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**CITY OF GULFPORT, MISSISSIPPI
SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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CITY OF GULFPORT, MISSISSIPPI
Special Reports
For the Year Ended September 30, 2017

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WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE
SANDE W. HENTGES, CPA, CFE

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June 11, 2018

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

The Members of City Council and
Mayor William G. "Billy" Hewes, III
Gulfport, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gulfport, Mississippi, (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 11, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a significant deficiency: **2017-001**.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Gulfport's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Walter Wood White & Kemp

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June 11, 2018

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH STATE LAWS AND REGULATIONS**

The Members of City Council and
Mayor William G. "Billy" Hewes, III
Gulfport, Mississippi

We have audited the financial statements of the governmental activities, 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, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 11, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and our audit of the City's basic financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the city council and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Wright Ward Hatten & Guel

WRIGHT, WARD, HATTEN & GUEL

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June 11, 2018

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

The Members of City Council and
Mayor William G. "Billy" Hewes, III
Gulfport, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Gulfport, Mississippi's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

We issued our report thereon dated June 11, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has

been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Walter Wood Walker & Kemp

CITY OF GULFPORT, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Grant Pass-Through Entity ID Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
CDBG-Entitlement Grants	14.218	BC-14-MC-28-0002	124,456
CDBG-Entitlement Grants	14.218	BC-15-MC-28-0002	305,708
CDBG-Entitlement Grants	14.218	BC-16-MC-28-0002	134,351
Sub-total			564,515
Home Investment Partnership Program	14.239	MC-13-DC-28-200	26,165
Home Investment Partnership Program	14.239	MC-14-DC-28-200	146,425
Home Investment Partnership Program	14.239	MC-15-DC-28-200	155,994
Home Investment Partnership Program	14.239	MC-16-DC-28-200	72,845
Sub-total			401,429
Passed through Mississippi Development Authority			
Community Development Block Grants*	14.228	R-109-202-06-KCR	26,807
Community Development Block Grants*	14.228	R-109-202-07-KCR	318,953
Community Development Block Grants*	14.228	R-109-202-08-KCR	544,006
Sub-total			889,766
Total U.S. Department of Housing and Urban Development			1,855,710
<u>U.S. Department of Justice</u>			
Violence Against Women Office			
Passed through Violence Against Women Office			
ARRA-Violence Against Women Formula Grants	16.588	15-SP-2141	30,773
Sub-total			30,773
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0622	66,657
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13NM2142	4,781
Sub-total			71,438
Passed through Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	N/A	3,347
Bulletproof Vest Partnership Program	16.607	N/A	18,333
Sub-total			21,680
State and Local Equitable Sharing*	16.922	N/A	1,052,682
Sub-total			1,052,682
Total U.S. Department of Justice			1,176,573

(continued next page)

CITY OF GULFPORT, MISSISSIPPI
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Federal Highway Administration			
Passed through Mississippi Department of Transportation			
Highway Planning & Construction*	20.205	STP-7821-00(007)	1,954
Highway Planning & Construction*	20.205	STP-9372-00(009)	690,445
Highway Planning & Construction*	20.205	STP-9370-00(004)	57,794
Highway Planning & Construction*	20.205	STP-9098-00(002)	910,232
Sub-total			<u>1,660,425</u>
National Highway Traffic Safety Administration			
Passed through Mississippi Department of Highway Safety			
National Priority Safety Programs	20.616	PT-2016-PT-21-41	12,978
Alcohol & Drug Impaired Driving	20.616	PT-2016-PT-21-41	9,900
Sub-total			<u>22,878</u>
Total U.S. Department of Transportation			<u>1,683,303</u>
<u>Office of National Drug Control Policy</u>			
Passed through Mississippi Bureau of Narcotics			
High Intensity Drug Trafficking Areas Program	95.001	HIDTA G-16-0003A	17,272
Total Office of National Drug Control Policy			<u>17,272</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Mississippi Department of Homeland Security			
Homeland Security Grant Program	97.067	B15HS202T	25,000
Homeland Security Grant Program	97.067	A15HS202T	17,000
Homeland Security Grant Program	97.067	15HS202T	47,522
Total U.S. Department of Homeland Security			<u>89,522</u>
Total For All Federal Awards			<u>\$ 4,822,380</u>

*denotes major program

(concluded)

CITY OF GULFPORT, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

NOTES TO SCHEDULE

Note 1 – General

The accompanying schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Gulfport, Mississippi (the “City”). All federal awards received directly from federal agencies as well as federal awards passed through other government agencies to the City are included in the accompanying SEFA.

Note 2 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Gulfport, Mississippi, and is presented on the modified-accrual basis of accounting. Differences between the granting-agency basis of accounting and the basis of accounting used by the City in preparing its financial fund statements may occur.

Note 3 – Sub-recipients

The City of Gulfport, Mississippi provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided
Community Development Block Grant	14.218	\$ 31,965
Home Investment Partnership Program	14.239	115,000
Total to Sub-recipients		<u>146,965</u>

Note 4 – Federal Loans

The City of Gulfport, Mississippi has the following federal loans outstanding as of September 30, 2017:

Program Title	CFDA Number	Current Year Expenditures	Unpaid Loan Balance	Original Loan Amount
Environmental Protection Agency Passed-through the Mississippi Department of Environmental Quality				
SRF-C2807430500	66.458	-	1,292,868	3,229,424
SRF-C2807430600	66.458	-	4,359,830	8,093,778
SRF-C2807430702	66.458	-	915,699	2,214,059
SRF-C2807430800	66.458	-	8,346,646	15,025,311
SRF-C2807430900	66.458	-	<u>3,341,878</u>	<u>5,715,121</u>
Total federal loans		<u>\$ -</u>	<u>\$ 18,256,921</u>	<u>\$ 34,277,693</u>

CITY OF GULFPORT, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2017

SECTION 1 – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Business-type activities | Unmodified |
| | General and other major funds | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified | | | | | | | | | | |
|-----------------------|--|-----------------------|---|--------|---|--------|-------------------------------------|--------|---|--------|---|--|
| 5. | Internal control over major federal programs: | | | | | | | | | | | |
| | a. Material weaknesses identified? | No | | | | | | | | | | |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes | | | | | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? | None | | | | | | | | | | |
| 7. | Identification of major programs: | | | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>CFDA Number(s)</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">14.218</td> <td>U.S. Department of Housing and Urban Development
CDBG-Entitlement Grants</td> </tr> <tr> <td style="padding-left: 20px;">14.239</td> <td>Home Investment Partnership Program</td> </tr> <tr> <td style="padding-left: 20px;">16.922</td> <td>U.S. Department of Justice
State and Local Equitable Sharing</td> </tr> <tr> <td style="padding-left: 20px;">20.205</td> <td>U. S. Department of Transportation
Highway Planning & Construction</td> </tr> </tbody> </table> | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | 14.218 | U.S. Department of Housing and Urban Development
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Highway Planning & Construction | |
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | | | | |
| 14.218 | U.S. Department of Housing and Urban Development
CDBG-Entitlement Grants | | | | | | | | | | | |
| 14.239 | Home Investment Partnership Program | | | | | | | | | | | |
| 16.922 | U.S. Department of Justice
State and Local Equitable Sharing | | | | | | | | | | | |
| 20.205 | U. S. Department of Transportation
Highway Planning & Construction | | | | | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 | | | | | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | No | | | | | | | | | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b) | No | | | | | | | | | | |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Findings and Questioned Costs (Continued)
September 30, 2017

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Purchasing

Significant Deficiency

Finding Number 2017-001

Repeat Finding No

Finding Inadequate controls over purchase orders.

Criteria Purchase orders should be issued prior to receipt of invoice. The scanned documents should include the purchase order, receiving report, invoice and other related documents.

Condition During our audit test work we noted that some vendor invoices were dated prior to purchase order date. We also noted some scanned packets of approved expenditures were incomplete - lacking invoices, purchase orders and requisition reports making it difficult to determine purchase compliance requirements were being followed. Locating paper copies of expenditure packets was extremely time consuming and inefficient as paper retention across departments is inconsistent.

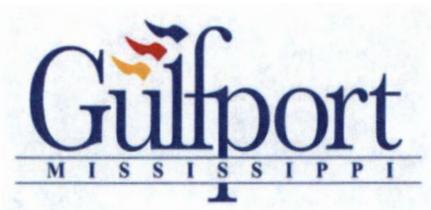
Effect Ineffective review and approval of original purchase orders and invoices could result in overpayment and/or duplicate payment to vendors without proper authorization. Incomplete scanned documents can result in the inability to determine what was actually approved and that purchase law was followed.

Recommendation We recommend that the purchasing department implement procedures and policies in order to maintain documentation to substantiate expenditures and scanned documents need to be complete and verified that they are accurate.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings noted during the fiscal year ended September 30, 2017.





COMPTROLLER/CITY CLERK
P.O. Box 1780
Gulfport, MS 39502
Phone: 228-234-8590

Summary of Prior Year Audit Findings

The City of Gulfport, Mississippi did not have any prior audit findings relative to federal awards.



COMPTROLLER/CITY CLERK
P.O. Box 1780
Gulfport, MS 39502
Phone: 228-234-8590

Corrective Action Plan

The City of Gulfport, Mississippi respectfully submits the following corrective action plan for the year ended September 30, 2017.

Accounting Firm:
Wright Ward Hatten and Guel

Audit Period:
Year ended September 30, 2017

Finding Number 2017-001

Finding – Inadequate controls over purchase orders

The purchasing and accounts payable team will continue to monitor purchase orders and invoice dates. In addition, a documented system for scanning all pertinent documentation will be implemented and monitored.

One significant change currently occurring which will eliminate invoices prior to purchase orders is the implementation of the automated work flow system. This process is an electronic system inside of the MUNIS accounting software initiated by the requesting department to provide receiving documentation electronically and will not allow invoices dated prior to purchase orders. We are currently in the testing stage of this software and anticipate full implementation within the next month.

Comprehensive Annual Financial Report for
Fiscal Year Ended September 30, 2017



Prepared by:

Department of Finance

CITY OF GULFPORT, MISSISSIPPI
 COMPREHENSIVE ANNUAL FINANCIAL
 REPORT FOR FISCAL YEAR ENDED
 SEPTEMBER 30, 2017
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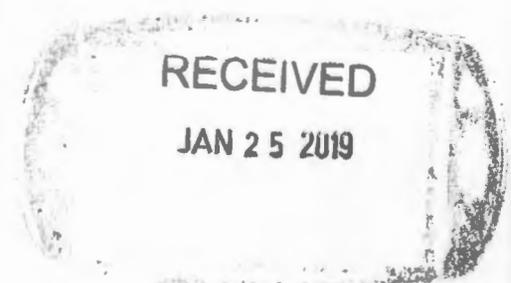
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CITY OF GULFPORT, MISSISSIPPI
 COMPREHENSIVE ANNUAL FINANCIAL
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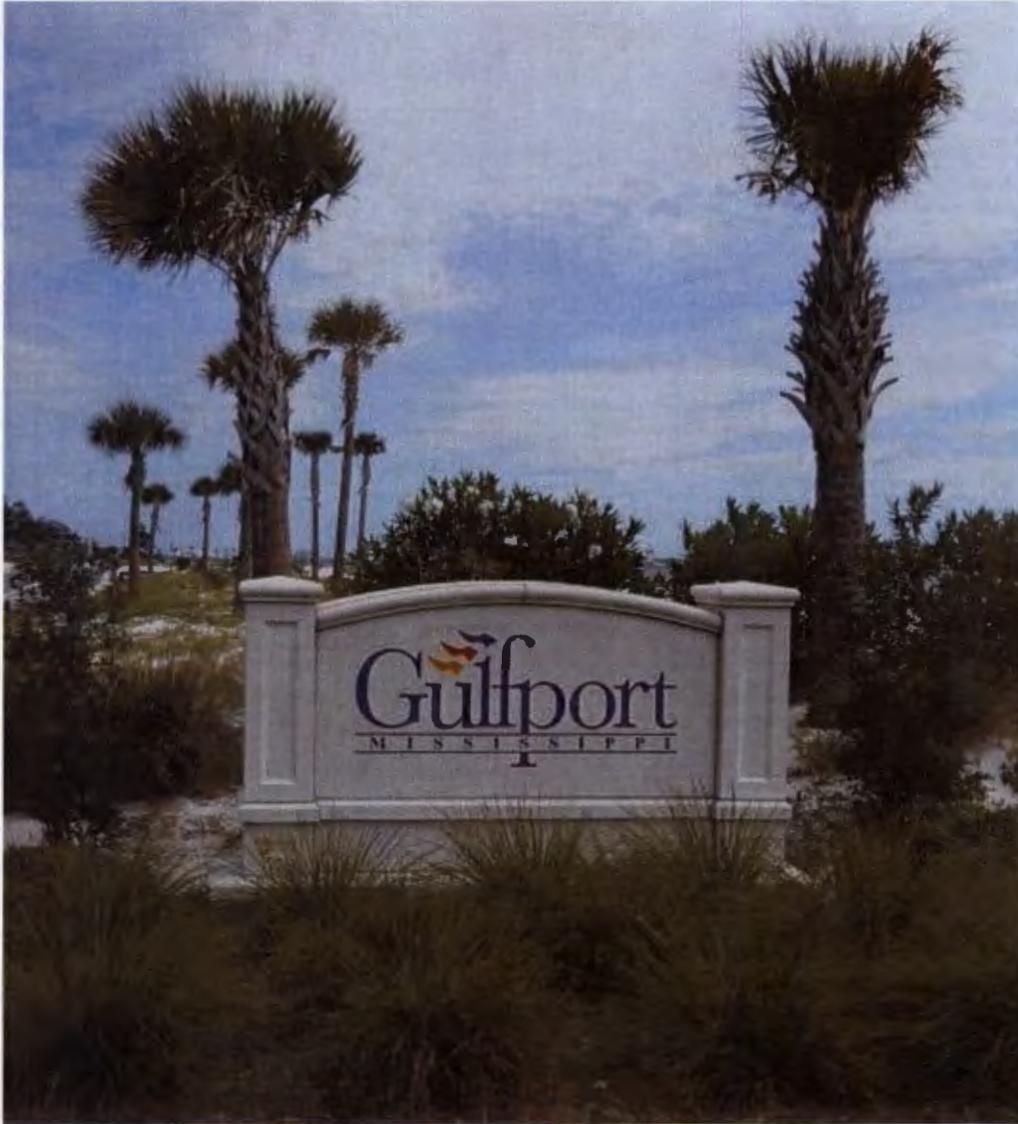
CITY OF GULFPORT, MISSISSIPPI
 COMPREHENSIVE ANNUAL FINANCIAL
 REPORT FOR FISCAL YEAR ENDED
 SEPTEMBER 30, 2017
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CAFR INTRODUCTORY SECTION

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



June 11, 2018

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, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2017. 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 ending September 30, 2017. 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, 2017, 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 2016 was 5.5% and at September 2017 was 4.5%, a decrease of 1.0%. See Schedule 14 for a ten year historical review. Even with this decrease, 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 for construction to begin in early 2017 and completed by late 2019/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.
-  A casino and restaurant are also planned along the harbor area which is expected to transform Gulfport and the entire Mississippi Coast.
-  Island View Casino has begun construction on another casino on the beach side of US 90 and is expected to be completed in early 2018.
-  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.
-  City-wide Revitalization-The City's expanded sportsplex is near completion and is expected to begin in full force early spring 2018. This will bring many new visitors to Gulfport and the gulf coast seeking hotel rooms, dining options and shopping venues.
-  Centennial Plaza is also expected to complete its hotel and amenities in late 2019/early 2020 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 traditional 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.

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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 Wright, Ward, Hatten & Guel PLLC to perform the audit for fiscal year ended September 30, 2017. 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 unqualified 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, 2016. This was the eighteenth 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.

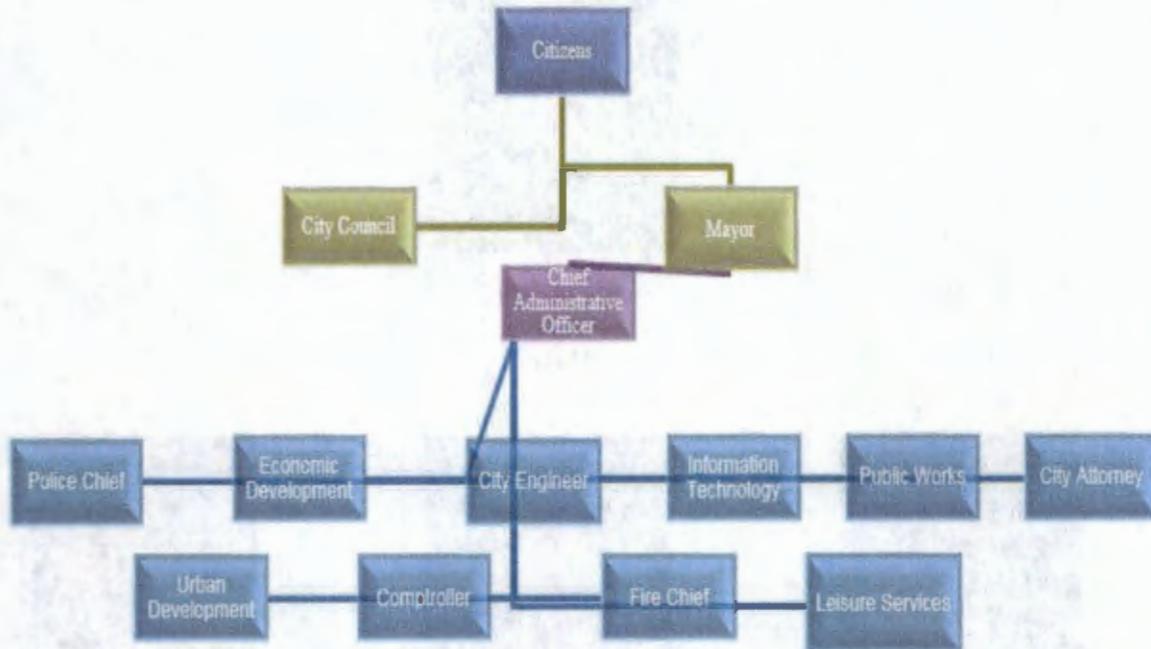
Respectfully submitted,



Linda Elias
Comptroller

CITY OF GULFPORT, MISSISSIPPI

Organizational Chart



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 as of September 30, 2017

Elected Officials



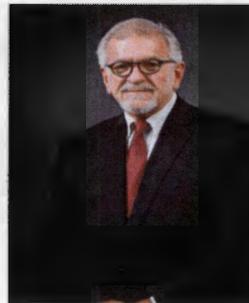
Billy Hewes

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

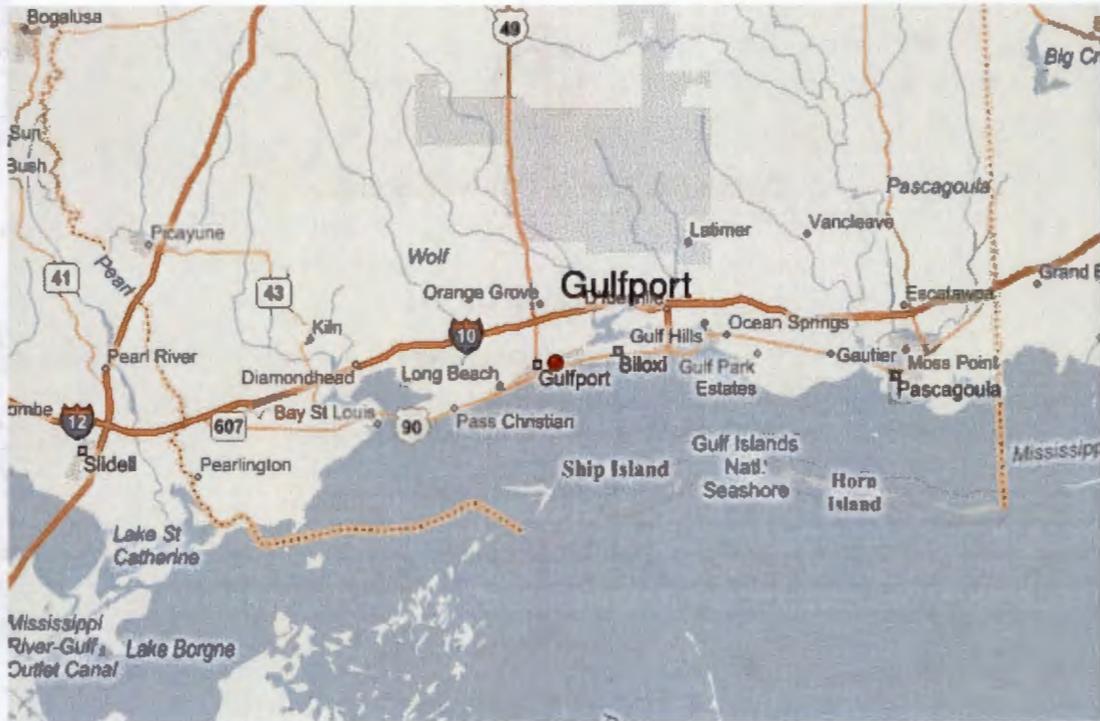
Councilman, Ward 6



Cara Pucheu

Councilwoman, Ward 7

Geographic Location of Gulfport, Mississippi



Gulfport
MISSISSIPPI





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, 2016

Christopher P. Morill

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.

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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INDEPENDENT AUDITORS' REPORT

June 11, 2018

To 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, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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.

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Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Statements and Schedules, Other Supplementary Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements included in the Supplemental Information Section are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 statements included in the Supplemental Information Section 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.

Walter Woodworth & Group

Management Discussion and Analysis



City of Gulfport, Mississippi

Management Discussion and Analysis

Introduction

This section is a required component of the City's 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 ending September 30, 2017. 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 \$107 thousand.
- ✓ The City's General Fund's fund balance, which represents the difference between assets minus liabilities, increased during the year from \$8.2 million in 2016 to \$10.9 million in 2017.
- ✓ The City's total capital assets increased by \$11.0 million or 1.9%; going from \$569.6 million in 2016 to \$580.6 million in 2017. Capital assets consist of land, construction in process, buildings, infrastructure, machinery & equipment, and vehicles.
- ✓ The City's overall long-term debt, including compensated absences, decreased by \$18.5 million, going from \$123.1 million in 2016 to \$104.6 million in 2017.

Brief Description of the Financial Statements

This annual report consists of a series of financial statements which are presented in a hierarchal 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 29 and 31, 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 of Gulfport 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 33 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.

Governmental Funds – Most of the City's basic services are reported in the governmental funds. Examples include activities relating to governmental funds 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 33 – 36.

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 38 - 42 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 44.

Financial Analysis of the City as a Whole

Condensed Government-wide Statement of Net Position

As of September 30, 2017 and 2016

	Governmental-type Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 54,455,983	\$ 66,976,327	\$ 12,903,998	\$ 16,753,358	\$ 67,359,981	\$ 83,729,685
Noncurrent assets	313,697,757	312,325,100	266,883,706	257,231,524	580,581,463	569,556,624
Total Assets	368,153,740	379,301,427	279,787,704	273,984,882	647,941,444	653,286,309
Deferred Outflows of Resources	3,915,275	12,444,803	1,417,678	1,974,386	5,332,953	14,419,189
Liabilities						
Current liabilities	10,176,690	8,818,389	16,671,421	25,683,153	26,848,111	34,501,542
Noncurrent liabilities	111,882,824	122,820,668	58,103,590	64,956,778	169,986,414	187,777,446
Total liabilities	122,059,514	131,639,057	74,775,011	90,639,931	196,834,525	222,278,988
Deferred Inflows of Resources	26,383,640	24,649,837	123,617	79,294	26,507,257	24,729,131
Net Position						
Net Investment in Capital	281,766,765	284,125,550	194,234,500	187,635,987	476,001,265	471,761,537
Restricted	1,267,164	12,978,620	6,405	8,486	1,273,569	12,987,106
Unrestricted	(59,408,068)	(61,646,834)	12,065,849	(2,404,430)	(47,342,219)	(64,051,264)
Total Net Position	\$ 223,625,861	\$ 235,457,336	\$ 206,306,754	\$ 185,240,043	\$ 429,932,615	\$ 420,697,379

Analysis of Government Wide Statement of Net Position

Total Primary Government

From an “overall balance sheet perspective”, the net position of the City of Gulfport as compared to the previous year increased significantly from \$420.7 million in 2016 to \$429.9 million in 2017, while total assets decreased \$5.3 million from \$653.3 million in 2016 to \$647.9 million in 2017. Much of this decrease is a result of decrease in current assets. Total liabilities decreased by \$25.4 million, from \$222.3 million to \$196.8 million. This decrease in liabilities is mostly due to the reduction in current and noncurrent liabilities. 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 \$476.0 million which represents approximately over 111% of the City’s total net position.

Current assets decreased by \$16.3 million during the year decreasing from \$83.7 million in 2016 to \$67.4 million in 2017.

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 decreased by \$11.1 million, from \$379.3 million in 2016 to \$368.2 million in 2017; while Current assets (cash, short term receivables, etc.) decreased by \$12.5 million; from \$67.0 million to \$54.5 million. The majority of this decrease is a result of a decrease in restricted cash. Total governmental activities liabilities decreased \$9.5 million from \$131.6 million in 2016 to \$122.1 million in 2017.

Business Type Activities

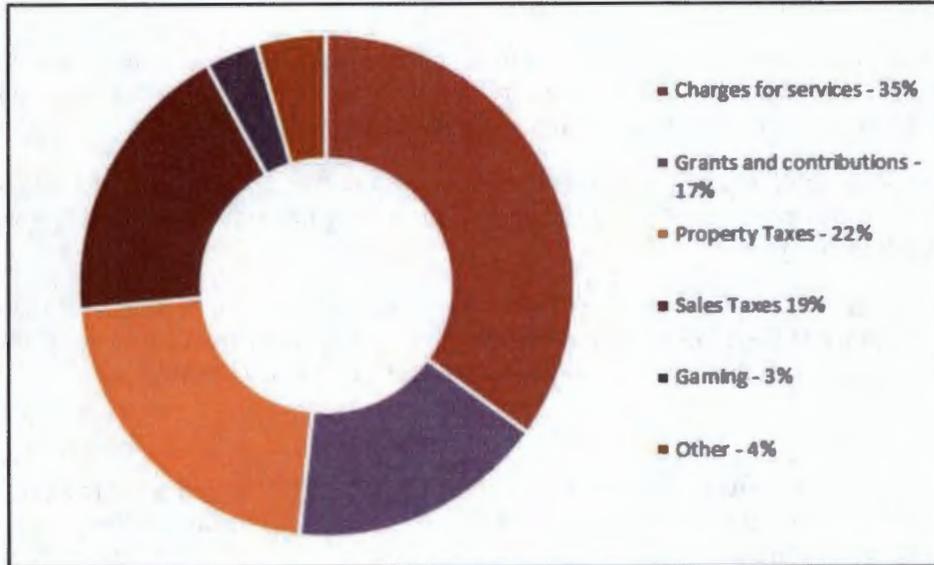
The City's business type activities consist of the Water and Sewer, the Joseph T. Jones Memorial Park Funds, and the assets of the Gulfport Redevelopment Commission. Total assets increased by \$5.8 million; from \$274.0 million in 2016 to \$279.8 million in 2017, with current assets decreasing by \$3.9 million, and capital assets increasing by \$9.7 million.

Condensed Government Wide Statement of Activities For the Year Ended September 30, 2017 and 2016

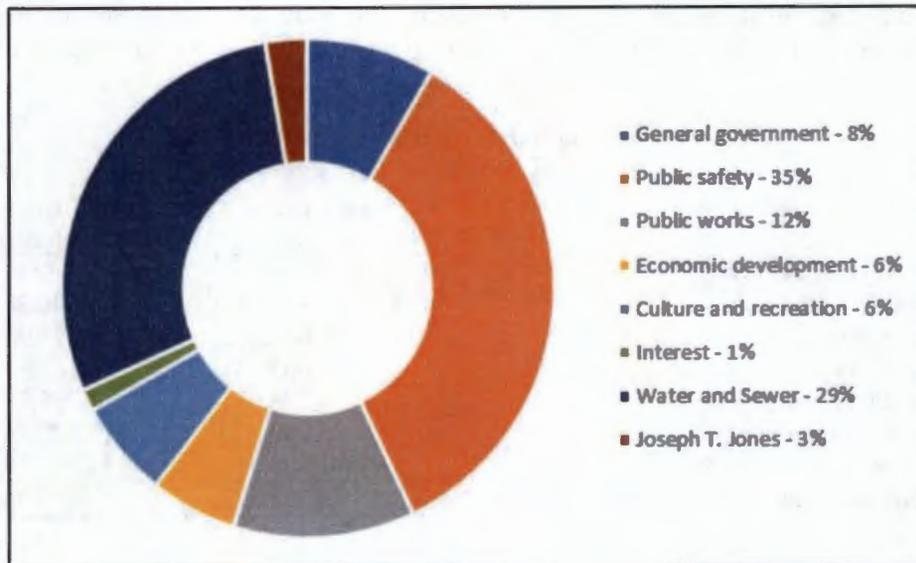
	Governmental-type Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for services	4,789,039	4,948,924	34,865,410	32,534,135	39,654,449	37,483,059
Operation grants and contributions	531,807	2,499,445	-	-	531,807	2,499,445
Capital grants and contributions	13,637,379	19,749,006	1,622,689	-	15,260,068	19,749,006
General Revenues						
Property Taxes	24,626,011	23,887,484	-	-	24,626,011	23,887,484
Sales Taxes	21,048,200	20,751,725	-	-	21,048,200	20,751,725
Franchise	3,497,919	3,617,560	-	-	3,497,919	3,617,560
Gaming	3,912,284	3,793,035	-	-	3,912,284	3,793,035
Other	4,107,350	(899,796)	706,744	892,530	4,814,094	(7,266)
Total Revenues	76,149,989	78,347,383	37,194,843	33,426,665	113,344,832	111,774,048
Program Expenses						
General government	8,955,761	9,457,333	-	-	8,955,761	9,457,333
Public safety	36,652,652	32,749,940	-	-	36,652,652	32,749,940
Public works	12,637,532	13,449,819	-	-	12,637,532	13,449,819
Economic development	4,296,975	5,151,915	1,771,032	890,413	6,068,007	6,042,328
Culture and recreation	6,730,779	6,337,334	-	-	6,730,779	6,337,334
Interest	1,508,188	1,213,855	-	-	1,508,188	1,213,855
Water and Sewer	-	-	30,710,859	30,727,118	30,710,859	30,727,118
Joseph T. Jones	-	-	2,884,485	1,488,774	2,884,485	1,488,774
Total Expenses	70,781,887	68,360,196	35,366,376	33,106,305	106,148,263	101,466,501
Transfers	(18,242,482)	(4,542,001)	18,242,482	4,542,001	-	-
Change in Net Position	(12,874,380)	5,445,186	20,070,949	4,862,361	7,196,569	10,307,547
Net Position-beginning	235,457,336	229,300,825	185,240,044	180,291,639	420,697,380	409,592,464
Prior period adjustment	1,042,905	711,325	995,761	86,044	2,038,666	797,369
Net Position-beginning, restated	236,500,241	230,012,150	186,235,805	180,377,683	422,736,046	410,389,833
Net Position-ending	\$ 223,625,861	\$ 235,457,336	\$ 206,306,754	\$ 185,240,044	\$ 429,932,615	\$ 420,697,380

Analysis of Government Wide Statement of Activities

Where Does The Money Come From?



Where Does the Money Go?



Revenues

The City's revenues exceeded expenses by \$7.2 million for the 2017 year. With federal grants returning to normal levels.

Charges for Services and Fines-

Property Tax - Property tax accounts for \$24.6 million or 22% 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 \$21.0 million or 19% of the City's total revenues. The City is beginning to recognize slow to moderate growth in Sales Taxes from the previous year.

Grants - The City received a total of \$24.2 million in grants for the 2017 year as compared to \$24.2 million in 2016. 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 \$106.1 million in 2017 as compared to \$101.5 million in 2016; representing an increase of \$4.7 million or 4.6%. This increase is mainly attributed to public safety and cultural and recreation increases.

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	\$ 8,955,761	\$ (8,540,880)
Public Safety	36,652,652	(33,520,348)
Public Works	12,637,532	1,163,332
Economic Development	4,296,975	(3,795,731)
Culture and Recreation	6,730,779	(5,621,847)
Interest on long term debt	1,508,188	(1,508,188)
Total Governmental activities	<u>\$ 70,781,887</u>	<u>\$ (51,823,662)</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.

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 & maintenance), culture and recreation, economic development, and general government. The General Fund accounts for nearly 74.6% of the City’s total revenues and 76.2% of the City’s total expenditures. Overall, the General Fund’s financial condition improved as compared to the previous year.

General Fund – Financial Summary

	<u>2017</u>	<u>2016</u>
Total Revenues	\$ 55,410,758	\$ 55,062,106
Total Expenditures	<u>55,303,481</u>	<u>54,601,436</u>
Excess (Deficit) of Revenues over Expenses	107,277	460,670
Other Sources (Uses)	<u>1,683,627</u>	<u>(130,208)</u>
Net Change in Fund Balance	1,790,904	330,462
Fund Balance, beginning	8,246,329	7,914,867
Prior Period Adjustments	814,141	-
Fund Balance, ending	<u>\$ 10,851,374</u>	<u>\$ 8,245,329</u>

- ✓ The General Fund operated in the “black” by \$107,277 for the 2017 year with revenues of \$55.4 million and expenditures of \$55.3 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 \$33.2 million in 2016 to \$36.9 million in 2017.
- ✓ The General Fund’s unassigned fund balance decreased from \$8.1 million to (\$21.5) 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 0.1% in 2017; from \$55.1 million in 2016 to \$55.4 million in 2017.
- ✓ Total General Fund expenditures increased by 0.1% in 2017; from \$54.6 million in 2016 to \$55.3 million in 2017.

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Community Development Program Fund – Financial Summary

	2017	2016
Total Revenues	\$ 860,466	\$ 1,179,635
Total Expenditures	2,002,346	1,731,293
Excess (Deficit) of Revenues over Expenses	(1,141,880)	(551,658)
Fund Balance, beginning	(705,792)	(154,134)
Prior Period Adjustments	12,428	-
Fund Balance, ending	\$ (1,835,244)	\$ (705,792)

- ✓ The Community Development Program Fund operated in the “red” by \$1,141,880 for the 2017 year with revenues of \$0.8 million and expenditures of \$2.0 million.
- ✓ Community Development Program Fund assets decreased by \$662,920; from \$700,369 in 2016 to \$37,449 in 2017.

Capital Projects Fund – Financial Summary

	2017	2016
Total Revenues	\$ 11,488,290	\$ 17,948,081
Total Expenditures	7,415,506	9,228,205
Excess (Deficit) of Revenues over Expenses	4,072,784	8,719,876
Other Sources (Uses)	(18,798,588)	(1,284,828)
Net Change in Fund Balance	(14,725,804)	7,435,048
Fund Balance, beginning	22,648,164	15,213,116
Prior Period Adjustments	133,690	-
Fund Balance, ending	\$ 8,056,050	\$ 22,648,164

- ✓ The Capital Projects Fund operated in the “black” by \$4.1 million for the 2017 year with revenues of \$11.5 million and expenditures of \$7.4 million. The total decrease in Fund Balance was primarily due to transfers to Gulfport Redevelopment Commission of \$18.8 million from bond revenues received last year.
- ✓ Capital Projects Fund assets decreased by \$14.0 million; from \$23.8 million in 2016 to \$9.8 million in 2017.

Debt Service Fund – Financial Summary

	2017	2016
Total Revenues	\$ 4,653,979	\$ 4,517,164
Total Expenditures	5,315,010	5,400,151
Excess (Deficit) of Revenues over Expenses	(661,031)	(882,987)
Other Sources (Uses)	712,171	5,666
Net Change in Fund Balance	51,140	(877,321)
Fund Balance, beginning	(125,849)	751,472
Prior Period Adjustments	74,709	-
Fund Balance, ending	\$ -	\$ (125,849)

- ✓ The Debt Service Fund operated in the “red” by \$661,031 for the 2017 year with revenues of \$4.7 million and expenditures of \$5.3 million. Transfers from other funds were made from other funds for debt service.

- ✓ Debt Service Fund assets decreased by \$.7 million; from \$1.7 million in 2016 to \$1 million in 2017.

- ✓ Detail debt schedules can be located in the Notes to the Basic Financial Statement, 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.

**Condensed Statement of Revenues and Expenses
Water and Sewer Fund
Fiscal years Ending September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 33,939,318	\$ 32,210,463
Operating Expenses	<u>28,478,807</u>	<u>28,266,055</u>
Operating Income	5,460,511	3,944,408
Nonoperating Items		
Interest Expense	(2,216,083)	(2,333,045)
Other	<u>1,629,836</u>	<u>355,035</u>
Income before transfers	4,874,264	1,966,398
Transfers	758,679	-
Change in Net Position	<u>\$ 5,632,943</u>	<u>\$ 1,966,398</u>

- ✓ The City's water and sewer fund's operating income was \$32.2 million in 2016 as compared to \$33.9 million in 2017. Important to remember is 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 \$1.7 million while expenses increased by \$212,752 during 2017.
- ✓ 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, 2017

	Original Budget	Final Budget	Actual (Budget Basis)
Taxes:			
Property	\$ 19,551,000	\$ 19,005,021	\$ 19,005,021
Sales	21,257,600	20,960,872	20,960,872
Gaming fees	3,794,686	3,898,594	3,898,594
Licenses, permits and franchise fees	5,277,624	4,498,421	4,498,421
Intergovernmental	3,905,832	3,059,984	3,059,984
Charges for services/Rents/Leases	2,235,000	2,053,185	2,053,185
Fines and fees	1,119,107	1,155,745	1,155,745
Interest income	3,005	16,874	16,874
Miscellaneous/Other	150,000	99,369	99,369
Total revenues	57,293,854	54,748,065	54,748,065
General government	9,856,602	8,560,822	8,560,822
Public safety	29,301,136	30,011,310	30,011,310
Public works	8,533,229	8,249,594	8,249,594
Economic development	2,120,811	2,043,150	2,043,150
Culture and recreation	6,118,098	5,930,558	5,930,558
Total expenditures	55,929,876	54,795,434	54,795,434
Excess (Deficit) of revenues over expenditures	\$ 1,363,978	\$ (47,369)	\$ (47,369)

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 \$2.5 million or -4.4%; original budget of \$57.3 million as compared to the revised budget of \$54.8 million primarily due to shortfalls in tax and grants expectations.
- ✓ The Expenditure Budget was increased by \$1.1 million or 2%.

- ✓ Overall, the City's General Fund actual revenues for 2017 (budget basis) of \$54.8 million, a \$2.5 million decrease from the original budget detail are described below.
- ✓ A significant amount of this difference is attributed to budget decreases related to grant revenues expected resulting in a decrease of approximately \$.8 million or 22%.
- ✓ Property tax revenues are \$0.5 million below original budget.
- ✓ Sales tax revenues are \$0.3 million below original budget.
- ✓ Court fines and forfeitures are \$0.1 million below original budget.
- ✓ Charges for services are \$0.2 below original budget
- ✓ Gaming revenues are \$0.1 above original budget

The City's General Fund actual expenditures exceeded its original budgeted expenditures by a \$1.1 million, 2% change. While some departments exceeded their original budgets, others decreased expenditures from the original budget resulting in the less than 2% overall budget change from original to final budget.

Capital Assets and Debt Administration

Capital Assets

Schedule of Capital Assets (Net of Depreciation)

	Governmental-type Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and						
Construction in progress	\$ 39,346,636	\$ 42,152,135	\$ 46,732,927	\$ 36,303,922	\$ 86,079,563	\$ 78,456,057
Buildings	60,982,874	61,179,414	6,619,926	5,992,323	67,602,800	67,171,737
Improvements and						
Infrastructure	201,681,415	199,396,239	210,478,460	212,044,170	412,159,875	411,440,409
Machinery & Equipment	3,391,945	3,230,249	1,921,300	2,254,539	5,313,245	5,484,788
Capital leases	5,568,489	1,810,495	692,815	278,308	6,261,304	2,088,803
Vehicles	2,726,398	4,556,568	438,278	358,262	3,164,676	4,914,830
Totals	<u>\$ 313,697,757</u>	<u>\$ 312,325,100</u>	<u>\$ 266,883,706</u>	<u>\$ 257,231,524</u>	<u>\$ 580,581,463</u>	<u>\$ 569,556,624</u>

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2017 asset values were estimated at \$580.6 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 \$11.0 million or 1.9% (after depreciation) as compared to the prior year. See Note 7 in the financial section of this report for more detail information on capital assets.

Depreciation expense for the 2017 year totaled \$15.5 million and was allocated to the following classes of assets:

Allocation of Depreciation by Major Asset Class

	Governmental Activities	Business-type Activities	Total
Buildings	\$ 1,442,029	\$ 428,736	\$ 1,870,765
Improvements and Infrastructure	5,179,500	6,157,815	11,337,315
Machinery and equipment	724,654	424,312	1,148,966
Vehicles	781,990	53,590	835,580
Equipment under capital leases	171,130	108,111	279,241
	<u>\$ 8,299,303</u>	<u>\$ 7,172,564</u>	<u>\$ 15,471,867</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 - \$19.6 million

Debt Administration

Schedules of Long Term Debt

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Bonds payable	\$ 32,971,371	\$ 36,212,689	\$ 43,440,240	\$ 48,541,988
Notes payable	-	-	22,559,775	32,331,231
Capital leases payable	2,788,370	3,319,482	221,957	360,664
Net pension liability	77,301,955	83,028,232	2,792,731	3,000,900
Compensated absences	2,539,805	2,273,694	85,593	57,907
Claims and judgements	28,000	27,000	-	-
Liability for self insurance	1,795,051	2,855,387	-	-
Total	<u>\$ 117,424,552</u>	<u>\$ 127,716,484</u>	<u>\$ 69,100,296</u>	<u>\$ 84,292,690</u>

	Total	
	2017	2016
Bonds payable	\$ 76,411,611	\$ 84,754,677
Notes payable	22,559,775	32,331,231
Capital leases payable	3,010,327	3,680,146
Net pension liability	80,094,686	86,029,132
Compensated absences	2,625,398	2,331,601
Claims and judgements	28,000	27,000
Liability for self insurance	1,795,051	2,855,387
Total	<u>\$ 186,524,848</u>	<u>\$ 212,009,174</u>

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

For more detailed information on long-term debt activity see Note 9 on Page 64.

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 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 \$580.6 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 & sewer systems), etc. Relating to this, the City's annual depreciation expense exceeds \$15.4 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.

3. General Fund – Low Cash Reserves

The General Fund's cash increased from \$2.2 million in 2016 to \$3.4 million in 2017. This is a relatively low amount as compared to industry standards. The Government Finance Officers' Association recommends that a Governmental entity maintain at least 15% of its General Fund operating budget as cash reserves. For a City the size of Gulfport in terms of General Fund Budget, Gulfport's cash reserves should be about \$8.5 million. Cash reserves are used to: 1) cover unforeseen emergencies such as hurricanes, tropical storms, and other natural disasters, 2) bridge short term funding gaps in the way of economic downturns, 3) and cover any other unforeseen circumstances the City may encounter throughout its normal course of providing services to its citizens. Without a doubt, re-establishing Gulfport's funds to pre- Hurricane Katrina levels should be a top priority when formulating future annual budgets.

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

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Government-Wide Financial Statements

CITY OF GULFPORT, MISSISSIPPI

Statement of Net Position

September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 9,780,460	\$ 2,466,376	\$ 12,246,836
Receivables, net	30,286,025	3,406,150	33,692,175
Court fines receivable, net	4,062,764	-	4,062,764
Inventory	-	6,405	6,405
Due from other governments	2,836,363	-	2,836,363
Internal balances	1,454,468	(1,454,468)	-
Prepaid insurance	908,821	-	908,821
Restricted assets:			
Cash and cash equivalents	5,127,082	7,528,924	12,656,006
Investment	-	950,611	950,611
Total current assets	<u>54,455,983</u>	<u>12,903,998</u>	<u>67,359,981</u>
Noncurrent Assets			
Capital assets:			
Land and construction in progress	39,346,636	46,732,927	86,079,563
Other capital assets, net of accumulated depreciation			
Buildings	60,982,874	6,619,926	67,602,800
Improvements and infrastructure	201,681,415	210,478,460	412,159,875
Machinery and equipment	3,391,945	1,921,300	5,313,245
Vehicles	5,568,489	717,114	6,285,603
Equipment under capital leases	2,726,398	413,979	3,140,377
Total other capital assets, net of accumulated depreciation	<u>274,351,121</u>	<u>220,150,779</u>	<u>494,501,900</u>
Total noncurrent assets	<u>313,697,757</u>	<u>266,883,706</u>	<u>580,581,463</u>
Total assets	<u>368,153,740</u>	<u>279,787,704</u>	<u>647,941,444</u>
Deferred Outflows of Resources			
Deferred amounts on refunding	207,047	1,269,225	1,476,272
Deferred amounts on pensions	3,708,228	148,453	3,856,681
Total deferred outflows of resources	<u>3,915,275</u>	<u>1,417,678</u>	<u>5,332,953</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 372,069,015</u>	 <u>\$ 281,205,382</u>	 <u>\$ 653,274,397</u>

(continued next page)

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

CITY OF GULFPORT, MISSISSIPPI

Statement of Net Position

September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities			
Accounts payable	3,323,607	2,689,029	6,012,636
Accrued interest	397,263	607,917	1,005,180
Sales tax payable	-	6,358	6,358
Accrued wages payable	792,494	25,685	818,179
Retainage payable	90,785	137,213	227,998
Unearned revenue	30,813	39,981	70,794
Bonds payable	3,380,218	4,812,848	8,193,066
Notes payable	-	6,058,690	6,058,690
Leases payable	536,559	79,478	616,037
Compensated absences	1,624,951	45,690	1,670,641
Payable from restricted assets:			
Customer deposits	-	2,168,532	2,168,532
Total current liabilities	<u>10,176,690</u>	<u>16,671,421</u>	<u>26,848,111</u>
Noncurrent Liabilities			
Liability for self-insurance claims	1,795,051	-	1,795,051
Bonds payable	29,591,153	38,627,392	68,218,545
Notes payable	-	16,501,085	16,501,085
Leases payable	2,251,811	142,479	2,394,290
Net pension liability	77,301,955	2,792,731	80,094,686
Compensated absences	914,854	39,903	954,757
Death benefit claims	28,000	-	28,000
Total noncurrent liabilities	<u>111,882,824</u>	<u>58,103,590</u>	<u>169,986,414</u>
Total liabilities	<u>122,059,514</u>	<u>74,775,011</u>	<u>196,834,525</u>
Deferred Inflows of Resources			
Deferred property tax revenue	24,906,387	-	24,906,387
Deferred amounts on refunding	-	62,065	62,065
Deferred amounts on pensions	1,477,253	61,552	1,538,805
Total deferred inflows of resources	<u>26,383,640</u>	<u>123,617</u>	<u>26,507,257</u>
Net Position			
Net investment in capital assets	281,766,765	194,234,500	476,001,265
Restricted - Nonspendable	908,821	6,405	915,226
Restricted for:			
Public safety	358,309	-	358,309
Capital projects	34	-	34
Unrestricted	(59,408,068)	12,065,849	(47,342,219)
Total net position	<u>\$ 223,625,861</u>	<u>\$ 206,306,754</u>	<u>\$ 429,932,615</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 372,069,015</u>	<u>\$ 281,205,382</u>	<u>\$ 653,274,397</u>

(concluded)

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

CITY OF GULFPORT, MISSISSIPPI
Statement of Activities
For Year Ended September 30, 2017

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 8,955,761	\$ 401,081	\$ 13,800	\$ -	\$ (8,540,880)		\$ (8,540,880)
Public safety	36,652,652	2,595,178	518,007	19,119	(33,520,348)		(33,520,348)
Public works	12,637,532	182,604	-	13,618,260	1,163,332		1,163,332
Economic development	4,296,975	501,244	-	-	(3,795,731)		(3,795,731)
Culture and recreation	6,730,779	1,108,932	-	-	(5,621,847)		(5,621,847)
Interest	1,508,188	-	-	-	(1,508,188)		(1,508,188)
Total governmental activities	<u>70,781,887</u>	<u>4,789,039</u>	<u>531,807</u>	<u>13,637,379</u>	<u>(51,823,662)</u>		<u>(51,823,662)</u>
Business-type activities:							
Water and Sewer	30,710,859	33,635,070	-	1,622,689		\$ 4,546,900	4,546,900
Joseph T. Jones Park	2,884,485	816,480	-	-		(2,068,005)	(2,068,005)
Gulfport Redevelopment Commission	1,771,032	413,860	-	-		(1,357,172)	(1,357,172)
Total business - type activities	<u>35,366,376</u>	<u>34,865,410</u>	<u>-</u>	<u>1,622,689</u>			
Total	<u>\$ 106,148,263</u>	<u>\$ 39,654,449</u>	<u>\$ 531,807</u>	<u>\$ 15,260,068</u>		<u>1,121,723</u>	<u>(50,701,939)</u>
General revenues:							
Property taxes, levied for general purposes					19,248,462	-	19,248,462
Property taxes, levied for special purposes					5,377,549	-	5,377,549
Sales taxes					21,048,200	-	21,048,200
Franchise taxes					3,497,919	-	3,497,919
Gaming fees					3,912,284	-	3,912,284
Grants and contributions not restricted to specific programs					3,222,779	-	3,222,779
Earnings on investments					201,727	23,654	225,381
Other					682,844	683,090	1,365,934
Transfers					<u>(18,242,482)</u>	<u>18,242,482</u>	<u>-</u>
Total general revenues and transfers					<u>38,949,282</u>	<u>18,949,226</u>	<u>57,898,508</u>
Change in net position					<u>(12,874,380)</u>	<u>20,070,949</u>	<u>7,196,569</u>
Net position - beginning of year, as previously stated					235,457,336	185,240,044	420,697,380
Prior period adjustments					1,042,905	995,761	2,038,666
Net position - beginning of year, restated					<u>236,500,241</u>	<u>186,235,805</u>	<u>422,736,046</u>
Net position - end of year					<u>\$ 223,625,861</u>	<u>\$ 206,306,754</u>	<u>\$ 429,932,615</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 restricted for the construction of major capital facilities and public improvement projects not otherwise funded by general obligation bonds

Non-major Governmental Funds are presented by fund type in the supplemental section.

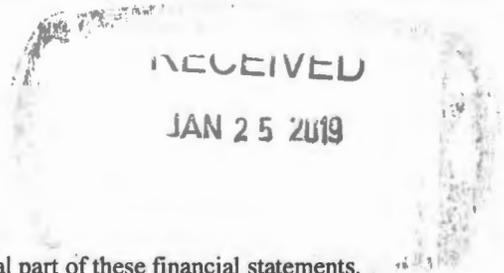
CITY OF GULFPORT, MISSISSIPPI

Governmental Funds

Balance Sheet

September 30, 2017

	Major Funds		Non-major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund		
Assets				
Cash and cash equivalents	\$ 3,383,496	\$ 3,455,411	\$ 301	\$ 6,839,208
Receivables:				
Property tax	19,861,470	-	5,618,949	25,480,419
Sales taxes	3,466,023	-	-	3,466,023
Franchise taxes	967,946	-	-	967,946
Gaming fees	370,244	-	-	370,244
Intergovernmental receivable	251,479	1,281,090	1,303,794	2,836,363
Court fines & fees	4,062,764	-	-	4,062,764
Other	1,393	-	-	1,393
Due from other funds	4,550,739	405,437	-	4,956,176
Restricted assets:				
Cash and cash equivalents	34	4,683,262	443,786	5,127,082
Total assets	<u>\$ 36,915,588</u>	<u>\$ 9,825,200</u>	<u>\$ 7,366,830</u>	<u>\$ 54,107,618</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,369,377	\$ 1,678,365	\$ 256,199	\$ 3,303,941
Retainage payable	-	90,785	-	90,785
Accrued wages payable	787,929	-	4,565	792,494
Unearned revenue	30,813	-	-	30,813
Due to other funds	525,893	-	2,534,232	3,060,125
Total liabilities	<u>2,714,012</u>	<u>1,769,150</u>	<u>2,794,996</u>	<u>7,278,158</u>
Deferred inflows of resources:				
Deferred property tax revenue	19,287,438	-	5,618,949	24,906,387
Deferred court fine revenue	4,062,764	-	-	4,062,764
Total deferred inflows of resources	<u>23,350,202</u>	<u>-</u>	<u>5,618,949</u>	<u>28,969,151</u>
Fund balances:				
Restricted for:				
Public safety	5,513	-	358,309	363,822
Capital projects	-	-	429,820	429,820
Committed for:				
Capital projects	32,451,567	8,056,050	-	40,507,617
Unassigned	(21,605,706)	-	(1,835,244)	(23,440,950)
Total fund balances	<u>10,851,374</u>	<u>8,056,050</u>	<u>(1,047,115)</u>	<u>17,860,309</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,915,588</u>	<u>\$ 9,825,200</u>	<u>\$ 7,366,830</u>	<u>\$ 54,107,618</u>



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

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Reconciliation of Balance Sheet to Statement of Net Position
September 30, 2017

Total governmental funds balance **\$ 17,860,309**

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	\$ 467,321,691	
Less: accumulated depreciation	<u>(153,623,934)</u>	313,697,757

Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.

Bonds payable	(31,712,400)	
Capital leases payable	(2,788,370)	
Compensated absences	(2,539,805)	
Claims payable	<u>(28,000)</u>	(37,068,575)

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	(1,258,971)	
Deferred amounts on refunding	<u>207,047</u>	(1,051,924)

Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.

Court fines receivable		4,062,764
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Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability		(77,301,955)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	3,708,228	
Deferred inflows of resources related to pensions	<u>(1,477,253)</u>	2,230,975

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	3,970,529	
Current liabilities	(581,705)	
Estimated claims payable	<u>(1,795,051)</u>	1,593,773

Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.

		<u>(397,263)</u>
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Net position of governmental activities		<u>\$ 223,625,861</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 19,248,462	\$ -	\$ 5,377,549	\$ 24,626,011
Sales tax	21,048,200	-	-	21,048,200
Franchise taxes	3,497,919	-	-	3,497,919
Gaming fees	3,912,284	-	-	3,912,284
Licenses and permits	973,157	-	-	973,157
Intergovernmental	3,483,409	11,410,062	1,947,548	16,841,019
Charges for services	1,813,279	-	-	1,813,279
Fines and fees	504,687	-	-	504,687
Interest income	111,158	78,228	12,341	201,727
Lease revenue	143,640	-	-	143,640
Miscellaneous	674,563	-	8,281	682,844
Total revenues	<u>55,410,758</u>	<u>11,488,290</u>	<u>7,345,719</u>	<u>74,244,767</u>
Expenditures				
General government	8,019,915	-	-	8,019,915
Public safety	30,777,551	-	1,037,370	31,814,921
Public works	8,387,013	-	-	8,387,013
Economic development	2,017,270	-	298,802	2,316,072
Culture and recreation	6,101,732	-	24,343	6,126,075
Capital outlay	-	7,415,506	3,198,219	10,613,725
Debt service:				
Principal	-	-	3,613,712	3,613,712
Interest	-	-	1,692,917	1,692,917
Other debt service costs	-	-	8,381	8,381
Total expenditures	<u>55,303,481</u>	<u>7,415,506</u>	<u>9,873,744</u>	<u>72,592,731</u>
Excess (deficiency) of revenues over expenditures	<u>107,277</u>	<u>4,072,784</u>	<u>(2,528,025)</u>	<u>1,652,036</u>
Other Financing Sources (Uses)				
Sale of capital assets	101,317	-	17,933	119,250
Capital contributions	-	1,179,182	-	1,179,182
Transfers in	2,294,481	-	712,171	3,006,652
Transfers out	(712,171)	(19,977,770)	(559,193)	(21,249,134)
Total other financing sources (uses)	<u>1,683,627</u>	<u>(18,798,588)</u>	<u>170,911</u>	<u>(16,944,050)</u>
Net change in fund balances	<u>1,790,904</u>	<u>(14,725,804)</u>	<u>(2,357,114)</u>	<u>(15,292,014)</u>
Fund balances-beginning	8,246,329	22,648,164	1,214,925	32,109,418
Prior period adjustment	814,141	133,690	95,074	1,042,905
Fund balances-beginning, restated	<u>9,060,470</u>	<u>22,781,854</u>	<u>1,309,999</u>	<u>33,152,323</u>
Fund balances-ending	<u>\$ 10,851,374</u>	<u>\$ 8,056,050</u>	<u>\$ (1,047,115)</u>	<u>\$ 17,860,309</u>

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

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2017

Net Change in Fund Balances - total governmental funds **(15,292,014)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	10,613,725	
Depreciation	(8,299,303)	2,314,422

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. (136,401)

Capital assets transferred to other governmental units are not recorded in Statement of Revenues, Expenditures and Changes in Fund Balance, however, these transfers are reflected in the Statement of Activities (805,364)

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

Debt retirement	3,613,712	
Death claims	(1,000)	
Bond premiums amortization	158,718	
Deferred amounts on bond refunding amortization	(26,419)	3,745,011

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities under the full accrual basis of accounting. 726,040

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		(4,026,788)
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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		52,430
Compensated absences		(266,111)

Internal service funds are used by management to charge the cost of certain activities, such as insurance costs and risk management, to individual funds. 814,395

Change in net position of governmental activities **\$ (12,874,380)**

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.

Joseph T. Jones Park Fund (non-major 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.

Gulfport Redevelopment Commission Fund (non-major 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.

Internal Service Funds are presented in the supplemental section.

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Net Position
September 30, 2017

	<u>Business-type Activities</u>			<u>Total Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Non-major Funds</u>				<u>Internal Service Funds</u>
	<u>Water and Sewer Fund</u>	<u>Joseph T. Jones Park Fund</u>	<u>Gulfport Redevelopment Commission</u>		
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,226,430	\$ 139,133	\$ 100,813	\$ 2,466,376	\$ 2,941,252
Accounts receivable, net	3,372,433	33,717	-	3,406,150	-
Inventory	-	6,405	-	6,405	-
Due from other funds	-	-	-	-	120,456
Restricted assets:					
Cash and cash equivalents	7,518,324	10,600	-	7,528,924	-
Investment	950,611	-	-	950,611	-
Prepaid insurance	-	-	-	-	908,821
Total current assets	<u>14,067,798</u>	<u>189,855</u>	<u>100,813</u>	<u>14,358,466</u>	<u>3,970,529</u>
Noncurrent assets:					
Capital assets:					
Land	643,793	539,180	29,963,149	31,146,122	-
Construction in progress	6,880,033	-	8,706,772	15,586,805	-
Buildings	-	2,490,651	5,905,150	8,395,801	-
Improvements and infrastructure	264,611,399	23,909,422	-	288,520,821	-
Machinery and equipment	2,650,719	1,644,381	-	4,295,100	-
Vehicles	3,121,140	64,935	-	3,186,075	-
Equipment under capital leases	615,567	-	-	615,567	-
Less: accumulated depreciation	<u>(77,005,984)</u>	<u>(6,354,536)</u>	<u>(1,502,065)</u>	<u>(84,862,585)</u>	<u>-</u>
Total noncurrent assets	<u>201,516,667</u>	<u>22,294,033</u>	<u>43,073,006</u>	<u>266,883,706</u>	<u>-</u>
Total assets	<u>215,584,465</u>	<u>22,483,888</u>	<u>43,173,819</u>	<u>281,242,172</u>	<u>3,970,529</u>
Deferred Outflows of Resources					
Deferred amounts on refunding	1,269,225	-	-	1,269,225	-
Deferred amounts on pensions	114,309	34,144	-	148,453	-
Total deferred outflows of resources	<u>1,383,534</u>	<u>34,144</u>	<u>-</u>	<u>1,417,678</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 216,967,999</u>	<u>\$ 22,518,032</u>	<u>\$ 43,173,819</u>	<u>\$ 282,659,850</u>	<u>\$ 3,970,529</u>

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Net Position (Continued)
September 30, 2017

	<u>Business-type Activities</u>			<u>Total Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Non-major Funds</u>				<u>Internal Service Funds</u>
	<u>Water and Sewer Fund</u>	<u>Joseph T. Jones Park Fund</u>	<u>Gulfport Redevelopment Commission</u>		
Liabilities					
Current liabilities:					
Accounts payable	\$ 2,227,862	\$ 46,799	\$ 414,368	\$ 2,689,029	\$ 19,666
Accrued interest	491,167	-	116,750	607,917	-
Sales tax payable	6,270	88	-	6,358	-
Accrued wages payable	19,331	6,354	-	25,685	-
Retainage payable	88,771	-	48,442	137,213	-
Due to other funds	1,115,332	339,136	-	1,454,468	562,039
Liability for self-insurance claims	-	-	-	-	1,795,051
Unearned revenue	-	39,981	-	39,981	-
Bonds payable	4,812,848	-	-	4,812,848	-
Notes payable	1,755,835	-	4,302,855	6,058,690	-
Leases payable	79,478	-	-	79,478	-
Compensated absences	36,218	9,472	-	45,690	-
Customer deposits	2,157,932	10,600	-	2,168,532	-
Total current liabilities	<u>12,791,044</u>	<u>452,430</u>	<u>4,882,415</u>	<u>18,125,889</u>	<u>2,376,756</u>
Noncurrent liabilities:					
Bonds payable	38,627,392	-	-	38,627,392	-
Notes payable	16,501,085	-	-	16,501,085	-
Leases payable	142,479	-	-	142,479	-
Net pension liability	2,094,548	698,183	-	2,792,731	-
Compensated absences	30,804	9,099	-	39,903	-
Total noncurrent liabilities	<u>57,396,308</u>	<u>707,282</u>	<u>-</u>	<u>58,103,590</u>	<u>-</u>
Total liabilities	<u>70,187,352</u>	<u>1,159,712</u>	<u>4,882,415</u>	<u>76,229,479</u>	<u>2,376,756</u>
Deferred Inflows of Resources					
Deferred amounts on refunding	62,065	-	-	62,065	-
Deferred amounts on pensions	47,395	14,157	-	61,552	-
Total deferred inflows of resources	<u>109,460</u>	<u>14,157</u>	<u>-</u>	<u>123,617</u>	<u>-</u>
Net Position					
Net investment in capital assets	133,633,126	22,294,033	38,307,341	194,234,500	-
Nonspendable				-	-
Inventory	-	6,405	-	6,405	-
Unrestricted	13,038,061	(956,275)	(15,937)	12,065,849	1,593,773
Total net position	<u>146,671,187</u>	<u>21,344,163</u>	<u>38,291,404</u>	<u>206,306,754</u>	<u>1,593,773</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 216,967,999</u>	<u>\$ 22,518,032</u>	<u>\$ 43,173,819</u>	<u>\$ 282,659,850</u>	<u>\$ 3,970,529</u>

(concluded)

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Revenue, Expenses and Change in Net Position
For the Year Ended September 30, 2017

	<u>Business-type Activities</u>			<u>Total Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Non-major Funds</u>				<u>Internal Service Funds</u>
	<u>Water and Sewer Fund</u>	<u>Joseph T. Jones Park Fund</u>	<u>Gulfport Redevelopment Commission</u>		
Operating Revenues					
Charges for services	\$33,635,070	\$816,480	\$413,860	\$ 34,865,410	\$ -
Employee contributions	-	-	-	-	1,134,025
Retiree contributions	-	-	-	-	175,881
Employer contributions and estimate changes	-	-	-	-	7,495,765
Insurance claim reimbursements	-	-	-	-	525,268
Miscellaneous	304,248	367,850	10,992	683,090	345,653
Total operating revenues	<u>33,939,318</u>	<u>1,184,330</u>	<u>424,852</u>	<u>35,548,500</u>	<u>9,676,592</u>
Operating Expenses					
Personnel services	1,000,298	549,815	-	1,550,113	-
Contractual services	18,015,963	591,553	1,201,848	19,809,364	-
Materials and supplies	2,791,624	393,528	-	3,185,152	-
Administrative expenses	1,175,796	50,000	489	1,226,285	598,204
Premium payments	-	-	-	-	2,311,022
Claims	-	-	-	-	5,980,670
Bad debt	-	-	1,135	1,135	-
Depreciation expense	5,495,126	1,299,589	377,849	7,172,564	-
Total operating expenses	<u>28,478,807</u>	<u>2,884,485</u>	<u>1,581,321</u>	<u>32,944,613</u>	<u>8,889,896</u>
Operating income (loss)	<u>5,460,511</u>	<u>(1,700,155)</u>	<u>(1,156,469)</u>	<u>2,603,887</u>	<u>786,696</u>
Non-operating Revenues (Expenses)					
Interest income	23,116	538	-	23,654	27,699
Interest expense	(2,216,083)	-	(189,711)	(2,405,794)	-
Other debt service costs	(15,969)	-	-	(15,969)	-
Total non-operating revenues (expenses)	<u>(2,208,936)</u>	<u>538</u>	<u>(189,711)</u>	<u>(2,398,109)</u>	<u>27,699</u>
Income (loss) before transfers and capital contributions	3,251,575	(1,699,617)	(1,346,180)	205,778	814,395
Capital contributions	1,622,689	-	-	1,622,689	-
Transfers	758,679	(382,962)	17,866,765	18,242,482	-
Change in net position	<u>5,632,943</u>	<u>(2,082,579)</u>	<u>16,520,585</u>	<u>20,070,949</u>	<u>814,395</u>
Total net position--beginning	140,075,666	23,393,559	21,770,819	185,240,044	779,378
Prior period adjustment	962,578	33,183	-	995,761	-
Total net position--beginning, as restated	<u>141,038,244</u>	<u>23,426,742</u>	<u>21,770,819</u>	<u>186,235,805</u>	<u>779,378</u>
Total net position--ending	<u>\$ 146,671,187</u>	<u>\$ 21,344,163</u>	<u>\$ 38,291,404</u>	<u>\$ 206,306,754</u>	<u>\$ 1,593,773</u>

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	<u>Business-type Activities</u>			<u>Total Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Non-major Funds</u>				<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Joseph T. Jones Park Fund</u>	<u>Gulfport Redevelopment Commission</u>		
Cash flows from operating activities:					
Receipts from customers	\$ 33,510,364	\$ 820,539	\$ 502,770	\$ 34,833,673	\$ -
Cash received from other operating receipts	304,248	367,850	10,992	683,090	345,653
Cash received from employees and others	-	-	-	-	1,309,906
Cash received from insurance claims	-	-	-	-	525,268
Cash received from employer contributions	-	-	-	-	7,495,765
Payments to employees	(1,058,856)	(339,446)	-	(1,398,302)	-
Payments to suppliers	(2,791,624)	(393,528)	-	(3,185,152)	-
Payments for contractual services	(18,191,073)	(580,882)	(1,774,829)	(20,546,784)	(9,969,528)
Payments for other goods and services	(1,175,796)	(50,000)	-	(1,225,796)	-
Net cash provided by (used) in operating activities	<u>10,597,263</u>	<u>(175,467)</u>	<u>(1,261,067)</u>	<u>9,160,729</u>	<u>(292,936)</u>
Cash flows from non-capital financing activities:					
Amounts from/to other funds	<u>1,389,625</u>	<u>(85,276)</u>	<u>17,866,765</u>	<u>19,171,114</u>	<u>328,075</u>
Net cash provided by non-capital financing activities	<u>1,389,625</u>	<u>(85,276)</u>	<u>17,866,765</u>	<u>19,171,114</u>	<u>328,075</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(7,827,766)	250,306	(7,952,709)	(15,530,169)	-
Loss (gain) on disposal of capital asset	29,976	-	-	29,976	-
Capital contributions	1,622,689	-	-	1,622,689	-
Proceeds from debt	-	-	4,472,564	4,472,564	-
Principal payments on debt	(6,691,503)	-	(12,518,624)	(19,210,127)	-
Interest paid on debt	(2,343,043)	-	(572,071)	(2,915,114)	-
Net cash provided by (used) in capital financing activities	<u>(15,209,647)</u>	<u>250,306</u>	<u>(16,570,840)</u>	<u>(31,530,181)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	<u>23,116</u>	<u>538</u>	<u>-</u>	<u>23,654</u>	<u>27,699</u>
Net cash provided by investing activities	<u>23,116</u>	<u>538</u>	<u>-</u>	<u>23,654</u>	<u>27,699</u>
Net increase in cash and cash equivalents	(3,199,643)	(9,899)	34,858	(3,174,684)	62,838
Cash and cash equivalents - October 1	12,944,397	159,632	65,955	13,169,984	2,878,414
Cash and cash equivalents - September 30	<u>\$ 9,744,754</u>	<u>\$ 149,733</u>	<u>\$ 100,813</u>	<u>\$ 9,995,300</u>	<u>\$ 2,941,252</u>
Classified as:					
Current assets	\$ 2,226,430	\$ 139,133	\$ 100,813	\$ 2,466,376	\$ 2,941,252
Restricted assets	7,518,324	10,600	-	7,528,924	-
	<u>\$ 9,744,754</u>	<u>\$ 149,733</u>	<u>\$ 100,813</u>	<u>\$ 9,995,300</u>	<u>\$ 2,941,252</u>
Non-cash investing and financing activities					
Transfer of machinery to governmental	\$ -	\$ (382,962)	\$ -	\$ (382,962)	\$ -
Transfer of infrastructure from governmental	1,188,326	-	-	1,188,326	-
Total non-cash investing and financing activities	<u>\$ 1,188,326</u>	<u>\$ (382,962)</u>	<u>\$ -</u>	<u>\$ 805,364</u>	<u>\$ -</u>

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Cash Flows (Continued)
For the Year Ended September 30, 2017

	<u>Business-type Activities</u>			Total Business-type Activities	<u>Governmental Activities</u>
	<u>Non-major Funds</u>				<u>Internal Service Funds</u>
	<u>Water and Sewer Fund</u>	<u>Joseph T. Jones Park Fund</u>	<u>Gulfport Redevelopment Commission</u>		
Operating income (loss)	\$ 5,460,511	\$ (1,700,155)	\$ (1,156,469)	\$ 2,603,887	\$ 786,696
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	5,495,126	1,299,589	377,849	7,172,564	-
Bad debts	-	-	1,135	1,135	-
(Increase) decrease in assets:					
Accounts receivable	(124,706)	(9,581)	75,167	(59,120)	-
Other receivables	-	-	-	-	-
Inventory	-	3,831	-	3,831	-
Prepaid expenses	-	-	-	-	(8,388)
Land deposits	-	-	13,743	13,743	-
Increase (decrease) in liabilities:					
Accounts payable	(22,083)	14,530	(620,934)	(628,487)	(10,908)
Sales tax payable	(4,804)	(100)	-	(4,904)	-
Wages payable	(491)	936	-	445	-
Retainage payable	(41,612)	-	48,442	6,830	-
Net pension liability	(76,897)	200,577	-	123,680	-
Liability for self-insurance claims	-	-	-	-	(1,060,336)
Leases payable	-	-	-	-	-
Customer deposits	(106,611)	6,050	-	(100,561)	-
Compensated absences payable	18,830	8,856	-	27,686	-
Net cash provided (used) by operating activities	<u>\$ 10,597,263</u>	<u>\$ (175,467)</u>	<u>\$ (1,261,067)</u>	<u>\$ 9,160,729</u>	<u>\$ (292,936)</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 supplemental section.



CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Statement of Assets and Liabilities
September 30, 2017

	<u>Total</u>
Assets	
Cash and cash equivalents	\$ 252,909
Assets held for disposal	54,350
Total assets	<u>\$ 307,259</u>
Liabilities	
Assets held in trust	307,259
Total liabilities	<u>\$ 307,259</u>



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

Notes to the Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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.

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.

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 of, 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).

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 18 for more information regarding related organizations not included in the City's reporting entity.

C. Basis of Presentation

Governmental-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 non-major funds.

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:

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

This is a capital project fund (deemed to be a major fund by the requirements set forth in GASB 34 issued by the Governmental Accounting Standards) that is 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. The City has presented the following major proprietary fund:

Water and Sewer Fund –

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.

Proprietary Funds – Governmental-type activities

The City reports the 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.

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.

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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.

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

The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operations. The principal operating revenues of the Water and Sewer fund and the Joseph T. Jones Park fund are charges to customers for sales and services. The City insurance funds bill the other funds to cover insurance premiums and claims. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in accordance with GASB Statement No. 31 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.

F. Receivables

All trade receivables are shown net of an allowance for uncollectible accounts. An allowance in the amount of \$6,709,233 at September 30, 2017, has been provided 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. Inter-fund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-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 due to the deposits 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	10-25 years
Machinery and equipment	5-10 years
Vehicles	5 years

L. Capitalized Interest

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the City's tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Total interest cost incurred for the Gulfport Redevelopment Commission for the year ended September 30, 2017 was \$685,476. Interest capitalized was \$495,765 using the average cumulative expenditures method of calculation.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial 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, 2017, the City had deferred outflows of resources associated with bond refunding in the amount of \$1,476,272 and deferred amounts on pensions in the amount of \$3,856,681 which are reflected in the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2017 the City had deferred inflows of resources for property taxes in the amount of \$24,906,387; deferred amounts associated with bond refunding in the amount of \$62,065, and deferred amounts on pensions in the amount of \$1,538,805 which are reflected in the Statement of Net Position.

See Note 13 for the effects that these deferred outflows and inflow have on Net Position for the year ended September 30, 2017.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 its use either through enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. Nature and Purpose of Designations of Fund Balance

The fund balance designations for donor-imposed restrictions, debt service, and encumbrances are discussed in Note 12. The fund equity designation for subsequent year's expenditures primarily represents amount of cash used in the next year's budget to offset amounts in which expenditures are budgeted in excess of budgeted revenues.

P. 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.

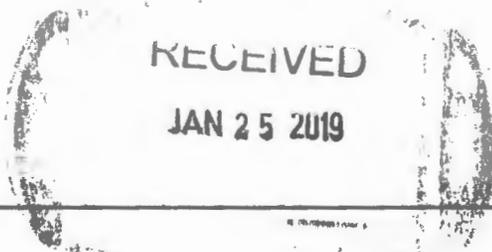
The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2017. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

Q. Post-Employment Health Care Benefits

The City does not have costs associated with post-employment benefits for retired employees. The City does allow employees to continue in the group plan after retirement; however, the retired employees pay all premiums.

R. 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.



CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Effects of New Accounting Pronouncements

Effective for fiscal year ended September 30, 2017, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 74 revises and establishes new accounting and financial reporting requirements for postemployment benefit plans other than pensions (OPEB). Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEB and requires additional OPEB disclosures. This statement did not have an impact on these financial statements.

Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided by state or local governments through a cost-sharing plan that meets the criteria of Statement No. 68 and is not a state or local governmental pension plan. This statement did not have an impact on these financial statements.

Statement No. 80 *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The City is not the sole corporate member of any incorporated not-for-profit corporations as of September 30, 2017.

Statement No. 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 amends the definition of covered payroll for pensions reported in required supplementary information. Instead of presenting covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, the required supplementary information will present covered payroll, defined as the payroll on which contributions to a pension plan are based.

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

Statement No. 81, *Irrevocable Split-Interest Agreements*. The provisions of GASB 81 are effect for financial statements for fiscal years beginning after December 15, 2016. When receiving resources pursuant to an irrevocable split-interest agreement, a government must recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and to recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party. Application of this statement is effective for the City's fiscal year ending September 30, 2018.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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.
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.

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.

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.

10. 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.
11. Unexpended appropriations lapse at year-end in all funds.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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

(A) 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.

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, 2017 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.

(B) 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, 2017 one casino was operating within the City. Gaming activities are taxed in a variety of ways.

The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4 to .8 percent. 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 \$3,912,284 was reported in the General Fund which consists of \$3,721,284 in gaming revenues and \$191,000 of gaming license fees for the year ended September 30, 2017.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 3: PROPERTY TAX, GAMING, SALES TAX AND LEASE REVENUES (Continued)

(C) 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, 2017, was \$21,048,200.

(D) 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, 2017:

	Cost	Accumulated Depreciation	Net Value
Land	\$ 18,759,786	-	18,759,786
Buildings and Improvements	5,105,150	1,486,065	3,619,085
	\$ 23,864,936	1,486,065	22,378,871

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2017:

Year Ended September 30,	Amount
2018	\$ 381,400
2019	25,000
2020	25,000
2021	25,000
	\$ 456,400

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2017, 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 2017 received through all leases was \$413,860.

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 – governmental-type activities and Fiduciary Funds which either maintain a separate account or have investments held separately by a trustee.

At September 30, 2017, the carrying amount of the City’s deposits was \$25,155,751 and the bank balance was \$28,140,240. 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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, 2017, none of the City's bank balance of \$28,140,240 was exposed to custodial credit risk.

A summary of Cash and Cash Equivalents at September 30, 2017 is as follows:

	Invested in Sweep Account		Non-pooled		Total
	Unrestricted	Restricted	Unrestricted	Restricted	
Governmental funds:					
Major funds:					
General	\$ 3,379,976	\$ 34	\$ 3,520	\$ -	\$ 3,383,530
Capital Projects	3,455,411	4,683,262	-	-	8,138,673
Non-major funds	151	443,786	150	-	444,087
Total governmental funds	<u>6,835,538</u>	<u>5,127,082</u>	<u>3,670</u>	<u>-</u>	<u>11,966,290</u>
Proprietary funds:					
Business-type activities:					
Water and Sewer		4,626,740	2,226,430	2,891,584	9,744,754
Joseph T. Jones Park		-	139,133	10,600	149,733
Gulfport Redevelopment Comn	-	-	100,813	-	100,813
Total business-type	<u>-</u>	<u>4,626,740</u>	<u>2,466,376</u>	<u>2,902,184</u>	<u>9,995,300</u>
Governmental-type activities:					
Claims Contingency	2,941,252	-	-	-	2,941,252
Total proprietary funds	<u>2,941,252</u>	<u>4,626,740</u>	<u>2,466,376</u>	<u>2,902,184</u>	<u>12,936,552</u>
Fiduciary funds	-	252,909	-	-	252,909
Total cash and cash equivalents	<u>\$ 9,776,790</u>	<u>\$ 10,006,731</u>	<u>\$ 2,470,046</u>	<u>\$ 2,902,184</u>	<u>\$ 25,155,751</u>

(B) Investments

At September 30, 2017, 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 2 or Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 4: CASH AND OTHER DEPOSITS AND INVESTMENTS (Continued)

(B) Investments (Continued)

A summary of the City's investments and the inputs used in valuing the City's investments at September 30, 2017, are as follows:

	Fair Value 09/30/2017	Fair Value Measurement (Level 1)
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 five percent 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.

NOTE 5: RECEIVABLES

The Statement of Net Position includes the following receivables at September 30, 2017:

Taxes receivable:	
Property taxes	\$ 25,480,419
Sales taxes	3,466,023
Franchise taxes	967,946
Gaming fees	370,244
Other	1,393
Total taxes receivable	\$ 30,286,025
Customer accounts receivable:	
Customer charges for services (billed)	\$ 8,653,947
Customer accounts, earned but unbilled	1,677,225
Less: allowance for doubtful accounts	(6,925,022)
Total customer accounts receivable, net	\$ 3,406,150
Total receivables, net	\$ 33,692,175

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 5: RECEIVABLES (Continued)

The Statement of Net Position includes the following customer receivables at September 30, 2017:

Court fines receivable	\$	11,968,262
Less: allowance for doubtful accounts		<u>(7,905,498)</u>
Total court fines receivable, net	\$	<u><u>4,062,764</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 *unearned 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 \$24,906,387 for property tax assessments not yet due and \$4,062,764 for court fines receivable, respectively. At the end of the current fiscal year, *unearned revenue* in the amount of \$30,813 was reported in the business-type activities.

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

Due from other governments:		
Federal	\$	1,303,795
State		<u>1,532,568</u>
Total due from other governments	\$	<u><u>2,836,363</u></u>

NOTE 6: INTER-FUND TRANSACTIONS AND BALANCES

Government-wide Financial Statements

A. Internal Balances

At September 30, 2017, the City had the following internal balances:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	<u>\$ 1,454,468</u>

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."

B. Capital asset transfers

At September 30, 2017, the City had the following net capital asset transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Business-type Activities	Governmental Activities	<u>\$ 805,364</u>

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 6: INTER-FUND TRANSACTIONS AND BALANCES (Continued)

Fund Financial Statements

The following is a summary of inter-fund balances at September 30, 2017:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major funds	\$ 2,534,232
	Water and sewer fund	1,115,332
	Joseph T. Jones Park fund	339,136
	Internal service funds	562,039
Capital projects fund	General fund	405,437
Internal service funds	General fund	120,456
		<u>\$ 5,076,632</u>

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".

B. Transfers In/Out:

In addition to the above inter-fund loans, the following transfers were made between funds during the year ended September 30, 2017:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Capital projects fund	\$ 1,735,288
	Non-major governmental funds	559,193
Capital projects fund	Joseph T. Jones Park fund	382,962
Non-major governmental funds	General Fund	712,171
Water and sewer fund	Capital projects fund	758,679
Gulfport Redevelopment Commission	Capital projects fund	17,866,765
Total transfers		<u>\$ 22,015,058</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.



CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 7: CAPITAL ASSETS

A. Capital Asset Activity

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

	Balance October 1	Additions	Deletions	Adjustments	Balance September 30
<i>Governmental Activities</i>					
Non-depreciable capital assets:					
Land	\$ 26,813,722	\$ -	\$ -	\$ -	\$ 26,813,722
Construction in progress	15,338,413	7,316,621	(10,122,120)	-	12,532,914
Total non-depreciable capital assets	<u>42,152,135</u>	<u>7,316,621</u>	<u>(10,122,120)</u>	<u>-</u>	<u>39,346,636</u>
Depreciable capital assets:					
Buildings	76,903,880	-	-	197,539	77,101,419
Improvements other than buildings	29,459,560	-	9,338,065	-	38,797,625
Infrastructure	279,586,892	1,457,608	490,188	(281,565)	281,253,123
Machinery & equipment	10,398,492	722,448	(129,890)	220,191	11,211,241
Vehicles	16,379,384	1,117,048	(925,306)	(14,915)	16,556,211
Equipment under capital leases	2,168,344	-	-	887,092	3,055,436
Total depreciable capital assets	<u>414,896,552</u>	<u>3,297,104</u>	<u>8,773,057</u>	<u>1,008,342</u>	<u>427,975,055</u>
Less accumulated depreciated for:					
Buildings	15,724,466	1,442,029	-	(1,047,950)	16,118,545
Improvements other than buildings	11,478,872	1,433,120	-	(621,144)	12,290,848
Infrastructure	98,171,341	3,746,380	-	4,160,764	106,078,485
Machinery & equipment	7,168,243	724,654	(381,457)	307,856	7,819,296
Vehicles	11,822,816	781,990	(831,205)	(785,879)	10,987,722
Equipment under capital leases	357,849	171,130	-	(199,941)	329,038
Total accumulated depreciation	<u>144,723,587</u>	<u>8,299,303</u>	<u>(1,212,662)</u>	<u>1,813,706</u>	<u>153,623,934</u>
Depreciable capital assets, net	<u>270,172,965</u>	<u>(5,002,199)</u>	<u>9,985,719</u>	<u>(805,364)</u>	<u>274,351,121</u>
Governmental activities capital assets, net	<u>\$ 312,325,100</u>	<u>\$ 2,314,422</u>	<u>\$ (136,401)</u>	<u>\$ (805,364)</u>	<u>\$ 313,697,757</u>

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

General government	465,514
Public safety	1,681,285
Public works	4,025,100
Culture and recreation	1,820,319
Economic Development	307,085
Total governmental activities depreciation expense	<u>\$ 8,299,303</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 7: CAPITAL ASSETS (Continued)

	Balance October 1	Additions	Deletions	Adjustments	Balance September 30
<i>Business-type Activities</i>					
Non-depreciable capital assets:					
Land	\$ 29,671,326	\$ 1,502,315	\$ -	\$ (27,519)	\$ 31,146,122
Construction in progress	6,632,596	12,239,299	(3,307,101)	22,011	15,586,805
Total non-depreciable capital assets	<u>36,303,922</u>	<u>13,741,614</u>	<u>(3,307,101)</u>	<u>(5,508)</u>	<u>46,732,927</u>
Depreciable capital assets:					
Buildings	7,595,801	800,000	-	-	8,395,801
Improvements and infrastructure	283,055,867	2,150,403	3,307,101	7,450	288,520,821
Machinery & equipment	4,000,252	302,763	(196,296)	188,381	4,295,100
Vehicles	2,975,732	399,847	(103,458)	(86,046)	3,186,075
Equipment under capital leases	494,418	-	-	121,149	615,567
Total depreciable capital assets	<u>298,122,070</u>	<u>3,653,013</u>	<u>3,007,347</u>	<u>230,934</u>	<u>305,013,364</u>
Less accumulated depreciated for:					
Buildings	1,603,478	428,736	-	(256,339)	1,775,875
Improvements and infrastructure	71,011,697	6,157,815	-	872,849	78,042,361
Machinery & equipment	1,745,713	424,312	(176,666)	380,441	2,373,800
Vehicles	2,617,470	53,590	(93,112)	(108,987)	2,468,961
Equipment under capital leases	216,110	108,111	-	(122,633)	201,588
Total accumulated depreciation	<u>77,194,468</u>	<u>7,172,564</u>	<u>(269,778)</u>	<u>765,331</u>	<u>84,862,585</u>
Depreciable capital assets, net	<u>220,927,602</u>	<u>(3,519,551)</u>	<u>3,277,125</u>	<u>(534,397)</u>	<u>220,150,779</u>
Business-type activities capital assets, net	<u>\$ 257,231,524</u>	<u>\$ 10,222,063</u>	<u>\$ (29,976)</u>	<u>\$ (539,905)</u>	<u>\$ 266,883,706</u>

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

Water and sewer	\$ 5,495,126
Joseph T. Jones Memorial Park	1,299,589
Gulfport Redevelopment Commission	377,849
Total business-type activities depreciation expense	<u>\$ 7,172,564</u>

B. Net Investment in Capital Assets/Net Position

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Land	\$ 26,813,722	\$ 29,671,326
Construction in progress	15,338,413	6,632,596
Other capital assets, net of accumulated depreciation	270,172,965	220,927,602
Add: deferred outflow of resources on refunding	207,047	1,269,225
Less: retainage payable	(68,903)	(137,213)
Less: related long-term debt outstanding - spent	(30,696,479)	(64,066,971)
Less: deferred inflow of resources on refunding	-	(62,065)
	<u>\$ 281,766,765</u>	<u>\$ 194,234,500</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 8: LEASES

(A) Capital Leases

In prior fiscal years, the City has obtained lease financing for the purchase of computer equipment and other machinery and equipment. In April 2017, the City obtained lease financing for the purchase of five fire trucks with accessories. 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, 2017:

	Stated Interest Rate	Present Value of Remaining Payments as of September 30, 2017
Governmental activities:		
Computer equipment	1.81%	\$ 235,393
Fire trucks	3.00%	1,632,816
Equipment	1.58%	<u>920,161</u>
Total governmental activities		<u>2,788,370</u>
Business-type activities:		
Excavator	1.85%	15,546
Backhoe	2.24%	16,607
Equipment	1.58%	<u>189,804</u>
Total business-type activities:		<u>221,957</u>
Total capital lease obligations		<u>\$ 3,010,327</u>

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

Governmental activities:	
Computer equipment	\$ 245,219
Fire trucks	1,910,117
Equipment	900,100
Less: accumulated amortization	<u>(329,038)</u>
Net value	<u>\$ 2,726,398</u>
Business-type activities:	
Excavator	\$ 180,375
Backhoe	86,585
Pumps	108,927
Truck	<u>239,680</u>
Less: accumulated amortization	<u>(201,588)</u>
Net value	<u>\$ 413,979</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 8: LEASES (Continued)

As of September 30, 2017, capital lease annual amortizations are as follows:

Year Ended September 30,	Governmental activities	Business-type activities
2018	600,809	82,380
2019	448,930	49,980
2020	405,417	49,980
2021	385,205	45,815
2022	163,115	-
2023-2027	815,576	-
2028-2029	326,230	-
Less: interest	(356,912)	(6,198)
Present value of remaining payments	\$ 2,788,370	\$ 221,957

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

(B) 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,	
2018	\$ 113,343
2019	71,076
2020	17,648
	\$ 202,067

NOTE 9: LONG-TERM DEBT

The following schedule reflects the debt transactions for governmental activities for the year ended September 30, 2017:

<u>Governmental Activities</u>	<u>Payable at October 1</u>	<u>Additions</u>	<u>Principal Reductions</u>	<u>Payable at September 30</u>	<u>Principal Due in One Year</u>
General obligation bonds	\$ 28,005,000	\$ -	\$ 2,087,600	\$ 25,917,400	\$ 2,191,500
Limited obligation bond	440,000	-	15,000	425,000	20,000
Special obligation bonds	6,350,000	-	980,000	5,370,000	1,010,000
Capital leases payable	3,319,482	-	531,112	2,788,370	536,559
Compensated absences payable	2,273,694	2,248,373	1,982,262	2,539,805	1,624,951
Claims and judgments	27,000	1,000	-	28,000	-
	40,415,176	2,249,373	5,595,974	37,068,575	5,383,010
Plus bond premium	1,417,689	-	158,718	1,258,971	158,718
Total governmental activities	\$ 41,832,865	\$ 2,249,373	\$ 5,754,692	\$ 38,327,546	\$ 5,541,728

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 9: LONG-TERM DEBT (Continued)

The following schedule reflects the debt transactions for business-type activities for the year ended September 30, 2017:

<u>Business-type Activities</u>	<u>Payable at October 1</u>	<u>Additions</u>	<u>Principal Reductions</u>	<u>Payable at September 30</u>	<u>Principal Due in One Year</u>
General obligation bonds payable	\$ 35,525,000	\$ -	\$ 4,827,400	\$ 30,697,600	\$ 4,538,500
Special obligation bonds payable	10,700,000	-	-	10,700,000	-
Notes payable	32,331,231	4,472,564	14,244,020	22,559,775	6,058,690
Capital leases payable	360,664	-	138,707	221,957	79,478
Compensated absences	<u>57,907</u>	<u>97,327</u>	<u>69,641</u>	<u>85,593</u>	<u>45,690</u>
	78,974,802	4,569,891	19,279,768	64,264,925	10,722,358
Plus bond premium	<u>2,316,988</u>	<u>-</u>	<u>274,348</u>	<u>2,042,640</u>	<u>274,348</u>
Total business type activities	<u>\$ 81,291,790</u>	<u>\$ 4,569,891</u>	<u>\$ 19,554,116</u>	<u>\$ 66,307,565</u>	<u>\$ 10,996,706</u>

(1) 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.

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:

<u>Purpose</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>	<u>Due in one year</u>
<u>Governmental Activities:</u>					
GO Refunding - Public Improvement	15,025,000	9/10/2014	2.0-5.0%	11,295,400	1,471,000
GO Public Improvement	<u>16,000,000</u>	12/18/2014	1.5-3.4%	<u>14,622,000</u>	<u>720,500</u>
Total governmental activities	<u>\$ 31,025,000</u>			<u>\$ 25,917,400</u>	<u>\$ 2,191,500</u>
<u>Business-type Activities:</u>					
GO Refunding	\$ 2,850,000	9/10/2014	2.0-5.0%	\$ 2,139,600	\$ 279,000
GO Revenue	9,500,000	6/1/2009	3.34%	2,155,000	1,060,000
GO Revenue	14,000,000	12/18/2014	1.5-3.4%	12,778,000	629,500
GO Refunding	<u>18,465,000</u>	6/30/2015	2.0-5.0%	<u>13,625,000</u>	<u>2,570,000</u>
Total business-type activities	<u>\$ 44,815,000</u>			<u>\$ 30,697,600</u>	<u>\$ 4,538,500</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 9: LONG-TERM DEBT (Continued)

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

Year Ended September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 2,191,500	\$ 904,260	\$ 4,538,500	\$ 1,181,405	\$ 8,815,665
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
2023-2027	8,941,600	1,795,497	7,243,400	1,602,178	19,582,675
2028-2032	4,884,200	657,911	3,870,800	576,732	9,989,643
2033-2035	1,881,000	85,396	1,619,000	75,729	3,661,125
	<u>\$ 25,917,400</u>	<u>\$ 6,302,365</u>	<u>\$ 30,697,600</u>	<u>\$ 6,279,792</u>	<u>\$ 69,197,157</u>

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, 2017, refunded bond issues and the related principal payable from escrow is as follows:

Bond Issue	Principal Balance
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>

(2) 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 4.0% 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, 2017 are as follows:

	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one year
TIF Bond	\$ 480,000	9/23/2014	4.00%	\$ 425,000	\$ 20,000

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CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 9: LONG-TERM DEBT (Continued)

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

Year ended September 30,	Principal	Interest	Total
2018	\$ 20,000	\$ 17,000	\$ 37,000
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
2023-2027	120,000	55,800	175,800
2028-2032	140,000	30,400	170,400
2033-2034	65,000	4,000	69,000
	<u>\$ 425,000</u>	<u>\$ 167,200</u>	<u>\$ 592,200</u>

(3) 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. Special obligation bonds currently outstanding are as follows:

	Original Amount	Issue Date	Outstanding Amount	Due in one year
<u>Governmental Activities:</u>				
SO Refunding - Public Improvement Paving	\$ 10,000,000	7/19/2012	\$ 5,370,000	\$ 1,010,000
<u>Business-type Activities:</u>				
SO Refunding	\$ 47,565,000	4/7/2005	\$ 10,700,000	\$ -

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

Year ended September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 1,010,000	\$ 161,100	-	\$ 561,750	\$ 1,732,850
2019	1,040,000	130,800	-	561,750	1,732,550
2020	1,075,000	99,600	-	561,750	1,736,350
2021	1,105,000	67,350	-	561,750	1,734,100
2022	1,140,000	34,200	3,385,000	561,750	5,120,950
2023-2024	-	-	7,315,000	580,913	7,895,913
	<u>\$ 5,370,000</u>	<u>\$ 493,050</u>	<u>\$ 10,700,000</u>	<u>\$ 3,389,663</u>	<u>\$ 19,952,713</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 9: LONG-TERM DEBT (Continued)

(4) 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

On December 17, 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, 2017, the line of credit balance was \$4,302,855. Collateral used to secure the loan is the assignment of ground lease agreements and is guaranteed by the City of Gulfport.

Annual debt service requirements for the notes are as follows:

<u>Year ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,058,690	\$ 525,607	\$ 6,584,297
2019	1,786,811	305,457	2,092,268
2020	1,818,331	274,482	2,092,813
2021	1,850,406	210,885	2,061,291
2022	1,883,051	178,241	2,061,292
2023-2027	8,859,676	403,636	9,263,312
2028-2031	302,810	1,605	304,415
	<u>\$ 22,559,775</u>	<u>\$ 1,899,913</u>	<u>\$ 24,459,688</u>

(5) 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.

(6) 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, 2017, 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, 2017. None of the liability for these benefits is estimated to be paid within one year.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 9: LONG-TERM DEBT (Continued)

(7) 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, 2017, the amount of outstanding general obligation bonded debt was equal to 3.43% 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 \$755,954,726; therefore, the 15% limitation equals: \$113,393,209; less GO Bonds outstanding of \$25,917,400, leaving a margin for further debt issuance of \$87,475,809.

(8) 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 percent. 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 percent.

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 percent 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 percent.

As of September 30, 2017, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds plus unamortized premium was \$64,034,146. 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 18, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

NOTE 10: RETIREMENT PLANS

1. 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

(A) 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 10: RETIREMENT PLANS (Continued)

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 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2017, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

(B) Municipal Retirement Systems

Plan Description. The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), 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, 2017, 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 Section 21-29, Articles 1,3,5,7, Mississippi Code Annotated (1972), 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 Systems 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, 2017, the plan has 92 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 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66-2/3 percent of average monthly compensation.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 10: RETIREMENT PLANS (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, 2017 valuation is 1.29 mills, therefore, the millage rate effective October 1, 2017, is 1.29 mills.

Net Pension Liability and Pension Expense

At September 30, 2017, the City reported a liability of \$69,818,256 in the governmental activities and \$2,792,731 in the business-type activities for a total of \$80,094,686 for its proportionate share of the PERS net pension liability. A net pension liability in the amount of \$10,276,430 was reported in the governmental activities for its share of the MRS net pension liability.

The net pension liabilities were measured as of June 30, 2016, 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, 2017, the City's proportion was .42 percent, unchanged from 2016.

For the year ended September 30, 2017, the City recognized PERS pension expense for governmental activities of \$8,194,916 and \$341,455 for business-type activities. A decrease in pension expense of \$59,166 was reported for the MRS pension in the governmental activities.

Schedule of Changes in Net Pension Liability

The change in Net Pension Liability, for PERS, for the fiscal year ended September 30, 2017 is as follows:

Mississippi Public Employees' Retirement System (PERS)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service cost	\$ 3,169,118	\$ -	\$ 3,169,118
Interest on the total pension liability	13,248,404	-	13,248,404
Difference between expected and actual experience	(724,399)	-	(724,399)
Changes in assumptions	101,392	-	101,392
Employer's contribution	-	4,280,153	(4,280,153)
Employee's contribution	-	2,394,275	(2,394,275)
Pension plan net investment income	-	14,431,805	(14,431,805)
Benefit payments, including refunds of employee contributions	(10,884,808)	(10,884,808)	-
Administrative expense	-	(71,635)	71,635
Other	-	(35,851)	35,851
Net Change	4,909,707	10,113,939	(5,204,232)
Net Pension Liability Beginning	176,389,555	101,367,067	75,022,488
Net Pension Liability Ending	<u>\$ 181,299,262</u>	<u>\$ 111,481,006</u>	<u>\$ 69,818,256</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 2016) and is presented in the Required Supplementary Information Section on pages 90-91.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 10: RETIREMENT PLANS (Continued)

The change in Net Pension Liability, for MRS, for the fiscal year ended September 30, 2017 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
Interest on the total pension liability	\$ 1,493,682	\$ -	\$ 1,493,682
Benefit changes	-	-	-
Difference between expected and actual experience	(139,582)	-	(139,582)
Changes in assumption	74,488	-	74,488
Employer's contribution	-	943,358	(943,358)
Employee's contribution	-	-	-
Pension plan net investment income	-	1,228,049	(1,228,049)
Benefit payments, including refunds of employee contributions	(1,974,506)	(1,974,506)	-
Administrative expense	-	(18,867)	18,867
Other	-	6,262	(6,262)
Net Change	(545,918)	184,296	(730,214)
Net Pension Liability Beginning	20,260,566	9,253,922	11,006,644
Net Pension Liability Ending	<u>\$ 19,714,648</u>	<u>\$ 9,438,218</u>	<u>\$ 10,276,430</u>

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 2016) and is presented in the Required Supplementary Information Section on pages 92-93.

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

At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			
	PERS		MRS	
	Governmental Activities	Business-Type Activities	Governmental Activities	Total
Differences between expected and actual experience	\$ 962,942	\$ 40,123	\$ -	\$ 1,003,065
Changes of assumptions	1,489,716	62,071	-	1,551,787
Net difference between projected and actual earnings on pension plan investments	-	-	145,340	145,340
Changes in proportion and differences between City contributions and proportionate share on contributions	1,185	49	-	1,234
City's contributions subsequent to the measurement date	<u>1,109,045</u>	<u>46,210</u>	<u>-</u>	<u>1,155,255</u>
Total	<u>\$ 3,562,888</u>	<u>\$ 148,453</u>	<u>\$ 145,340</u>	<u>\$ 3,856,681</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 10: RETIREMENT PLANS (Continued)

At September 30, 2017, the City reported deferred inflows of resources of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	PERS		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 489,065	\$ 20,378	\$ 509,443
Changes of assumptions	114,210	4,759	118,969
Net difference between projected and actual earnings on pension plan investments	860,557	35,857	896,414
Differences between City contributions and proportionate share on contributions	13,421	558	13,979
Total	1,477,253	61,552	1,538,805

Within the deferred outflows and inflows, a net amount of \$1,155,255 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2017.

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 5 years.

Under the MRS pension plan, unfunded liabilities are amortized over a closed 30 year period from with 19 years remaining as of June 30, 2017, as a level percent of the municipality's assessed valuation.

The remaining net amount of \$1,162,621 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30	PERS	MRS	Total
2018	\$ 1,202,035	\$ 119,490	\$ 1,321,525
2019	1,098,651	119,490	1,218,141
2020	65,235	16,670	81,905
2021	(1,348,640)	(110,310)	(1,458,950)
	\$ 1,017,281	\$ 145,340	\$ 1,162,621

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 10: RETIREMENT PLANS (Continued)

Actuarial Assumptions

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

	<u>PERS</u>	<u>MRS</u>
Inflation	3.0 percent	3.0 percent
Salary increases	3.25 - 18.0 percent, including inflation	4.0 - 5.5 percent, including inflation
Investment rate of return	7.75 percent (net of pension plan investment expense, including inflation)	7.75 percent (net of pension plan investment expense, including inflation)
Assessed property value rate of increase	N/A	2.0 percent 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, 2017, valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2016. The experience report is dated April 18, 2017.

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.

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>	

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 10: RETIREMENT PLANS (Continued)

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share PERS	\$ 91,571,302	\$ 69,818,256	\$ 51,758,498
City's proportionate share MRS	\$ 11,971,063	\$ 10,276,430	\$ 8,817,065

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.

Three-year Trend Information

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 10: RETIREMENT PLANS (Continued)

II. Deferred Compensation Plan

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

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, 2017 and 2016, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$5,523,187 and \$5,498,548 respectively.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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 45 as a single employer defined benefit health care plan.

NOTE 12: 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:

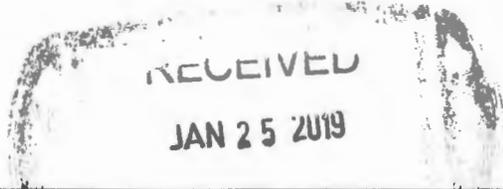
Non-spendable – amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints. The City has no non-spendable fund balances as of September 30, 2017.

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 \$40,507,617 as of September 30, 2017.

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, 2017.

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 OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 12: FUND BALANCE DESIGNATIONS (Continued)

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 fixed assets, construction, debt service, or for other purposes).

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 13: EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of (\$59,408,068) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,109,045 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$2,599,183 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$1,477,253 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 4 years.

The governmental activities' net investment in capital assets net position of \$281,766,765 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of City debt. \$26,419 of the \$207,047 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 8 years.

The business-type activities' unrestricted net position amount of \$12,065,849 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$46,210 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$102,243 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$61,552 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 4 years.

The business-type activities' net investment in capital assets net position of \$194,234,500 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of City debt. \$230,370 of the \$1,269,225 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 6 years and \$7,758 of the \$62,065 balance of deferred inflows of resources at September 30, 2017 will be recognized as an net expense and will increase the net investment in capital assets net position over the next 8 years.

NOTE 14: 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 15: RISK MANAGEMENT

(A) 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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 15: RISK MANAGEMENT (Continued)

<u>General and Other Liability Coverage</u>		
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	
<u>Property Coverage</u>		
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

(B) 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.

(C) 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, 2016 to September 30, 2017:

	<u>Claims Contingency</u>	<u>Group Health and Life</u>
Liability balance, October 1, 2015	\$ 2,740,108	\$ 1,237,256
Claims and changes in estimates	2,173,618	4,462,369
Claims payments	<u>(2,373,726)</u>	<u>(5,384,238)</u>
Liability balance, September 30, 2016	2,540,000	315,387
Claims and changes in estimates	(217,284)	5,137,211
Claims payments	<u>(904,422)</u>	<u>(5,075,841)</u>
Liability balance, September 30, 2017	<u>\$ 1,418,294</u>	<u>\$ 376,757</u>
Assets available to pay claims at September 30, 2017	<u>\$ 3,057,347</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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 16: OTHER COMMITMENTS AND CONTINGENCIES

(A) 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.

(B) 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 \$1,418,294 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 15 for treatment of claims incurred but not reported and other tort liability information.

(C) Contract Commitments

Construction Contracts - The following significant contracts were outstanding at September 30, 2017:

	Contract Amount	Expended to Date	Remaining Commitment
Courthouse Road Boat Launch	\$ 213,067	\$ -	\$ 213,067
Seaway Road Widening	4,286,801	1,514,330	2,772,471
28th Street Widening	5,625,000	2,101,899	3,523,101
Airport Rd Widening to Washington Ave.	660,000	58,143	601,857
Courthouse Road	5,406,560	817,593	4,588,967
Landon Rd Widening	1,250,000	170,694	1,079,306
Improvements to Bert Jones Yacht Basin and Adjacent Areas	425,000	-	425,000
Seaway Road Pathway	985,380	-	985,380
Bulkhead Repairs at Gulfport Lake Boat Launch	22,500	-	22,500
Flat Branch/Quibbie Creek	705,845	-	705,845
Brickyard Bayou	5,039,290	600,998	4,438,292
Coffee Creek	1,866,060	639,259	1,226,801
Bayou View Water Tank Replacement	2,771,050	134,792	2,636,258
West 28th St Phase 2 Water Main	1,130,966	684,711	446,255
Pump Station Sewer Rehabilitation	1,290,441	1,153,138	137,303
Benefield Sewer Replacement	1,300,549	110,805	1,189,744
Ship Island Ferry Terminal	1,445,241	64,379	1,380,862
Dedeaux Road	8,021,119	176,933	7,844,186
Sportsplex	9,575,537	3,285,115	6,290,422
	<u>\$ 52,020,406</u>	<u>\$ 11,512,789</u>	<u>\$ 40,507,617</u>

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CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 17: TAX ABATEMENTS

As of September 30, 2017, 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 Mississippi 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.

Total tax abatements as of September 30, 2017 are as follows:

Program	Term	Abatement		Assessed Value	Estimated Tax Abated
		Period	Ends		
Real and Personal Property Tax Exemptions	5 years	2017		\$ 3,666,627	\$ 124,665
	10 years	2018		535,172	18,196
	5 years	2019		2,294,959	78,029
	5 years	2020		518,989	17,646
Free Port Warehouse Exemptions	Open	N/A		5,369,303	182,556
Total tax abatements				<u>\$ 12,385,050</u>	<u>\$ 421,092</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 17: TAX ABATEMENTS (Continued)

In addition, the City derives authority for tax abatement under the Tax Increment Financing Act, §21-45-1 through §21-45-21 of the Mississippi 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, §17-21-5 of the Mississippi 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 18: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

I. JOINT VENTURES

(A) Memorial Hospital at Gulfport (MHG)

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. Mississippi Code of 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, 2017, 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.

**Memorial Hospital at Gulfport
Statement of Net Position**

Assets	
Current assets	\$ 172,183,715
Noncurrent cash and investments	59,118,360
Capital assets, net	190,724,638
Other assets	4,272,900
Total assets	426,299,613
Deferred Outflow of Resources	8,258,808
Liabilities	
Current liabilities	\$ 56,602,975
Long-term liabilities	109,167,414
Total liabilities	165,770,389
Deferred Inflow of Resources	390,924
Net position	
Net investment in capital assets	123,836,418
Restricted	17,062,803
Unrestricted	127,497,887
Total net position	\$ 268,397,108

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 18: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 (8) for additional information pertaining to conduit debt issued for Memorial Hospital at Gulfport.

(B) 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 fifty-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, 2017, 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	\$ 8,832,283
Restricted assets	16,219,458
Capital assets, net	262,306,129
Deferred outflows	19,316,330
Total assets and deferred outflows	306,674,200

LIABILITIES AND DEFERRED INFLOWS

Current liabilities	7,152,759
Current liabilities from restricted assets	8,663,278
Long-term liabilities	113,505,316
Deferred inflows	36,306
Total liabilities and deferred inflows	129,357,659

NET POSITION

Invested in capital assets, net of related debt	164,345,220
Restricted	15,226,391
Unrestricted	(2,255,070)
Total net assets	177,316,541
Total liabilities, deferred outflows and net assets	\$ 306,674,200

**CONDENSED STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN NET POSITION**

Operating revenue	\$ 20,247,285
Operating expenses	(20,898,517)
Depreciation and amortization	(14,661,657)
Nonoperating revenues, net	3,204,594
Change in net position	\$ (12,108,295)

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 18: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

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>\$11,233,264</u>

II. JOINTLY GOVERNED ORGANIZATIONS

(A) 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.

(B) Harrison County Library System

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 \$365,000 for the year ended September 30, 2017. 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 19: PRIOR PERIOD ADJUSTMENTS

The following schedule details the adjustments that were made to beginning fund balances and net position:

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and Statement of Activities – Governmental Activities

Explanation	Amount
Adjustments to prior years accounts payable	\$ 1,042,905
Total prior period adjustment(s)	\$ 1,042,905

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

NOTE 19: PRIOR PERIOD ADJUSTMENTS (Continued)

Statement of Activities – Business-type Activities and Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.

Explanation	Amount
Adjustments to prior years accounts payable	\$ 995,761
Total prior period adjustment(s)	\$ 995,761

NOTE 20: SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes.

Management of the City of Gulfport, Mississippi evaluated the activity of the City through June 11, 2018, (the date the financial statements were available to be issued), and determined that there the following subsequent events require disclosure in the notes to the financial statements:

In April 2018, the Court settled a complaint that was filed on December 3, 1996. The City subsequently issued a check in the amount of \$775,000 representing value delivered to the plaintiff in accordance with the full resolution and settlement of the City’s eminent domain proceedings and a check in the amount of \$225,000 representing interest. These checks were written from the claims contingency fund.

In October 2017, the City issued \$35,000,000 Series 2017 Bonds to provide financing for the development of the Mississippi Aquarium to be located in the City and for other authorized purposes relating to public buildings and public support. Upon issuance, the City received a \$5,580,237 bond premium.

In October 2017, the City issued a resolution pursuant to §17-21-5 of the Mississippi Code Ann. (1972) authorizing an exemption from municipal ad valorem taxes, excluding school district taxes, based on the increase in assessed value for qualifying capital improvement investments in qualifying structures in the designated redevelopment district, south of the CSX railroad tracks extending from the western city boundary to the eastern city boundary of the newly constructed structure located at 1600 18th Avenue, Gulfport, Mississippi, in the First Judicial District of Harrison County.

Required Supplemental Information

CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget to Actual – Budgetary Basis
General Fund
For the Year Ended September 30, 2017

	<i>General Fund</i>			
	Original Budget	Final Budget	Actual Budget Basis	
REVENUES				
Taxes:				
Property	\$ 19,551,000	\$ 19,005,021	\$ 19,005,021	\$ -
Sales	21,257,600	20,960,872	20,960,872	-
Gaming fees	3,794,686	3,898,594	3,898,594	-
Licenses, permits and franchise fees	5,277,624	4,498,421	4,498,421	-
Intergovernmental	3,905,832	3,059,984	3,059,984	-
Charges for services/Rents/Leases	2,235,000	2,053,185	2,053,185	-
Fines and fees	1,119,107	1,155,745	1,155,745	-
Interest income	3,005	16,874	16,874	-
Miscellaneous/Other	150,000	99,369	99,369	-
Total revenues	<u>57,293,854</u>	<u>54,748,065</u>	<u>54,748,065</u>	<u>-</u>
EXPENDITURES				
General government				
Personnel services	4,966,363	4,981,553	4,981,553	-
Supplies	117,107	95,395	95,395	-
Other services & charges	4,433,767	3,086,838	3,086,838	-
Capital outlay	339,365	397,036	397,036	-
Total general government	<u>9,856,602</u>	<u>8,560,822</u>	<u>8,560,822</u>	<u>-</u>
Public safety				
Personnel services	24,948,597	25,457,833	25,457,833	-
Supplies	1,763,174	1,613,331	1,613,331	-
Other services & charges	2,589,365	3,638,437	3,638,437	-
Capital outlay	-	67,950	67,950	-
Total public safety	<u>29,301,136</u>	<u>30,777,551</u>	<u>30,777,551</u>	<u>-</u>
Public works				
Personnel services	2,032,169	2,001,869	2,001,869	-
Supplies	1,410,050	1,268,828	1,268,828	-
Other services & charges	5,091,010	4,983,512	4,983,512	-
Capital outlay	-	43,285	43,285	-
Total public works	<u>8,533,229</u>	<u>8,297,494</u>	<u>8,297,494</u>	<u>-</u>
Economic development				
Personnel services	1,741,505	1,818,828	1,818,828	-
Supplies	46,855	35,709	35,709	-
Other services & charges	332,451	188,613	188,613	-
Capital outlay	-	43,285	43,285	-
Total economic development	<u>2,120,811</u>	<u>2,043,150</u>	<u>2,043,150</u>	<u>-</u>
Culture and recreation				
Personnel services	3,336,103	3,212,110	3,212,110	-
Supplies	837,091	760,777	760,777	-
Other services & charges	1,944,904	1,957,671	1,957,671	-
Total culture and recreation	<u>6,118,098</u>	<u>5,930,558</u>	<u>5,930,558</u>	<u>-</u>
Total Expenditures	<u>55,929,876</u>	<u>55,609,575</u>	<u>55,609,575</u>	<u>-</u>

(continued next page)

The accompanying notes to the Required Supplemental Information
are an integral part of this statement.

CITY OF GULFPORT, MISSISSIPPI
 Required Supplemental Information
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance – Budget to Actual – Budgetary Basis
 General Fund - Continued
 For the Year Ended September 30, 2017

Excess (deficiency) of revenues over expenditures	<u>1,363,978</u>	<u>(861,510)</u>	<u>(861,510)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers		2,052,963	2,052,963	-
Sale of capital assets	-	147,817	147,817	-
Total other financing sources (uses)	<u>-</u>	<u>2,200,780</u>	<u>2,200,780</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 1,363,978</u>	<u>\$ 1,339,270</u>	<u>\$ 1,339,270</u>	<u>\$ -</u>
Fund balance - October 1 - GAAP basis			8,246,329	
Prior period adjustment			814,141	
Fund balance - October 1 - GAAP basis, restated			<u>9,060,470</u>	
Receivable/revenue adjustments			465,963	
Payable/expenditure adjustments			<u>(14,329)</u>	
Fund balance - September 30 - GAAP basis			<u>\$ 10,851,374</u>	

The accompanying notes to the Required Supplemental Information
are an integral part of this statement.

CITY OF GULFPORT, MISSISSIPPI
Note to Required Supplemental Information
Budgetary Schedule
For the Year Ended September 30, 2017

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 Supplemental Information
Schedule of the City's Proportionate Share of the Net Pension Liability
And Related Ratios and Notes¹
Mississippi Public Employees' Retirement System (PERS)
For the Years Ended September 30

	2017	2016 ²	2015 ²
City's proportion of the net pension liability	0.420%	0.420%	0.420%
City's proportionate share of the net pension liability	\$69,818,256	\$75,022,488	\$64,923,718
City's covered-employee payroll	\$27,186,711	\$26,563,213	\$26,225,454
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.8%	282.4%	247.6%
Plan fiduciary net position as a percentage of the total pension liability	61.5%	57.5%	61.7%

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE June 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

² Implementation of GASB Statement No. 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* resulted in changes from prior period reports.

Notes to 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.

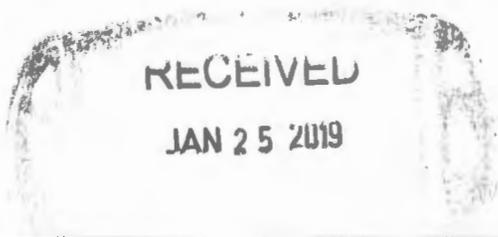
Changes in benefit provisions

- 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 one percent and a maximum rate of five percent.

CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of City's Contributions and Notes
And Related Ratios and Notes
Mississippi Public Employees' Retirement System (PERS)
For the Years Ended September 30

Year	Statutorily Required Employer Contributions	Employer Contributions	Contribution Deficiency (Excess)	Employee Payroll	Contributions as a Percentage of Covered Payroll
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%
2008	3,358,530	3,358,530	-	27,987,750	12.00%
2007	2,785,677	2,785,677	-	23,507,823	11.85%

Notes to Schedule: Valuation date: Actuarially determined contribution rates in the Schedules of Employer Contributions are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which contributions are reported.



CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of the City's Proportionate Share of the Net Pension Liability
And Related Ratios and Notes
Mississippi Municipal Retirement System (MRS)
For the Years Ended September 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	5.95%	5.99%	6.20%
City's proportionate share of the net pension liability	\$10,276,430	\$11,006,644	\$10,373,951
City's covered-employee payroll ²	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	47.8%	45.7%	49.6%

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE June 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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 Schedule: Changes of assumptions: In 2017, amounts reported as changes of assumptions resulted primarily from revisions from price and wage inflation, withdrawal, pre-retirement mortality, disability, and retirement rates for active members. Changes were also made to the post-retirement mortality tables and salary scale.

CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of City's Contributions and Notes
And Related Ratios and Notes
Mississippi Municipal Retirement System (MRS)
For the Years Ended September 30

Year	Actuarially Determined Contributions ¹	Employer Contributions	Contribution Deficiency (Excess)	Employee Payroll ²	Contributions as a Percentage of Covered Payroll ²
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
2008	-	1,418,886	-	N/A	N/A

¹ Actuarially determined contributions information only available for three 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 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 ending September 30, 2017 were based on the June 30, 2015 actuarial valuation.

SUPPLEMENTAL 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.

Non-Major 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
Non-major Governmental Funds
Combining Balance Sheet
September 30, 2017

	Special Revenue Funds				Capital Projects Funds				Debt Service Fund	Total
	Disaster Relief Fund	Community Development Block Grant Fund	Police and Firemen's Retirement Fund	Forfeitures and Seizures Fund	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund		
Assets										
Cash and cash equivalents	\$ -	\$ 301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301
Property taxes receivable	-	-	4,658,985	-	-	-	-	-	959,964	5,618,949
Intergovernmental receivable	1,266,646	37,148	-	-	-	-	-	-	-	1,303,794
Due from other funds	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	443,786	-	-	-	-	-	443,786
Total assets	\$ 1,266,646	\$ 37,449	\$ 4,658,985	\$ 443,786	\$ -	\$ -	\$ -	\$ -	\$ 959,964	\$ 7,366,830
Liabilities										
Accounts payable	\$ -	\$ 170,722	\$ -	\$ 85,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,199
Retainage payable	-	-	-	-	-	-	-	-	-	-
Accrued wages payable	-	4,565	-	-	-	-	-	-	-	4,565
Due to other funds	836,826	1,697,406	-	-	-	-	-	-	-	2,534,232
Total liabilities	836,826	1,872,693	-	85,477	-	-	-	-	-	2,794,996
Deferred inflows of resources										
Deferred inflows - property taxes	-	-	4,658,985	-	-	-	-	-	959,964	5,618,949
Total deferred inflows of resources	-	-	4,658,985	-	-	-	-	-	959,964	5,618,949
Fund Balance										
Restricted for public safety	-	-	-	358,309	-	-	-	-	-	358,309
Restricted for capital projects	429,820	-	-	-	-	-	-	-	-	429,820
Unassigned	-	(1,835,244)	-	-	-	-	-	-	-	(1,835,244)
Total fund balance	429,820	(1,835,244)	-	358,309	-	-	-	-	-	(1,047,115)
Total liabilities, deferred inflows of resources and fund balance	\$ 1,266,646	\$ 37,449	\$ 4,658,985	\$ 443,786	\$ -	\$ -	\$ -	\$ -	\$ 959,964	\$ 7,366,830

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CITY OF GULFPORT, MISSISSIPPI
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2017

	Special Revenue Funds				Capital Projects Funds				Debt Service Fund	Total
	Disaster Relief Fund	Community Development Block Grant Fund	Police and Firemen's Retirement Fund	Forfeitures and Seizures Fund	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund		
Revenues										
Property taxes	\$ -	\$ -	\$ 911,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,465,571	\$ 5,377,549
Intergovernmental	-	850,217	37,961	873,563	-	-	-	-	185,807	1,947,548
Interest income	-	1,968	-	7,772	-	-	-	-	2,601	12,341
Miscellaneous revenue	-	8,281	-	-	-	-	-	-	-	8,281
Total revenue	-	860,466	949,939	881,335	-	-	-	-	4,653,979	7,345,719
Expenditures										
Public safety	-	-	949,939	87,431	-	-	-	-	-	1,037,370
Economic development	-	298,802	-	-	-	-	-	-	-	298,802
Culture and recreation	24,343	-	-	-	-	-	-	-	-	24,343
Capital outlay	-	1,703,544	-	1,494,675	-	-	-	-	-	3,198,219
Debt service:										
Principal	-	-	-	-	-	-	-	-	3,613,712	3,613,712
Interest	-	-	-	-	-	-	-	-	1,692,917	1,692,917
Other debt service costs	-	-	-	-	-	-	-	-	8,381	8,381
Total expenditures	24,343	2,002,346	949,939	1,582,106	-	-	-	-	5,315,010	9,873,744
Excess (deficiency) of revenues over expenditures	(24,343)	(1,141,880)	-	(700,771)	-	-	-	-	(661,031)	(2,528,025)
Other financing sources:										
Sale of capital assets	-	-	-	17,933	-	-	-	-	-	17,933
Transfers in	-	-	-	-	-	-	-	-	712,171	712,171
Transfers out	-	-	-	-	(9,488)	(43,008)	(227,332)	(279,365)	-	(559,193)
Total other financing sources	-	-	-	17,933	(9,488)	(43,008)	(227,332)	(279,365)	712,171	170,911
Net change in fund balance	(24,343)	(1,141,880)	-	(682,838)	(9,488)	(43,008)	(227,332)	(279,365)	51,140	(2,357,114)
Fund balance - beginning	454,163	(705,792)	-	1,033,210	9,488	43,008	227,332	279,365	(125,849)	1,214,925
Prior period adjustment	-	12,428	-	7,937	-	-	-	-	74,709	95,074
Fund balance - beginning, as restated	454,163	(693,364)	-	1,041,147	9,488	43,008	227,332	279,365	(51,140)	1,309,999
Fund balance - ending	\$ 429,820	\$ (1,835,244)	\$ -	\$ 358,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,047,115)

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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
Special Revenue Funds
Disaster Relief Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

<i>Disaster Relief Fund</i>				
	Original Budget	Final Budget	Actual Budget Basis	Variance with final budget
REVENUES				
Intergovernmental	\$ 1,382,084	\$ 35,329	\$ -	\$ (35,329)
Total revenues	1,382,084	35,329	-	(35,329)
EXPENDITURES				
Culture and recreation				
Other services and charges	516,267	24,343	24,343	-
Total culture and recreation	516,267	24,343	24,343	-
Total expenditures	516,267	24,343	24,343	-
Excess (deficiency) of revenues over expenditures	<u>\$ 865,817</u>	<u>\$ 10,986</u>	(24,343)	<u>\$ (35,329)</u>
Fund balance - October 1 - GAAP basis			454,163	
Receivable/revenue adjustments			-	
Payable/expenditure adjustments			-	
Fund balance - September 30 - GAAP basis			<u>\$ 429,820</u>	

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CITY OF GULFPORT, MISSISSIPPI
Special Revenue Funds
Community Development Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	<i>Community Development Fund</i>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with final budget</u>
REVENUES				
Intergovernmental	\$ 8,275,656	\$ 1,209,743	\$ 850,217	\$ (359,526)
Investment earnings	-	-	1,868	1,868
Miscellaneous	-	-	8,281	8,281
Total revenues	<u>\$ 8,275,656</u>	<u>1,209,743</u>	<u>860,366</u>	<u>(349,377)</u>
EXPENDITURES				
Economic development				
Personnel services	316,378	234,797	231,787	-
Supplies	7,258	1,515	2,041	-
Other contractual services	3,635,447	1,182,762	48,194	-
Capital outlay	<u>592,286</u>	<u>592,286</u>	<u>1,811,518</u>	<u>(1,219,232)</u>
Total Expenditures	<u>4,551,369</u>	<u>2,011,360</u>	<u>2,093,540</u>	<u>(1,219,232)</u>
Excess (deficiency) of revenues over expenditures	<u>3,724,287</u>	<u>(801,617)</u>	<u>(1,233,174)</u>	<u>(1,568,609)</u>
Fund balance - October 1 - GAAP basis			(705,792)	
Prior period adjustments			<u>12,428</u>	
Fund balance - October 1 - GAAP basis, as restated			<u>(693,364)</u>	
Receivable/revenue adjustments			100	
Payable/expenditure adjustments			<u>91,194</u>	
Total GAAP adjustments			<u>91,294</u>	
Fund balance - September 30 - GAAP basis			<u>\$ (1,835,244)</u>	

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CITY OF GULFPORT, MISSISSIPPI
Special Revenue Funds
Police and Firemen's Retirement Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

<i>Police and Firemen's Retirement Fund</i>				
	Original Budget	Final Budget	Actual Budget Basis	Variance with final budget
REVENUES				
Property taxes	\$ 955,705	\$ 911,978	\$ 911,978	\$ -
Intergovernmental	34,000	37,961	37,961	-
Total revenues	989,705	949,939	949,939	-
EXPENDITURES				
Public safety				
Other services	1,022,600	949,939	949,939	-
Total Expenditures	1,022,600	949,939	949,939	-
Excess (deficiency) of revenues over expenditures	\$ (32,895)	\$ -	-	\$ -
Fund balance - October 1 - GAAP basis			-	
Receivable/revenue adjustments				
Payable/expenditure adjustments				
Fund balance - September 30 - GAAP basis			\$ -	

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CITY OF GULFPORT, MISSISSIPPI
Special Revenue Funds
Forfeitures and Seizures Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	<i>Forfeitures and Seizures Fund</i>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with final budget</u>
REVENUES				
Intergovernmental	\$ -	\$ 891,496	\$ 891,496	\$ -
Investment earnings	-	7,772	7,772	-
Total revenues	<u>-</u>	<u>899,268</u>	<u>899,268</u>	<u>-</u>
EXPENDITURES				
Public Safety				
Personnel services	27,891	532	532	-
Supplies	10,000	86,809	86,809	-
Other contractual services	10,000	-	-	-
Capital outlay	469,165	1,494,675	1,494,675	-
Total Expenditures	<u>517,056</u>	<u>1,582,016</u>	<u>1,582,016</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(517,056)</u>	<u>(682,748)</u>	<u>(682,748)</u>	<u>-</u>
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	17,933	17,933
Total other financing sources	<u>-</u>	<u>-</u>	<u>17,933</u>	<u>17,933</u>
Excess of revenues and other sources over expenditures	<u>\$ (517,056)</u>	<u>\$ (682,748)</u>	<u>(664,815)</u>	<u>\$ 17,933</u>
Fund balance - October 1 - GAAP basis			1,033,210	
Prior period adjustments			<u>7,937</u>	
Fund balance - October 1 - GAAP basis, as restated			<u>1,041,147</u>	
Receivable/revenue adjustments			(18,023)	
Payable/expenditure adjustments			-	
Total GAAP adjustments			<u>(18,023)</u>	
Fund balance - September 30 - GAAP basis			<u>\$ 358,309</u>	

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Capital Projects Funds

Combining Budget to Actual Comparisons

1996 Public Improvement Fund – This fund is used to account for various public improvement projects financed by general obligation bonds.

1998 Public Improvement Fund – This fund is used to account for various public improvement projects financed by general obligation bonds.

2001 Public Improvement Fund – This fund is used to account for various public improvement projects financed by Mississippi Development Promissory Note.

2003 Public Improvement Fund – This fund is used to account for various public improvement projects financed by general obligation bonds.

Capital Projects Fund – (Major fund not part of required supplementary information) This fund is 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
Combining Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	Actual Budget Basis								Variance with final budget
	Original Budget	Final Budget	Non-Major Funds				Major Fund Capital Projects Fund	Total Actual Budget Basis	
			Improvement Bond Funds						
		1996	1998	2001	2003				
REVENUES									
Intergovernmental	\$ 53,422,186	\$ 10,479,194	\$ -	\$ -	\$ -	\$ -	\$ 10,479,194	\$ 10,479,194	\$ -
Miscellaneous	1,500,000	78,228	-	-	-	-	78,228	78,228	-
Investment earnings	-	565,000	-	-	-	-	565,000	565,000	-
Total revenues	54,922,186	11,122,422	-	-	-	-	11,122,422	11,122,422	-
EXPENDITURES									
Public works									
Other services and charges	367,958	247,364	-	-	-	-	221,173	221,173	26,191
Debt service	134,870	242,302	-	-	-	-	242,302	242,302	-
Capital outlay	83,467,277	25,888,453	-	-	-	-	23,770,251	23,770,251	2,118,202
Total Expenditures	83,970,105	26,378,119	-	-	-	-	24,233,726	24,233,726	2,144,393
Excess (deficiency) of revenues over expenditures	\$ (29,047,919)	\$ (15,255,697)	-	-	-	-	(13,111,304)	(13,111,304)	\$ 2,144,393
Fund balance - October 1 - GAAP basis			9,488	43,008	227,292	279,256	22,648,164	23,207,208	
Prior period adjustments			-	-	-	-	133,690	133,690	
Fund balance - October 1 - GAAP basis, as restated			9,488	43,008	227,292	279,256	22,781,854	23,340,898	
Receivable/revenue adjustments			-	-	-	-	1,545,050	1,545,050	
Payable/expenditure adjustments							16,818,220	16,818,220	
Transfers			(9,488)	(43,008)	(227,292)	(279,256)	(19,977,770)	(20,536,814)	
Total GAAP adjustments			(9,488)	(43,008)	(227,292)	(279,256)	(1,614,500)	(2,173,544)	
Fund balance - September 30 - GAAP basis			\$ -	\$ -	\$ -	\$ -	\$ 8,056,050	\$ 8,056,050	



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Debt Service Fund

Budget to Actual Comparisons

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
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	<i>Debt Service Fund</i>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with final budget</u>
REVENUES				
Property taxes	\$ 4,506,551	\$ 4,465,571	\$ 4,465,571	\$ -
Intergovernmental	148,706	185,807	185,807	-
Interest income	-	2,601	2,601	-
Miscellaneous	26,953	-	-	-
Total revenues	<u>4,682,210</u>	<u>4,653,979</u>	<u>4,653,979</u>	<u>-</u>
EXPENDITURES				
Debt service				
Principal and interest payments	5,028,402	4,909,573	4,909,573	-
Other debt service costs	-	-	-	-
Total Expenditures	<u>5,028,402</u>	<u>4,909,573</u>	<u>4,909,573</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(346,192)</u>	<u>(255,594)</u>	<u>(255,594)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	737,710	677,565	677,565	-
Total other financing sources	<u>737,710</u>	<u>677,565</u>	<u>677,565</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 391,518</u>	<u>\$ 421,971</u>	<u>421,971</u>	<u>\$ -</u>
Fund balance - October 1 - GAAP basis			(125,849)	
Prior period adjustments			<u>74,709</u>	
Fund balance - October 1 - GAAP basis, as restated			<u>(51,140)</u>	
Receivable/revenue adjustments			34,606	
Payable/expenditure adjustments			<u>(405,437)</u>	
Total GAAP adjustments			<u>(370,831)</u>	
Fund balance - September 30 - GAAP basis			<u>\$ -</u>	

See Independent Auditor's Report

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.

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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.

Gulfport Redevelopment Commission 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. No budget information for this fund is available.

CITY OF GULFPORT, MISSISSIPPI
Enterprise Funds
Combining Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Budget Basis		Total Actual Budget Basis	Variance with final budget
			Major Fund Water and Sewer Fund	Non-Major Fund Joseph T. Jones Park Fund		
OPERATING REVENUES						
Charges for services	\$ 33,893,644	\$ 33,009,549	\$ 32,188,150	\$ 821,399	\$ 33,009,549	\$ -
Miscellaneous	1,768,000	2,125,116	1,751,834	373,282	2,125,116	-
Total operating revenues	<u>35,661,644</u>	<u>35,134,665</u>	<u>33,939,984</u>	<u>1,194,681</u>	<u>35,134,665</u>	<u>-</u>
OPERATING EXPENSES						
Personnel services	1,439,671	1,351,731	1,058,857	292,874	1,351,731	-
Contractual services	20,434,659	19,770,930	19,129,372	641,558	19,770,930	-
Material and supplies	3,344,170	3,159,335	2,770,782	388,553	3,159,335	-
Total operating expenses	<u>25,218,500</u>	<u>24,281,996</u>	<u>22,959,011</u>	<u>1,322,985</u>	<u>24,281,996</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>10,443,144</u>	<u>10,852,669</u>	<u>10,980,973</u>	<u>(128,304)</u>	<u>10,852,669</u>	<u>-</u>
NON-OPERATING REVENUES AND (EXPENSES)						
Interest revenue	-	23,208	23,116	92	23,208	-
Debt service	(8,956,757)	(8,888,782)	(8,888,782)	-	(8,888,782)	-
Capital outlay	(11,210,601)	(5,839,528)	(5,838,384)	(1,144)	(5,839,528)	-
Transfers	-	-	-	-	-	-
Total non-operating revenues (net)	<u>(20,167,358)</u>	<u>(14,705,102)</u>	<u>(14,704,050)</u>	<u>(1,052)</u>	<u>(14,705,102)</u>	<u>-</u>
Change in net position	<u>\$ (9,724,214)</u>	<u>\$ (3,852,433)</u>	<u>(3,723,077)</u>	<u>(129,356)</u>	<u>\$ (3,852,433)</u>	<u>\$ -</u>
Net Position - October 1 - GAAP basis			140,075,666	23,393,559		
Prior period adjustments			962,578	33,183		
Net Position - October 1 - GAAP basis, as restated			<u>141,038,244</u>	<u>23,426,742</u>		
Receivable/revenue adjustments			2,380,702	(9,905)		
Payable/expenditure adjustments			6,975,318	(1,943,318)		
Total GAAP adjustments			<u>9,356,020</u>	<u>(1,953,223)</u>		
Net Position - September 30 - GAAP basis			<u>\$ 146,671,187</u>	<u>\$ 21,344,163</u>		

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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
Internal Service Funds
Combining Statement of Net Position
September 30, 2017

	<i>Internal Service Funds</i>		
	Group Health and Life	Claims Contingency	Total
Assets			
Cash and cash equivalents	\$ -	\$ 2,941,252	\$ 2,941,252
Due from other funds	-	120,456	120,456
Prepaid insurance	-	908,821	908,821
Total assets	-	3,970,529	3,970,529
Liabilities			
Accounts payable	15,305	4,361	19,666
Due to other funds	562,039	-	562,039
Liability for self-insurance claims	376,757	1,418,294	1,795,051
Total liabilities	954,101	1,422,655	2,376,756
Net Position			
Unrestricted	\$ (954,101)	\$ 2,547,874	\$ 1,593,773

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CITY OF GULFPORT, MISSISSIPPI
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
September 30, 2017

	<i>Internal Service Funds</i>		
	Group Health and Life	Claims Contingency	Total
Revenues			
Employee contributions	\$ 1,134,025	\$ -	\$ 1,134,025
Retiree contributions	175,881	-	175,881
Employer contributions	4,032,641	3,463,124	7,495,765
Insurance claim reimbursements	525,268	-	525,268
Miscellaneous	-	345,653	345,653
Total revenue	<u>5,867,815</u>	<u>3,808,777</u>	<u>9,676,592</u>
Operating expenses			
Administrative expenses	417,394	180,810	598,204
Premium payments	738,209	1,572,813	2,311,022
Claims paid	5,075,841	904,829	5,980,670
Total expenses	<u>6,231,444</u>	<u>2,658,452</u>	<u>8,889,896</u>
Operating income (loss)	<u>(363,629)</u>	<u>1,150,325</u>	<u>786,696</u>
Non-operating revenues (expenses)			
Interest income	<u>2,652</u>	<u>25,047</u>	<u>27,699</u>
Change in net position	(360,977)	1,175,372	814,395
Net position - October 1	<u>(593,124)</u>	<u>1,372,502</u>	<u>779,378</u>
Net position - September 30	<u>\$ (954,101)</u>	<u>\$ 2,547,874</u>	<u>\$ 1,593,773</u>

See Independent Auditor's Report

CITY OF GULFPORT, MISSISSIPPI
Internal Service Funds
Combining Statement of Cash Flows
September 30, 2017

	<i>Internal Service Funds</i>		Total
	Group Health and Life	Claims Contingency	
Cash flows from operating activities:			
Cash received from other operating receipts	\$ -	\$ 345,653	\$ 345,653
Cash received from employees and others	1,309,906	-	1,309,906
Cash received from insurance claims	525,268	-	525,268
Cash received from employer contributions	4,032,641	3,463,124	7,495,765
Cash paid for contractual services	<u>(6,178,597)</u>	<u>(3,790,931)</u>	<u>(9,969,528)</u>
Net cash provided by (used) in operating activities	<u>(310,782)</u>	<u>17,846</u>	<u>(292,936)</u>
Cash flows from non-capital financing activities:			
Loans from (to) other funds	<u>308,130</u>	<u>19,945</u>	<u>328,075</u>
Net cash provided by non-capital financing activities	<u>308,130</u>	<u>19,945</u>	<u>328,075</u>
Cash flows from investing activities:			
Interest received	<u>2,652</u>	<u>25,047</u>	<u>27,699</u>
Net cash provided by investing activities	<u>2,652</u>	<u>25,047</u>	<u>27,699</u>
Net increase in cash and cash equivalents	-	62,838	62,838
Cash and cash equivalents - October 1	-	2,878,414	2,878,414
Cash and cash equivalents - September 30	<u>\$ -</u>	<u>\$ 2,941,252</u>	<u>\$ 2,941,252</u>
Operating income (loss)	\$ (363,629)	\$ 1,150,325	\$ 786,696
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) decrease in assets:			
Prepaid insurance	-	(8,388)	(8,388)
Increase (decrease) in liabilities:			
Accounts payable	(8,523)	(2,385)	(10,908)
Other liabilities	<u>61,370</u>	<u>(1,121,706)</u>	<u>(1,060,336)</u>
Net cash provided (used) by operating activities	<u>\$ (310,782)</u>	<u>\$ 17,846</u>	<u>\$ (292,936)</u>



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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
 Fiduciary Funds
 Combining Statement of Assets and Liabilities
 September 30, 2017

	Agency Funds		
	Asset	Coastal Narcotics	Total
	Forfeiture Fund	Task Force Fund	
Assets			
Cash and cash equivalents	\$ 163,721	\$ 89,188	\$ 252,909
Assets held for disposal	54,350	-	54,350
Total assets	\$ 218,071	\$ 89,188	\$ 307,259
Liabilities			
Assets held in trust	218,071	89,188	307,259
Total liabilities	\$ 218,071	\$ 89,188	\$ 307,259

See Independent Auditor's Report

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended September 30, 2017

	<i>Agency Funds</i>			
	Balance at 10/1/2016	Additions	Deductions	Balance at 9/30/2017
<i><u>Asset Forfeiture Fund</u></i>				
Assets				
Cash	\$ 250,513	\$ 82,027	\$ 168,819	\$ 163,721
Assets held for disposal	54,350	-	-	54,350
Total assets	304,863	82,027	168,819	218,071
Liabilities				
Assets held in trust	304,863	82,027	168,819	218,071
Total liabilities	\$ 304,863	\$ 82,027	\$ 168,819	\$ 218,071
 <i><u>Coastal Narcotics Task Force Fund</u></i>				
Assets				
Cash	\$ 83,517	\$ 7,641	\$ 1,970	\$ 89,188
Liabilities				
Assets held in trust	\$ 83,517	\$ 7,641	\$ 1,970	\$ 89,188
 <u>Total Agency Funds</u>				
Assets				
Cash	\$ 334,030	\$ 89,668	\$ 170,789	\$ 252,909
Assets held for disposal	54,350	-	-	54,350
Total assets	\$ 388,380	\$ 89,668	\$ 170,789	\$ 307,259
Liabilities				
Assets held in trust	388,380	89,668	170,789	307,259
Total liabilities	\$ 388,380	\$ 89,668	\$ 170,789	\$ 307,259

See Independent Auditor's Report

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 supplemental information says about the government's overall financial health.

Contents:

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.

Revenue Capacity-These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

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.

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.

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.

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



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City of Gulfport
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year			
	2017	2016	2015	2014
Governmental activities				
Net investment in capital assets	\$ 281,766,765	\$ 284,125,550	\$ 269,973,076	\$ 285,129,249
Restricted	1,267,164	12,978,620	14,019,819	13,301,974
Unrestricted	<u>(59,408,068)</u>	<u>(61,646,834)</u>	<u>(54,692,070)</u>	<u>5,437,311</u>
Total governmental activities net position	<u>\$ 223,625,861</u>	<u>\$ 235,457,336</u>	<u>\$ 229,300,825</u>	<u>\$ 303,868,534</u>
Business-type activities				
Net investment in capital assets	\$ 194,234,500	\$ 187,635,987	\$ 164,552,076	\$ 177,125,671
Restricted	6,405	8,486	15,731,978	952,515
Unrestricted	<u>12,065,849</u>	<u>(2,404,430)</u>	<u>86,560</u>	<u>2,891,605</u>
Total business-type activities net position	<u>\$ 206,306,754</u>	<u>\$ 185,240,043</u>	<u>\$ 180,370,614</u>	<u>\$ 180,969,791</u>
Primary government				
Net investment in capital assets	\$ 476,001,265	\$ 471,761,537	\$ 434,525,152	\$ 462,254,920
Restricted	\$ 1,273,569	\$ 12,987,106	29,751,797	14,254,489
Unrestricted	<u>(47,342,219)</u>	<u>(64,051,264)</u>	<u>(54,605,510)</u>	<u>8,328,916</u>
Total primary government net position	<u>\$ 429,932,615</u>	<u>\$ 420,697,379</u>	<u>\$ 409,671,439</u>	<u>\$ 484,838,325</u>

Years 2007 thru 2013 Governmental Activities Unrestricted Net Position restated for Net Pension Asset

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 281,117,526	\$ 270,930,882	\$ 266,185,951	\$ 249,085,367	\$ 241,003,147	\$ 189,599,451
16,868,111	16,137,281	5,797,855	9,827,643	23,399,810	32,297,576
(9,402,426)	(2,956,829)	112,782	(3,975,556)	(5,272,825)	2,585,625
<u>\$ 288,583,211</u>	<u>\$ 284,111,334</u>	<u>\$ 272,096,588</u>	<u>\$ 254,937,454</u>	<u>\$ 259,130,132</u>	<u>\$ 224,482,652</u>
\$ 175,793,824	\$ 174,576,166	\$ 166,696,100	\$ 132,528,012	\$ 70,723,443	\$ 54,599,249
952,420	952,325	952,230	952,121	968,050	4,000
4,113,910	3,570,295	4,723,104	2,378,590	11,971,135	14,425,629
<u>\$ 180,860,154</u>	<u>\$ 179,098,786</u>	<u>\$ 172,371,434</u>	<u>\$ 135,858,723</u>	<u>\$ 83,662,628</u>	<u>\$ 69,028,878</u>
\$ 456,911,350	\$ 445,507,048	\$ 432,882,051	\$ 381,613,379	\$ 311,726,590	\$ 244,198,700
17,820,531	17,089,606	6,750,085	10,779,764	24,367,860	32,301,576
(5,288,516)	613,466	4,835,886	(1,596,966)	6,698,310	17,011,254
<u>\$ 469,443,365</u>	<u>\$ 463,210,120</u>	<u>\$ 444,468,022</u>	<u>\$ 390,796,177</u>	<u>\$ 342,792,760</u>	<u>\$ 293,511,530</u>

City of Gulfport
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Expenses				
Governmental activities:				
General government	\$ 8,955,761	\$ 9,457,333	\$ 9,984,277	\$ 17,447,206
Public safety	36,652,652	32,749,940	35,195,058	28,485,153
Public works	12,637,532	13,449,819	13,400,408	12,878,389
Economic development	4,296,975	5,151,915	3,777,350	1,927,464
Culture & recreation	6,730,779	6,337,334	8,178,271	7,876,483
Interest on long-term debt	1,508,188	1,213,855	1,262,659	1,001,747
Total governmental activities expense	70,781,887	68,360,196	71,798,023	69,616,442
Business-type activities				
Water and sewer	30,710,859	30,727,118	31,522,039	31,584,772
Joseph T. Jones park	2,884,485	1,490,524	1,580,391	1,769,575
Gulfport Redevelopment Commission	1,771,032	890,413	993,205	87,250
Total business-type activities expense	35,366,376	33,108,055	34,095,635	33,441,597
Total primary government expenses	\$ 106,148,263	\$ 101,468,251	\$ 105,893,658	\$ 103,058,039
Program Revenue				
Governmental activities:				
Charges for services:				
General government	\$ 401,081	\$ 1,326,909	\$ 1,120,782	\$ 3,991,989
Public safety	2,595,178	1,651,228	2,099,891	108,200
Public works	182,604	-	77	205,186
Economic development	501,244	1,279,488	1,211,817	1,428,906
Culture & recreation	1,108,932	691,299	713,456	714,847
Operating grants and contributions	531,807	2,499,445	3,221,880	3,157,775
Capital grants and contributions	13,637,379	19,749,006	10,118,309	3,094,349
Total governmental activities program revenues	18,958,225	27,197,375	18,486,212	12,701,252
Business-type activities:				
Charges for services:				
Water and sewer	33,635,070	31,673,688	31,966,110	30,516,277
Joseph T. Jones park	816,480	716,627	753,310	1,145,826
Operating grants and contributions	413,860	143,820	253,475	-
Capital grants and contributions	1,622,689	-	950,480	309,001
Total business-type activities program revenues	36,488,099	32,534,135	33,923,375	31,971,104
Total primary government program revenues	\$ 55,446,324	\$ 59,731,510	\$ 52,409,587	\$ 44,672,356
Net (Expense)/Revenue				
Governmental activities	\$ (51,823,662)	\$ (41,162,821)	\$ (53,311,811)	\$ (56,915,190)
Business-type activities	1,121,723	(573,920)	(172,260)	(1,470,493)
Total primary government net expense	\$ (50,701,939)	\$ (41,736,741)	\$ (53,484,071)	\$ (58,385,683)

Years 2007 thru 2013 Governmental Activities Unrestricted Net Position restated for Net Pension Asset

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 15,406,713	\$ 17,985,821	\$ 14,640,152	\$ 15,061,672	\$ 17,895,591	\$ 16,389,796
26,479,794	29,205,705	27,707,275	28,908,909	32,637,921	35,181,734
12,657,384	12,482,311	11,084,442	12,235,926	14,365,217	17,911,142
2,036,416	2,122,547	2,081,041	2,289,992	2,662,668	2,468,356
5,212,892	5,793,659	5,717,562	8,869,990	16,820,045	14,361,467
1,493,792	1,677,536	1,413,236	1,564,971	1,772,771	2,355,672
<u>63,286,991</u>	<u>69,267,579</u>	<u>62,643,708</u>	<u>68,931,460</u>	<u>86,154,213</u>	<u>88,668,167</u>
29,368,049	29,943,157	26,911,222	26,940,884	26,111,077	24,476,747
1,737,744	2,947,134	164,346	104,380	87,597	110,805
87,250	87,250	-	-	-	-
<u>31,193,043</u>	<u>32,977,541</u>	<u>27,075,568</u>	<u>27,045,264</u>	<u>26,198,674</u>	<u>24,587,552</u>
<u>\$ 94,480,034</u>	<u>\$ 102,245,120</u>	<u>\$ 89,719,276</u>	<u>\$ 95,976,724</u>	<u>\$ 112,352,887</u>	<u>\$ 113,255,719</u>
\$ 3,888,141	\$ 4,157,208	\$ 4,614,756	\$ 3,703,025	\$ 3,726,883	\$ 1,770,822
90,097	113,522	150,421	28,761	123,813	161,265
7,246	14,161	55,885	-	-	-
1,251,084	1,110,574	1,376,726	1,426,498	1,951,181	2,620,595
813,746	598,271	550,700	771,647	494,019	88,456
5,017,529	2,664,936	3,625,390	8,564,497	15,924,930	856,785
4,325,695	20,047,920	18,384,916	14,959,682	18,696,556	17,270,909
<u>15,393,538</u>	<u>28,706,592</u>	<u>28,758,794</u>	<u>29,454,110</u>	<u>40,917,382</u>	<u>22,768,832</u>
30,367,141	30,245,886	28,604,172	24,210,429	22,892,554	22,196,429
1,028,745	520,896	11,647	11,647	7,817	10,139
-	-	-	-	-	-
<u>1,064,897</u>	<u>8,138,942</u>	<u>29,957,733</u>	<u>52,615,994</u>	<u>24,267,954</u>	<u>255,260</u>
<u>32,460,783</u>	<u>38,905,724</u>	<u>58,573,552</u>	<u>76,838,070</u>	<u>47,168,325</u>	<u>22,461,828</u>
<u>\$ 47,854,321</u>	<u>\$ 67,612,316</u>	<u>\$ 87,332,346</u>	<u>\$ 106,292,180</u>	<u>\$ 88,085,707</u>	<u>\$ 45,230,660</u>
\$ (47,893,453)	\$ (40,560,987)	\$ (33,884,914)	\$ (39,477,350)	\$ (45,236,831)	\$ (65,899,335)
1,267,740	5,928,183	31,497,984	49,792,806	20,969,651	(2,125,724)
<u>\$ (46,625,713)</u>	<u>\$ (34,632,804)</u>	<u>\$ (2,386,930)</u>	<u>\$ 10,315,456</u>	<u>\$ (24,267,180)</u>	<u>\$ (68,025,059)</u>

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City of Gulfport
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 19,248,462	\$ 18,711,363	\$ 18,324,198	\$ 18,432,805
Property taxes, levied for special purposes	5,377,549	5,176,121	5,198,340	5,807,459
Sales tax	21,048,200	20,751,725	20,523,996	19,739,832
Franchise taxes	3,497,919	3,617,560	4,246,279	4,332,280
Gaming taxes	3,912,284	3,793,035	3,656,859	3,092,973
Unrestricted grants and contributions	3,222,779	1,506,240	1,612,414	5,292,120
Insurance proceeds	-	-	11,817	-
Gain (Loss) on Disposal of Capital Assets	-	(2,650,954)	-	(30,892)
Investment Earnings & Misc	884,571	244,918	4,442,248	105,043
Transfers	(18,242,482)	(4,542,001)	-	-
Total governmental activities	<u>38,949,282</u>	<u>46,608,007</u>	<u>58,016,151</u>	<u>56,771,620</u>
Business-type activities				
Insurance Proceeds	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	(6,498)
Investment Earnings & Misc	706,744	892,530	5,008	52,575
Transfers	18,242,482	4,542,001	391,651	-
Total business-type activities	<u>18,949,226</u>	<u>5,434,531</u>	<u>396,659</u>	<u>46,077</u>
Total primary government	<u>\$ 57,898,508</u>	<u>\$ 52,042,538</u>	<u>\$ 58,412,810</u>	<u>\$ 56,817,697</u>
Governmental - Special Items:				
Prior Period Adjustments	1,042,905	711,325	(79,272,049)	-
FEMA Community disaster loan forgiveness	-	-	-	16,021,567
Business-type activities - Special items:				
Prior Period Adjustments	995,761	86,043	(823,576)	-
FEMA Community disaster loan forgiveness	-	-	-	3,573,774
Total primary government - Special items	<u>\$ 2,038,666</u>	<u>\$ 797,368</u>	<u>\$ (80,095,625)</u>	<u>\$ 19,595,341</u>
Change in Net Position				
Governmental activities	\$ (12,874,380)	\$ 5,445,186	\$ 4,704,340	\$ 15,877,997
Business-type activities	20,070,949	4,862,531	145,424	2,149,358
Total primary government	<u>\$ 7,196,569</u>	<u>\$ 10,307,717</u>	<u>\$ 4,849,764</u>	<u>\$ 18,027,355</u>

Schedule 2 (Continued)

						Fiscal Year					
2013		2012		2011		2010		2009		2008	
\$ 18,388,705	\$ 18,457,067	\$ 18,061,388	\$ 17,410,169	\$ 16,609,515	\$ 14,120,511						
5,729,313	6,095,931	6,315,051	7,048,312	6,801,634	6,046,362						
19,576,183	19,002,874	19,230,296	18,741,574	20,131,945	21,834,653						
3,779,248	3,606,682	3,638,352	3,942,293	3,828,900	3,634,007						
3,282,363	3,142,387	3,198,977	3,221,427	3,316,175	3,524,542						
3,559,724	1,980,424	825,581	523,802	968,885	1,049,367						
-	-	214,664	309,856	3,264,814	11,759,304						
376,346	580,963	(126,609)	(20,349,579)	(1,850,914)	-						
162,701	237,067	141,165	3,737,998	25,322,512	5,903,789						
(454,869)	(981,225)	(3,882,228)	(1,765,333)	(3,439,783)	(13,410,267)						
<u>54,399,714</u>	<u>52,122,170</u>	<u>47,616,637</u>	<u>32,820,519</u>	<u>74,953,683</u>	<u>54,462,268</u>						
-	-	-	-	524,471	-						
-	-	(2,971)	(81,167)	(47,347)	-						
38,759	74,245	119,166	189,350	2,863,010	958,907						
454,869	981,225	3,882,228	1,765,333	3,439,783	13,410,267						
<u>493,628</u>	<u>1,055,470</u>	<u>3,998,423</u>	<u>1,873,516</u>	<u>6,779,917</u>	<u>14,369,174</u>						
<u>\$ 54,893,342</u>	<u>\$ 53,177,640</u>	<u>\$ 51,615,060</u>	<u>\$ 34,694,035</u>	<u>\$ 81,733,600</u>	<u>\$ 68,831,442</u>						
-	-	-	-	-	-						
-	-	-	-	-	-						
-	-	-	-	-	-						
<u>\$ -</u>											
\$ 3,975,972	\$ 10,764,978	\$ 13,731,723	\$ (6,656,831)	\$ 29,716,852	\$ (11,437,067)						
1,761,368	6,983,653	35,496,407	51,666,322	27,749,568	12,243,450						
<u>\$ 5,737,340</u>	<u>\$ 17,748,631</u>	<u>\$ 49,228,130</u>	<u>\$ 45,009,491</u>	<u>\$ 57,466,420</u>	<u>\$ 806,383</u>						

City of Gulfport
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2017	2016	2015	2014
General Fund				
Restricted for:				
Public Safety	\$ 5,513	\$ -	\$ -	\$ -
Senior citizens program	-	160,591	160,512	100,000
Committed for:				
Capital projects	32,451,567	-	-	-
Assigned for:				
Subsequent year appropriations	-	-	-	-
Unassigned	(21,605,706)	8,085,738	7,754,355	3,527,812
Total general fund	<u>\$ 10,851,374</u>	<u>\$ 8,246,329</u>	<u>\$ 7,914,867</u>	<u>\$ 3,627,812</u>
All Other Governmental Funds				
Restricted for:				
Public Safety	\$ 358,309	\$ 1,033,210	\$ 249,351	\$ 800,030
Debt service	-		751,472	4,720,408
Urban development	-		1,067,786	221,348
Capital projects	429,820	22,404,670	15,772,309	7,460,188
Hurricane repairs	-	-	-	-
Committed for:				
Capital projects	8,056,050	1,256,850	-	-
Unassigned	(1,835,244)	(831,641)	(154,134)	-
Nonspendable for prepaids	-	-	-	-
Total all other governmental funds	<u>\$ 7,008,935</u>	<u>\$ 23,863,089</u>	<u>\$ 17,686,784</u>	<u>\$ 13,201,974</u>

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ -	\$ 28,499	\$ 28,499	\$ 28,499	\$ 28,499	\$ -
100,000	100,000	100,000	100,000	100,000	100,000
-	-	-	-	-	-
215,226	-	-	-	4,775,590	8,028,176
3,179,087	2,372,878	5,075,411	5,183,946	627,799	4,256,005
<u>\$ 3,494,313</u>	<u>\$ 2,501,377</u>	<u>\$ 5,203,910</u>	<u>\$ 5,312,445</u>	<u>\$ 5,531,888</u>	<u>\$ 12,384,181</u>
\$ 1,512,330	\$ 1,458,489	\$ 1,395,365	\$ 2,030,276	\$ 3,114,542	\$ 2,886,966
3,849,656	4,134,783	3,844,021	3,662,817	5,791,001	10,104,287
297,275	295,988	295,984	132,398	406,792	51,505
11,108,850	12,245,552	2,240,691	5,643,041	14,239,250	20,313,242
-	-	-	-	1,152,092	-
-	-	-	-	-	-
-	-	-	-	-	-
60,770	64,883	69,820	72,582	76,257	79,757
<u>\$ 16,828,881</u>	<u>\$ 18,199,695</u>	<u>\$ 7,845,881</u>	<u>\$ 11,541,114</u>	<u>\$ 24,779,934</u>	<u>\$ 33,435,757</u>

City of Gulfport
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2017	2016	2015	2014
Revenues				
Taxes				
Property	\$ 24,626,011	\$ 23,887,484	\$ 23,522,538	\$ 24,240,264
Sales	21,048,200	20,751,725	20,523,996	19,739,832
Franchise	3,497,919	3,617,560	4,246,279	4,332,280
Gaming	3,912,284	3,793,035	3,450,659	3,092,973
Licenses and permits	973,157	1,011,280	1,102,339	1,406,737
Intergovernmental	16,841,019	24,509,833	15,054,935	8,488,088
Charges for service	1,813,279	2,146,206	1,974,416	1,954,839
Fines & Forfeits	504,687	1,159,849	1,423,042	1,721,696
Miscellaneous	1,028,211	397,772	687,373	104,066
Total revenues	<u>74,244,767</u>	<u>81,274,744</u>	<u>71,985,577</u>	<u>65,080,775</u>
Expenditures				
General government	8,019,915	8,014,244	8,372,762	7,824,841
Public safety	31,814,921	29,161,755	30,264,968	31,361,182
Public works	8,387,013	8,219,646	9,586,433	10,335,506
Economic development	2,316,072	3,111,656	3,567,688	2,249,006
Culture & recreation	6,126,075	6,126,959	6,214,998	6,958,247
Capital Outlay	10,613,725	13,348,415	13,988,721	7,126,336
Debt Service				
Principal	3,613,712	4,034,538	3,268,236	3,238,072
Interest	1,692,917	1,357,116	935,696	765,011
Other	8,381	8,497	112,408	7,625
Total expenditures	<u>72,592,731</u>	<u>73,382,826</u>	<u>76,311,910</u>	<u>69,865,826</u>
Excess of revenues over (under) expenditures	<u>1,652,036</u>	<u>7,891,918</u>	<u>(4,326,333)</u>	<u>(4,785,051)</u>
Other Financing Sources (Uses)				
Capital leases	-	1,163,948	1,910,117	415,679
Capital contributions	1,179,182	-	-	-
Payment to refunded bond escrow	-	-	-	(16,412,456)
Bond proceeds	-	-	16,000,000	15,505,000
Bond issue costs	-	-	-	(364,181)
Premium on refunding bonds	-	-	-	1,745,902
Insurance proceeds	-	-	-	-
Sale of capital assets	119,250	78,338	62,548	401,699
Transfers in	3,006,652	569,812	581,558	-
Transfers out	(21,249,134)	(3,196,249)	(581,558)	-
British Petroleum settlement	-	-	4,402,962	-
Total other financing sources (uses)	<u>(16,944,050)</u>	<u>(1,384,151)</u>	<u>22,375,627</u>	<u>1,291,643</u>
Net change in fund balance	<u>\$ (15,292,014)</u>	<u>\$ 6,507,767</u>	<u>\$ 18,049,294</u>	<u>\$ (3,493,408)</u>
Debt service as a % of non capital exp	8.56%	8.98%	6.75%	6.38%

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 24,118,018	\$ 24,552,998	\$ 24,376,439	\$ 24,458,481	\$ 23,411,149	\$ 20,166,873
19,576,183	19,002,874	19,230,296	18,741,574	20,131,945	21,834,653
3,779,248	3,606,682	3,638,352	3,942,293	3,828,900	3,634,007
3,282,363	3,142,387	3,197,977	3,221,427	3,316,175	3,524,542
1,251,084	1,110,574	1,342,133	1,362,510	1,695,450	2,228,349
11,085,701	21,082,548	22,835,887	24,047,981	34,908,729	19,177,061
1,721,145	1,527,177	1,502,856	985,498	952,901	953,699
1,956,635	1,931,800	2,548,171	2,202,505	2,673,324	1,888,998
161,557	201,646	75,847	459,499	1,054,812	4,406,741
<u>66,931,934</u>	<u>76,158,686</u>	<u>78,747,958</u>	<u>79,421,768</u>	<u>91,973,385</u>	<u>77,814,923</u>
7,079,355	7,187,596	7,228,142	7,279,026	8,706,354	9,284,515
29,433,859	32,448,262	30,667,009	33,477,490	35,626,715	36,821,619
9,927,950	9,728,428	8,276,579	8,809,717	10,923,312	14,597,641
2,346,013	2,428,878	2,370,885	2,551,983	2,954,131	2,687,131
8,066,154	6,787,433	5,565,858	9,315,501	16,998,771	14,492,953
6,738,782	15,098,742	20,708,636	26,012,668	26,364,288	14,125,668
4,140,350	3,497,844	3,748,258	3,725,430	3,572,981	3,394,376
1,128,160	1,279,711	1,055,136	1,209,078	1,391,971	1,311,173
11,866	7,675	9,165	8,165	15,453	6,201
<u>68,872,489</u>	<u>78,464,569</u>	<u>79,629,668</u>	<u>92,389,058</u>	<u>106,553,976</u>	<u>96,721,277</u>
<u>(1,940,555)</u>	<u>(2,305,883)</u>	<u>(881,710)</u>	<u>(12,967,290)</u>	<u>(14,580,591)</u>	<u>(18,906,354)</u>
517,622	10,000,000	-	-	-	11,209,465
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	214,664	309,856	3,264,815	767,530
884,922	1,070,368	106,085	139,929	65,170	441,620
536,337	1,193,605	773,380	4,323,038	9,927,865	21,084,020
(991,206)	(1,691,807)	(4,017,187)	(5,263,796)	(14,185,375)	(24,114,008)
-	-	-	-	-	-
<u>947,675</u>	<u>10,572,166</u>	<u>(2,923,058)</u>	<u>(490,973)</u>	<u>(927,525)</u>	<u>9,388,627</u>
\$ <u>(992,880)</u>	\$ <u>8,266,283</u>	\$ <u>(3,804,768)</u>	\$ <u>(13,458,263)</u>	\$ <u>(15,508,116)</u>	\$ <u>(9,517,727)</u>
8.48%	7.54%	8.15%	7.43%	6.19%	5.70%

City of Gulfport
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Real Property (1)(2)(3)		Personal Property		Utilities	
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value
2017	474,145	3,465,972	75,361	502,407	134,461	896,407
2016	471,288	3,445,088	75,200	501,333	133,476	889,840
2015	457,861	3,346,937	82,237	548,247	126,978	846,520
2014	459,586	3,359,547	82,689	551,260	127,697	851,313
2013	460,129	3,363,516	81,023	540,153	131,213	874,753
2012	466,503	3,410,110	83,309	555,393	129,334	862,227
2011	459,746	3,360,716	80,905	539,367	125,478	836,520
2010	438,057	3,202,171	86,117	574,113	122,200	814,667
2009	433,240	3,166,959	87,524	583,493	111,864	745,760
2008	330,443	2,415,519	73,554	490,360	109,811	732,073

(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

Schedule 5

Automobiles		Total		Assessed to Actual
Assessed Value	Actual Value	Assessed Value	Actual Value	
79,771	265,903	763,738	5,130,689	14.89%
75,991	253,303	755,955	5,089,564	14.85%
69,253	230,843	736,329	4,972,547	14.81%
68,175	227,250	738,147	4,989,370	14.79%
69,407	231,357	741,772	5,009,779	14.81%
69,948	233,160	749,094	5,060,890	14.80%
73,952	246,507	740,081	4,983,110	14.85%
83,028	276,760	729,402	4,867,711	14.98%
86,752	289,173	719,380	4,785,386	15.03%
91,125	303,750	604,933	3,941,702	15.35%

City of Gulfport
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Gulfport			Harrison County			Gulfport School District			Grand Total Millage
	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
2017	27.7	6.3	34.0	31.3	5.1	36.4	53.4	11.5	64.9	135.30
2016	27.8	6.2	34.0	31.3	5.1	36.4	53.4	11.5	64.9	135.3
2015	27.8	6.2	34.0	31.1	5.1	36.2	53.6	11.3	64.9	135.1
2014	27.0	7.0	34.0	30.5	5.4	35.9	53.6	7.3	60.9	130.8
2013	27.0	7.0	34.0	30.5	5.4	35.9	53.9	7.0	60.9	130.8
2012	27.0	7.0	34.0	30.5	5.4	35.9	53.6	7.3	60.9	130.8
2011	27.0	7.0	34.0	30.5	5.4	35.9	53.0	7.9	60.9	130.8
2010	25.7	8.3	34.0	31.0	4.9	35.9	50.3	7.6	57.9	127.8
2009	25.8	8.2	34.0	31.3	4.4	35.7	50.3	7.6	57.9	127.6
2008	26.0	8.0	34.0	32.9	3.4	36.3	50.3	7.6	57.9	128.2

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
Principal Property Taxpayers
Current Year and Ten Years Ago
(amount expressed in thousands)

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Mississippi Power & Light	\$ 119,564	1	67.46%	90,373	1	79.46%
Gulfside Casino Partnership	23,079	2	13.02%	8,035	3	7.06%
CrossRoads Center	6,396	3	3.61%	10,644	2	9.36%
Hancock Bank	5,425	4	3.06%	-		0.00%
Wal-Mart	4,371	5	2.47%	-		0.00%
Bell South	4,314	6	2.43%	4,678	4	4.11%
GPCH	3,885	7	2.19%	-		0.00%
Chemours Co.	3,742	8	2.11%	-		0.00%
CPX Gulfport	3,301	9	1.86%	-		0.00%
Harrison-Gulfport LLC	3,169	10	1.79%	-		0.00%
Total	\$ 177,247		100.00%	\$ 113,730		100.00%

Source: Harrison County Tax Assessor

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City of Gulfport
 Property Tax Levies and Collections
 Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 45,860	\$ 44,042	96.04%	168	44,210	96.40%
2016	45,771	43,952	96.03%	350	44,302	96.79%
2015	45,583	43,784	96.05%	(513) *	43,271	94.93%
2014	44,508	42,288	95.01%	341	42,629	95.78%
2013	45,014	42,399	94.19%	158	42,557	94.54%
2012	45,675	42,829	93.77%	200	43,029	94.21%
2011	45,642	42,620	93.38%	233	42,853	93.89%
2010	45,051	43,157	95.80%	193	43,350	96.22%
2009	42,882	40,952	95.50%	393	41,345	96.42%
2008	35,733	33,694	94.29%	452	34,146	95.56%

* Net of Section 42 Housing repayments by the City

City of Gulfport
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Government Debt	Percentage of Personal Income
	General Obligation	Capital Leases	Other General Obligation Debt	General Obligation Revenue Bonds	State Revolving Loans	Other Debt		
2017	\$ 26,342	\$ 2,788	\$ 5,370	\$ 30,698	\$ 22,560	\$ 10,922	98,680	21.73%
2016	28,445	3,319	6,350	35,525	32,331	11,061	117,031	17.79%
2015	31,212	2,468	7,305	40,253	32,516	10,952	124,706	17.75%
2014	17,320	793	8,307	42,140	23,380	-	91,940	22.69%
2013	15,545	518	26,686	46,035	25,258	2,986	117,028	18.44%
2012	18,345	-	28,026	49,460	27,312	3,308	126,451	16.48%
2011	21,005	326	23,538	52,735	29,407	3,338	130,349	13.78%
2010	23,535	961	19,122	55,875	31,533	3,368	134,394	15.19%
2009	26,070	1,572	19,701	59,625	33,611	3,397	143,976	14.06%
2008	28,480	2,159	20,277	52,950	35,640	3,427	142,933	13.28%

City of Gulfport
 Ratios of Net General Obligation Bonded Debt Outstanding
 Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross General Obligation Bonds	Less Debt Service Funds	Net GO Bonded Debt	Percentage of Assessed Taxable Value of Property	Net Bonded Debt Per Capita
2017	72.1	763,738	26,342	-	26,342	3.45%	365
2016	71.9	755,955	29,863	-	29,863	3.95%	415
2015	71.8	736,329	32,789	3,848	28,941	3.93%	403
2014	71.0	738,147	17,320	4,720	12,600	1.71%	177
2013	70.1	741,772	15,545	3,850	11,695	1.58%	167
2012	69.2	749,094	18,345	4,135	14,210	1.90%	205
2011	67.8	740,081	21,005	3,914	17,091	2.31%	252
2010	70.8	729,402	23,535	3,735	19,800	2.71%	280
2009	70.7	719,380	26,070	5,867	20,203	2.81%	286
2008	70.4	604,933	28,480	10,184	18,296	3.02%	260

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

City of Gulfport
 Direct and Overlapping Governmental Activities Debt
 As of September 30, 2017
(amounts expressed in thousands)

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Gulfport direct debt	\$ 26,342	100.00%	\$ 26,342
Debt repaid with property taxes:			
Harrison County	56,284	36.58%	20,589
Gulfport School District	43,325	100.00%	43,325
Overlapping debt			<u>63,914</u>
 Total direct and overlapping debt			 <u><u>\$ 90,256</u></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 business 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
 Legal Debt Margin Information
 Last Ten Fiscal Years
(amounts expressed in thousand.)

	Fiscal Year				
	2017	2016	2015	2014	2013
Debt Limit (15%)	\$ 114,377	\$ 113,393	\$ 110,449	\$ 110,722	\$ 111,266
Total net GO debt applicable to limit	<u>25,917</u>	<u>28,005</u>	<u>27,364</u>	<u>12,600</u>	<u>11,695</u>
Legal debt margin	<u>\$ 88,460</u>	<u>\$ 85,388</u>	<u>\$ 83,085</u>	<u>\$ 98,122</u>	<u>\$ 99,571</u>
Total net debt applicable to the limit as a percentage of the debt limit	22.66%	24.70%	24.78%	11.38%	10.51%

Schedule 12

Fiscal Year				
2012	2011	2010	2009	2008
\$ 112,364	\$ 111,012	\$ 109,410	\$ 107,907	\$ 90,740
14,210	17,091	19,800	20,203	18,296
\$ 98,154	\$ 93,921	\$ 89,610	\$ 87,704	\$ 72,444
12.65%	15.40%	18.10%	18.72%	20.16%

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City of Gulfport
Pledged Revenue Coverage
Last Ten Fiscal Years
(amounts expressed 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	
2017	\$ 33,939	\$ 22,983	10,956	\$ 3,185	\$ 2,333	5,518	198.55%
2016	32,210	22,942	9,268	3,998	2,333	6,331	146.39%
2015	32,420	23,714	8,706	4,119	2,181	6,300	138.19%
2014	30,559	23,652	6,907	1,995	1,791	3,786	182.44%
2013	30,402	20,669	9,733	1,895	1,890	3,785	257.15%
2012	30,282	21,172	9,110	1,800	1,985	3,785	240.69%
2011	28,700	18,394	10,306	1,710	2,075	3,785	272.29%
2010	24,348	18,879	5,469	1,620	2,160	3,780	144.68%
2009	23,040	18,758	4,282	1,545	2,236	3,781	113.25%
2008	22,347	17,808	4,539	1,470	2,310	3,780	120.08%
2007*	21,853	9,480	12,373	1,395	2,376	3,771	328.11%

(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

* Operating expenses in 2007 were reduced due to the Harrison County Wastewater District

City of Gulfport
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>School (2) Enrollment</u>	<u>Unemployment Rate (3)</u>
2017	72,076	21,443	6,182	4.20%
2016	71,856	20,825	6,302	5.50%
2015	71,750	20,340	6,353	5.90%
2014	71,012	20,863	6,135	6.50%
2013	70,113	21,579	5,903	7.40%
2012	69,220	20,845	5,699	8.10%
2011	67,793	17,963	5,659	9.20%
2010	70,794	20,417	5,609	8.70%
2009	70,732	20,243	5,232	8.30%
2008	70,372	18,978	5,341	5.60%

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

City of Gulfport
Principal Staff
Last Seven Fiscal Years

Employer	2017		2016		2015		2014		2013		2012		2011	
	Staff	Rank												
Naval CBC Base	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	3,290	2	3,290	2	2,894	2
Harrison Cty School	1,802	3	1,802	3	1,802	3	1,802	3	1,788	3	1,703	3	1,649	3
Island View Casino	1,206	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	7
Gulfport Schools	848	6	848	6	848	7	848	6	831	6	818	6	900	6
Mississippi Power	728	7	728	7	728	8	728	7	728	7	728	8	1,253	4
City of Gulfport	640	8	640	8	640	9	-	-	617	8	618	9	639	9
Trent Lott Training	636	9	636	9	636	10	636	10	-	-	-	-	-	-
Wal-Mart	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
Trinity Yachts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	16,140		16,140		16,493		16,215		13,822		16,073		16,502	

City of Gulfport
Full-Time Equivalent City Government Staff by Function/Program
Last Seven Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011
	Full-Time Equivalent Staff						
Mayor's Office	3	3	3	3	3	3	3
Council	9	9	9	9	9	8	8
Municipal Court	20.5	18.5	21.5	22.5	23.5	22.5	23.5
Legal	11	11	10	10	8.5	10	9
General Admin	32	32	32.5	33.5	33.5	31.5	33
Police							
Officers	160	161.5	168	176	167.5	176	185.5
Civilians	53	56	58	57	56.5	59.5	61.5
Fire							
Combat	151	152	156	149	158	154	158
Civilians	4	6	7	7	6	6	5
Public Works	35	36	36	37	35	34	33
Leisure Services	70.5	69.5	72	70.5	69.5	67	67.5
Community Dev	3	3	3	3	3	3	3
Urban/Economic Dev	27	26	27	27	26	26	31
Utility Department	17	18	18	18	18	17	18
Total	596.0	601.5	621.0	622.5	617.0	617.5	639.0

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City of Gulfport
Operating Indicators by Function/Program
Last Seven Fiscal Years

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

City of Gulfport
Capital Asset Statistics by Function/Program
Last Seven Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011
Police							
Stations	2	2	2	2	2	2	2
Patrol Units	61	58	66	60	60	63	72
Fire Stations	11	11	11	11	11	12	12
Public Works							
Streets (miles)	1,254.0	1,021.3	1,021.3	1,021.3	1,021.3	614.0	614.0
Street lights	13,51	13,379	10,273	10,765	9,383	9,543	9,356
Traffic signals	111	110	110	110	110	110	110
Parks and Recreations							
Acreage	600	600	600	600	600	600	600
Playgrounds	19	19	19	19	19	19	19
Ballfields	38	38	38	38	38	38	38
Tennis courts	7	7	7	7	7	7	7
Parks	31	31	31	31	31	31	31
Community centers	10	10	10	11	10	11	14
Waterfront piers	6	6	6	6	6	6	6
Boat launch ramps	14	14	14	14	14	14	14
Small craft harbor slips *	319	319	319	319	319	319	319
Water							
Water mains (miles)	450.0	448.0	447.0	423.0	418.0	412.0	409.0
Fire hydrants	3,850	3,856	3,850	3,650	3,614	3,559	3,538
Storage capacity (gal)	5,775,000	5,775,000	5,775,000	6,108,000	6,108,000	6,550,000	5,550,000
Wastewater							
Sanitary sewer (miles)	523.00	523.00	522.00	502.00	501.00	500.00	499.00
Storm sewer (miles)	505.00	505.00	504.00	502.00	501.00	500.00	499.00
Treatment capacity (gal)	20,750,000	17,000,000	26,907,600	27,571,500	27,550,417	30,905,833	20,235,000

* 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, 2017

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	3/17/2018
Linda Elias, Comptroller / City Clerk	\$50,000	6/3/2018
Leonard Papania, Chief of Police	\$50,000	5/8/2018
Mary C. Collins, Deputy City Clerk	\$50,000	7/25/2018
Antoinette F. White, Deputy City Clerk	\$50,000	9/8/2018
Ronda Cole, Deputy City Clerk	\$50,000	3/6/2018
Kourtney Wells, Deputy City Clerk	\$50,000	9/9/2018
Henrietta Spaulding, Deputy City Clerk	\$50,000	9/10/2018