u>5,802,084</u>	<u>5,631,586</u>	<u>5,614,887</u>	<u>16,699</u>
Total expenditures	<u>5,802,084</u>	<u>5,631,586</u>	<u>5,614,887</u>	<u>16,699</u>
Excess of expenditures over revenues	(977,978)	(807,480)	(879,782)	(72,302)
OTHER FINANCING SOURCES				
Transfers in	<u>938,447</u>	<u>938,447</u>	<u>938,447</u>	<u>-</u>
Net change in fund balance	(39,531)	130,967	58,665	(72,302)
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ (39,531)</u>	<u>\$ 130,967</u>	58,665	<u>\$ (72,302)</u>
Receivable/revenue adjustments			82,879	
Payable/expenditure adjustments			<u>(422,863)</u>	
Fund Deficit - September 30 - GAAP Basis			<u>\$ (281,319)</u>	

CAPITAL PROJECTS FUNDS

Combining Budget to Actual Comparisons

Capital Projects Funds – (Major fund not part of required supplementary information) These funds are used to account for tax revenues and certain government grants specifically restricted for the construction of major capital facilities and public improvement projects not otherwise funded by general obligation bonds.

CITY OF GULFPORT, MISSISSIPPI

CAPITAL PROJECTS FUNDS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 77,803,868	\$ 38,431,462	\$ 13,528,352	\$ 24,903,110
Investment earnings	-	-	121,971	(121,971)
Total revenues	<u>77,803,868</u>	<u>38,431,462</u>	<u>13,650,323</u>	<u>24,781,139</u>
EXPENDITURES				
Capital outlay	<u>63,722,309</u>	<u>76,211,213</u>	<u>26,684,004</u>	<u>49,527,209</u>
Total expenditures	<u>63,722,309</u>	<u>76,211,213</u>	<u>26,684,004</u>	<u>49,527,209</u>
Deficiency of revenues under expenditures	14,081,559	(37,779,751)	(13,033,681)	(24,746,070)
OTHER FINANCING SOURCES				
Bond proceeds	<u>-</u>	<u>40,580,237</u>	<u>40,580,237</u>	<u>-</u>
Net change in fund balance	14,081,559	2,800,486	27,546,556	24,746,070
FUND BALANCES, beginning of year	<u>8,056,050</u>	<u>8,056,050</u>	<u>8,056,050</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 22,137,609</u>	<u>\$ 10,856,536</u>	<u>35,602,606</u>	<u>\$ 24,746,070</u>
Receivable/revenue adjustments			2,337,403	
Payable/expenditure adjustments			<u>(1,130,923)</u>	
Fund Balance - September 30 - GAAP Basis			<u>\$ 36,809,086</u>	

DEBT SERVICE FUND

Budget to Actual

Debt Service Fund – This Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the City of Gulfport, Mississippi is obligated in some manner for the payment.

CITY OF GULFPORT, MISSISSIPPI

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Budget Basis	Variance with Final Budget
REVENUES				
Property taxes	\$ 4,525,000	\$ 4,525,000	\$ 4,436,756	\$ (88,244)
Intergovernmental	116,106	116,106	181,559	65,453
Investment earnings	183,000	183,000	116,790	(66,210)
Total revenues	<u>4,824,106</u>	<u>4,824,106</u>	<u>4,735,105</u>	<u>(89,001)</u>
EXPENDITURES				
Debt service				
Principal and interest payments	<u>5,802,084</u>	<u>5,631,586</u>	<u>5,614,887</u>	<u>16,699</u>
Total expenditures	<u>5,802,084</u>	<u>5,631,586</u>	<u>5,614,887</u>	<u>16,699</u>
Excess of expenditures over revenues	(977,978)	(807,480)	(879,782)	(72,302)
OTHER FINANCING SOURCES				
Transfers in	<u>938,447</u>	<u>938,447</u>	<u>938,447</u>	<u>-</u>
Net change in fund balance	(39,531)	130,967	58,665	(72,302)
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ (39,531)</u>	<u>\$ 130,967</u>	58,665	<u>\$ (72,302)</u>
Receivable/revenue adjustments			82,879	
Payable/expenditure adjustments			<u>(422,863)</u>	
Fund Deficit - September 30 - GAAP Basis			<u>\$ (281,319)</u>	

PROPRIETARY FUNDS

Combining and Individual Fund Financial Statements and Budgetary Comparison Schedules

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the services to the general public on a continuing basis are financed or recovered primarily through user charges.

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis.

ENTERPRISE FUNDS

Combining Budget to Actual Comparisons

Water and Sewer Fund – This fund is used to account for the activities of the Water and Sewer operations of the City of Gulfport, Mississippi.

Joseph T. Jones Park Fund – This fund is used to account for operations, maintenance, and leasing of boat slips and other facilities within the Joseph T. Jones Memorial Park.

CITY OF GULFPORT, MISSISSIPPI

ENTERPRISE FUNDS COMBINING BUDGETARY COMPARISON SCHEDULE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Major Fund Water and Sewer Fund	Nonmajor Fund Joseph T. Jones Park Fund
OPERATING REVENUES				
Charges for services	\$ 33,928,652	\$ 33,928,652	\$ 32,826,200	\$ 798,167
Fines and forfeitures	3,337	3,337	660	-
Grants	-	-	-	40,404
Miscellaneous	2,162,612	2,162,612	1,870,599	436,436
Total revenues	<u>36,094,601</u>	<u>36,094,601</u>	<u>34,697,459</u>	<u>1,275,007</u>
OPERATING EXPENSES				
Personal services	1,387,376	1,387,376	1,010,291	319,195
Contractual services	20,045,799	20,783,396	18,455,451	899,119
Materials and supplies	3,273,150	3,519,614	2,547,125	482,076
Total operating expenses	<u>24,706,325</u>	<u>25,690,386</u>	<u>22,012,867</u>	<u>1,700,390</u>
Operating income (loss)	11,388,276	10,404,215	12,684,592	(425,383)
NONOPERATING REVENUES (EXPENSES)				
Interest income	33,022	33,022	35,098	1,205
Debt service	(8,537,267)	(8,516,442)	(8,404,345)	-
Capital outlay	(15,357,994)	(8,658,713)	(4,597,062)	-
Total non-operating revenues (expenses)	<u>(23,862,239)</u>	<u>(17,142,133)</u>	<u>(12,966,309)</u>	<u>1,205</u>
Net change in net position	(12,473,963)	(6,737,918)	(281,717)	(424,178)
NET POSITIONS, beginning of year, as restated	<u>169,449,525</u>	<u>169,449,525</u>	<u>146,671,187</u>	<u>22,778,338</u>
NET POSITIONS, end of year	<u>\$ 156,975,562</u>	<u>\$ 162,711,607</u>	146,389,470	22,354,160
Receivable/revenue adjustments			1,322,892	1,414,322
Payable/expenditure adjustments			<u>5,342,095</u>	<u>(932,094)</u>
Net Position - September 30 - GAAP Basis			<u>\$ 153,054,457</u>	<u>\$ 22,836,388</u>

Actual Budget Basis	Variance with Final Budget
\$ 33,624,367	\$ 304,285
660	2,677
40,404	(40,404)
2,307,035	(144,423)
35,972,466	122,135
1,329,486	57,890
19,354,570	1,428,826
3,029,201	490,413
23,713,257	1,977,129
12,259,209	(1,854,994)
36,303	3,281
(8,404,345)	112,097
(4,597,062)	4,061,651
(12,965,104)	4,177,029
(705,895)	(6,032,023)
169,449,525	-
\$ 168,743,630	\$ (6,032,023)

INTERNAL SERVICE FUNDS

Combining Fund Financial Statements

Group Life and Health Fund – This fund is used to account for the accumulation and allocation of costs associated with providing health care and life insurance benefits for the City of Gulfport, Mississippi's employees.

Claims Contingency Fund – This fund is used to account for the accumulation of costs associated with workman's compensation claims and general liability claims against the City of Gulfport.

CITY OF GULFPORT, MISSISSIPPI

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS SEPTEMBER 30, 2018

	Group Health and Life	Claims Contingency	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,871,685	\$ 2,871,685
Due from other funds	-	120,456	120,456
Prepaid insurance	-	855,382	855,382
Total assets	-	3,847,523	3,847,523
LIABILITIES			
Accounts payable	12,004	276,129	288,133
Due to other funds	762,893	-	762,893
Liability for self-insurance claims	329,822	797,828	1,127,650
Total liabilities	1,104,719	1,073,957	2,178,676
NET POSITION			
Unrestricted	(1,104,719)	2,773,566	1,668,847
Total net assets	(1,104,719)	2,773,566	1,668,847
Total liabilities and fund equity	\$ -	\$ 3,847,523	\$ 3,847,523

CITY OF GULFPORT, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Group Health and Life	Claims Contingency	Total
REVENUES			
Employee contributions	\$ 1,274,578	\$ -	\$ 1,274,578
Retiree contributions	142,190	-	142,190
Employer contributions	4,490,230	2,824,675	7,314,905
Miscellaneous	359,934	199,508	559,442
Total revenues	<u>6,266,932</u>	<u>3,024,183</u>	<u>9,291,115</u>
OPERATING EXPENSES			
Administrative expenses	431,194	447,910	879,104
Premium payments	667,412	1,588,369	2,255,781
Claims paid	5,318,944	785,599	6,104,543
Total expenses	<u>6,417,550</u>	<u>2,821,878</u>	<u>9,239,428</u>
Operating income (loss)	<u>(150,618)</u>	<u>202,305</u>	<u>51,687</u>
NONOPERATING REVENUE			
Interest income	<u>-</u>	<u>23,387</u>	<u>23,387</u>
Change in net position	(150,618)	225,692	75,074
TOTAL NET POSITION, beginning of year	<u>(954,101)</u>	<u>2,547,874</u>	<u>1,593,773</u>
TOTAL NET POSITION, end of year	<u>\$ (1,104,719)</u>	<u>\$ 2,773,566</u>	<u>\$ 1,668,847</u>

CITY OF GULFPORT, MISSISSIPPI

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Group Health and Life	Claims Contingency	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other operating receipts	\$ -	\$ 199,508	\$ 199,508
Cash received from employees and others	1,729,767	-	1,729,767
Cash received from employer contributions	4,490,230	2,824,675	7,314,905
Cash paid for contractual services	(6,219,997)	(3,117,137)	(9,337,134)
Net cash used in operating activities	<u>-</u>	<u>(92,954)</u>	<u>(92,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>-</u>	<u>23,387</u>	<u>23,387</u>
Net cash provided by investing activities	<u>-</u>	<u>23,387</u>	<u>23,387</u>
Net decrease in cash and cash equivalents	-	(69,567)	(69,567)
Cash and cash equivalents, beginning of year	-	2,941,252	2,941,252
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 2,871,685</u>	<u>\$ 2,871,685</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (150,618)	\$ 202,305	\$ 51,687
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Change in assets and liabilities:			
Decrease in prepaid expenses	-	53,439	53,439
Increase (decrease) in accounts payable	(3,301)	271,768	268,467
Increase (decrease) in accrued liabilities	153,919	(620,466)	(466,547)
Net cash used in operating activities	<u>\$ -</u>	<u>\$ (92,954)</u>	<u>\$ (92,954)</u>

FIDUCIARY FUNDS

Combining Fund Financial Statements

Fiduciary Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Asset Forfeiture Fund – This is a fiduciary fund for collecting and settling assets seized jointly by the city and other governments.

Coastal Narcotics Task Force Fund – This is a fiduciary fund for collecting and settling assets seized jointly by the city and other governments.

CITY OF GULFPORT, MISSISSIPPI

COMBINING BALANCE SHEET FIDUCIARY FUNDS SEPTEMBER 30, 2018

ASSETS	Agency Funds		Total
	Asset Forfeiture Fund	Coastal Narcotics Task Force Fund	
Cash	\$ 240,158	\$ 90,675	\$ 330,833
Assets held for disposal	54,350	-	54,350
Total assets	<u>\$ 294,508</u>	<u>\$ 90,675</u>	<u>\$ 385,183</u>
LIABILITIES			
Assets held in trust	\$ 294,508	\$ 90,675	\$ 385,183
Total liabilities	<u>\$ 294,508</u>	<u>\$ 90,675</u>	<u>\$ 385,183</u>

AGENCY FUNDS

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Balance at 10/1/2017	Increases	Decreases	Balance at 9/30/2018
<u>Asset Forfeiture Fund</u>				
ASSETS				
Cash	\$ 163,721	\$ 197,620	\$ (121,183)	\$ 240,158
Assets held for disposal	54,350	-	-	54,350
Total assets	<u>\$ 218,071</u>	<u>\$ 197,620</u>	<u>\$ (121,183)</u>	<u>\$ 294,508</u>
LIABILITIES				
Assets held in trust	\$ 218,071	\$ 197,620	\$ (121,183)	\$ 294,508
Total liabilities	<u>\$ 218,071</u>	<u>\$ 197,620</u>	<u>\$ (121,183)</u>	<u>\$ 294,508</u>
<u>Coastal Narcotics Task Force Fund</u>				
ASSETS				
Cash	\$ 89,188	\$ 10,004	\$ (8,517)	\$ 90,675
Total assets	<u>\$ 89,188</u>	<u>\$ 10,004</u>	<u>\$ (8,517)</u>	<u>\$ 90,675</u>
LIABILITIES				
Assets held in trust	\$ 89,188	\$ 10,004	\$ (8,517)	\$ 90,675
Total liabilities	<u>\$ 89,188</u>	<u>\$ 10,004</u>	<u>\$ (8,517)</u>	<u>\$ 90,675</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash	\$ 252,909	\$ 207,624	\$ (129,700)	\$ 330,833
Assets held for disposal	54,350	-	-	54,350
Total assets	<u>\$ 307,259</u>	<u>\$ 207,624</u>	<u>\$ (129,700)</u>	<u>\$ 385,183</u>
LIABILITIES				
Assets held in trust	\$ 307,259	\$ 207,624	\$ (129,700)	\$ 385,183
Total liabilities	<u>\$ 307,259</u>	<u>\$ 207,624</u>	<u>\$ (129,700)</u>	<u>\$ 385,183</u>

STATISTICAL SECTION

This part of the City of Gulfport's Comprehensive Annual Financial Report presents detailed information as to context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS:

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Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time 116 – 122

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax 123 – 126

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and its ability to issue additional debt in the future 127 – 131

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities occur 132 and 133

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs 134 – 137

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

CITY OF GULFPORT, MISSISSIPPI

NET POSITION BY COMPONENT LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital										
assets	\$ 241,003,147	\$ 249,085,367	\$ 266,185,951	\$ 270,930,882	\$ 281,117,526	\$ 285,129,249	\$ 269,973,076	\$ 284,125,550	\$ 281,766,765	\$ 282,914,775
Restricted	23,399,810	9,827,643	5,797,855	16,137,281	16,868,111	13,301,974	14,019,819	12,978,620	1,267,164	468,628
Unrestricted	(5,272,825)	(3,975,556)	112,782	(2,956,829)	(9,402,426)	5,437,311	(54,692,070)	(61,646,834)	(59,408,068)	(60,602,164)
Total governmental activities										
net position	<u>\$ 259,130,132</u>	<u>\$ 254,937,454</u>	<u>\$ 272,096,588</u>	<u>\$ 284,111,334</u>	<u>\$ 288,583,211</u>	<u>\$ 303,868,534</u>	<u>\$ 229,300,825</u>	<u>\$ 235,457,336</u>	<u>\$ 223,625,861</u>	<u>\$ 222,781,239</u>
Business-type activities										
Net investment in capital										
assets	\$ 70,723,443	\$ 132,528,012	\$ 166,696,100	\$ 174,576,166	\$ 175,793,824	\$ 177,125,671	\$ 164,552,076	\$ 187,635,987	\$ 194,234,500	\$ 223,437,734
Restricted	968,050	952,121	952,230	952,325	952,420	952,215	15,731,978	8,486	6,405	-
Unrestricted	11,971,135	2,378,590	4,723,104	3,570,295	4,113,910	2,891,605	86,560	(2,404,430)	12,065,849	(85,831)
Total business-type										
activities net position	<u>\$ 83,662,628</u>	<u>\$ 135,858,723</u>	<u>\$ 172,371,434</u>	<u>\$ 179,098,786</u>	<u>\$ 180,860,154</u>	<u>\$ 180,969,491</u>	<u>\$ 180,370,614</u>	<u>\$ 185,240,043</u>	<u>\$ 206,306,754</u>	<u>\$ 223,351,903</u>
Primary government										
Net investment in capital										
assets	\$ 311,726,590	\$ 381,613,379	\$ 432,882,051	\$ 445,507,048	\$ 456,911,350	\$ 462,254,920	\$ 434,525,152	\$ 471,761,537	\$ 476,001,265	\$ 506,352,509
Restricted	24,367,860	10,779,764	6,750,085	17,089,606	17,820,531	14,254,189	29,751,797	12,987,106	1,273,569	468,628
Unrestricted	6,698,310	(1,596,966)	4,835,886	613,466	(5,288,516)	8,328,916	(54,605,510)	(64,051,264)	(47,342,219)	(60,687,995)
Total primary government										
net position	<u>\$ 342,792,760</u>	<u>\$ 390,796,177</u>	<u>\$ 444,468,022</u>	<u>\$ 463,210,120</u>	<u>\$ 469,443,365</u>	<u>\$ 484,838,025</u>	<u>\$ 409,671,439</u>	<u>\$ 420,697,379</u>	<u>\$ 429,932,615</u>	<u>\$ 446,133,142</u>

Note: GASB 68 was implemented during fiscal year 2015.

CITY OF GULFPORT, MISSISSIPPI

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Primary government:										
Governmental activities:										
General government	\$ 17,895,591	\$ 15,061,672	\$ 14,640,152	\$ 17,985,821	\$ 15,406,713	\$ 17,447,206	\$ 9,984,277	\$ 9,457,333	\$ 8,955,761	\$ 10,368,615
Public safety	32,637,921	28,908,909	27,707,275	29,205,705	26,479,794	28,485,153	35,195,058	32,749,940	36,652,652	34,710,217
Public works	14,365,217	12,235,926	11,084,442	12,482,311	12,657,384	12,878,389	13,400,408	13,449,819	12,637,532	12,245,395
Health and welfare	-	-	-	-	-	-	-	-	-	386,980
Economic development	2,662,668	2,289,992	2,081,041	2,122,547	2,036,416	1,927,464	3,777,350	5,151,915	4,296,975	2,831,726
Culture and recreation	16,820,045	8,869,990	5,717,562	5,793,659	5,212,892	7,876,483	8,178,271	6,337,334	6,730,779	8,332,983
Interest on long-term debt	1,772,771	1,564,971	1,413,236	1,677,536	1,493,792	1,001,747	1,262,659	1,213,855	1,508,188	2,362,895
Total governmental activities expenses	86,154,213	68,931,460	62,643,708	69,267,579	63,286,991	69,616,442	71,798,023	68,360,196	70,781,887	71,238,811
Business-type activities:										
Water and sewer	26,111,077	26,940,884	26,911,222	29,943,157	29,368,049	31,584,772	31,522,039	30,727,118	30,710,859	29,672,180
Joseph T. Jones park	87,597	104,380	164,346	2,947,134	1,737,744	1,769,575	1,580,391	1,490,524	2,884,485	2,561,572
Gulfport Redevelopment Commission	-	-	-	87,250	87,250	87,250	993,205	890,413	1,771,032	1,002,790
Total business-type activities expenses	26,198,674	27,045,264	27,075,568	32,977,541	31,193,043	33,441,597	34,095,635	33,108,055	35,366,376	33,236,542
Total primary government expenses	112,352,887	95,976,724	89,719,276	102,245,120	94,480,034	103,058,039	105,893,658	101,468,251	106,148,263	104,475,353
Program revenues										
Primary government:										
Governmental activities:										
Charges for services										
General government	3,726,883	3,703,025	4,614,756	4,157,208	3,888,141	3,991,989	1,120,782	1,326,909	401,081	3,057,735
Public safety	123,813	28,761	150,421	113,522	90,097	108,200	2,099,891	1,651,228	2,595,178	347,110
Public works	-	-	55,885	14,161	7,246	205,186	77	-	182,604	258,916
Economic development	1,951,181	1,426,498	1,376,726	1,110,574	1,251,084	1,428,906	1,211,817	1,279,488	501,244	463,816
Culture and recreation	494,019	771,647	550,700	598,271	813,746	714,847	713,456	691,299	1,108,932	-
Operating grants and contributions	15,924,930	8,564,497	3,625,390	2,664,936	5,017,529	3,157,775	3,221,880	2,499,445	531,807	1,223,481
Capital grants and contributions	18,696,556	14,959,682	18,384,916	20,047,920	4,325,695	3,094,349	10,118,309	19,749,006	13,637,379	20,890,038
Total governmental activities program revenues	40,917,382	29,454,110	28,758,794	28,706,592	15,393,538	12,701,252	18,486,212	27,197,375	18,958,225	26,241,096

(Continued)

CITY OF GULFPORT, MISSISSIPPI

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services										
Water and sewer	\$ 22,892,554	\$ 24,210,429	\$ 28,604,172	\$ 30,245,886	\$ 30,367,141	\$ 30,516,277	\$ 31,966,110	\$ 31,673,688	\$ 33,635,070	\$ 34,955,643
Joseph T. Jones park	7,817	11,647	11,647	520,896	1,028,745	1,145,826	753,310	716,627	816,480	1,294,236
Gulfport Redevelopment Commission	-	-	-	-	-	-	-	-	-	261,700
Operating grants and contributions	-	-	-	-	-	-	253,475	143,820	413,860	-
Capital grants and contributions	24,267,954	52,615,994	29,957,733	8,138,942	1,064,897	309,001	950,480	-	1,622,689	-
Total business-type activities										
program revenues	47,168,325	76,838,070	58,573,552	38,905,724	32,460,783	31,971,104	33,923,375	32,534,135	36,488,099	36,511,579
Total primary government										
program revenues	88,085,707	106,292,180	87,332,346	67,612,316	47,854,321	44,672,356	52,409,587	59,731,510	55,446,324	62,752,675
Change in net position										
Governmental activities	(45,236,831)	(39,477,350)	(33,884,914)	(40,560,987)	(47,893,453)	(56,915,190)	(53,311,811)	(41,162,821)	(51,823,662)	(44,997,715)
Business-type activities	20,969,651	49,792,806	31,497,984	5,928,183	1,267,740	(1,470,493)	(172,260)	(573,920)	1,121,723	3,275,037
Total primary government										
change in net position	\$ (24,267,180)	\$ 10,315,456	\$ (2,386,930)	\$ (34,632,804)	\$ (46,625,713)	\$ (58,385,683)	\$ (53,484,071)	\$ (41,736,741)	\$ (50,701,939)	\$ (41,722,678)

Note: Years 2007 through 2013 Governmental Activities Unrestricted Net Position restated for Net Pension Asset.

CITY OF GULFPORT, MISSISSIPPI

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 16,609,515	\$ 17,410,169	\$ 18,061,388	\$ 18,457,067	\$ 18,388,705	\$ 18,432,805	\$ 18,324,198	\$ 18,711,363	\$ 19,248,462	\$ 19,429,085
Property taxes, levied for special purposes	6,801,634	7,048,312	6,315,051	6,095,931	5,729,313	5,807,459	5,198,340	5,176,121	5,377,549	5,523,876
Sales tax	20,131,945	18,741,574	19,230,296	19,002,874	19,576,183	19,739,832	20,523,996	20,751,725	21,048,200	22,093,578
Franchise taxes	3,828,900	3,942,293	3,638,352	3,606,682	3,779,248	4,332,280	4,246,279	3,617,560	3,497,919	4,067,817
Gaming taxes	3,316,175	3,221,427	3,198,977	3,142,387	3,282,363	3,092,973	3,656,859	3,793,035	3,912,284	3,839,811
Unrestricted grants and contributions	968,885	523,802	825,581	1,980,424	3,559,724	5,292,120	1,612,414	1,506,240	3,222,779	-
Insurance proceeds	3,264,814	309,856	214,664	-	-	-	11,817	-	-	-
Gain (Loss) on Disposal of Capital Assets	(1,850,914)	(20,349,579)	(126,609)	580,963	376,346	(30,892)	-	(2,650,954)	-	-
Investment Earnings & Misc	25,322,512	3,737,998	141,165	237,067	162,701	105,043	4,442,248	244,918	884,571	490,497
Transfers	(3,439,783)	(1,765,333)	(3,882,228)	(981,225)	(454,869)	-	-	(4,542,001)	(18,242,482)	(12,299,634)
Total governmental activities	<u>\$ 74,953,683</u>	<u>\$ 32,820,519</u>	<u>\$ 47,616,637</u>	<u>\$ 52,122,170</u>	<u>\$ 54,399,714</u>	<u>\$ 56,771,620</u>	<u>\$ 58,016,151</u>	<u>\$ 46,608,007</u>	<u>\$ 38,949,282</u>	<u>\$ 43,145,030</u>
Business-type activities										
Insurance Proceeds	524,471	-	-	-	-	-	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	(47,347)	(81,167)	(2,971)	-	-	(6,498)	-	-	-	-
Investment Earnings & Misc	2,863,010	189,350	119,166	74,245	38,759	52,575	5,008	892,530	706,744	36,303
Transfers	3,439,783	1,765,333	3,882,228	981,225	454,869	-	391,651	4,542,001	18,242,482	12,299,634
Total business-type activities	<u>6,779,917</u>	<u>1,873,516</u>	<u>3,998,423</u>	<u>1,055,470</u>	<u>493,628</u>	<u>46,077</u>	<u>396,659</u>	<u>5,434,531</u>	<u>18,949,226</u>	<u>12,335,937</u>
Total primary government	<u>\$ 68,173,766</u>	<u>\$ 30,947,003</u>	<u>\$ 43,618,214</u>	<u>\$ 51,066,700</u>	<u>\$ 53,906,086</u>	<u>\$ 56,725,543</u>	<u>\$ 57,619,492</u>	<u>\$ 41,173,476</u>	<u>\$ 20,000,056</u>	<u>\$ 30,809,093</u>
Governmental - Special Items:										
Prior Period Adjustments	-	-	-	-	-	-	(79,272,049)	711,325	1,042,905	1,008,063
FEMA Community disaster loan forgiveness	-	-	-	-	-	16,021,567	-	-	-	-
Business-type activities - Special items:										
Prior Period Adjustments	-	-	-	-	-	-	(823,576)	86,043	995,761	1,434,175
FEMA Community disaster loan forgiveness	-	-	-	-	-	3,573,774	-	-	-	-
Total primary government - Special items	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,595,341</u>	<u>\$ (80,095,625)</u>	<u>\$ 797,368</u>	<u>\$ 2,038,666</u>	<u>\$ 2,442,238</u>
Change in Net Position										
Governmental activities	29,716,852	(6,656,831)	13,731,723	10,764,978	3,975,972	15,877,997	229,300,825	235,457,336	(12,874,380)	(1,852,685)
Business-type activities	27,749,568	51,666,322	35,496,407	6,983,653	1,761,368	2,149,358	180,370,614	185,238,293	20,070,949	15,610,974
Total primary government	<u>\$ 57,466,420</u>	<u>\$ 45,009,491</u>	<u>\$ 49,228,130</u>	<u>\$ 17,748,631</u>	<u>\$ 5,737,340</u>	<u>\$ 18,027,355</u>	<u>\$ 409,671,439</u>	<u>\$ 420,695,629</u>	<u>\$ 7,196,569</u>	<u>\$ 13,758,289</u>

CITY OF GULFPORT, MISSISSIPPI

FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted for:										
Public Safety	\$ 28,499	\$ 28,499	\$ 28,499	\$ 28,499	\$ -	\$ -	\$ -	\$ -	\$ 5,513	\$ -
Senior citizens program	100,000	100,000	100,000	100,000	100,000	100,000	160,512	160,591	-	-
Committed for:										
Capital projects	-	-	-	-	-	-	-	-	32,451,567	-
Assigned for:										
Subsequent year appropriations	4,775,590	-	-	-	215,226	-	-	-	-	-
Unassigned	627,799	5,183,946	5,075,411	2,372,878	3,179,087	3,527,812	7,754,355	8,085,738	(21,605,706)	11,790,005
Total general fund	<u>\$ 5,531,888</u>	<u>\$ 5,312,445</u>	<u>\$ 5,203,910</u>	<u>\$ 2,501,377</u>	<u>\$ 3,494,313</u>	<u>\$ 3,627,812</u>	<u>\$ 7,914,867</u>	<u>\$ 8,246,329</u>	<u>\$ 10,851,374</u>	<u>\$ 11,790,005</u>
 All other governmental funds										
Restricted for:	\$ 3,114,542	\$ 2,030,276								
Public Safety	5,791,001	3,662,817	\$ 1,395,365	\$ 1,458,489	\$ 1,512,330	\$ 800,030	\$ 249,351	\$ 1,033,210	\$ 358,309	\$ 486,986
Debt service	406,792	132,398	3,844,021	4,134,783	3,849,656	4,720,408	751,472	-	-	-
Urban development	14,239,250	5,643,041	295,984	295,988	297,275	221,348	1,067,786	-	-	-
Capital projects	1,152,092	-	2,240,691	12,245,552	11,108,850	7,460,188	15,772,309	22,404,670	429,820	-
Hurricane repairs	-	-	-	-	-	-	-	-	-	-
Committed for:										
Capital projects	-	-	-	-	-	-	-	1,256,850	8,056,050	36,809,086
Unassigned	-	-	-	-	-	-	(154,134)	(831,641)	(1,835,244)	(2,963,283)
Nonspendable fro prepaids	76,257	72,582	69,820	64,883	60,770	-	-	-	-	-
Total all other governmental funds	<u>\$ 24,779,934</u>	<u>\$ 11,541,114</u>	<u>\$ 7,845,881</u>	<u>\$ 18,199,695</u>	<u>\$ 16,828,881</u>	<u>\$ 13,201,974</u>	<u>\$ 17,686,784</u>	<u>\$ 23,863,089</u>	<u>\$ 7,008,935</u>	<u>\$ 34,332,789</u>
 Total all governmental funds	<u>\$ 30,311,822</u>	<u>\$ 16,853,559</u>	<u>\$ 13,049,791</u>	<u>\$ 20,701,072</u>	<u>\$ 20,323,194</u>	<u>\$ 16,829,786</u>	<u>\$ 25,601,651</u>	<u>\$ 32,109,418</u>	<u>\$ 17,860,309</u>	<u>\$ 46,122,794</u>

Note: GASB 54 was implemented during fiscal year 2011.

CITY OF GULFPORT, MISSISSIPPI

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes										
Property	\$ 23,411,149	\$ 24,458,481	\$ 24,376,439	\$ 24,552,998	\$ 24,118,018	\$ 24,240,264	\$ 23,522,538	\$ 23,887,484	\$ 24,626,011	\$ 24,952,961
Sales	20,131,845	18,741,574	19,230,296	19,002,874	19,576,183	19,739,832	20,523,996	20,751,725	21,048,200	22,093,578
Franchise	3,828,900	3,942,293	3,638,352	3,606,682	3,779,248	4,332,280	4,246,279	3,617,560	3,497,919	4,067,817
Gaming	3,316,175	3,221,427	3,197,977	3,142,387	3,282,363	3,092,973	3,450,659	3,793,035	3,912,284	3,839,811
Licenses and permits	1,695,450	1,362,510	1,342,133	1,110,574	1,251,084	1,406,737	1,102,339	1,011,280	973,157	1,335,447
Intergovernmental	34,908,729	24,047,981	22,835,887	21,082,548	11,085,701	8,488,088	15,054,935	24,509,833	16,841,019	19,811,378
Charges for services	952,901	985,498	1,502,856	1,527,177	1,721,145	1,954,839	1,974,416	2,146,206	1,813,279	2,385,767
Fines and forfeitures	2,673,324	2,202,505	2,548,171	1,931,800	1,956,635	1,721,696	1,423,042	1,159,849	504,687	1,091,140
Miscellaneous	1,054,812	459,499	75,847	201,646	161,557	104,066	687,373	397,772	1,028,211	630,800
Total revenues	91,973,285	79,421,768	78,747,958	76,158,686	66,931,934	65,080,775	71,985,577	81,274,744	74,244,767	80,208,699
Expenditures:										
General government	8,706,354	7,279,026	7,228,142	7,187,596	7,079,355	7,824,841	8,372,762	8,014,244	8,019,915	9,190,907
Public safety	35,626,715	33,477,490	30,667,009	32,448,262	29,433,859	31,361,182	30,264,968	29,161,755	31,814,921	30,769,330
Public works	10,923,312	8,809,717	8,276,579	9,728,428	9,927,950	10,335,506	9,586,433	8,219,646	8,387,013	8,651,285
Economic development	2,954,131	2,551,983	2,370,885	2,428,878	2,346,013	2,249,006	3,567,688	3,111,656	2,316,072	2,693,619
Culture and recreation	16,998,771	9,315,501	5,565,858	6,787,433	8,066,154	6,958,247	6,214,998	6,126,959	6,126,075	6,176,023
Capital outlay	26,364,288	26,012,668	20,708,636	15,098,742	6,738,782	7,126,336	13,988,721	13,348,415	10,613,725	19,487,592
Debt service:										
Principal	3,572,981	3,725,430	3,748,258	3,497,844	4,140,350	3,238,072	3,268,236	4,034,538	3,613,712	3,954,055
Interest	1,391,971	1,209,078	1,055,136	1,279,711	1,128,160	765,011	935,696	1,357,116	1,692,917	2,200,273
Other	15,453	8,165	9,165	7,675	11,866	7,625	112,408	8,497	8,381	12,201
Total expenditures	106,553,976	92,389,058	79,629,668	78,464,569	68,872,489	69,865,826	76,311,910	73,382,826	72,592,731	83,135,285
Excess (deficiency) of revenues over (under) expenditures	(14,580,691)	(12,967,290)	(881,710)	(2,305,883)	(1,940,555)	(4,785,051)	(4,326,333)	7,891,918	1,652,036	(2,926,586)

(Continued)

CITY OF GULFPORT, MISSISSIPPI

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other financing sources (uses)										
Capital leases	\$ -	\$ -	\$ -	\$ 10,000,000	\$ 517,622	\$ 415,679	\$ 1,910,117	\$ 1,163,948	\$ -	\$ 1,705,500
Capital contributions	-	-	-	-	-	480,000	-	-	1,179,182	-
Payment to refunded bond escrow	-	-	-	-	-	(16,412,456)	-	-	-	-
Bond proceeds	-	-	-	-	-	15,025,000	16,000,000	-	-	35,000,000
Bond issue costs	-	-	-	-	-	(364,181)	-	-	-	-
Premium on refunding bonds	-	-	-	-	-	1,745,902	-	-	-	5,580,237
Insurance proceeds	3,264,815	309,856	214,664	-	-	-	-	-	-	-
Sale of capital assets	65,170	139,929	106,085	1,070,368	884,922	401,699	62,548	78,338	119,250	80,724
Transfers in	9,927,865	4,323,038	773,380	1,193,605	536,337	-	581,558	569,812	3,006,652	938,447
Transfers out	(14,185,375)	(5,263,796)	(4,017,187)	(1,691,807)	(991,206)	-	(581,558)	(3,196,249)	(21,249,134)	(10,849,191)
British Petroleum settlement	-	-	-	-	-	-	4,402,962	-	-	-
Total other financing sources	<u>(927,525)</u>	<u>(490,973)</u>	<u>(2,923,058)</u>	<u>10,572,166</u>	<u>947,675</u>	<u>1,291,643</u>	<u>22,375,627</u>	<u>(1,384,151)</u>	<u>(16,944,050)</u>	<u>32,455,717</u>
Net change in fund balances	<u>\$ (15,508,216)</u>	<u>\$ (13,458,263)</u>	<u>\$ (3,804,768)</u>	<u>\$ 8,266,283</u>	<u>\$ (992,880)</u>	<u>\$ (3,493,408)</u>	<u>\$ 18,049,294</u>	<u>\$ 6,507,767</u>	<u>\$ (15,292,014)</u>	<u>\$ 29,529,131</u>
Debt service as a percentage of noncapital expenditures	<u>6.19%</u>	<u>7.43%</u>	<u>8.15%</u>	<u>7.54%</u>	<u>8.48%</u>	<u>6.38%</u>	<u>6.75%</u>	<u>8.98%</u>	<u>8.56%</u>	<u>9.67%</u>

CITY OF GULFPORT, MISSISSIPPI

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Real Property (1)(2)		Personal Property		Utilities		Automobiles		Total		Assessed to Actual
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
2009	\$ 433,240	\$ 3,166,959	\$ 87,524	\$ 583,493	\$ 111,864	\$ 745,760	\$ 86,752	\$ 289,173	\$ 719,380	\$ 4,785,385	15.03%
2010	438,057	3,202,171	86,117	574,113	122,200	814,667	83,028	279,760	729,402	4,870,711	14.98%
2011	459,746	3,360,716	80,905	539,367	125,478	836,520	73,952	246,507	740,081	4,983,110	14.85%
2012	466,503	3,410,110	83,309	555,393	129,334	862,227	69,948	233,160	749,094	5,060,890	14.80%
2013	460,129	3,363,516	81,023	540,153	131,213	874,753	69,407	231,357	741,772	5,009,779	14.81%
2014	459,586	3,359,547	82,689	551,260	127,697	851,313	68,175	227,250	738,147	4,989,370	14.79%
2015	457,861	3,346,937	82,237	548,247	126,978	846,520	69,253	230,843	736,329	4,972,547	14.81%
2016	471,288	3,445,088	75,200	501,333	133,476	889,840	75,991	253,303	755,955	5,089,564	14.85%
2017	474,145	3,465,972	75,361	502,407	134,461	896,407	79,771	265,903	763,738	5,130,689	14.89%
2018	489,795	3,580,373	80,723	538,153	141,481	943,207	81,771	272,570	793,770	5,334,303	14.88%

(1) Class 1 - residential, owner occupied is assessed at 10% of true value.

Class 2 - commercial is assessed at 15% of true value.

Above schedule uses estimated combined assessment ratio of 13.68% for real property.

(2) Fiscal Year 2009 real property figures reflect completion of real property reappraisal by Harrison County.

Source: Harrison County Tax Assessor

CITY OF GULFPORT, MISSISSIPPI

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS

Fiscal Year	City of Gulfport			Overlapping Rates			Grand Total		
	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage
2018	27.8	6.2	34.0	31.3	5.1	36.4	53.4	11.5	64.9
2017	27.7	6.3	34.0	31.3	5.1	36.4	53.4	11.5	64.9
2016	27.8	6.2	34.0	31.3	5.1	36.4	53.4	11.5	64.9
2015	27.8	6.2	34.0	31.1	5.1	36.2	53.6	11.3	64.9
2014	27.0	7.0	34.0	30.5	5.4	35.9	53.6	7.3	60.9
2013	27.0	7.0	34.0	30.5	5.4	35.9	53.9	7.0	60.9
2012	27.0	7.0	34.0	30.5	5.4	35.9	53.6	7.3	60.9
2011	27.0	7.0	34.0	30.5	5.4	35.9	53.0	7.9	60.9
2010	25.7	8.3	34.0	31.0	4.9	35.9	50.3	7.6	57.9
2009	25.8	8.2	34.0	31.3	4.4	35.7	50.3	7.6	57.9

Note: Ad valorem on real property are collected in arrears for each calendar year. The tax is levied in September of the tax year on all property on the tax roll as of January 1 of the same year. Consequently, ad valorem tax is collected in the fiscal year ending in the calendar year subsequent to the calendar year for which the tax is assessed.

Source: Harrison County Tax Collector

CITY OF GULFPORT, MISSISSIPPI

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND TEN YEARS AGO

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Island View Casino Resort/Gulfside	\$ 14,300	1	28.86%	\$ 21,488	2	16.69%
CrossRoads Center	6,280	2	12.67%	5,174	3	4.02%
Gulfside Casino Partnership-Lessee	6,229	3	12.57%	-		0.00%
Hancock Bank	5,411	4	10.92%	4,077	4	3.17%
GPCH	3,692	5	7.45%	2,093	6	1.63%
Gulf Coast Gulfport LLC	3,170	6	6.40%	-		0.00%
McDermott Inc - Lessee	2,944	7	5.94%	-		0.00%
Wal-Mart	2,779	8	5.61%	-		0.00%
Gulfport Factory Shops	2,540	9	5.13%	2,314	5	1.80%
Anchor Development	2,202	10	4.44%	-		0.00%
Mississippi Power & Light	-		0.00%	93,586	1	72.70%
Total	<u>\$ 49,547</u>		<u>100.00%</u>	<u>\$ 128,732</u>		<u>100.00%</u>

Source: Harrison County Tax Assessor

CITY OF GULFPORT, MISSISSIPPI

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

(In thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 42,882	\$ 40,952	95.50%	\$ 393	\$ 41,345	96.42%
2010	45,051	43,157	95.80%	193	43,350	96.22%
2011	45,642	42,620	93.38%	233	42,853	93.89%
2012	45,675	42,829	93.77%	200	43,029	94.21%
2013	45,014	42,399	94.19%	158	42,557	94.54%
2014	44,508	42,288	95.01%	341	42,629	95.78%
2015	45,583	43,784	96.05%	(513) *	43,271	94.93%
2016	45,771	43,952	96.03%	350	44,302	96.79%
2017	45,860	44,042	96.04%	168	44,210	96.40%
2018	49,245	43,747	88.84%	(82)	43,665	88.67%

* Net of Section 42 Housing repayments by the City.

CITY OF GULFPORT, MISSISSIPPI

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (In thousands)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government Debt	Percentage of Personal Income
	General Obligation Bonds	Capital Leases	Other General Obligation Debt	General Obligation Revenue Bonds	State Revolving Loans	Other Debt		
2009	\$ 26,070	\$ 1,572	\$ 19,701	\$ 59,625	\$ 33,611	\$ 3,397	\$ 143,976	14.06%
2010	23,535	961	19,122	55,875	31,533	3,368	134,394	15.19%
2011	21,005	326	23,538	52,735	29,407	3,338	130,349	13.78%
2012	18,345	-	28,026	49,460	27,312	3,308	126,451	16.48%
2013	15,545	518	26,686	46,035	25,258	2,986	117,028	18.44%
2014	17,320	793	8,307	42,140	23,380	-	91,940	22.69%
2015	31,212	25,468	7,305	40,253	32,516	10,952	147,706	17.75%
2016	28,445	3,319	6,350	35,525	32,331	11,061	117,031	17.79%
2017	26,342	2,788	5,370	30,698	22,560	10,922	98,680	21.73%
2018	24,137	3,755	39,360	26,153	22,262	10,842	126,509	17.03%

CITY OF GULFPORT, MISSISSIPPI

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS (In thousands)

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross General Obligation Bonds	Less Debt Service Funds	Net General Obligation Bonded Total	Percentage of Assessed Taxable Value of Property	Net Bonded Debt Per Capita
2009	70.7	\$ 719,380	\$ 26,070	\$ 5,867	\$ 20,203	2.81%	\$ 286
2010	70.8	729,402	23,535	3,735	19,800	2.71%	280
2011	67.8	740,081	21,005	3,914	17,091	2.31%	252
2012	69.2	749,094	18,345	4,135	14,210	1.90%	205
2013	70.1	741,772	15,545	3,850	11,695	1.58%	167
2014	71.0	738,147	17,320	4,720	12,600	1.71%	177
2015	71.8	736,329	32,789	3,848	28,941	3.93%	403
2016	71.9	755,955	29,863	-	29,863	3.95%	415
2017	72.1	763,738	26,342	-	26,342	3.45%	365
2018	71.8	793,770	-	-	-	0.00%	-

(1) Schedule 5 "Assessed and Actual Value of Property"

CITY OF GULFPORT, MISSISSIPPI

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT SEPTEMBER 30, 2018 (In thousands)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Gulfport direct debt	\$ 24,137	100.00%	\$ 24,137
Debt repaid with property taxes:			
Harrison County	137,910	36.58%	50,447
Gulfport School District	45,143	100.00%	45,143
Overlapping debt	183,053		95,590
Total direct and overlapping debt	<u>\$ 207,190</u>		<u>\$ 119,727</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

The percentage of overlapping debt applicable is estimated using assessed property values, by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total assessed value.

Source: Debt schedules for City of Gulfport, Harrison County, and Gulfport School Districts.

CITY OF GULFPORT, MISSISSIPPI

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (In thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit (15%)	\$ 107,907	\$ 109,410	\$ 111,012	\$ 112,364	\$ 111,266	\$ 110,722	\$ 110,449	\$ 113,393	\$ 114,377	\$ 119,066
Total net GO debt applicable to limit	20,907	19,800	17,091	14,210	11,695	12,600	27,364	28,005	25,917	23,731.90
Legal debt margin	<u>\$ 87,000</u>	<u>\$ 89,610</u>	<u>\$ 93,921</u>	<u>\$ 98,154</u>	<u>\$ 99,571</u>	<u>\$ 98,122</u>	<u>\$ 83,085</u>	<u>\$ 85,388</u>	<u>\$ 88,460</u>	<u>\$ 95,334</u>
Total net debt applicable to the limit as a percentage of debt limit	19.38%	18.10%	15.40%	12.65%	10.51%	11.38%	24.78%	24.70%	22.66%	19.93%

CITY OF GULFPORT, MISSISSIPPI

PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS (In thousands)

Fiscal Year	Water and Sewer Gross Revenue	Water and Sewer ⁽²⁾ Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements ⁽¹⁾			Coverage
				Principal	Interest	Total	
2009	\$ 23,040	\$ 18,758	\$ 4,282	\$ 1,545	\$ 2,236	\$ 3,781	113.25%
2010	24,348	18,879	5,469	1,620	2,160	3,780	144.68%
2011	28,700	18,394	10,306	1,710	2,075	3,785	272.29%
2012	30,282	21,172	9,110	1,800	1,985	3,785	240.69%
2013	30,402	20,669	9,733	1,895	1,890	3,785	257.15%
2014	30,559	23,652	6,907	1,995	1,791	3,786	182.44%
2015	32,420	23,714	8,706	4,119	2,181	6,300	138.19%
2016	32,210	22,942	9,268	3,998	2,333	6,331	146.39%
2017	33,939	22,983	10,956	3,185	2,333	5,518	198.55%
2018	34,956	27,963	6,993	2,850	1,867	4,717	148.24%

⁽¹⁾ Does not include GO Revenue Bonds in which the City has the option of using property or sales taxes to repay the debt.

⁽²⁾ Operating expenses are exclusive of depreciation and amortization.

CITY OF GULFPORT, MISSISSIPPI

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	School Enrollment ⁽¹⁾	Unemployment Rate ⁽¹⁾
2009	70,732	\$ 20,243	5,232	8.30%
2010	70,794	20,417	5,609	8.70%
2011	67,793	17,963	5,659	9.20%
2012	69,220	20,845	5,699	8.10%
2013	70,113	21,579	5,903	7.40%
2014	71,012	20,863	6,135	6.50%
2015	71,750	20,340	6,353	5.90%
2016	71,856	20,825	6,302	5.50%
2017	72,076	21,443	6,182	4.20%
2018	71,822	21,541	6,308	4.80%

⁽¹⁾ U.S. Census Bureau GCT-T1-R population estimates.

CITY OF GULFPORT, MISSISSIPPI

PRINCIPAL STAFF LAST EIGHT FISCAL YEARS

Employer	Fiscal Years															
	2018		2017		2016		2015		2014		2013		2012		2011	
	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank
Naval CBC Base	5,500	1	5,500	1	5,500	1	5,500	1	5,500	1	3,304	1	5,400	1	5,800	1
Memorial Hospital	3,331	2	3,331	2	3,331	2	3,331	2	3,331	2	3,290	2	3,290	2	2,894	2
Harrison Cty School	1,802	3	1,802	3	1,802	3	1,802	3	1,802	3	1,788	3	1,703	3	1,649	3
Island View Casino	1,210	4	1,206	4	1,206	4	1,293	4	1,206	4	1,207	4	1,337	4	1,188	5
Hancock Bank	864	5	864	5	864	5	864	5	864	5	864	5	864	5	864	7
Gulfport Schools	848	6	848	6	848	6	848	7	848	6	831	6	818	6	900	6
Mississippi Power	728	7	728	7	728	7	728	8	728	7	728	7	728	8	1,253	4
City of Gulfport	640	8	640	8	640	8	640	9	-	-	617	8	618	9	639	9
Trent Lott Training	636	9	636	9	636	9	636	10	636	10	-	-	-	-	-	-
Wal-Mart	585	10	585	10	585	10	-	-	-	-	585	10	585	10	585	10
Gulf Coast Shipyard	-	-	-	-	-	-	851	6	650	8	-	-	-	-	-	-
Gulf Ship, LLC	-	-	-	-	-	-	-	-	650	9	608	9	-	-	-	-
Huntington Ingalls	-	-	-	-	-	-	-	-	-	-	-	-	730	7	730	8
Total	16,144		16,140		16,140		16,493		16,215		13,822		16,073		16,502	

CITY OF GULFPORT, MISSISSIPPI

FULL-TIME EQUIVALENT CITY GOVERNMENTAL STAFF BY FUNCTION/PROGRAM LAST EIGHT FISCAL YEARS

Function	Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
	Full-Time Equivalent Staff	Full-Time Equivalent Staff	Full-Time Equivalent Staff	Full-Time Equivalent Staff	Full-Time Equivalent Staff	Full-Time Equivalent Staff	Full-Time Equivalent Staff	Full-Time Equivalent Staff
Mayor's Office	3	3	3	3	3	3	3	3
Council	8	8	9	9	9	9	9	7
Municipal Court	23.5	22.5	23.5	22.5	21.5	18.5	20.5	19.5
Legal	9	10	9	10	10	11	11	11
General Admin	33	31.5	33.5	33.5	32.5	32	32	32
Police:								
Officers	185.5	176	167.5	176	168	161.5	160	158
Civilians	62	60	57	57	58	56	53	49
Fire:								
Combat	158	154	158	149	156	152	151	151
Civilians	5	6	6	7	7	6	4	3
Public Works	33	34	35	37	36	36	35	31
Leisure Services	67.5	67	69.5	70.5	72	69.5	70.5	67
Community Dev	3	3	3	3	3	3	3	3
Urban/Economic Dev	31	26	26	27	27	26	27	26
Utility Department	18	17	18	18	18	18	17	18
Total	639	618	617	623	621	602	596	578

Source: City Finance Department.

CITY OF GULFPORT, MISSISSIPPI

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST EIGHT FISCAL YEARS

Function/Program	Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
Police:								
Physical arrests	12,639	11,826	11,072	10,777	11,783	10,465	12,325	12,791
Parking violations	2,421	1,929	911	1,823	1,781	1,356	1,110	838
Traffic violations	25,037	21,063	19,766	26,213	21,679	22,371	17,998	13,648
Fire:								
Emergency responses	9,712	10,534	10,194	10,520	11,945	11,817	11,818	12,106
Fires extinguished	511	380	352	383	379	377	321	354
Inspections	1,548	3,616	2,220	2,325	1,956	1,624	2,241	1,775
Public Works:								
Street resurfacing (miles)	18.45	7.20	34.49	8.21	3.42	12.56	4.07	3
Potholes repaired	733	977	1,041	745	648	714	662	665
Parks and recreation:								
Center Admissions	337,268	253,384	294,462	406,632	369,577	342,690	275,898	238,547
Water:								
New connections	446	563	326	496	406	405	211	257
Water main breaks	33	28	36	42	33	21	27	14
Average daily consumption (millions of gallons)	8,529,219	9,898,706	8,871,332	6,740,942	7,645,740	7,370,000	8,091,917	8,613,616
Wastewater:								
Average daily sewage treatment (millions of gallons)	10,078,400	10,910,833	11,044,900	11,780,200	11,860,100	13,180,000	132,000,000	12,820,000

CITY OF GULFPORT, MISSISSIPPI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST EIGHT FISCAL YEARS

Function/Program	Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
Police:								
Stations	2	2	2	2	2	2	2	2
Patrol units	72	63	60	60	66	58	61	66
Fire stations:	12	12	11	11	11	11	11	11
Public works:								
Streets (miles)	614	614	1,021	1,021	1,021	1,021	1,254	1,254
Street lights	9,356	9,543	9,383	10,765	10,273	13,379	13,510	13,518
Traffic signals	110	110	110	110	110	110	111	111
Parks and recreation:								
Acreage	600	600	600	600	600	600	600	600
Playgrounds	19	19	19	19	19	19	19	19
Ballfields	38	38	38	38	38	38	38	38
Tennis courts	7	7	7	7	7	7	7	7
Parks	31	31	31	31	31	31	31	31
Community centers	14	11	10	11	10	10	10	10
Waterfront piers	6	6	6	6	6	6	6	6
Boat launch ramps	14	14	14	14	14	14	14	14
Small craft harbor slips*	319	319	319	319	319	319	319	319
Water:								
Water mains (miles)	409	412	418	423	447	448	450	452
Fire hydrants	3,538	3,559	3,614	3,650	3,850	3,856	3,850	3,713
Storage capacity (gallons)	5,550,000	6,550,000	6,108,000	6,108,000	5,775,000	5,775,000	5,775,000	5,775,000
Wastewater:								
Sanitary sewers (miles)	499	500	501	502	522	523	523	524
Storm sewers (miles)	499	500	501	502	504	505	505	505
Treatment capacity (gallons)	20,235,000	30,905,833	27,550,417	27,571,500	26,907,600	17,000,000	20,750,000	18,250,000

* During 2009 the City began construction to rebuild 319 boat slips and the harbor master building that were destroyed by Hurricane Katrina. Prior to the hurricane there were 289 boat slips and a harbor master building.

CITY OF GULFPORT, MISSISSIPPI

SCHEDULE OF SURETY BONDS SEPTEMBER 30, 2018

NAME AND POSITION	AMOUNT	EXPIRES
Kenneth L. Casey, Sr., Councilman, Ward 1	\$ 100,000	6/30/2021
Ronald P. Roland, Councilman Ward 2	100,000	6/30/2021
Ella Jean Holmes-Hines, Councilwoman Ward 3	100,000	6/30/2021
F.B. "Rusty" Walker IV, Councilman, Ward 4	100,000	6/30/2021
Myles Sharp, Councilman, Ward 5	100,000	6/30/2021
Robert "R. Lee" Flowers II, Councilman Ward 6	100,000	6/30/2021
Cara L. Pucheu, Councilwoman, Ward 7	100,000	6/30/2021
William G. "Billy" Hewes III, Mayor	100,000	6/30/2021
John R. Kelly, Chief Administrator Officer	50,000	3/17/2019
Linda Elias, Comptroller/City Clerk	50,000	6/3/2019
Leonard Papania, Chief of Police	50,000	5/8/2019
Mary C. Collins, Deputy City Clerk	50,000	7/25/2019
Antoinette F. White, Deputy City Clerk	50,000	9/8/2019
Kourtney Wells, Deputy City Clerk	50,000	9/9/2019
Henrietta Spaulding, Deputy City Clerk	50,000	8/8/2019
Terri N. Fairley, Court Administrator	50,000	11/7/2019
Brittany Rodger, Deputy City Clerk	50,000	1/2/2019