

Audited Financial Statements

Fiscal Year Ended September 30, 2021

CITY OF GULFPORT, MISSISSIPPI
ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021

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FINANCIAL SECTION

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



INDEPENDENT AUDITOR'S REPORT

**Members of the City Council and Mayor Billy Hewes, III
City of Gulfport, Mississippi
Gulfport, Mississippi**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Gulfport, Mississippi** (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Gulfport, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, 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.

Emphasis of Matter

As discussed in Note 18, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as of October 1, 2020. This standard significantly changed the accounting for the City's fiduciary funds. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion & 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 GASB 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 combining and individual nonmajor fund financial statements and the Schedule of Surety Bonds are presented for additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds has 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 in it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
September 15, 2022

CITY OF GULFPORT, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Introduction

This section is a required component of the City of Gulfport, Mississippi's (the "City") Audited Financial Statements for the fiscal year ended September 30, 2021, and should be read in conjunction with 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 the fiscal year ended. 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 \$24.3 million.
- The City's General Fund's fund balance, which represents the difference between assets minus liabilities, increased by \$24.4 million during the year, going from \$19.7 million in 2020 to \$44.1 million in 2021.
- The City's total capital assets decreased by \$6.5 million or 1.0%, going from \$653.7 million in 2020 to \$647.2 million in 2021. Capital assets consist of land, construction in process, buildings, infrastructure, machinery and equipment, and vehicles.
- The City's overall long-term debt increased by \$58.8 million or 23.9%, going from \$245.7 million in 2020 to \$304.5 million in 2021. Long-term debt consists of capital leases, notes payable, bonds payable, pension liability, death benefit claims, and self-insurance liability.

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 18 and 19, respectively. These two statements provide financial information on the government as a whole similar to how private sector companies report their finances. These two statements are the only place within this report where a reader can review the operations and worth of the City as a whole. All of the City's annual revenues and expenses are reported in the Statement of Activities while the City's assets and liabilities are reported in the Statement of Net Position. These two statements answer the question "Is the City, as a whole, better off or worse off as a result of the year's activities?"

The second tier of financial reporting are the Major Fund Financial Statements. The fund financial statements begin on page 20 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 sets of statements are issued depending on whether the activities are of a governmental nature, a business-like nature, or a fiduciary nature.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds – Most of the City's basic services are reported in the governmental funds. Examples include activities relating to governmental funds which are public safety, public works (non-water and sewer), culture and recreation, urban development, capital projects, debt service and general administration. The financial statements of Governmental Funds are reported on the modified accrual basis – which measures cash and all other financial assets that can readily be converted to cash. Governmental statements provide a more detailed short-term view. The amounts contained on these statements are adjusted for full accrual and rolled over to the government-wide statements. Governmental Fund Financial Statements are contained on pages 20 – 23.

Proprietary Funds – Activities existing from fees charged to customers for services provided by the City are reported in proprietary funds. 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 24 – 28 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 29.

Financial Analysis of the City as a Whole Condensed Government-wide Statement of Net Position As of September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	\$ 173,034,791	\$ 77,705,788	\$ 40,766,108	\$ 25,651,460	\$ 213,800,899	\$ 103,357,248
Capital assets, net	323,989,738	325,343,047	323,220,544	328,318,193	647,210,282	653,661,240
Total assets	<u>497,024,529</u>	<u>403,048,835</u>	<u>363,986,652</u>	<u>353,969,653</u>	<u>861,011,181</u>	<u>757,018,488</u>
Deferred outflows of resources	<u>6,619,555</u>	<u>5,694,545</u>	<u>552,474</u>	<u>745,291</u>	<u>7,172,029</u>	<u>6,439,836</u>
Liabilities						
Current liabilities	11,826,755	11,491,811	8,319,029	13,961,780	20,145,784	25,453,591
Noncurrent liabilities	211,026,604	165,381,871	80,945,294	70,288,392	291,971,898	235,670,263
Total liabilities	<u>222,853,359</u>	<u>176,873,682</u>	<u>89,264,323</u>	<u>84,250,172</u>	<u>312,117,682</u>	<u>261,123,854</u>
Deferred inflows of resources	<u>45,896,580</u>	<u>26,689,156</u>	<u>565,630</u>	<u>38,791</u>	<u>46,462,210</u>	<u>26,727,947</u>
Net position:						
Net investment in capital assets	248,041,510	257,087,790	265,244,018	258,281,256	513,285,528	515,369,046
Restricted	54,213,458	3,383,238	-	-	54,213,458	3,383,238
Unrestricted	(67,360,823)	(55,290,486)	9,465,155	12,144,725	(57,895,668)	(43,145,761)
Total net position	<u>\$ 234,894,145</u>	<u>\$ 205,180,542</u>	<u>\$ 274,709,173</u>	<u>\$ 270,425,981</u>	<u>\$ 509,603,318</u>	<u>\$ 475,606,523</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Government-wide Statement of Net Position

Total Primary Government

From an "overall balance sheet perspective", the net position of the City as compared to the previous year increased from \$475.6 million in 2020 to \$509.6 million in 2021, while total assets increased \$104.0 million, from \$757.0 million in 2020 to \$861.0 million in 2021. Much of this increase is the result of an increase in cash and cash equivalents and in capital assets. Total liabilities increased by \$51.0 million, from \$261.1 million in 2020 to \$312.1 million in 2021. This increase in liabilities is mostly due to the increase in long-term debt. Net position serves as a useful indicator of a government's financial position over time. By far, the majority of the City's net position is related to investment in capital assets, i.e., roads, bridges, parks, water, sewer, machinery, etc., net of related debt is \$513.3 million which represents approximately over 100.7% of the City's total net position.

Current assets increased by \$94.0 million during the year, increasing from \$103.4 million in 2020 to \$213.8 million in 2021.

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

Governmental Activities

Total assets for Governmental type activities increased by \$94.0 million, from \$403.0 million in 2020 to \$497.0 million in 2021; while current assets (cash, short term receivables, etc.) increased by \$95.3 million, from \$77.7 million in 2020 to \$173.0 million in 2021. Total governmental activities liabilities increased \$46.0 million, from \$176.9 million in 2020 to \$222.9 million in 2021. This increase is mostly due to the increase in long-term debt.

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 business-type assets increased by \$10.0 million; from \$354.0 million in 2020 to \$364.0 million in 2021, with current assets increasing by \$15.1 million, and capital assets decreasing by \$5.1 million.

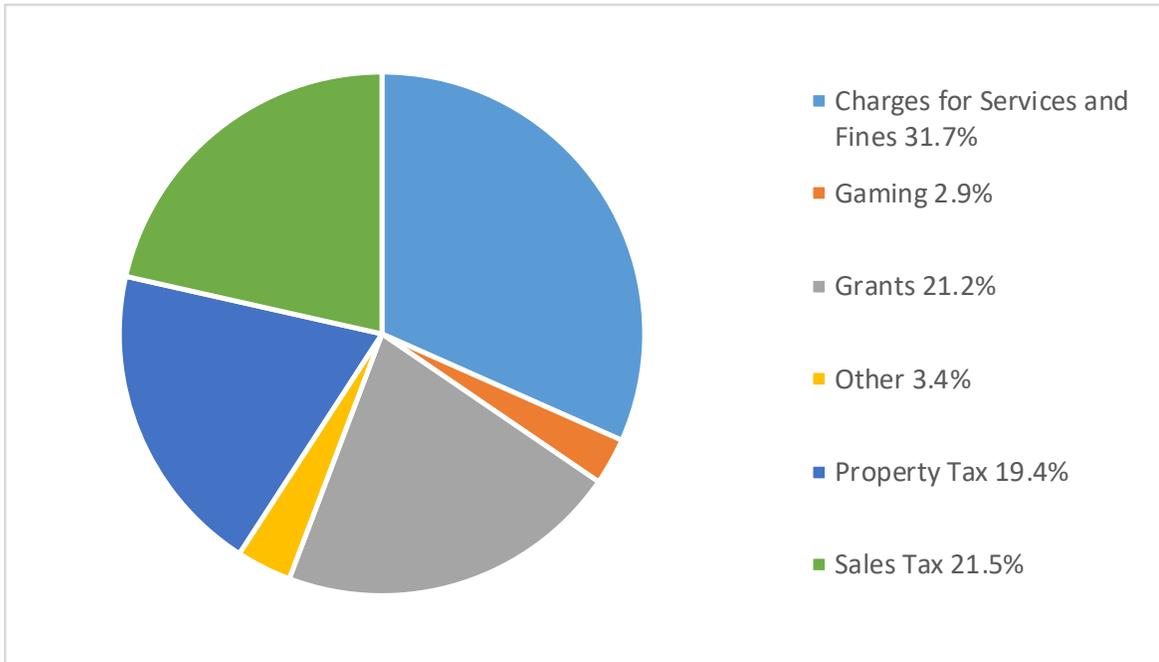
MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Government-wide Statement of Activities For the Year Ended September 30, 2021 and 2020

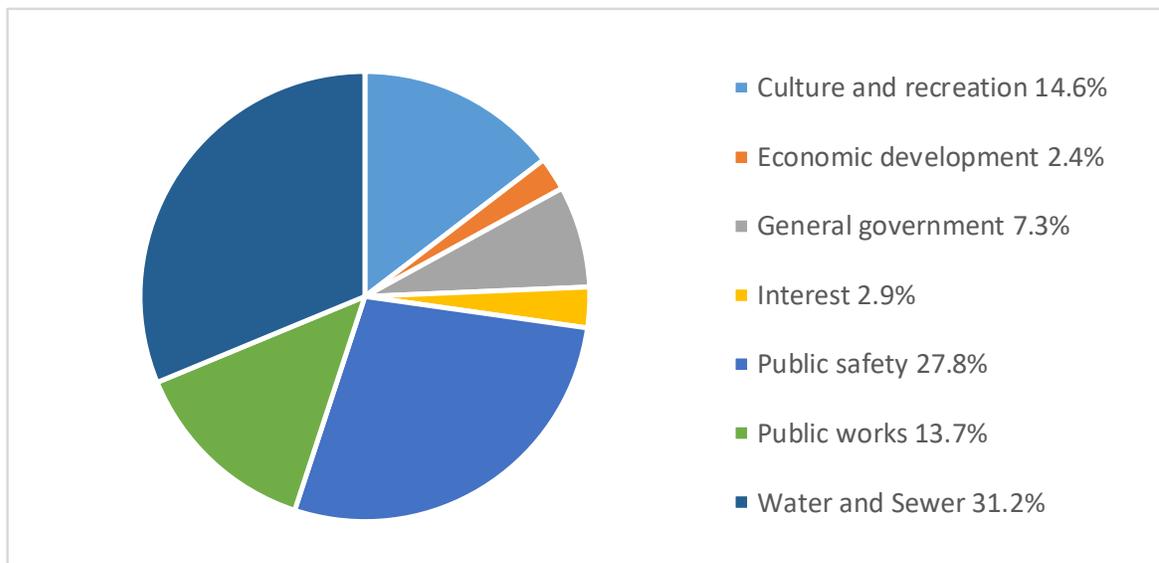
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for services	\$ 5,970,853	\$ 7,443,193	\$ 38,133,000	\$ 32,187,820	\$ 44,103,853	\$ 39,631,013
Operating grants and contributions	12,194,132	2,417,526	-	-	12,194,132	2,417,526
Capital grants and contributions	17,323,221	24,002,575	-	-	17,323,221	24,002,575
General revenues						
Property taxes	27,010,288	26,179,390	-	-	27,010,288	26,179,390
Sales taxes	29,880,955	23,370,081	-	-	29,880,955	23,370,081
Franchise taxes	3,794,031	3,768,997	-	-	3,794,031	3,768,997
Gaming fees	3,991,565	3,991,565	-	-	3,991,565	3,991,565
Other	823,192	566,954	173,030	86,570	996,222	653,524
Total revenues	<u>100,988,237</u>	<u>91,740,281</u>	<u>38,306,030</u>	<u>32,274,390</u>	<u>139,294,267</u>	<u>124,014,671</u>
Program Expenses						
General government	7,426,678	8,041,866	-	-	7,426,678	8,041,866
Public safety	28,151,272	32,768,185	-	-	28,151,272	32,768,185
Public works	13,875,314	14,172,099	-	-	13,875,314	14,172,099
Health and welfare	-	7,946	-	-	-	7,946
Economic development	2,452,654	2,911,397	-	-	2,452,654	2,911,397
Culture and recreation	14,804,435	7,846,167	-	-	14,804,435	7,846,167
Interest	2,891,935	2,945,000	-	-	2,891,935	2,945,000
Water and Sewer	-	-	31,514,169	37,578,531	31,514,169	37,578,531
Joseph T. Jones	-	-	2,508,866	3,047,369	2,508,866	3,047,369
GRC	-	-	1,672,149	1,697,689	1,672,149	1,697,689
Total expenses	<u>69,602,288</u>	<u>68,692,660</u>	<u>35,695,184</u>	<u>42,323,589</u>	<u>105,297,472</u>	<u>111,016,249</u>
Transfers	<u>(1,672,346)</u>	<u>(37,135,725)</u>	<u>1,672,346</u>	<u>37,135,725</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>29,713,603</u>	<u>(14,088,104)</u>	<u>4,283,192</u>	<u>27,086,526</u>	<u>33,996,795</u>	<u>12,998,422</u>
Net position - beginning previously reported	<u>205,180,542</u>	<u>219,268,646</u>	<u>270,425,981</u>	<u>243,339,455</u>	<u>475,606,523</u>	<u>462,608,101</u>
Net position - ending	<u>\$ 234,894,145</u>	<u>\$ 205,180,542</u>	<u>\$ 274,709,173</u>	<u>\$ 270,425,981</u>	<u>\$ 509,603,318</u>	<u>\$ 475,606,523</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Government-wide Statement of Activities Where Does the Money Come From?



Where Does the Money Go?



MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

The City's revenues exceeded expenses by \$34.0 million in 2021 with an increase in federal grants due to the COVID-19 pandemic economic recovery grant writing by the federal government.

Charges for Services and Fees – Charges for services accounts for \$44.1 million, or 31.7% of the City's total revenues.

Property Tax – Property tax accounts for \$27.0 million, or 19.4% 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 residential and commercial property investments and development.

Sales Tax – Sales and use tax receipts account for \$29.9 million, or 21.5% of the City's total revenues. The City is recognizing moderate growth in sales taxes collected when compared to the previous fiscal year.

Grants – The City received a total of \$29.5 million in grant revenues in 2021 as compared to \$26.4 million in 2020. The majority of these grants were related to the City's construction of the Mississippi Aquarium and COVID-19 pandemic economic recovery funds.

Expenses

The City's total government-wide expenses were \$105.3 million in 2021 as compared to \$111.0 million in 2020. This represents a decrease of \$5.7 million, or 5.1%. This decrease is mainly attributed to COVID-19 pandemic spending reductions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The table below represents the cost of each of the City's major governmental functional areas – general government, public safety, public works, health and welfare, economic development, and culture and recreation. 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.

	Total Cost of Service	Net Cost of Service
Governmental activities:		
General government	\$ 7,426,678	\$ 9,561,895
Public safety	28,151,272	(24,249,705)
Public works	13,875,314	546,848
Health and welfare	-	-
Economic development	2,452,654	(2,452,654)
Culture and recreation	14,804,435	(14,628,531)
Interest on long-term debt	2,891,935	(2,891,935)
Total governmental activities	\$ 69,602,288	\$ (34,114,082)

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 Fund, Special Revenue Funds (i.e., Forfeits and Seizures, Community Development, and Police and Fire Retirement), Disaster Relief Fund and the Debt Service Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund is the primary “governmental operating fund” of the City. Activities that are traditional in nature to governmental entities are reported in this fund (i.e., public safety, public works (operations and maintenance), culture and recreation, economic development, and general government). The General Fund accounts for nearly 67.2% of the City’s total governmental funds’ revenues and 71.7% of the City’s total governmental funds’ expenditures. Overall, the General Fund’s financial condition improved as compared to the previous year.

General Fund - Financial Summary

	2021	2020
Total revenues	\$ 80,394,792	\$ 61,285,640
Total expenditures	56,110,141	55,763,961
Excess (deficit) of revenues over expenses	24,284,651	5,521,679
Other sources (uses)	47,811	67,918
Net change in fund balance	24,332,462	5,589,597
Fund balance, beginning	19,744,004	14,154,407
Fund balance, ending	<u>\$ 44,076,466</u>	<u>\$ 19,744,004</u>

- The General Fund operated in the “black” by \$24.3 million in 2021 with revenues of \$80.4 million and expenditures of \$56.1 million. The majority of this surplus was for COVID-19 pandemic grant funds received in advance of the expenditure of funds.
- The General Fund’s total assets increased by \$24.3 million, from \$50.2 million in 2020 to \$74.5 million in 2021.
- The General Fund’s unassigned fund balance increased by \$24.4 million, from \$19.7 million in 2020 to \$44.1 million in 2021. 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 is 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 \$19.1 million, or 31.2%, from \$61.3 million in 2020 to \$80.4 million in 2021.
- Total General Fund expenditures increased by \$0.3 million, or 0.5%, from \$55.8 million in 2020 to \$56.1 million in 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Community Development Block Grant Fund – Financial Summary

	2021	2020
Total revenues	\$ 75,634	\$ 4,095,316
Total expenditures	515,768	1,283,100
Excess (deficit) of revenues over expenses	(440,134)	2,812,216
Fund balance, beginning	4,956,789	2,144,573
Fund balance, ending	\$ 4,516,655	\$ 4,956,789

- The Community Development Block Grant Fund operated in the “red” by \$0.4 million in 2021 with revenues of \$0.1 million and expenditures of \$0.5 million.
- Community Development Block Grant Fund assets decreased by \$0.2 million or 2.0%, from \$10.1 million in 2020 to \$9.9 million in 2021.

Capital Projects Fund – Financial Summary

	2021	2020
Total revenues	\$ 3,344,149	\$ 17,467,761
Total expenditures	3,717,336	3,962,700
Excess (deficit) of revenues over expenses	(373,187)	13,505,061
Other sources (uses)	52,323,000	(36,846,876)
Net change in fund balance	51,949,813	(23,341,815)
Fund balance, beginning	(3,881,624)	19,460,191
Fund balance, ending	\$ 48,068,189	\$ (3,881,624)

- The Capital Projects Fund operated in the “black” by \$52.0 million in 2021 with revenues of \$3.4 million, expenditures of \$3.7 million, and net other financing uses of \$52.3 million. The increase is mostly due to debt issuance.
- Capital Projects Fund assets increased by \$51.9 million; from \$2.5 million in 2020 to \$54.4 million in 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Service Fund – Financial Summary

	2021	2020
Total revenues	\$ 5,710,048	\$ 4,813,122
Total expenditures	6,238,519	15,464,893
(Deficit) of revenues (under) expenses	(528,471)	(10,651,771)
Other sources	10,725,432	23,291,315
Net change in fund balance	10,196,961	12,639,544
Fund balance, beginning	11,052,756	(1,586,788)
Fund balance, ending	\$ 21,249,717	\$ 11,052,756

- The Debt Service Fund operated in the “black” by \$10.2 million in 2021 with revenues of \$5.7 million, expenditures of \$6.2 million, and net other financing sources of 10.7 million. This activity is due to long-term debt refunding that occurred during this fiscal year.
- Debt Service Fund assets increased by \$9.4 million, from \$18.6 million in 2020 to \$28.0 million in 2021.
- Detail debt schedules can be located in Note 9: Long-Term Debt in the Notes to the Basic Financial Statements.

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 For the Year Ended September 30, 2021 and 2020

	2021	2020
Operating revenues	\$ 36,912,503	\$ 29,702,276
Operating expenses	29,353,428	35,202,816
Operating income/(loss)	7,559,075	(5,500,540)
Nonoperating income/(expense):		
Interest expense	(1,749,897)	(1,292,587)
Other	(239,285)	(999,226)
Income before transfers	5,569,893	(7,792,353)
Transfers	822,272	-
Change in Net Position	6,392,165	(7,792,353)
Net position, beginning	143,660,515	151,452,868
Net position, ending	\$ 150,052,680	\$ 143,660,515

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's water and sewer fund's operating loss was \$5.5 million in 2020 as compared to an operating income of \$7.5 million in 2021. It is important to remember that income from operations does not include interest expense as this is reported in the non-operating items nor does this amount include repayment of principal on borrowed funds. Revenues increased by \$7.2 million while expenses decreased by \$5.8 million during 2020. The amount identified above as "Other" includes loss on disposal of capital assets, interest income, and other debt service costs.

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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>
Taxes:			
Property	\$ 21,833,200	\$ 21,833,200	\$ 20,887,181
Sales	23,627,483	23,627,483	29,423,831
Gaming fees	3,320,000	3,320,000	4,744,384
Licenses, permits and franchise fees	4,800,000	4,800,000	5,264,122
Intergovernmental	2,388,662	2,687,807	13,899,712
Charges for services/rents/leases	2,400,000	2,467,136	1,561,091
Fines and fees	900,000	900,000	816,242
Interest income	430,340	430,340	671,783
Miscellaneous/other	139,660	213,041	3,016,967
Total revenues	<u>59,839,345</u>	<u>60,279,007</u>	<u>80,285,313</u>
General government	11,486,945	24,062,785	9,712,737
Public safety	31,275,596	31,781,822	29,413,791
Public works	10,804,372	11,366,108	9,372,856
Economic development	2,165,598	2,165,598	1,956,703
Culture and recreation	6,142,284	6,480,312	5,504,450
Total expenditures	<u>61,874,795</u>	<u>75,856,625</u>	<u>55,960,537</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ (2,035,450)</u>	<u>\$ (15,577,618)</u>	<u>\$ 24,324,776</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City amended its General Fund's revenue and expenditure budget many times throughout the fiscal year. Below is a brief description of major budget amendments.

- The revenue budget (original versus revised) was amended upward by approximately \$0.5 million. The original budget of \$59.8 million as compared to the revised budget of \$60.3 million was primarily due to adjusting income expectations based on actual revenue receipts.
- The expenditure budget (original versus revised) was amended upward by \$14.0 million, or 22.6%. The original budget of \$61.9 million as compared to the revised budget of \$75.9 million was primarily due to general government and public safety budget adjustments based on Hurricane Zeta related recovery costs.
- Overall, the City's General Fund actual revenues for 2021 (budget basis) of \$80.3 million represents a \$20.5 million increase from the original budget. The majority of this represents COVID-19 pandemic grant funding received in advance of expenditures and Hurricane Zeta recovery funds.
- Overall, the City's General Fund actual expenditures for 2021 (budget basis) of \$56.0 million represents a \$5.9 million decrease from the original budget. This variance is represented by Hurricane Zeta expenses that were budgeted and not able to be completed within the fiscal year.

Capital Assets and Debt Administration

Capital Assets

Schedule of Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and						
construction in progress	\$ 31,091,784	\$ 44,296,726	\$ 113,552,879	\$ 113,669,558	\$ 144,644,663	\$ 157,966,284
Buildings	59,508,069	57,918,604	7,085,097	7,261,462	66,593,166	65,180,066
Improvements and						
infrastructure	223,684,069	212,494,568	199,901,827	204,263,775	423,585,896	416,758,343
Machinery and						
equipment	2,560,475	2,685,397	2,089,499	2,233,122	4,649,974	4,918,519
Capital leases	3,088,454	3,365,393	-	104,603	3,088,454	3,469,996
Vehicles	4,056,887	4,582,359	591,242	785,673	4,648,129	5,368,032
Total	<u>\$ 323,989,738</u>	<u>\$ 325,343,047</u>	<u>\$ 323,220,544</u>	<u>\$ 328,318,193</u>	<u>\$ 647,210,282</u>	<u>\$ 653,661,240</u>

- The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2021 asset values were estimated at \$647.2 million and included a wide range of assets: land, buildings, parks, roads, bridges, drainage systems, machinery, vehicles, and water and sewer systems. Asset values decreased by \$6.5 million, or 1.0%, in 2021 (after depreciation) as compared to the prior year. Detail capital asset schedules can be located in Note 7: Capital Assets in the Notes to the Basic Financial Statements.

Depreciation expense for 2020 totaled \$16.1 million and was allocated to the following classes of assets:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Allocation of Depreciation by Major Asset Class

	Governmental Activities	Business-type Activities	Total
Buildings	\$ 1,515,872	\$ 176,365	\$ 1,692,237
Improvements and infrastructure	6,173,782	6,298,786	12,472,568
Machinery and equipment	555,903	253,333	809,236
Vehicles	507,592	194,431	702,023
Equipment under capital leases	276,939	104,603	381,542
Total	\$ 9,030,088	\$ 7,027,518	\$ 16,057,606

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.

The significant decrease in Land and construction in progress and the respective increase in Infrastructure and improvements represents the accounting treatment of the completion of the Mississippi Aquarium.

Debt Administration

Schedule of Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds payable	\$ 142,015,518	\$ 81,197,098	\$ 72,246,957	\$ 64,829,530	\$ 214,262,475	\$ 146,026,628
Notes payable	7,204,267	-	11,337,145	7,276,100	18,541,412	7,276,100
Capital leases payable	622,194	687,329	-	-	622,194	687,329
Net pension liability	65,852,634	85,562,097	1,775,142	2,350,659	67,627,776	87,912,756
Compensated absences	2,660,982	2,658,271	81,844	81,468	2,742,826	2,739,739
Claims and judgements	28,000	28,000	-	-	28,000	28,000
Liability for self insurance	695,255	1,077,359	-	-	695,255	1,077,359
Total	\$ 219,078,850	\$ 171,210,154	\$ 85,441,088	\$ 74,537,757	\$ 304,519,938	\$ 245,747,911

The above amounts do not include debt relating to Memorial Hospital at Gulfport which is a joint venture of the City.

For more detailed information, detail debt schedules can be located in Note 9: Long-term Debt in the Notes to the Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the City's Finance and Accounting Team

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 information, please feel free to contact the City's Department of Finance and Accounting at (228) 868-5705 or review the City's website at <http://www.gulfport-ms.gov>.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF NET POSITION SEPTEMBER 30, 2021

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 88,786,452	\$ 12,390,621	\$ 101,177,073
Receivables, net	34,050,404	9,676,690	43,727,094
Court fines receivable, net	6,270,692	-	6,270,692
Inventories	-	26,557	26,557
Due from other governments	10,957,557	-	10,957,557
Internal balances	10,145,750	(10,145,750)	-
Prepaid insurance	1,104,821	10,000	1,114,821
Restricted assets:			
Cash and cash equivalents	162,573	6,147,804	6,310,377
Investments	21,556,542	22,660,186	44,216,728
Total current assets	173,034,791	40,766,108	213,800,899
Noncurrent Assets			
Capital assets:			
Nondepreciable	31,091,784	113,552,879	144,644,663
Depreciable, net	292,897,954	209,667,665	502,565,619
Total noncurrent assets	323,989,738	323,220,544	647,210,282
Total assets	497,024,529	363,986,652	861,011,181
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refundings	-	347,745	347,745
Pension	6,619,555	204,729	6,824,284
Total deferred outflows or resources	6,619,555	552,474	7,172,029
LIABILITIES			
Current Liabilities			
Accounts payable	1,540,193	501,853	2,042,046
Accrued interest	1,218,373	588,017	1,806,390
Sales tax payable	-	3,761	3,761
Accrued wages payable	975,130	24,177	999,307
Retainage payable	-	122,155	122,155
Unearned revenues	40,813	-	40,813
Customer deposits payable	-	2,583,272	2,583,272
Capital leases due within one year	67,694	-	67,694
Bonds payable due within one year	6,121,865	4,438,503	10,560,368
Compensated absences due within one year	1,862,687	57,291	1,919,978
Total current liabilities	11,826,755	8,319,029	20,145,784
Noncurrent Liabilities			
Liability for self-insurance	695,255	-	695,255
Capital leases due in more than one year	554,500	-	554,500
Notes payable due in more than one year	7,204,267	11,337,145	18,541,412
Bonds payable due in more than one year	135,893,653	67,808,454	203,702,107
Compensated absences due in more than one year	798,295	24,553	822,848
Net pension liability	65,852,634	1,775,142	67,627,776
Death benefit claims	28,000	-	28,000
Total noncurrent liabilities	211,026,604	80,945,294	291,971,898
Total liabilities	222,853,359	89,264,323	312,117,682
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	27,667,643	-	27,667,643
Deferred charges on refundings	-	31,033	31,033
Pension	18,228,937	534,597	18,763,534
Total deferred inflows of resources	45,896,580	565,630	46,462,210
NET POSITION			
Net investment in capital assets	248,041,510	265,244,018	513,285,528
Restricted for:			
Public safety	161,068	-	161,068
Capital projects	54,052,390	-	54,052,390
Unrestricted	(67,360,823)	9,465,155	(57,895,668)
Total net position	\$ 234,894,145	\$ 274,709,173	\$ 509,603,318

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

CITY OF GULFPORT, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 7,426,678	\$ 4,794,441	\$ 12,194,132	\$ -	\$ 9,561,895	\$ -	\$ 9,561,895
Public safety	28,151,272	924,240	-	2,977,327	(24,249,705)	-	(24,249,705)
Public works	13,875,314	76,268	-	14,345,894	546,848	-	546,848
Economic development	2,452,654	-	-	-	(2,452,654)	-	(2,452,654)
Culture and recreation	14,804,435	175,904	-	-	(14,628,531)	-	(14,628,531)
Interest	2,891,935	-	-	-	(2,891,935)	-	(2,891,935)
Total governmental activities	<u>69,602,288</u>	<u>5,970,853</u>	<u>12,194,132</u>	<u>17,323,221</u>	<u>(34,114,082)</u>	<u>-</u>	<u>(34,114,082)</u>
Business-type activities:							
Water and Sewer	31,514,169	36,912,503	-	-	-	5,398,334	5,398,334
Joseph T. Jones Park	2,508,866	995,516	-	-	-	(1,513,350)	(1,513,350)
Gulfport Redevelopment Commission	1,672,149	224,981	-	-	-	(1,447,168)	(1,447,168)
Total business-type activities	<u>35,695,184</u>	<u>38,133,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,437,816</u>	<u>2,437,816</u>
Total primary government	<u>\$ 105,297,472</u>	<u>\$ 44,103,853</u>	<u>\$ 12,194,132</u>	<u>\$ 17,323,221</u>	<u>(34,114,082)</u>	<u>2,437,816</u>	<u>(31,676,266)</u>
General revenues:							
Property taxes, levied for special purposes					25,925,616	-	25,925,616
Property taxes, levied for general purposes					1,084,672	-	1,084,672
Sales taxes					29,880,955	-	29,880,955
Franchise taxes					3,794,031	-	3,794,031
Gaming fees					3,991,565	-	3,991,565
Earnings on investments					823,192	173,030	996,222
Transfers					(1,672,346)	1,672,346	-
Total general revenues and transfers					<u>63,827,685</u>	<u>1,845,376</u>	<u>65,673,061</u>
Change in net position					<u>29,713,603</u>	<u>4,283,192</u>	<u>33,996,795</u>
Net position, beginning of year					<u>205,180,542</u>	<u>270,425,981</u>	<u>475,606,523</u>
Net position, end of year					<u>\$ 234,894,145</u>	<u>\$ 274,709,173</u>	<u>\$ 509,603,318</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

Community Development Block Grant Fund (major 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.

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

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

CITY OF GULFPORT, MISSISSIPPI

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2021

ASSETS	General	Capital Projects Funds	Community Development Block Grant Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 19,035,422	\$ 53,316,021	\$ 9,944,421	\$ 1,359,410	\$ 1,260,753	\$ 84,916,027
Receivables						
Property tax	21,906,938	-	-	5,142,435	1,015,280	28,064,653
Sales tax	4,496,638	-	-	-	-	4,496,638
Franchise taxes	1,062,952	-	-	-	-	1,062,952
Gaming fees	398,554	-	-	-	-	398,554
Intergovernmental receivable	2,200	614,827	-	-	10,340,530	10,957,557
Court fines and fees	6,270,692	-	-	-	-	6,270,692
Other	27,607	-	-	-	-	27,607
Due from other funds	21,335,026	455,436	-	-	2,320,129	24,110,591
Restricted assets:						
Cash equivalents	-	-	-	-	162,573	162,573
Investments	-	-	-	21,556,542	-	21,556,542
Total assets	<u>\$ 74,536,029</u>	<u>\$ 54,386,284</u>	<u>\$ 9,944,421</u>	<u>\$ 28,058,387</u>	<u>\$ 15,099,265</u>	<u>\$ 182,024,386</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,038,293	\$ 299,279	\$ 162,939	\$ 8,705	\$ -	\$ 1,509,216
Accrued wages payable	971,820	-	3,310	-	-	975,130
Unearned revenues	40,813	-	-	-	-	40,813
Due to other funds	525,892	5,403,989	5,261,517	1,730,276	15,867	12,937,541
Total liabilities	<u>2,576,818</u>	<u>5,703,268</u>	<u>5,427,766</u>	<u>1,738,981</u>	<u>15,867</u>	<u>15,462,700</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable intergovernmental revenue	-	614,827	-	-	7,937,211	8,552,038
Unavailable permit revenue	15,017	-	-	-	-	15,017
Unavailable property tax revenue	21,597,036	-	-	5,069,689	1,000,918	27,667,643
Unavailable court fine revenue	6,270,692	-	-	-	-	6,270,692
Total deferred inflows of resources	<u>27,882,745</u>	<u>614,827</u>	<u>-</u>	<u>5,069,689</u>	<u>8,938,129</u>	<u>42,505,390</u>
FUND BALANCES						
Restricted for:						
Public safety	-	-	-	-	161,068	161,068
Capital projects	-	48,068,189	-	-	5,984,201	54,052,390
Debt service	-	-	-	21,249,717	-	21,249,717
Committed for:						
Capital projects	-	-	4,516,655	-	-	4,516,655
Unassigned	44,076,466	-	-	-	-	44,076,466
Total fund balances	<u>44,076,466</u>	<u>48,068,189</u>	<u>4,516,655</u>	<u>21,249,717</u>	<u>6,145,269</u>	<u>124,056,296</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 74,536,029</u>	<u>\$ 54,386,284</u>	<u>\$ 9,944,421</u>	<u>\$ 28,058,387</u>	<u>\$ 15,099,265</u>	<u>\$ 182,024,386</u>

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

CITY OF GULFPORT, MISSISSIPPI

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2021

Total governmental funds balance		\$ 124,056,296
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	\$ 508,989,172	
Less: accumulated depreciation	<u>(184,999,434)</u>	323,989,738
Long-term liabilities are not due and payable in the current period expenditures and, therefore, are not reported in the governmental funds.		
Bonds payable	\$ (130,503,764)	
Note payable	(7,204,267)	
Capital leases payable	(622,194)	
Compensated absences	(2,660,982)	
Claims payable	<u>(28,000)</u>	(141,019,207)
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		(11,511,754)
Other long-term assets are not available to pay or current period expenditures and, therefore, are unavailable in the funds.		
Court fines receivable	\$ 6,270,692	
Permit receivable	15,017	
Intergovernmental receivable	<u>8,552,038</u>	14,837,747
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.		
		(65,852,634)
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		6,619,555
Deferred inflows of resources		<u>(18,228,937)</u>
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	\$ 5,095,702	
Current liabilities	(1,178,733)	
Estimated claims payable	<u>(695,255)</u>	3,221,714
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(1,218,373)</u>
Net position of governmental activities		<u>\$ 234,894,145</u>

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

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	General	Capital Projects Funds	Community Development Block Grant Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 21,078,998	\$ -	\$ -	\$ 4,846,618	\$ 1,084,672	\$ 27,010,288
Sales tax	29,880,955	-	-	-	-	29,880,955
Franchise taxes	3,794,031	-	-	-	-	3,794,031
Gaming fees	4,739,385	-	-	-	-	4,739,385
Licenses and permits	1,506,468	-	-	-	-	1,506,468
Intergovernmental	12,437,672	3,280,447	74,756	187,145	2,845,161	18,825,181
Charges for services	4,560,799	-	-	-	-	4,560,799
Fines and forfeitures	816,242	-	-	-	-	816,242
Interest income	671,782	63,702	878	-	4,090	740,452
Miscellaneous	908,460	-	-	676,285	-	1,584,745
Total revenues	<u>80,394,792</u>	<u>3,344,149</u>	<u>75,634</u>	<u>5,710,048</u>	<u>3,933,923</u>	<u>93,458,546</u>
EXPENDITURES						
Current:						
General government	7,878,652	-	-	-	-	7,878,652
Public safety	29,893,279	-	-	-	1,170,566	31,063,845
Public works	10,396,788	-	-	-	-	10,396,788
Economic development	1,974,252	-	297,038	-	-	2,271,290
Culture and recreation	5,967,170	-	-	-	7,204,267	13,171,437
Capital outlay	-	3,242,770	218,730	-	14,202	3,475,702
Debt service:						
Principal	-	-	-	3,353,835	-	3,353,835
Interest	-	-	-	2,884,684	-	2,884,684
Other debt service costs	-	474,566	-	-	-	474,566
Total expenditures	<u>56,110,141</u>	<u>3,717,336</u>	<u>515,768</u>	<u>6,238,519</u>	<u>8,389,035</u>	<u>74,970,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,284,651</u>	<u>(373,187)</u>	<u>(440,134)</u>	<u>(528,471)</u>	<u>(4,455,112)</u>	<u>18,487,747</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	47,811	-	-	-	12,876	60,687
Issuance of debt	-	45,850,000	-	11,805,000	7,204,267	64,859,267
Bond premium	-	7,065,778	-	-	-	7,065,778
Transfers out	-	(592,778)	-	(1,079,568)	-	(1,672,346)
Total other financing sources (uses)	<u>47,811</u>	<u>52,323,000</u>	<u>-</u>	<u>10,725,432</u>	<u>7,217,143</u>	<u>70,313,386</u>
Net change in fund balances	24,332,462	51,949,813	(440,134)	10,196,961	2,762,031	88,801,133
FUND BALANCES (DEFICITS), beginning of year	<u>19,744,004</u>	<u>(3,881,624)</u>	<u>4,956,789</u>	<u>11,052,756</u>	<u>3,383,238</u>	<u>35,255,163</u>
FUND BALANCES, end of year	<u>\$ 44,076,466</u>	<u>\$ 48,068,189</u>	<u>\$ 4,516,655</u>	<u>\$ 21,249,717</u>	<u>\$ 6,145,269</u>	<u>\$ 124,056,296</u>

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

CITY OF GULFPORT, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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

Net change in fund balances - total governmental funds. \$ 88,801,133

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

Capital outlay	\$ 7,755,653	
Depreciation	<u>(9,030,088)</u>	(1,274,435)

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.

(78,874)

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

Repayment of debt	\$ 3,353,835	
Bond proceeds	(64,859,267)	
Premium of bond proceeds	(7,065,778)	
Bond premiums amortization	<u>613,658</u>	(67,957,552)

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

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

Fines and forfeitures		137,212
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Amounts not meeting current year availability criteria, not recognized in the governmental funds in current year:

Intergovernmental	\$ 7,367,697	
Permits	<u>(57,958)</u>	7,309,739

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		2,405,536
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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	\$ (146,343)	
Compensated absences	<u>(2,711)</u>	(149,054)

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

519,898

\$ 29,713,603

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

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

Internal Service Funds are presented in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2021

	<u>Water and Sewer Fund</u>	<u>Gulfport Redevelopment Commission</u>	<u>Nonmajor Fund Joseph T. Jones Park Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 11,909,926	\$ 422,122	\$ 58,573	\$ 12,390,621	\$ 3,870,425
Accounts receivable, net of allowances	5,269,054	4,303,411	104,225	9,676,690	-
Inventory	-	-	26,557	26,557	-
Due from other funds	877,501	-	-	877,501	120,456
Prepaid insurance	-	10,000	-	10,000	1,104,821
Restricted assets:					
Cash	6,147,804	-	-	6,147,804	-
Investments	22,660,186	-	-	22,660,186	-
Total current assets	<u>46,864,471</u>	<u>4,735,533</u>	<u>189,355</u>	<u>51,789,359</u>	<u>5,095,702</u>
NON-CURRENT ASSETS					
Capital assets:					
Land	659,327	29,963,149	592,970	31,215,446	-
Construction in progress	3,559,492	78,777,941	-	82,337,433	-
Buildings	-	5,905,150	3,994,210	9,899,360	-
Improvements and infrastructure	278,015,379	-	23,909,422	301,924,801	-
Machinery and equipment	3,134,420	132,705	1,644,381	4,911,506	-
Vehicles	3,349,275	-	71,916	3,421,191	-
Equipment under capital leases	467,138	-	-	467,138	-
Less: accumulated depreciation	<u>(100,876,080)</u>	<u>(2,238,613)</u>	<u>(7,841,638)</u>	<u>(110,956,331)</u>	<u>-</u>
Total non-current assets	<u>188,308,951</u>	<u>112,540,332</u>	<u>22,371,261</u>	<u>323,220,544</u>	<u>-</u>
Total assets	<u>235,173,422</u>	<u>117,275,865</u>	<u>22,560,616</u>	<u>375,009,903</u>	<u>5,095,702</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on refundings	347,745	-	-	347,745	-
Deferred amounts on pension	136,486	-	68,243	204,729	-
Total deferred outflows of resources	<u>\$ 484,231</u>	<u>\$ -</u>	<u>\$ 68,243</u>	<u>\$ 552,474</u>	<u>\$ -</u>

(Continued)

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2021

	Water and Sewer Fund	Gulfport Redevelopment Commission	Nonmajor Fund Joseph T. Jones Park Fund	Totals	Governmental Activities Internal Service Fund
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 250,654	\$ 2	\$ 251,197	\$ 501,853	\$ 30,977
Accrued interest	459,460	128,557	-	588,017	-
Sales tax payable	3,702	-	59	3,761	-
Accrued wages payable	17,193	-	6,984	24,177	-
Retainage payable	122,155	-	-	122,155	-
Due to other funds	8,281,231	-	2,742,020	11,023,251	1,147,756
Liability for self-insurance claims	-	-	-	-	695,255
Bonds payable	4,438,503	-	-	4,438,503	-
Compensated absences	48,643	-	8,648	57,291	-
Customer deposits	2,583,272	-	-	2,583,272	-
Total current liabilities	16,204,813	128,559	3,008,908	19,342,280	1,873,988
NON-CURRENT LIABILITIES					
Bonds payable	67,808,454	-	-	67,808,454	-
Notes payable	-	11,337,145	-	11,337,145	-
Net pension liability	1,183,428	-	591,714	1,775,142	-
Compensated absences	20,847	-	3,706	24,553	-
Total non-current liabilities	69,012,729	11,337,145	595,420	80,945,294	-
Total liabilities	85,217,542	11,465,704	3,604,328	100,287,574	1,873,988
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts on refunding	31,033	-	-	31,033	-
Deferred amount on pensions	356,398	-	178,199	534,597	-
Total deferred inflows of resources	387,431	-	178,199	565,630	-
NET POSITION					
Net investment in capital assets	141,669,570	101,203,187	22,371,261	265,244,018	-
Unrestricted	8,383,110	4,606,974	(3,524,929)	9,465,155	3,221,714
Total net position	\$ 150,052,680	\$ 105,810,161	\$ 18,846,332	\$ 274,709,173	\$ 3,221,714

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

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer Fund	Gulfport Redevelopment Commission	Nonmajor Fund Joseph T. Jones Park Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 36,499,105	\$ 224,820	\$ 988,761	\$ 37,712,686	\$ -
Employee contributions	-	-	-	-	1,072,439
Retiree contributions	-	-	-	-	111,383
Employer contributions and estimate changes	-	-	-	-	7,263,224
Miscellaneous	413,398	161	6,755	420,314	535,860
Total operating revenues	<u>36,912,503</u>	<u>224,981</u>	<u>995,516</u>	<u>38,133,000</u>	<u>8,982,906</u>
OPERATING EXPENSES					
Personal services	953,994	-	281,332	1,235,326	-
Contractual services	18,419,524	1,295,349	579,090	20,293,963	-
Materials and supplies	2,623,792	-	773,167	3,396,959	-
Administrative expenses	1,128,549	-	11,959	1,140,508	1,083,954
Premium payments	-	-	-	-	2,358,907
Claims	-	-	-	-	5,102,887
Capital outlay	-	-	157,871	157,871	-
Depreciation expense	6,227,569	94,502	705,447	7,027,518	-
Total operating expenses	<u>29,353,428</u>	<u>1,389,851</u>	<u>2,508,866</u>	<u>33,252,145</u>	<u>8,545,748</u>
Operating income (loss)	<u>7,559,075</u>	<u>(1,164,870)</u>	<u>(1,513,350)</u>	<u>4,880,855</u>	<u>437,158</u>
NON-OPERATING INCOME (EXPENSES)					
Interest income	171,559	-	1,471	173,030	82,740
Interest expense	(1,921,456)	(282,298)	-	(2,203,754)	-
Other debt service costs	(239,285)	-	-	(239,285)	-
Total non-operating income (expenses)	<u>(1,989,182)</u>	<u>(282,298)</u>	<u>1,471</u>	<u>(2,270,009)</u>	<u>82,740</u>
Income (loss) before transfers	<u>5,569,893</u>	<u>(1,447,168)</u>	<u>(1,511,879)</u>	<u>2,610,846</u>	<u>519,898</u>
TRANSFERS					
Transfers in	822,272	850,074	-	1,672,346	-
	<u>822,272</u>	<u>850,074</u>	<u>-</u>	<u>1,672,346</u>	<u>-</u>
Change in net position	6,392,165	(597,094)	(1,511,879)	4,283,192	519,898
Net position, beginning of year	<u>143,660,515</u>	<u>106,407,255</u>	<u>20,358,211</u>	<u>270,425,981</u>	<u>2,701,816</u>
Net position, end of year	<u>\$ 150,052,680</u>	<u>\$ 105,810,161</u>	<u>\$ 18,846,332</u>	<u>\$ 274,709,173</u>	<u>\$ 3,221,714</u>

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

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer Fund	Gulfport Redevelopment Commission	Nonmajor Fund Joseph T. Jones Park Fund	Totals	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 34,057,633	\$ 224,981	\$ 961,638	\$ 35,244,252	\$ -
Cash received from other operating receipts	-	-	-	-	399,569
Cash received from employees and others	-	-	-	-	1,307,806
Cash received from employer contributions	-	-	-	-	7,263,224
Payments to employees	(999,910)	-	-	(999,910)	(8,510,788)
Payments to suppliers	(24,061,320)	(3,312,234)	-	(27,373,554)	-
Payments for contractual services	-	-	(609,283)	(609,283)	-
Payments for other goods and services	-	-	(321,668)	(321,668)	-
Net cash provided by (used in) operating activities	<u>8,996,403</u>	<u>(3,087,253)</u>	<u>30,687</u>	<u>5,939,837</u>	<u>459,811</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	<u>822,272</u>	<u>850,074</u>	<u>-</u>	<u>1,672,346</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>822,272</u>	<u>850,074</u>	<u>-</u>	<u>1,672,346</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(386,361)	(1,543,508)	-	(1,929,869)	-
Proceeds from issuance of debt	11,635,000	-	-	11,635,000	-
Principal payments on debt	(3,991,300)	-	-	(3,991,300)	-
Principal payments on notes payable	-	4,061,045	-	4,061,045	-
Payments of bond issuance cost	(239,285)	-	-	(239,285)	-
Interest paid on debt	(1,797,824)	(257,296)	-	(2,055,120)	-
Net cash provided by (used in) capital related financing activities	<u>5,220,230</u>	<u>2,260,241</u>	<u>-</u>	<u>7,480,471</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	(6,614,050)	-	-	(6,614,050)	-
Interest received	171,559	-	1,471	173,030	82,740
Net cash provided by investing activities	<u>(6,442,491)</u>	<u>-</u>	<u>1,471</u>	<u>(6,441,020)</u>	<u>82,740</u>
Increase in cash and cash equivalents	<u>8,596,414</u>	<u>23,062</u>	<u>32,158</u>	<u>8,651,634</u>	<u>542,551</u>
Cash and cash equivalents:					
Beginning of year	<u>9,461,316</u>	<u>399,060</u>	<u>26,415</u>	<u>9,886,791</u>	<u>3,327,874</u>
End of year	<u>\$ 18,057,730</u>	<u>\$ 422,122</u>	<u>\$ 58,573</u>	<u>\$ 18,538,425</u>	<u>\$ 3,870,425</u>
Classified as:					
Cash and cash equivalents	\$ 11,909,926	\$ 422,122	\$ 58,573	\$ 12,390,621	\$ 3,870,425
Restricted assets, cash	6,147,804	-	-	6,147,804	-
	<u>\$ 18,057,730</u>	<u>\$ 422,122</u>	<u>\$ 58,573</u>	<u>\$ 18,538,425</u>	<u>\$ 3,870,425</u>

(Continued)

CITY OF GULFPORT, MISSISSIPPI

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>Water and Sewer Fund</u>	<u>Gulfport Redevelopment Commission</u>	<u>Nonmajor Fund Joseph T. Jones Park Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
Reconciliation of operating income					
(loss) to net cash provided by (used in)					
operating activities:					
Operating income (loss)	\$ 7,559,075	\$ (1,164,870)	\$ (1,513,350)	\$ 4,880,855	\$ 437,158
Adjustments to reconcile operating income					
(loss) to net cash provided by					
(used in) operating activities:					
Depreciation	6,227,569	94,502	705,447	7,027,518	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(2,672,251)	221,041	(33,878)	(2,485,088)	-
Increase in due from other funds	(182,619)	-	-	(182,619)	-
Increase in prepaid expenses	-	-	-	-	(76,349)
Increase in deferred outflows - pension	(25,035)	-	(12,518)	(37,553)	-
Increase (decrease) in accounts payable	(4,444,200)	(1,131,267)	162,619	(5,412,848)	(6,231)
Decrease in sales tax payable	(10,609)	-	(121)	(10,730)	-
Increase (decrease) in accrued liabilities	-	-	2,444	2,444	(382,104)
Increase (decrease) in retainage payable	5,350	(1,106,659)	-	(1,101,309)	-
Increase in due to other funds	2,068,437	-	759,389	2,827,826	487,337
Increase in deferred inflows - pension	356,398	-	178,199	534,597	-
Decrease in net pension liability	(383,678)	-	(191,839)	(575,517)	-
Increase (decrease) in customer deposits	491,567	-	(10,600)	480,967	-
Increase (decrease) in compensated absences	6,398	-	(6,022)	376	-
Net cash provided by (used in)					
operating activities	<u>\$ 8,996,403</u>	<u>\$ (3,087,253)</u>	<u>\$ 30,687</u>	<u>\$ 5,939,837</u>	<u>\$ 459,811</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government.

Combining schedules presented in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021**

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 215,642
Assets held for disposal	<u>54,350</u>
Total assets	<u>269,992</u>
LIABILITIES	
Due to others	<u>101,501</u>
Total liabilities	<u>101,501</u>
NET POSITION	
Restricted for individuals, organizations, and other governments	<u>\$ 168,491</u>

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

CITY OF GULFPORT, MISSISSIPPI

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Custodial Funds</u>
ADDITIONS	
Miscellaneous income	\$ 2,576
Interest income	<u>5,961</u>
Total additions	<u>8,537</u>
DEDUCTIONS	
Other custodial disbursements	<u>3,166</u>
Total deductions	<u>3,166</u>
Change in fiduciary net position	5,371
Net position, beginning of year, as restated	<u>163,120</u>
Net position, end of year	<u>\$ 168,491</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF GULFPORT, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Financial Reporting Entity

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

Component Unit Disclosure

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

Related Organizations

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

Joint Ventures and Jointly Governed Organizations

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Governmental Funds

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

General Fund

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

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

Capital Projects Fund

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

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.

Debt Service Fund

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

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Proprietary Funds – Business-type Activities (Continued)

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.

The City has presented the following major proprietary funds:

Water and Sewer Fund

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

Gulfport Redevelopment Commission Fund

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

Proprietary Funds – Governmental-type Activities

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

Fiduciary Funds

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting (Continued)

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

E. Cash and Investments

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

All trade receivables are shown net of an allowance for uncollectible accounts. An allowance in the amount of \$8,141,900 at September 30, 2021, has been reported in the Water and Sewer fund for estimated uncollectible utility charges. The allowance is based on trade receivables in excess of 90 days outstanding.

G. Interfund Receivables and Payables

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

H. Transactions between Funds

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

I. Prepaid Items

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

J. Restricted Assets

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

K. Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial element 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, 2021, the City had deferred outflows of resources associated with bond refundings in the amount of \$347,745 and deferred amounts on pensions in the amount of \$6,824,284, which are reflected in the Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element 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, 2021, the City had deferred inflows of resources for property taxes in the amount of \$27,667,643, deferred amounts associated with bond refunding in the amount of \$31,033, and deferred amounts on pensions in the amount of \$18,763,534, which are reflected in the Statement of Net Position. On the Governmental Funds Balance Sheet, the City had deferred inflows of resources for intergovernmental revenue of \$8,552,038, permit revenue of \$15,017, property taxes of \$27,667,643, and court fines of \$6,270,692.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

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

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

N. Compensated Absences

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

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

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2021. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

O. Estimates

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Designations

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

Non-spendable – amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints. The City has no non-spendable fund balances as of September 30, 2021.

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 can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City has a committed fund balance of \$4,516,655 as of September 30, 2021.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted nor 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, 2021.

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance Designations (Continued)

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Data (Continued)

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

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

Property Tax

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

NOTES TO THE FINANCIAL STATEMENTS

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

Property Tax (Continued)

Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All taxes are remitted monthly to the City. In addition, Harrison County also remits to the City a pro-rata share of road and bridge taxes collected by the County. Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year.

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2021, was 34.00 mills or \$34.00 per \$1,000 of assessed valuation.

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

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

Gaming Tax Revenues

In the early part of 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In May of 1993, the first casino opened in Gulfport. As of September 30, 2021, one casino was operating within the City. Gaming activities are taxed in a variety of ways.

NOTES TO THE FINANCIAL STATEMENTS

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

Gaming Tax Revenues (Continued)

The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4% to .8%. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport public schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	\$	2,682,681
Local share of state tax		1,788,454
Gaming licenses and permits		268,250
 Total gaming revenues	 \$	 <u>4,739,385</u>

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, 2021, was \$29,880,955.

Lease Revenue (Operating Leases)

The City, through the Gulfport Redevelopment Commission (the "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, 2021:

	Cost	Accumulated Depreciation	Net Value
Land	\$ 18,762,027	\$ -	\$ 18,762,027
Buildings and Improvements	5,105,150	2,158,613	2,946,537
	\$ 23,867,177	\$ 2,158,613	\$ 21,708,564

Rental income for fiscal year 2021 received through all leases was \$224,820.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CASH AND OTHER DEPOSITS AND INVESTMENTS

Cash and Other Deposits

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

At September 30, 2021, the carrying amount of the City's deposits was \$151,919,820 and the bank balance was \$138,089,299. 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.

The Mississippi State Treasurer manages that risk on behalf of the City. Deposits above the Federal Deposit Insurance Corporation (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 FDIC. As of September 30, 2021, none of the City's bank balance of \$138,089,299 was exposed to custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS

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

Cash and Other Deposits (Continued)

A summary of cash and cash equivalents at September 30, 2021, is as follows:

	Invested in Sweep Account		Non-pooled		Total
	Unrestricted	Restricted	Unrestricted	Restricted	
Governmental funds:					
Major funds:					
General	\$ 19,007,270	\$ -	\$ 28,152	\$ -	\$ 19,035,422
Capital Projects	53,316,021	-	-	-	53,316,021
Community Development Block Grant	9,849,621	-	94,800	-	9,944,421
Debt Service	1,359,410	-	-	21,556,542	22,915,952
Non-major funds	1,260,753	-	-	162,573	1,423,326
Total governmental funds	<u>84,793,075</u>	<u>-</u>	<u>122,952</u>	<u>21,719,115</u>	<u>106,635,142</u>
Proprietary funds:					
Business-type activities:					
Major funds:					
Water and Sewer	-	2,752,833	11,909,926	26,055,157	40,717,916
Gulfport Redevelopment Commission	-	-	422,122	-	422,122
Non-major fund	-	-	47,973	10,600	58,573
Total business-type funds	<u>-</u>	<u>2,752,833</u>	<u>12,380,021</u>	<u>26,065,757</u>	<u>41,198,611</u>
Governmental-type activities:					
Internal service funds:					
Group Health and Life	530,900	-	-	-	530,900
Claims Contingency	-	-	-	3,339,525	3,339,525
Total internal service funds	<u>530,900</u>	<u>-</u>	<u>-</u>	<u>3,339,525</u>	<u>3,870,425</u>
Total proprietary funds	<u>530,900</u>	<u>2,752,833</u>	<u>12,380,021</u>	<u>29,405,282</u>	<u>45,069,036</u>
Fiduciary funds	-	-	-	215,642	215,642
Total cash and cash equivalents	<u>\$ 85,323,975</u>	<u>\$ 2,752,833</u>	<u>\$ 12,502,973</u>	<u>\$ 51,340,039</u>	<u>\$ 151,919,820</u>

NOTES TO THE FINANCIAL STATEMENTS

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

B. Investments

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

A summary of the City's investments and the inputs used in valuing the City's investments at September 30, 2021, are as follows:

	Fair Value 9/30/2020	Fair Value Measurement (Level 1)	Fair Value Measurement (Level 2)
Governmental activities:			
Treasury Bonds	\$ 21,556,542	\$ 21,556,542	\$ -
Business-type activities:			
Treasury Bonds	\$ 22,660,186	\$ 22,660,186	\$ -

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 (NRSRO). A disclosure of investments by amount and issuer for any issuer that represents 5% or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

The Statement of Net Position includes the following receivables at September 30, 2021:

Taxes receivables:	
Property taxes	\$ 28,064,653
Sales taxes	4,496,638
Franchise taxes	1,062,952
Gaming taxes	398,554
Other	27,607
Total taxes receivables	34,050,404
Customer accounts receivable:	
Customer charges for services (billed)	15,690,613
Customer accounts, earned but unbilled	2,127,977
Less: allowance for doubtful accounts	(8,141,900)
Total customer accounts receivable, net	9,676,690
Total receivables, net	\$ 43,727,094

The Statement of Net Position includes the following court fines receivable at September 30, 2021:

Court fines receivable	\$ 22,986,236
Less: allowance for doubtful accounts	(16,715,544)
Total court fines receivable, net	\$ 6,270,692

The governmental funds reported deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Funds also report unavailable revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred inflows of resources were reported in the governmental funds in the amount of \$27,667,643 for property tax assessments not yet due, \$6,270,692 for court fines receivable, \$15,017 for permits receivable, and \$8,747,038 for intergovernmental receivable. At the end of the current fiscal year, unearned revenue in the amount of \$40,813 was reported in the governmental funds.

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

Due from other governments:	
Federal	\$ 10,340,530
State	617,027
Total due from other governments	\$ 10,957,557

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. INTERFUND TRANSACTIONS AND BALANCES

Government-wide Financial Statements

Internal Balances

At September 30, 2021, the City had the following internal balances:

Receivable	Payable	Amount
Governmental activities	Business-type activities	\$ 10,145,750

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.”

Fund Financial Statements

The following is a summary of interfund balances at September 30, 2021:

Due From/To Other Funds

Due From	General Fund	Due To				Total
		Capital Projects Fund	Water and Sewer Fund	Internal Service Funds	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 405,436	\$ -	\$ 120,456	\$ -	\$ 525,892
Capital Projects Fund	3,074,850	-	9,010	-	2,320,129	5,403,989
CDBG Fund	5,261,517	-	-	-	-	5,261,517
Debt Service Fund	1,729,640	-	636	-	-	1,730,276
Water and Sewer Fund	8,281,231	-	-	-	-	8,281,231
Nonmajor Governmental	15,867	-	-	-	-	15,867
Nonmajor Enterprise Funds	1,824,165	50,000	867,855	-	-	2,742,020
Internal Service Funds	1,147,756	-	-	-	-	1,147,756
Total	\$ 21,335,026	\$ 455,436	\$ 877,501	\$ 120,456	\$ 2,320,129	\$ 25,108,548

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)

Government-wide Financial Statements (Continued)

Due From/To Other Funds (Continued)

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

Transfers In/Out

In addition to the above inter-fund loans, the following transfers were made between funds during the year ended September 30, 2021:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Business-type activities	Governmental activities	\$ 1,672,346
	Total	<u>\$ 1,672,346</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 from other funds. The City also transferred amounts to the Gulfport Redevelopment Commission for construction costs and line of credit principal and interest payments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 26,987,214	\$ -	\$ -	\$ -	\$ 26,987,214
Construction in progress	17,309,512	3,614,892	-	(16,819,834)	4,104,570
Total capital assets, not being depreciated	<u>44,296,726</u>	<u>3,614,892</u>	<u>-</u>	<u>(16,819,834)</u>	<u>31,091,784</u>
Capital assets, being depreciated:					
Buildings	79,661,458	3,105,337	-	-	82,766,795
Improvements other than buildings	47,947,808	-	-	3,716,992	51,664,800
Infrastructure	296,642,527	543,449	-	13,102,842	310,288,818
Machinery and equipment	11,628,635	435,893	(72,821)	-	11,991,707
Vehicles	17,416,065	56,082	(694,208)	-	16,777,939
Equipment under capital leases	4,407,329	-	-	-	4,407,329
Total capital assets, being depreciated	<u>457,703,822</u>	<u>4,140,761</u>	<u>(767,029)</u>	<u>16,819,834</u>	<u>477,897,388</u>
Less accumulated depreciation for:					
Buildings	(21,742,854)	(1,515,872)	-	-	(23,258,726)
Improvements other than buildings	(17,753,952)	(1,780,977)	-	-	(19,534,929)
Infrastructure	(114,341,815)	(4,392,805)	-	-	(118,734,620)
Machinery and equipment	(8,943,238)	(555,903)	67,909	-	(9,431,232)
Vehicles	(12,833,706)	(507,592)	620,246	-	(12,721,052)
Equipment under capital leases	(1,041,936)	(276,939)	-	-	(1,318,875)
Total accumulated depreciation	<u>(176,657,501)</u>	<u>(9,030,088)</u>	<u>688,155</u>	<u>-</u>	<u>(184,999,434)</u>
Total capital assets, being depreciated, net	<u>281,046,321</u>	<u>(4,889,327)</u>	<u>(78,874)</u>	<u>16,819,834</u>	<u>292,897,954</u>
Governmental activities capital assets, net	<u>\$ 325,343,047</u>	<u>\$ (1,274,435)</u>	<u>\$ (78,874)</u>	<u>\$ -</u>	<u>\$ 323,989,738</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

Capital Asset Activity (Continued)

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

Governmental activities:		
General government	\$	268,679
Public safety		1,547,198
Public works		4,428,565
Culture and recreation		2,274,083
Economic development		511,563
		9,030,088
Total depreciation expense - governmental activities	\$	9,030,088

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 31,215,447	\$ -	\$ -	\$ -	\$ 31,215,447
Construction in progress	82,454,111	1,685,919	-	(1,802,598)	82,337,432
Total capital assets, not being depreciated	113,669,558	1,685,919	-	(1,802,598)	113,552,879
Capital assets, being depreciated:					
Buildings	9,899,360	-	-	-	9,899,360
Improvements and infrastructure	299,987,962	134,240	-	1,802,598	301,924,800
Machinery and equipment	4,801,796	109,710	-	-	4,911,506
Vehicles	3,421,192	-	-	-	3,421,192
Equipment under capital leases	467,138	-	-	-	467,138
Total capital assets, being depreciated	318,577,448	243,950	-	1,802,598	320,623,996
Less accumulated depreciation for:					
Buildings	(2,637,898)	(176,365)	-	-	(2,814,263)
Improvements and infrastructure	(95,724,187)	(6,298,786)	-	-	(102,022,973)
Machinery and equipment	(2,568,674)	(253,333)	-	-	(2,822,007)
Vehicles	(2,635,519)	(194,431)	-	-	(2,829,950)
Equipment under capital leases	(362,535)	(104,603)	-	-	(467,138)
Total accumulated depreciation	(103,928,813)	(7,027,518)	-	-	(110,956,331)
Total capital assets, being depreciated, net	214,648,635	(6,783,568)	-	1,802,598	209,667,665
Business-type activities capital assets, net	\$ 328,318,193	\$ (5,097,649)	\$ -	\$ -	\$ 323,220,544

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

Capital Asset Activity (Continued)

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

Business-type activities:	
Water and sewer	\$ 6,227,569
Joseph T. Jones Memorial Park	705,447
Gulfport Redevelopment Commission	94,502
Total depreciation expense - business-type activities	\$ 7,027,518

Net Investment in Capital Assets/Net Position

	Governmental Activities	Business-type Activities
Land	\$ 26,987,214	\$ 31,215,447
Construction in progress	4,104,570	82,337,432
Other capital assets, net of accumulated depreciation	292,897,954	209,667,665
Add: deferred outflow of resources on refunding	-	347,745
Add: unspent bond proceeds	73,893,750	25,413,019
Less: outstanding principal	(138,330,225)	(83,184,381)
Less: unamortized Premiums	(11,511,754)	(399,721)
Less: retainage payable	-	(122,155)
Less: deferred inflow of resources on refunding	-	(31,033)
	\$ 248,041,509	\$ 265,244,018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LEASES

Capital Leases

In prior fiscal years, the City has obtained lease financing for the purchase of computer equipment, lighting equipment, other machinery and equipment, and fire trucks with accessories. In June 2019, the City obtained lease financing of \$639,209 for the purchase of a sweeper truck. This lease has an interest rate of 2.85% maturing June 2024. Principal and interest payments of \$11,453 are due in monthly installments commencing on July 2019 through June 2024. In November 2018, the City obtained lease financing of \$750,000 for the purchase of a fire truck. This lease has an interest rate of 3.93% maturing November 2028. Principal and interest payments of \$92,146 are due in annual installments commencing on November 2018 through November 2028. 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. During 2020, the City entered into a general obligation restructuring bonds settlement which effectively restructured all of the capital leases except for the fire truck lease into one debt service schedule (2020A). The following is a schedule of the City's capital leases as of September 30, 2021, not included in the debt restructuring:

	Stated Interest Rate	Present Value of Remaining Payments as of September 30, 2021
Governmental activities:		
Fire truck	3.93%	622,194
Total governmental activities		622,194
Total capital lease obligations		\$ 622,194

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

Governmental activities:		
Fire truck		\$ 749,995
Less: accumulated depreciation		(89,999)
Net value		\$ 659,996

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LEASES (CONTINUED)

Capital Leases (Continued)

As of September 30, 2021, capital lease annual amortizations are as follows:

Year Ending September 30,	Governmental Activities
2022	\$ 92,146
2023	92,146
2024	92,146
2025	92,146
2026	92,146
2027 – 2030	276,439
Less: interest	(114,975)
Present value of remaining payments	\$ 622,194

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

NOTE 9. LONG-TERM DEBT

The following schedule reflects the debt transactions for governmental activities for the year ended September 30, 2021:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds	\$ 40,772,464	\$ 11,805,000	\$ (2,038,700)	\$ 50,538,764	\$ 2,140,800
Limited obligation bonds	365,000	-	(20,000)	345,000	20,000
Special obligation bonds	35,000,000	45,850,000	(1,230,000)	79,620,000	2,920,000
Notes payable	-	7,204,267	-	7,204,267	-
Capital leases payable	687,329	-	(65,135)	622,194	67,694
Compensated absences	2,658,271	1,434,985	(1,432,274)	2,660,982	1,862,687
Claims and judgements	28,000	-	-	28,000	-
	79,511,064	66,294,252	(4,786,109)	141,019,207	7,011,181
Plus bond premium	5,059,634	7,065,778	(613,658)	11,511,754	1,041,065
Total governmental activities	\$ 84,570,698	\$ 73,360,030	\$ (5,399,767)	\$ 152,530,961	\$ 8,052,246

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

The following schedule reflects the debt transactions for business-type activities for the year ended September 30, 2021:

Business-type activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds	\$ 53,503,536	\$ 11,635,000	\$ (3,991,300)	\$ 61,147,236	\$ 954,200
Special obligation bonds	10,700,000	-	-	10,700,000	3,385,000
Notes payable	7,276,100	4,696,950	(635,905)	11,337,145	-
Compensated absences	81,468	65,068	(64,692)	81,844	57,291
	<u>71,561,104</u>	<u>16,397,018</u>	<u>(4,691,897)</u>	<u>83,266,225</u>	<u>4,396,491</u>
Plus bond premium	625,994	-	(226,273)	399,721	99,303
Total business-type activities	<u>\$ 72,187,098</u>	<u>\$ 16,397,018</u>	<u>\$ (4,918,170)</u>	<u>\$ 83,665,946</u>	<u>\$ 4,495,794</u>

General Obligation Bonds

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

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

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in One Year
Governmental Activities:					
GO Refunding - Public Improvement	\$ 15,025,000	9/10/2014	2.00-5.00%	\$ 6,213,600	\$ 1,340,800
GO Public Improvement	16,000,000	12/18/2014	1.50-3.40%	11,640,000	800,000
GO Restructure Bond Series 2020 A	9,628,000	6/30/2020	1.00-2.31%	9,628,000	-
GO Restructure Bond Series 2020 B	11,252,164	6/30/2020	1.50-2.95%	11,252,164	-
GO Restructure Bond Series 2021	11,805,000	8/26/2021	1.83-3.23%	11,805,000	-
Total governmental activities	<u>\$ 63,710,164</u>			<u>\$ 50,538,764</u>	<u>\$ 2,140,800</u>
Business-type Activities:					
GO Refunding	\$ 2,850,000	9/10/2014	2.00-5.00%	\$ 1,176,400	\$ 254,200
GO Revenue	14,000,000	12/18/2014	1.50-3.40%	10,171,000	700,000
GO Refunding	18,465,000	6/30/2015	2.00-5.00%	2,345,000	-
GO Restructure Bond Series 2020 A	13,422,000	6/30/2020	1.00-2.31%	13,422,000	-
GO Restructure Bond Series 2020 B	22,397,836	6/30/2020	1.50-2.95%	22,397,836	-
GO Restructure Bond Series 2021	11,635,000	8/26/2021	1.83-3.23%	11,635,000	-
Total business-type activities	<u>\$ 82,769,836</u>			<u>\$ 61,147,236</u>	<u>\$ 954,200</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 2,140,800	\$ 1,258,331	\$ 954,200	\$ 1,301,119	\$ 5,654,450
2023	5,016,090	1,245,873	4,647,910	1,341,507	12,251,380
2024	4,550,448	1,129,745	6,226,552	1,254,181	13,160,926
2025	4,347,406	1,024,031	7,045,594	1,148,299	13,565,330
2026	2,951,004	930,507	7,115,996	1,010,406	12,007,913
2027-2031	12,087,081	3,661,983	22,084,919	3,178,438	41,012,421
2032-2036	9,505,067	2,244,231	5,855,933	1,561,052	19,166,283
2037-2041	5,399,867	1,193,586	3,516,133	907,388	11,016,974
2042-2046	4,541,001	448,324	3,699,999	365,959	9,055,283
	<u>\$ 50,538,764</u>	<u>\$ 13,136,611</u>	<u>\$ 61,147,236</u>	<u>\$ 12,068,349</u>	<u>\$ 136,890,960</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

In 2020, the City issued General Obligation Restructuring Bonds, Series 2020A and 2020B in the amount of \$23,050,000 and \$33,650,000 respectively as of June 30, 2020. The bonds were issued to restructure debt obligations and to pay the related costs of authorization, issuance, sale, validation, and delivery of Series 2020A and 2020B. The interest rate on the Series 2020A is 1.00 – 2.31% and the interest rate on the Series 2020B bond is 1.50 – 2.95%. The Series 2020A bond was split between general debt obligations and business-type debt obligations 58% and 42%, respectively. The Series 2020B bond was split between general debt obligations and business-type debt obligations 67% and 33%, respectively.

In 2021, the City issued General Obligation Restructuring Bonds, Series 2021 in the amount of \$23,440,000, respectively, as of August 26, 2021. The bonds were issued to restructure debt obligations and to pay the related costs of authorization, issuance, sale, validation, and delivery of Series 2021. The interest rate on the Series 2021 is 1.83 – 3.23%. The Series 2021 bond was split between general debt obligations and business-type debt obligations 50% and 50%, respectively.

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, 2021, refunded bond issues and the related principal payable from escrow is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

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, 2021, 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>
TIF Bond	\$ 480,000	9/23/2014	4.00%	\$ 345,000	\$ 20,000

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 20,000	\$ 13,800	\$ 33,800
2023	20,000	13,000	33,000
2024	25,000	12,200	37,200
2025	25,000	11,200	36,200
2026	25,000	10,200	35,200
2027-2031	135,000	35,800	170,800
2032-2034	95,000	7,800	102,800
	<u>\$ 345,000</u>	<u>\$ 104,000</u>	<u>\$ 449,000</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

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.

<u>Governmental Activities</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Outstanding Amount</u>	<u>Due in One Year</u>
SO Refunding -				
Public Improvement Paving	\$ 35,000,000	10/19/2017	\$ 33,770,000	\$ 1,290,000
MIMA Bonds	45,850,000	8/19/2021	45,850,000	1,630,000
	<u>\$ 80,850,000</u>		<u>\$ 79,620,000</u>	<u>\$ 2,920,000</u>
<u>Business-type Activities</u>				
SO Refunding	\$ 47,565,000	4/7/2005	\$ 10,700,000	\$ 3,385,000

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 2,920,000	\$ 3,524,746	\$ 3,385,000	\$ 561,750	\$ 10,391,496
2023	2,980,000	3,468,900	3,565,000	384,038	10,397,938
2024	3,130,000	3,318,150	3,750,000	196,875	10,395,025
2025	3,285,000	3,159,900	-	-	6,444,900
2026	3,455,000	2,993,650	-	-	6,448,650
2027-2031	19,995,000	12,231,825	-	-	32,226,825
2032-2036	19,395,000	7,428,575	-	-	26,823,575
2037-2041	10,710,000	3,662,000	-	-	14,372,000
2042-2046	6,205,000	2,273,200	-	-	8,478,200
2047-2051	7,545,000	928,800	-	-	8,473,800
	<u>\$ 79,620,000</u>	<u>\$ 42,989,746</u>	<u>\$ 10,700,000</u>	<u>\$ 1,142,663</u>	<u>\$ 134,452,409</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Gulfport Redevelopment Commission – Line of Credit

In December 2016, Gulfport Redevelopment Commission 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, 2021, the line of credit balance was \$11,337,145. Collateral used to secure the loan is the assignment of ground lease agreements and is guaranteed by the City.

Hurricane Zeta Debris – Line of Credit

In December 2020, the City entered into a line of credit arrangement with The First, a National Banking Association, which carries a maximum possible balance of \$8,000,000. This loan has an interest rate of 2.17%. As September 30, 2021, the line of credit balance was \$7,204,267. The line of credit will be used to fund the debris removal program created in the wake of the destruction caused by Hurricane Zeta.

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 have been primarily used in prior years to liquidate the liability for compensated absences.

Claims and Judgments

The City has a commitment to pay life insurance benefits of \$1,000 upon the death of each retiree included in the Firemen's and Policemen's Disability and Relief Plan. The City elected to cancel its insurance policy covering such claims and self-insure these benefits. As a result, a total of \$85,000 was recorded for the 85 remaining retirees receiving benefits effective October 1, 1992. As of September 30, 2021, 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, 2021. None of the liability for these benefits is estimated to be paid within one year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Legal Debt Margin

Legal Debt Margin – The amount of general obligation bonded debt that can be incurred by the City is limited by state statute. Total outstanding general obligation bonded debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2021, the amount of outstanding general obligation bonded debt was equal to 4.90% of the latest property assessments.

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. The City's total assessed valuation is \$872,115,251; therefore, the 15% limitation equals: \$130,817,288; less general obligation bonds outstanding of \$111,686,000, leaving a margin for further debt issuance of \$19,131,288.

No-commitment Debt

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

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

As of September 30, 2021, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds plus unamortized premium was \$45,133,507. 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 16, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS

Defined Benefit Pension Plans

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

General Information about the Pension Plans

Public Employees' Retirement System

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public Cities. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Public Employees' Retirement System (Continued)

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 2.75% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3% compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

Municipal Retirement Systems

Plan Description. The City contributes to the Municipal Retirement Systems (MRS) Fire and Police Disability and Relief Funds, an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At June 30, 2021, the date of the most recent actuarial verification available, the MRS are composed of 17 separate municipal retirement and fire and police disability and relief systems. Benefit provisions are established by Miss. Code Ann. 1972 Section 21-29, Articles 1,3,5,7, and annual local and private legislation and may be amended only by the State of Mississippi Legislature.

Benefits provided. Membership in the Fire and Police Disability and Relief Funds was granted to all City uniformed police officers and fire fighters who were not already members of PERS and who were hired prior to July 1, 1976. Employees hired after July 1, 1976, automatically become members of PERS. MRS was fully closed to new members July 1, 1976. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions. As of September 30, 2021, the plan has 78 inactive members or their beneficiaries are currently receiving benefits, no inactive members entitled to but not yet receiving benefits and no active members. Participating employees who retire regardless of age with at least 20 years of credited service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50% of their average monthly compensation and an additional 1.7% for each year of credited service over 20 years not to exceed 66-2/3% of average monthly compensation.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Municipal Retirement Systems (Continued)

Contributions. Plan contributions are based on the value of taxable property adjusted to reflect all property-related contributions, and the millage rates applied to the assessed property. A new funding policy was implemented in February 2011 which extends contributions past 2020. The certified millage rate from the June 30, 2021 valuation is 1.23 mills, therefore, the millage rate effective October 1, 2021, is 1.23 mills.

Net Pension Liability and Pension Expense

At September 30, 2021, the City reported a net pension liability of \$57,396,268 in the governmental activities and \$1,775,142 in the business-type activities for a total of \$59,171,410 for its proportionate share of the PERS net pension liability. A net pension liability in the amount of \$8,456,366 was included within the City's net pension liability for governmental activities for its share of the MRS net pension liability.

The net pension liabilities were measured as of June 30, 2021, 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, 2021, the City's proportion was 0.40%.

For the year ended September 30, 2021, the City recognized PERS pension expense for governmental activities of \$2,874,959 and \$88,916 for business-type activities. For the year ended September 30, 2021, the City recognized MRS pension expense in its governmental activities of \$225,072.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Schedule of Changes in Net Pension Liability

The change in Net Pension Liability, for PERS, for the fiscal year ended September 30, 2021, is as follows:

Mississippi Public Employees' Retirement System (PERS)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance	\$ 190,987,218	\$ 112,631,934	\$ 78,355,284
Changes for the year:			
Service cost	2,880,910	-	2,880,910
Interest	14,159,688	-	14,159,688
Differences between expected and actual experience	725,689	-	725,689
Assumption changes	5,881,965	-	5,881,965
Contributions – employer	-	4,631,585	(4,631,585)
Contributions – employee	-	2,381,503	(2,381,503)
Net investment income	-	34,975,883	(34,975,883)
Benefit payments, including refunds of employee contributions	(12,395,600)	(12,395,600)	-
Administrative expense	-	(62,817)	62,817
Other changes	(2,083,744)	(1,177,772)	(905,972)
Net changes	9,168,908	28,352,782	(19,183,874)
Ending Balance	\$ 200,156,126	\$ 140,984,716	\$ 59,171,410

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Schedule of Changes in Net Pension Liability (Continued)

The change in Net Pension Liability for MRS for the fiscal year ended September 30, 2021, is as follows:

Mississippi Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance	\$ 17,550,526	\$ 7,993,053	\$ 9,557,473
Changes for the year:			
Interest	1,291,717	-	1,291,717
Differences between expected and actual experience	(33,567)	-	(33,567)
Assumption changes	(164,865)	-	(164,865)
Contributions – employer	-	93,363	(93,363)
Net investment income	-	2,102,896	(2,102,896)
Benefit payments, including refunds of employee contributions	(1,766,424)	(1,766,424)	-
Administrative expense	-	(1,867)	1,867
Other changes	-	-	-
Net changes	(673,139)	427,968	(1,101,107)
Ending Balance	\$ 16,877,387	\$ 8,421,021	\$ 8,456,366

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

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

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows 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	\$ 917,765	\$ 28,385	\$ -	\$ 946,150
Changes in actuarial assumptions	4,416,613	136,596	-	4,553,209
City contributions subsequent to the measurement date	1,285,177	39,748	-	1,324,925
Total	\$ 6,619,555	\$ 204,729	\$ -	\$ 6,824,284

	Deferred Inflows of Resources			
	PERS		MRS	
	Governmental Activities	Business-type Activities	Governmental Activities	Total
Net difference between projected and actual earnings on pension plan investments	\$ 17,285,307	\$ 534,597	\$ 943,630	\$ 18,763,534
Total	\$ 17,285,307	\$ 534,597	\$ 943,630	\$ 18,763,534

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

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

Deferred outflows of resources in the amount of \$1,324,925 is related to the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ending September 30, 2022.

Under the PERS retirement plan deferred liabilities and assets, with the exception of differences between projected and actual investment earnings, are amortized over the average of expected remaining service lives. Differences between projected and actual investment earnings are amortized over five years.

Under the MRS pension plan, unfunded liabilities are amortized over a closed 30-year period from within 15 years remaining as of June 30, 2021, as a level percent of the municipality's assessed valuation.

The remaining net amount of \$11,376,915 will be recognized in pension expense as follows:

Year ending September 30,	PERS	MRS	Total
2022	\$ 2,126,653	\$ (205,211)	\$ 1,921,442
2023	2,097,873	(199,932)	1,897,941
2024	2,785,786	(228,821)	2,556,965
2025	5,310,233	(309,666)	5,000,567
	\$ 12,320,545	\$ (943,630)	\$ 11,376,915

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MRS
Inflation	2.40%	2.75%
Salary increases	2.65 - 17.90%, including inflation	3.00 - 4.50%, including inflation
Investment rate of return	7.55% (net of pension plan investment expense, including inflation)	6.25% (net of pension plan investment expense, including inflation)

The table for post-retirement mortality rates used in evaluating allowances to be paid was the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
- For females, 84% of the female rates up to age 72, 100% for ages above 76.
- Projection scale MP-2020 is used to project future improvements in life expectancy generationally.

The PubT.H-2010 Disabled Retiree Table is used for disabled retirees with the following adjustments:

- For males, 134% of male rates at all ages.
- For females, 121% of female rate at all ages.
- Projection scale MP-2020 to project future improvements in life expectancy generationally.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period ended June 30, 2018. The experience report is dated October 9, 2018.

For the PERS pension plan, the long-term expected rate of return on the investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of the plans' investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	-0.25
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash	1.00	-1.00
Total	<u>100.00 %</u>	

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

Discount Rate

The discount rate used to measure the total pension liability for PERS and MRS was 7.55%, which was based on the future long-term expected rate of return of 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions for PERS will be made at rates set in the Board's Funding Policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55%, 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 (6.55%) or one percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
City's proportionate share PERS	\$ 83,800,589	\$ 59,171,410	\$ 38,875,008
City's proportionate share MRS	9,823,171	8,456,366	7,270,982

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.

Five-year Trend Information

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

<u>Year ended September 30,</u>	<u>Employer Contributions</u>	
	<u>PERS</u>	<u>MRS</u>
2021	\$ 4,682,646	\$ 93,363
2020	4,742,904	521,352
2019	4,340,112	898,820
2018	4,344,857	945,713
2017	4,275,125	997,404

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Deferred Compensation Plan

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

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2021 and 2020, assets held by PERS for participants employed by the City approximated \$7,808,202 and \$7,354,560, respectively.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 12. UNEMPLOYMENT COMPENSATION FUND

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

Description

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

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

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

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

Workers' Compensation

Per occurrence deductible (SIR)	\$	750,000
Per occurrence deductible (Public Safety)	\$	1,000,000
Annual aggregate risk of loss through deductibles	\$	2,967,009
Specific excess coverage in force		Statutory

Employee Health Insurance

Per occurrence deductible (SIR)	\$	160,000
Annual aggregate risk of loss through deductibles		No Limit

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT (CONTINUED)

Description (Continued)

General and Other Liability Coverage

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

Property Coverage

Named windstorm	7.5% Per Occurrence, Per Location, subject to \$50K Minimum	
All other wind		50,000
All other perils		\$100,000/occurrence
Wind on water towers		No coverage
Specific excess coverage in force		
Buildings		82,965,049
Contents		6,541,775
Signs		14,624,871

Claims Liability

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT (CONTINUED)

Unpaid Claims Liabilities

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2020 to September 30, 2021:

	Claims Contingency	Group Health and Life
Liability balance, October 1, 2019	\$ 737,025	\$ 466,510
Claims and changes in estimates	704,015	5,414,611
Claims payments	(712,331)	(5,532,471)
Liability balance, September 30, 2020	728,709	348,650
Claims and changes in estimates	505,158	2,922,894
Claims payments	(874,955)	(2,935,201)
Liability balance, September 30, 2021	\$ 358,912	\$ 336,343
Assets available to pay claims at September 30, 2021	\$ 3,429,004	\$ 530,900

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

NOTE 14. OTHER COMMITMENTS AND CONTINGENCIES

Federal Grants

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The City is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$358,912 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 13 for treatment of claims incurred but not reported and other tort liability information.

Contract Commitments

Construction Contracts – The following significant contracts were outstanding at September 30, 2021:

	Contract Amount	Expended to Date	Remaining Commitment
25th Ave and 18th Street Drainage	\$ 155,610	\$ 112,988	\$ 42,622
Bayou View Water Tank Replacement	2,472,666	2,320,936	151,730
20th Avenue	578,557	435,348	143,209
Inconnecting Gulfport	1,570,745	1,287,689	283,056
	<u>\$ 4,777,578</u>	<u>\$ 4,156,961</u>	<u>\$ 620,617</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. TAX ABATEMENTS

As of September 30, 2021, the City provides tax abatements through various state and local programs subject to the requirements of GASB Statement No. 77. State programs are authorized through Section §57-75-5(f) of Miss. Code Ann. 1972 and local programs are authorized through resolutions by the Harrison County Supervisors and City Council. These programs are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. TAX ABATEMENTS (CONTINUED)

Total tax abatements as of September 30, 2021 are as follows:

Program	Term	Abatement Period Ends	Assessed Value	Estimated Tax Abated
Property Tax Exemptions	7 years	2021	\$ 7,277,684	\$ 247,441
	7 years	2022	81,799	2,781
	7 years	2023	267,646	9,100
	7 years	2024	465,067	15,812
	7 years	2025	2,511,956	85,406
	7 years	2026	467,808	15,905
	10 years	2027	584,330	19,867
Free Port Warehouse Exemptions	Open	N/A	4,929,031	167,587
Total tax abatements			<u>\$ 16,585,321</u>	<u>\$ 563,899</u>

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

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

NOTE 16. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

Joint Ventures

Memorial Hospital at Gulfport

Memorial Hospital at Gulfport (MHG) is an acute care, not-for-profit community hospital jointly owned by the City and the Gulfport-West Harrison County Hospital District. The Board of Trustees of MHG pursuant to Section 41-13-15 et seq. Miss. Code Ann. 1972, as amended operates it. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District. The following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2021, a copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

NOTES TO THE FINANCIAL STATEMENTS

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

Joint Ventures (Continued)

Memorial Hospital at Gulfport (Continued)

Memorial Hospital at Gulfport Statement of Net Position	
Assets	
Current assets	\$ 167,472,919
Noncurrent cash and investments	120,110,450
Capital assets, net	155,608,776
Other assets	23,061,883
Total assets	466,254,028
Deferred Outflow of Resources	11,141,718
Liabilities	
Current liabilities	137,631,112
Long-term liabilities	72,259,923
Total liabilities	209,891,035
Deferred Inflow of Resources	17,270,878
Net position	
Net investment in capital assets	108,871,820
Restricted	7,407,041
Unrestricted	133,954,972
Total net position	\$ 250,233,833

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

NOTES TO THE FINANCIAL STATEMENTS

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

Jointly Governed Organizations

Gulfport-Biloxi Regional Airport Authority

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

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 \$404,000 for the year ended September 30, 2021. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City does not have an ongoing financial responsibility.

NOTE 17. DEFICIT FUND BALANCE/NET POSITION

The following funds have a deficit in fund balance/net position at September 30, 2021:

Group Health and Life Fund – \$465,862

The fund deficit will be reduced through intergovernmental revenues.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. RESTATEMENT OF PRIOR YEAR NET POSITION

In fiscal year 2021, the City adopted GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The City restated beginning net position for the Fiduciary Funds for the cumulative effect of this accounting change. These changes are in accordance with generally accepted accounting principles.

	<u>Fiduciary Funds</u>
Net position, fiduciary funds, as previously reported	\$ -
Change in accounting principle due to the implementation of GASB Statement No. 84	<u>163,120</u>
Net position, fiduciary funds, as restated	<u><u>\$ 163,120</u></u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF GULFPORT, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO THE BUDGETARY SCHEDULE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Budgetary Presentation

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

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

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

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

CITY OF GULFPORT, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - BUDGETARY BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 21,833,200	\$ 21,833,200	\$ 20,887,181	\$ (946,019)
Sales taxes	23,627,483	23,627,483	29,423,831	5,796,348
Gaming fees	3,320,000	3,320,000	4,744,384	1,424,384
Licenses, permits and franchise fees	4,800,000	4,800,000	5,264,122	464,122
Intergovernmental	2,388,662	2,687,807	13,899,712	11,211,905
Charges for services/rents/leases	2,400,000	2,467,136	1,561,091	(906,045)
Fines and fees	900,000	900,000	816,242	(83,758)
Interest income	430,340	430,340	671,783	241,443
Miscellaneous/other	139,660	213,041	3,016,967	2,803,926
Total revenues	<u>59,839,345</u>	<u>60,279,007</u>	<u>80,285,313</u>	<u>20,006,306</u>
EXPENDITURES				
Current:				
General government:				
Personnel services	5,229,767	5,046,057	4,790,168	255,889
Supplies	101,621	101,872	77,082	24,790
Other services and charges	6,056,929	18,656,848	4,769,365	13,887,483
Capital outlay	98,628	258,008	76,122	181,886
Total general government	<u>11,486,945</u>	<u>24,062,785</u>	<u>9,712,737</u>	<u>14,350,048</u>
Public safety:				
Personnel services	26,819,190	26,778,943	25,562,186	1,216,757
Supplies	2,110,761	2,355,813	1,922,898	432,915
Other services and charges	2,154,693	2,244,281	1,886,231	358,050
Capital outlay	190,952	402,785	42,476	360,309
Total public safety	<u>31,275,596</u>	<u>31,781,822</u>	<u>29,413,791</u>	<u>2,368,031</u>
Public works:				
Personnel services	2,148,866	2,115,866	2,180,755	(64,889)
Supplies	1,123,940	1,642,489	1,390,255	252,234
Other services and charges	5,480,503	6,007,166	5,703,639	303,527
Capital outlay	2,042,783	1,586,899	98,207	1,488,692
Debt service	8,280	13,688	-	13,688
Total public works	<u>10,804,372</u>	<u>11,366,108</u>	<u>9,372,856</u>	<u>1,993,252</u>
Economic development:				
Personnel services	1,624,284	1,624,284	1,673,391	(49,107)
Supplies	54,199	54,199	32,535	21,664
Other services and charges	397,015	397,015	247,802	149,213
Capital outlay	90,100	90,100	2,975	87,125
Total economic development	<u>2,165,598</u>	<u>2,165,598</u>	<u>1,956,703</u>	<u>208,895</u>

(Continued)

CITY OF GULFPORT, MISSISSIPPI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Current: (Continued)				
Culture and recreation:				
Personnel services	\$ 3,282,143	\$ 3,242,143	\$ 3,107,785	\$ 134,358
Supplies	880,848	1,004,125	772,805	231,320
Other services and charges	1,936,439	2,036,290	1,623,860	412,430
Capital outlay	42,854	197,754	-	197,754
Total culture and recreation	<u>6,142,284</u>	<u>6,480,312</u>	<u>5,504,450</u>	<u>975,862</u>
 Total expenditures	 <u>61,874,795</u>	 <u>75,856,625</u>	 <u>55,960,537</u>	 <u>19,896,088</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(2,035,450)</u>	 <u>(15,577,618)</u>	 <u>24,324,776</u>	 <u>39,902,394</u>
OTHER FINANCING SOURCES (USES)				
Transfers	8,093	8,093	-	(8,093)
Sale of capital assets	-	-	47,811	47,811
Total other financing sources	<u>8,093</u>	<u>8,093</u>	<u>47,811</u>	<u>39,718</u>
 Net change in fund balances	 (2,027,357)	 (15,569,525)	 24,372,587	 39,942,112
 Fund balances, beginning of year	 <u>19,744,004</u>	 <u>19,744,004</u>	 <u>19,744,004</u>	 <u>-</u>
 Fund balances (deficit), end of year	 <u>\$ 17,716,647</u>	 <u>\$ 4,174,479</u>	 44,116,591	 <u>\$ 39,942,112</u>
			Receivable/revenue adjustments (575,839)	
			Payable/expenditure adjustments <u>535,714</u>	
			Fund Balance - September 30 - GAAP Basis	<u>\$ 44,076,466</u>

CITY OF GULFPORT, MISSISSIPPI

**COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 4,532,904	\$ 4,957,828	\$ 74,756	\$ (4,883,072)
Investment earnings	-	-	878	878
Total revenues	<u>4,532,904</u>	<u>4,957,828</u>	<u>75,634</u>	<u>(4,882,194)</u>
EXPENDITURES				
Economic development				
Personnel services	77,361	77,361	177,872	(100,511)
Supplies	3,462	3,462	149	3,313
Other contractual services	190,740	193,248	42,911	150,337
Capital outlay	<u>2,727,969</u>	<u>2,727,969</u>	<u>232,349</u>	<u>2,495,620</u>
Total expenditures	<u>2,999,532</u>	<u>3,002,040</u>	<u>453,281</u>	<u>2,548,759</u>
Net change in fund balance	1,533,372	1,955,788	(377,647)	(2,333,435)
Fund balances, beginning of year	<u>4,956,789</u>	<u>4,956,789</u>	<u>4,956,789</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,490,161</u>	<u>\$ 6,912,577</u>	4,579,142	<u>\$ (2,333,435)</u>
			<u>(62,487)</u>	
			<u>\$ 4,516,655</u>	

CITY OF GULFPORT, MISSISSIPPI

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

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.400%	0.405%	0.418%	0.427%	0.420%	0.420%	0.420%
City's proportionate share of the net pension liability	\$ 59,171,410	\$ 78,355,283	\$ 73,548,344	\$ 70,978,710	\$ 69,818,256	\$ 75,022,488	\$ 64,923,718
City's covered payroll	\$ 25,005,295	\$ 25,448,543	\$ 25,690,603	\$ 27,831,601	\$ 27,186,711	\$ 26,563,213	\$ 26,225,454
City's proportionate share of the net pension liability as a percentage of its covered payroll	236.6%	307.9%	286.3%	255.0%	256.8%	282.4%	247.6%
Plan fiduciary net position as a percentage of the total pension liability	70.4%	59.0%	61.6%	62.5%	61.5%	57.5%	61.7%

Changes of assumptions

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of the female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return was changed from 7.75% to 7.55%
- 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 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%

2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of the female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- 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 7% to 9%.

2017

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

2016

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

2015

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

Changes in benefit provisions

2016

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of 1% and a maximum rate of 5%.

CITY OF GULFPORT, MISSISSIPPI

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

Year	Statutorily Required Employer Contributions	Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 4,631,585	\$ 4,631,585	\$ -	\$ 27,518,181	16.83%
2020	4,689,551	4,689,551	-	26,578,245	17.64%
2019	4,288,479	4,288,479	-	25,987,425	16.50%
2018	4,292,050	4,292,050	-	27,965,234	15.35%
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%

Valuation date: Actuarially determined contribution rates in the Schedules of Employer Contributions are calculated as of June 30, 2019, two years prior to the end of the fiscal year in which contributions are reported.

CITY OF GULFPORT, MISSISSIPPI

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
City's proportion of the net pension liability	5.30%	6.99%	6.11%	6.20%	5.95%	5.99%	6.20%
City's proportionate share of the net pension liability	\$ 8,456,366	\$ 9,557,473	\$ 9,066,254	\$ 9,839,391	\$ 10,276,430	\$ 10,276,430	\$ 10,276,430
City's covered payroll (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	49.9%	45.5%	49.9%	48.4%	47.8%	45.7%	49.6%

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

CITY OF GULFPORT, MISSISSIPPI

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

Year	Statutorily Required Employer Contributions (1)	Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll (2)	Contributions as a Percentage of Covered Payroll (2)
2021	\$ 81,218	\$ 93,363	\$ (12,145)	N/A	N/A
2020	521,352	521,352	-	N/A	N/A
2019	1,060,100	1,060,100	-	N/A	N/A
2018	1,025,767	1,025,767	-	N/A	N/A
2017	943,358	943,358	-	N/A	N/A
2016	899,471	899,471	-	N/A	N/A
2015	987,168	987,168	-	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

(1) Actuarially determined contributions information only available for seven 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.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ended September 30, 2021, were based on the June 30, 2019 actuarial valuation.

SUPPLEMENTARY INFORMATION

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

NONMAJOR GOVERNMENTAL FUNDS

Combining and Individual Fund Financial Statements

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.

CITY OF GULFPORT, MISSISSIPPI

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	Special Revenue Funds			Totals
	Disaster Relief Fund	Police and Firemen's Retirement Fund	Forfeitures and Seizures Fund	
ASSETS				
Cash and cash equivalents	\$ 1,260,753	\$ -	\$ -	\$ 1,260,753
Property taxes receivable	-	1,015,280	-	1,015,280
Intergovernmental receivable	10,340,530	-	-	10,340,530
Due from other funds	2,320,129	-	-	2,320,129
Restricted cash	-	-	162,573	162,573
Total assets	<u>\$ 13,921,412</u>	<u>\$ 1,015,280</u>	<u>\$ 162,573</u>	<u>\$ 15,099,265</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 15,867	\$ 15,867
Total liabilities	<u>-</u>	<u>-</u>	<u>15,867</u>	<u>15,867</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - intergovernmental	7,937,211	-	-	7,937,211
Deferred inflows - property taxes	-	1,000,918	-	1,000,918
Total deferred inflows of resources	<u>7,937,211</u>	<u>1,000,918</u>	<u>-</u>	<u>8,938,129</u>
FUND BALANCES				
Restricted for public safety	-	14,362	146,706	161,068
Restricted for capital projects	5,984,201	-	-	5,984,201
Total fund balances	<u>5,984,201</u>	<u>14,362</u>	<u>146,706</u>	<u>6,145,269</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,921,412</u>	<u>\$ 1,015,280</u>	<u>\$ 162,573</u>	<u>\$ 15,099,265</u>

CITY OF GULFPORT, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds			Totals
	Disaster Relief Fund	Police and Firemen's Retirement Fund	Forfeitures and Seizures Fund	
Revenues				
Property taxes	\$ -	\$ 1,084,672	\$ -	\$ 1,084,672
Intergovernmental	2,759,564	64,268	21,329	2,845,161
Interest income	-	-	4,090	4,090
Total revenues	2,759,564	1,148,940	25,419	3,933,923
Expenditures				
Public safety	-	1,140,168	30,398	1,170,566
Culture and recreation	7,204,267	-	-	7,204,267
Capital outlay	-	-	14,202	14,202
Total expenditures	7,204,267	1,140,168	44,600	8,389,035
Excess (deficiency) of revenues over (under) expenditures	(4,444,703)	8,772	(19,181)	(4,455,112)
Other financing sources				
Sale of capital assets	-	-	12,876	12,876
Issuance of debt	7,204,267	-	-	7,204,267
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	7,204,267	-	12,876	7,217,143
Net change in fund balances	2,759,564	8,772	(6,305)	2,762,031
Fund balances, beginning of year	3,224,637	5,590	153,011	3,383,238
Fund balances, end of year	\$ 5,984,201	\$ 14,362	\$ 146,706	\$ 6,145,269

INTERNAL SERVICE FUNDS

Combining Fund Financial Statements

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

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

CITY OF GULFPORT, MISSISSIPPI

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2021**

	<u>Group Health and Life</u>	<u>Claims Contingency</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 530,900	\$ 3,339,525	\$ 3,870,425
Due from other funds	-	120,456	120,456
Prepaid insurance	-	1,104,821	1,104,821
Total assets	<u>530,900</u>	<u>4,564,802</u>	<u>5,095,702</u>
LIABILITIES			
Accounts payable	-	30,977	30,977
Due to other funds	660,419	487,337	1,147,756
Liability for self-insurance claims	336,343	358,912	695,255
Total liabilities	<u>996,762</u>	<u>877,226</u>	<u>1,873,988</u>
NET POSITION			
Unrestricted	<u>(465,862)</u>	<u>3,687,576</u>	<u>3,221,714</u>
Total net position	<u>(465,862)</u>	<u>3,687,576</u>	<u>3,221,714</u>
 Total liabilities and net position	 <u>\$ 530,900</u>	 <u>\$ 4,564,802</u>	 <u>\$ 5,095,702</u>

CITY OF GULFPORT, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Group Health and Life</u>	<u>Claims Contingency</u>	<u>Total</u>
REVENUES			
Employee contributions	\$ 1,072,439	\$ -	\$ 1,072,439
Retiree contributions	111,383	-	111,383
Employer contributions	3,968,799	3,294,425	7,263,224
Miscellaneous	136,291	399,569	535,860
Total revenues	<u>5,288,912</u>	<u>3,693,994</u>	<u>8,982,906</u>
OPERATING EXPENSES			
Administrative expenses	511,268	572,686	1,083,954
Premium payments	515,054	1,843,853	2,358,907
Claims paid	4,227,932	874,955	5,102,887
Total expenses	<u>5,254,254</u>	<u>3,291,494</u>	<u>8,545,748</u>
Operating income	<u>34,658</u>	<u>402,500</u>	<u>437,158</u>
NONOPERATING REVENUE			
Interest income	<u>13,887</u>	<u>68,853</u>	<u>82,740</u>
Change in net position	48,545	471,353	519,898
TOTAL NET POSITION, beginning of year	<u>(514,407)</u>	<u>3,216,223</u>	<u>2,701,816</u>
TOTAL NET POSITION, end of year	<u>\$ (465,862)</u>	<u>\$ 3,687,576</u>	<u>\$ 3,221,714</u>

CITY OF GULFPORT, MISSISSIPPI

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Group Health and Life	Claims Contingency	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other operating receipts	\$ -	\$ 399,569	\$ 399,569
Cash received from employees and others	1,307,806	-	1,307,806
Cash received from employer contributions	3,968,799	3,294,425	7,263,224
Cash paid for contractual services	(5,291,456)	(3,219,332)	(8,510,788)
Net cash provided by (used in) operating activities	(14,851)	474,662	459,811
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	13,887	68,853	82,740
Net cash provided by investing activities	13,887	68,853	82,740
Net change in cash and cash equivalents	(964)	543,515	542,551
Cash and cash equivalents, beginning of year	531,864	2,796,010	3,327,874
Cash and cash equivalents, end of year	\$ 530,900	\$ 3,339,525	\$ 3,870,425
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 34,658	\$ 402,500	\$ 437,158
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Increase in prepaid expenses	-	(76,349)	(76,349)
Increase (decrease) in accounts payable	(37,202)	30,971	(6,231)
Increase in due to other funds	-	487,337	487,337
Decrease in accrued liabilities	(12,307)	(369,797)	(382,104)
Net cash provided by (used in) operating activities	\$ (14,851)	\$ 474,662	\$ 459,811

FIDUCIARY FUNDS

Combining Fund Financial Statements

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

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

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

CITY OF GULFPORT, MISSISSIPPI

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
SEPTEMBER 30, 2021**

	<u>Asset Forfeiture Fund</u>	<u>Coastal Narcotics Task Force Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 119,904	\$ 95,738	\$ 215,642
Assets held for disposal	<u>54,350</u>	<u>-</u>	<u>54,350</u>
Total assets	<u>174,254</u>	<u>95,738</u>	<u>269,992</u>
LIABILITIES			
Due to others	<u>101,501</u>	<u>-</u>	<u>101,501</u>
Total liabilities	<u>101,501</u>	<u>-</u>	<u>101,501</u>
NET POSITION			
Restricted for individuals, organizations and other governments	<u>\$ 72,753</u>	<u>\$ 95,738</u>	<u>\$ 168,491</u>

CITY OF GULFPORT, MISSISSIPPI

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Asset Forfeiture Fund</u>	<u>Coastal Narcotics Task Force Fund</u>	<u>Total</u>
ADDITIONS			
Miscellaneous income	\$ -	\$ 2,576	\$ 2,576
Interest income	<u>3,474</u>	<u>2,487</u>	<u>5,961</u>
Total additions	<u>3,474</u>	<u>5,063</u>	<u>8,537</u>
DEDUCTIONS			
Other custodial disbursements	<u>-</u>	<u>3,166</u>	<u>3,166</u>
Total deductions	<u>-</u>	<u>3,166</u>	<u>3,166</u>
Change in fiduciary net position	3,474	1,897	5,371
Net position, beginning of year, as restated	<u>69,279</u>	<u>93,841</u>	<u>163,120</u>
Net position, end of year	<u>\$ 72,753</u>	<u>\$ 95,738</u>	<u>\$ 168,491</u>

OTHER INFORMATION

CITY OF GULFPORT, MISSISSIPPI

SCHEDULE OF SURETY BONDS SEPTEMBER 30, 2021

NAME AND POSITION	AMOUNT	EXPIRES
Kenneth L. Casey, Sr., Councilman, Ward 1	\$ 100,000	6/30/2025
Ronald P. Roland, Councilman Ward 2	100,000	6/30/2025
Ella Jean Holmes-Hines, Councilwoman Ward 3	100,000	6/30/2025
F.B. "Rusty" Walker IV, Councilman, Ward 4	100,000	6/30/2025
Myles Sharp, Councilman, Ward 5	100,000	6/30/2025
Robert "R. Lee" Flowers II, Councilman Ward 6	100,000	6/30/2025
Richard Kosloski, Councilwoman, Ward 7	100,000	6/30/2025
William G. "Billy" Hewes III, Mayor	100,000	6/30/2025
Leonard Papania, Chief Administrative Officer	50,000	2/1/2022
Rashida Bell, City Clerk	50,000	9/29/2022
Antoinette F. White, Deputy City Clerk	50,000	6/30/2022
Terri N. Fairley, Court Administrator	50,000	11/7/2021
Brittany Rodgers, Deputy City Clerk	50,000	1/20/2022