

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF GULFPORT, MISSISSIPPI

COMPLIANCE REPORTS

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

CITY OF GULFPORT, MISSISSIPPI
COMPLIANCE REPORTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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

**To the Honorable Mayor and Members
of the City Council
City of 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 the **City of Gulfport, Mississippi** (the "City"), as of and for the fiscal year ended September 30, 2019, 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 30, 2020.

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 over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 30, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

**To the Honorable Mayor and Members
of the City Council
City of 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 a direct and material effect on each of the City's major federal programs for the fiscal year ended September 30, 2019. 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 fiscal year ended September 30, 2019.

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.

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.

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, as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 30, 2020, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 30, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Honorable Mayor and Members
of the City Council
City of 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 fiscal year ended September 30, 2019, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2020. 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 30, 2020

CITY OF GULFPORT, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Total Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Awards:				
CDBG-Entitlement Grants	14.218	BC-16-MC-28-0002	\$ 264,148	\$ -
CDBG-Entitlement Grants	14.218	BC-17-MC-28-0002	485,595	-
CDBG-Entitlement Grants	14.218	BC-18-MC-28-0002	371,117	25,077
Total CDBG Entitlement Grants Cluster			<u>1,120,860</u>	<u>25,077</u>
Home Investment Partnership Program	14.239	M14DC280200	20,000	-
Home Investment Partnership Program	14.239	M16DC280200	12,000	12,000
Home Investment Partnership Program	14.239	M17DC280200	43,519	8,082
Home Investment Partnership Program	14.239	M18DC280200	151,267	-
			<u>226,786</u>	<u>20,082</u>
Passed through Mississippi Development Authority				
Community Development Block Grant	14.228	R-109-202-06-KCR	1,245,446	-
Community Development Block Grant	14.228	R-109-202-09-KCR	11,625	-
Community Development Block Grant	14.228	R-109-202-07-KCR	2,368,638	-
			<u>3,625,709</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>4,973,355</u>	<u>45,159</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Awards:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0270	66,872	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0049	62,531	-
			<u>129,403</u>	<u>-</u>
Passed through Violence Against Women				
Violence Against Women Formula Grant	16.588	2017-WF-AX-0047	39,946	-
Violence Against Women Formula Grant	16.017	VAWA-STOP-2018-WF-AX-0020	7,633	-
Victim Assistance Formula Grant Program	16.575	2015-VA-GX-4038/2017-VA-GX-0049	30,267	-
Victim Assistance Formula Grant Program	16.575	2017-VA-GX-0049	10,000	-
			<u>40,267</u>	<u>-</u>
Passed through Office of Justice				
2017 Bulletproof Vest Partnership Program	16.607	N/A	14,040	-
Total U.S. Department of Justice			<u>231,289</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION				
FEDERAL TRANSPORTATION ADMINISTRATION				
Passed through Mississippi Department of Highway Safety				
Alcohol Open Container FY 19	20.607	154AL-2019-ST-21-41	25,293	-
Police Traffic Services FY 19	20.600	PT-2019-PT-21-41	7,548	-
Total Highway Safety Cluster			<u>7,548</u>	<u>-</u>
Highway Planning & Construction	20.205	STP-9372-00(009)	1,257,699	-
Highway Planning & Construction	20.205	STP-9370-00(004)	2,497,648	-
Highway Planning & Construction	20.205	STP-9098-00(002)	27,054	-
Highway Planning & Construction	20.205	FBD-0200-00(020)	16,014	-
Highway Planning & Construction	20.205	STP-9178-00(003)	19,784	-
Total Highway Planning & Construction Cluster			<u>3,818,199</u>	<u>-</u>
Total U.S. Department of Transportation			<u>3,851,040</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Mississippi Department of Highway Safety				
Homeland Security Grant Program	97.067	S16HS202T	22,215	-
Homeland Security Grant Program	97.067	A16HS202T	701	-
Homeland Security Grant Program	97.067	S17HS202T	264	-
Homeland Security Grant Program	97.067	M17HS202T	15,463	-
Homeland Security Grant Program	97.067	17HS202T	55,096	-
Homeland Security Grant Program	97.067	18LE202T	19,774	-
			<u>113,514</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>113,514</u>	<u>-</u>

(Continued)

CITY OF GULFPORT, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Total Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF LABOR				
Passed through Southern Mississippi and Development District WIN Job Center WIOA	17.258	N/A	\$ 83,323	\$ -
Total WIOA Cluster			<u>83,323</u>	<u>-</u>
Total U.S. Department of Labor			<u>83,323</u>	<u>-</u>
OFFICE OF NATIONAL DRUG CONTROL POLICY				
Passed through Mississippi Bureau of Narcotics High Intensity Drug Trafficking Area 2017	95.001	G17-GC0003A	11,155	-
High Intensity Drug Trafficking Area 2018	95.001	G18-GC0003A	<u>16,623</u>	<u>-</u>
			<u>27,778</u>	<u>-</u>
Total Office of National Drug Control Policy			<u>27,778</u>	<u>-</u>
U.S. DEPARTMENT OF THE TREASURY				
Passed through Mississippi Department of Environmental Quality RESTORE Act Funds	21.015	18-00030	<u>7,852,593</u>	<u>-</u>
Total U.S. Department of the Treasury			<u>7,852,593</u>	<u>-</u>
U.S. DEPARTMENT OF THE INTERIOR				
Passed through Mississippi Department of Marine Resources GOMESA Act Funds	15.435	N/A	<u>233,969</u>	<u>-</u>
Total U.S. Department of the Interior			<u>233,969</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 17,366,861</u>	
Total Federal Awards Passed Through to Subrecipients				<u>\$ 45,159</u>

CITY OF GULFPORT, MISSISSIPPI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Gulfport, Mississippi (the "City"), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. DE MINIMIS INDIRECT COST RATE

The City chose not to use the 10% de minimis indirect cost rate for the fiscal year ended September 30, 2019.

NOTE 3. NON-CASH AWARDS

The City did not receive non-cash federal awards during the fiscal year ended September 30, 2019.

NOTE 4. FEDERAL LOANS

The City of Gulfport, Mississippi has the following federal loans outstanding as of September 30, 2019.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Current Year Expenditures</u>	<u>Unpaid Loan Balance</u>	<u>Original Loan Amount</u>
Environmental Protection Agency Passed-through the Mississippi Department of Environmental Quality				
SRF-C2807430500	66.458	\$ -	\$ 943,899	\$ 3,229,424
SRF-C2807430600	66.458	-	3,525,069	8,093,778
SRF-C2807430702	66.458	-	677,492	2,214,059
SRF-C2807430800	66.458	-	6,806,001	15,025,311
SRF-C2807430900	66.458	-	2,761,815	5,715,121
		<u>\$ -</u>	<u>\$ 14,714,276</u>	<u>\$ 34,277,693</u>

CITY OF GULFPORT, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified not considered
to be material weaknesses? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal Control over major programs:
Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified not considered
to be material weaknesses? ☐ Yes ☒ No

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants
21.015	U.S. Department of Treasury RESTORE Act Funds

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

CITY OF GULFPORT, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III FEDERAL AWARD FINDINGS AND RESPONSES

None Reported.

CITY OF GULFPORT, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION IV

2018-001 – Proper Recognition of Capital Assets

Criteria: Internal controls should be in place to ensure amounts reported for capital assets and related items are appropriate and properly valued and recorded in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Condition: During our testing of the City of Gulfport, Mississippi’s (“City’s”) capital assets, we noted the City’s capital assets for governmental activities and business-type activities (Joseph T. Jones Fund) did not agree to the City’s capital asset listing.

Status: Resolved.

2018-002 – Proper Recognition of Deferred Inflows of Resources – Unavailable Revenue

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenue recognition in governmental funds must be deferred until the resources are considered to be available to finance expenditures of the fiscal period. Resources are considered to be available only if collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Condition: During the prior year, the City incorrectly recognized revenue resulting in fund balance being overstated in the Disaster Relief Fund from a reimbursement based grant. The balance should not have been recognized as a revenue considering the balance was not collected within the City’s availability period. Consequently, the respective fund balance was overstated and deferred inflow of resources – unavailable revenues balance was understated as of and for the fiscal year ended September 30, 2017.

Status: Resolved.

2018-003 – Proper Recognition of Governmental Fines Receivable – Courts

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: Appropriate reconciliation procedures were not followed for the Court’s fine receivable resulting in an understatement of net fines receivable and net position for governmental activities in the government-wide financial statements in prior years.

Status: Resolved