

*City of Gulfport
Florida*



*2018
Comprehensive
Annual Financial Report*

Fiscal Year Ended September 30, 2018

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Comprehensive Annual Financial Report
of the
City of Gulfport, Florida
for the
Fiscal Year Ended September 30, 2018

Samuel Henderson, Mayor
Christine Brown, Council Member
Daniel Liedtke, Council Member
Paul Ray, Vice Mayor
Michael Fridovich, Council Member



City Manager
James E. O'Reilly

City Clerk
Lesley DeMuth

Finance Director
Cheryl Hannafin, CPA

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CITY OF GULFPORT, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

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CITY OF GULFPORT, FLORIDA

Gateway to the Gulf

SAMUEL HENDERSON, Mayor

DANIEL LIEDTKE, Councilmember, Ward 1
CHRISTINE BROWN, Councilmember, Ward 2

PAUL RAY, Councilmember, Ward 3
MICHAEL FRIDOVICH, Councilmember, Ward 4

March 29, 2019

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gulfport, Florida (the "City") for the fiscal year ended September 30, 2018. In addition to meeting legal requirements of the City Charter, Florida Statutes and the Rules of the Auditor General of the State of Florida, the report continues to present the City's tradition of full financial disclosure. This report represents the City's financial position and operations to the citizens, City Council, management personnel of the City, rating agencies and other interested parties.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. All disclosures necessary to properly interpret the data presented, and to enable the reader to gain an understanding of the City's financial activities have been included.

To maintain a reasonable basis for making these representations, management maintains an internal control structure that provides reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's accounting policies. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires management's estimates and judgments. All internal control evaluations occur within this framework. The City's internal accounting controls are believed to adequately safeguard assets and provide reasonable assurance of properly recording financial transactions.

Pursuant to the City Charter, Florida Statutes, Chapters 11.45 and 218, and Chapter 10.550 of the Rules of the Auditor General of the State of Florida, an audit of the accounts and financial statements of the City of Gulfport have been completed by the City's independent certified public accountants, Carr, Riggs & Ingram, LLC, whose opinion is included as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent audit concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2018 are fairly presented in conformity with accounting principles generally accepted in the United States.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Gulfport was incorporated in 1910. The name change to the City of Gulfport occurred in 1951 when the population of the Town exceeded 2,500. The City currently has a population of 12,400 and is approximately 2.8 square miles in area. The City is located in Pinellas County and is bordered on the north and east by the City of St. Petersburg. To the south is Boca Ciega Bay. The western side of the City is bordered by an area of unincorporated Pinellas County that is subsequently bordered by the City of South Pasadena.

The City is a full service city and provides traditional services, including police and fire protection as well as EMS; maintenance of parks, streets and other infrastructure; water, sewer, stormwater and sanitation services; a senior center as well as a recreation center; marina and cultural facility centers. The City also provides a transportation program for elderly and handicapped residents. The City purchases potable water from the City of St. Petersburg and contracts with them for wastewater treatment. Pinellas County provides solid waste disposal and the jail/court systems.

The annual budget serves as the foundation for the City's financial planning and control. Department directors are required to submit their budget requests to the City Manager, who then uses these requests as the starting point for developing the proposed annual budget. The City Manager is required by the City Charter to present the proposed budget to the City Council by July 15. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The City Manager may transfer any unencumbered appropriation or portion thereof between classifications of expenditures within a department. The City Council may, by required legislation, make additional appropriations or transfer unencumbered appropriations from one department to another department or fund. Budget to actual comparisons are provided in the annual budget for each individual governmental and enterprise fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

Gulfport, like many other local governments, primarily relies on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational licenses, etc.) to fund governmental activities. Values in taxable real estate this year reported assessed valuations slightly short of the valuation we experienced at the peak of the market in FY 2008. After the downturn in FY 2009 a steady decline followed for four years, and a stable trend began in FY 2013. The assessed value has risen to 937 million in FY 2018. Ad valorem collections mirrored taxable values. The following table illustrates the taxable real estate values and ad valorem property tax revenues over the past eleven fiscal years.

| Fiscal Year | Taxable Assessed Value | Millage Rate | Ad Valorem Revenues |
|-------------|------------------------|--------------|---------------------|
| 2008 | \$ 1,005,346,275 | 3.349 | \$ 3,256,529 |
| 2009 | \$ 890,284,920 | 3.474 | \$ 3,009,208 |
| 2010 | \$ 798,568,343 | 3.474 | \$ 2,699,875 |
| 2011 | \$ 718,451,015 | 3.474 | \$ 2,425,538 |
| 2012 | \$ 657,170,333 | 4.000 | \$ 2,567,103 |
| 2013 | \$ 655,254,633 | 4.039 | \$ 2,533,016 |
| 2014 | \$ 697,757,967 | 4.039 | \$ 2,558,772 |
| 2015 | \$ 747,993,645 | 4.039 | \$ 2,736,118 |
| 2016 | \$ 805,160,338 | 4.039 | \$ 2,921,083 |
| 2017 | \$ 866,601,094 | 4.039 | \$ 3,169,050 |
| 2018 | \$ 937,535,904 | 4.039 | \$ 3,394,919 |

The economic base of the City is primarily residential with limited commercial areas accounting for approximately 9.3% of the City's assessed valuation. The City's housing stock is diverse with many older historic homes. Gulfport has limited potential for expansion, and redevelopment continues to be the most viable alternative for economic improvements.

Building permits are considered a leading economic indicator for the City. The increase in permit activity has risen dramatically over the last few years. The number of permits issued in 2017 shows an increase of 65% from permits issued in 2013.

The Gulfport Municipal Marina which is nestled in lower Pinellas County on Boca Ciega Bay Aquatic Preserve is an informative source for evaluating the economic condition. The Marina has become a major destination for cruisers passing through the West Coast of Florida. One of the reasons is that Pinellas County has thriving marine oriented businesses in which cruisers can stop for repairs or upgrade equipment before they leave the State or the Country. Pinellas marine businesses include factory mechanics, sail and rigging makers, haul out facilities and nationally recognize marine retail stores.

The Marina is located twenty (20) miles from Tampa International Airport and approximately ten (10) miles to St. Petersburg Clearwater International Airport. This year the City recognized an increase of 22.1% from transient slip rental revenue, and 18.4% from fuel sales.

Tourism plays a crucial role in the financial condition of the City, particularly when discussing sales tax. The Penny for Pinellas tax is a one percent sales tax paid by everyone who spends money in Pinellas County. It was first approved by voters in 1989 and went into effect in February 1990. The tax supports capital improvement projects in critical areas for the City. Without this revenue source the City would need to rely more heavily on other funding sources such as property taxes to fund necessary projects. This year the Penny generated revenue of \$1,343,078, a 4.9% increase over the prior year. The Penny was renewed by voters on November 7, 2017. This ten-year renewal will run from 2020 – 2030.

The City continues to adapt to changing economic times in our community, state and nation. As the economy recovers, the expectations for level of service rises. It is paramount that the City continually address the sustained financial impact of providing such a high level of services moving forward.

Relevant financial policies.

The City continues to exceed a 25% minimum Fund Balance, ensuring financial stability and recognizing the potential for natural disasters with the City being located at the gateway to the Gulf of Mexico. By policy, the City must maintain a minimum fund balance in the General Fund in an amount equal to twenty-five (25) percent of the City’s General Fund Budget previous year balance. For the FY 2018 year end, the fund balance was \$3,779,946 while unassigned fund balance was \$3,626,415. The available unassigned fund balance was sufficient to cover this minimum requirement for FY 2018.

The City will continue to face the challenge of maintaining in each fund an adequate fund balance level to accommodate unanticipated expenditures, unanticipated revenue declines, and cash flow needs.

As in years past, in order to maintain the City’s traditional high levels of service during the economic downturn, the usage of payment in lieu of taxes (PILOT) transfers from the City’s Enterprise Funds to the General Fund have been made to assist in mitigating revenue shortfalls. For FY 2018, a total of \$602,000 in PILOT transfers were approved in the budget and transferred from the Enterprise Funds.

The following chart illustrates the amount by fund of PILOT transfers to the General Fund over the past eight (8) fiscal years.

| | Sanitation | Water & Sewer | Marina |
|------|------------|---------------|---------|
| FY11 | 127,727 | 539,463 | 454,953 |
| FY12 | 350,000 | 546,715 | 375,000 |
| FY13 | 467,000 | 325,000 | 300,000 |
| FY14 | 304,353 | 349,711 | 471,770 |
| FY15 | 219,719 | 60,000 | 98,170 |
| FY16 | - | 60,000 | 275,000 |
| FY17 | - | - | 300,000 |
| FY18 | 108,000 | - | 494,000 |

Currently, some of the methods for accomplishing operating and capital improvement requirements are largely due to success in receiving intergovernmental grant funding. The City will continue to aggressively pursue available grant funding.

Long term financial planning efforts for the City will continue to involve discussion surrounding the City's ability to generate sufficient revenue sources to meet projected needs. Both taxes & fees will be reviewed annually along with service delivery models to determine the best approach to meeting the service needs of residents.

The abatement of groundwater infiltration in sewer lines throughout the City is a high priority currently and going forward. Significant resources will be necessary for repair and replacement of water and sewer lines throughout the City's aging utility system. The City entered into an agreement with the Florida Department of Environmental Protection for a loan to fund planning and construction costs involved in major sewer system rehabilitation improvements. Further details involving the loan can be found within note 7 of the attached Comprehensive Annual Financial Report (CAFR).

The City remains focused on continuing to improve the City's Waterfront District and the 49th Street Redevelopment Corridor through infrastructure improvements such as the Shore Boulevard Recreation Trail Improvement Project and Tangerine Parkway – Trolley Market Square Improvement project, along with collaborative efforts with merchants and residents within the districts.

The City participates in three single-employer defined benefit pension plans and accounts for net pension liability, deferred elements, and pension expense as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Further details involving the City's defined benefit pension plans can be found within note 8 of the attached Comprehensive Annual Financial Report (CAFR).

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulfport, Florida for its comprehensive annual report for the fiscal year ended September 30, 2017. This was the thirty fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to Certificate of Achievements Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.


Awards and Acknowledgements – Continued

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Administrative Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gulfport's finances.

Respectfully submitted,



James E. O'Reilly
City Manager



Cheryl Hannafin, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Gulfport
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

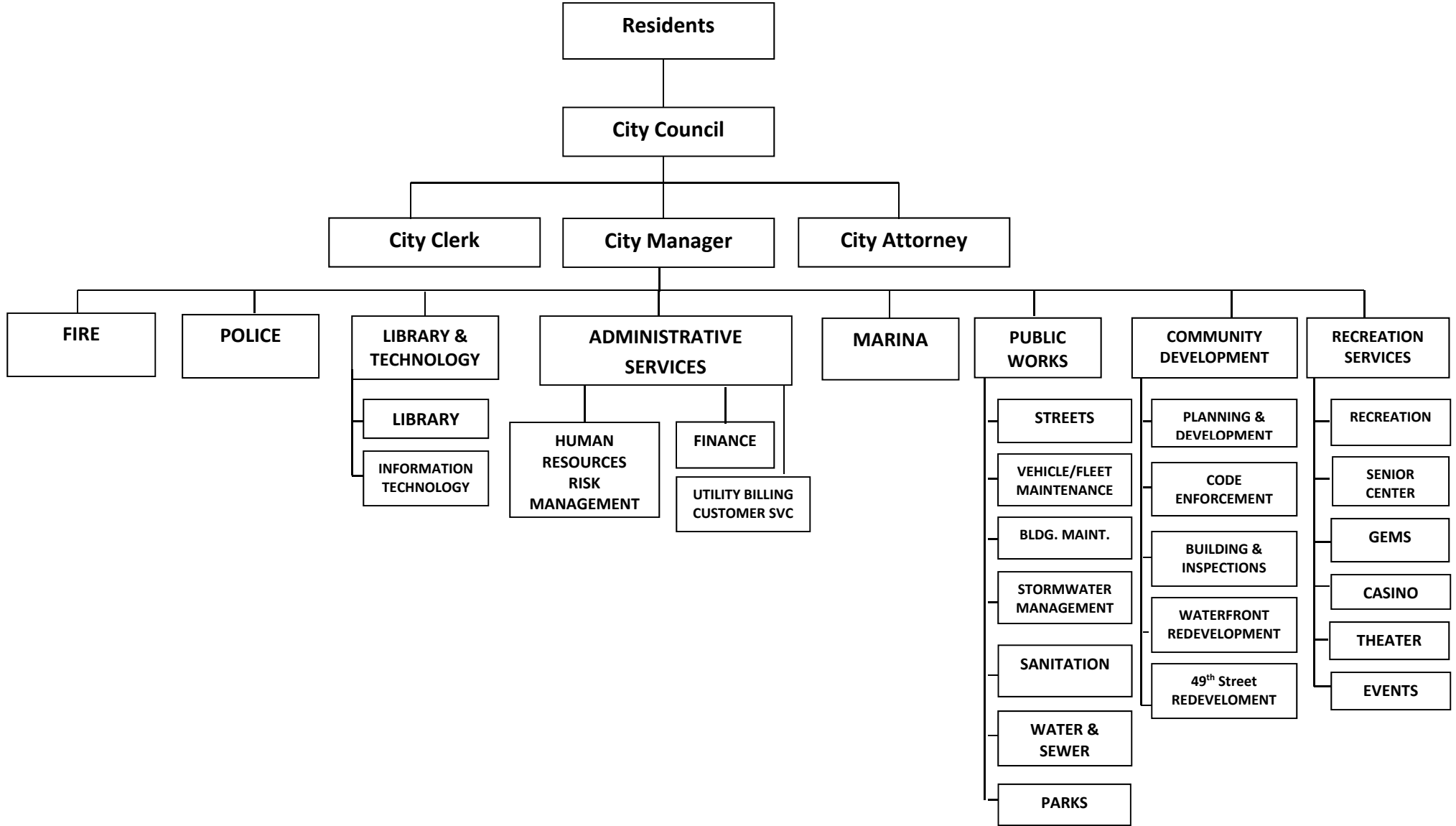
September 30, 2017

Christopher P. Morill

Executive Director/CEO

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Fiscal Year 2018 - City of Gulfport Organizational Chart



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Financial Section

This section contains the following subsections:

Report of Independent Certified Public Accountants

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Gulfport, Florida

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 City of Gulfport, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Gulfport, Florida'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.

Auditors' 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 of Gulfport, Florida, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As described in Note 14 to the financial statements, the District adopted *Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$191,978) to the September 30, 2017 net position for governmental activities and business-type activities. 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 and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulfport, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules and schedule of expenditures of state financial assistance 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, schedules and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the City of Gulfport, Florida'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 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 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 of Gulfport, Florida's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Clearwater, Florida
March 29, 2019

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CITY OF GULFPORT, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Gulfport's (City) Comprehensive Annual Financial Report (CAFR) was prepared in accordance with generally accepted accounting principles (GAAP) applicable to government entities. This Management's Discussion and Analysis report (MD&A) is required supplementary information (RSI) in accordance with GAAP and presents an overview of financial information included in the CAFR. The City's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the subsequent year challenges), (d) identify any material deviations from the financial plan (the adopted budget), and (e) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements listed in the table of contents.

Financial Condition Overview

The following key financial metrics indicate that the City remains in sound financial condition:

- *Operating results* reflect the degree to which budgets met expectations. Both actual revenues and actual expenditures were within reasonable proximity of budgeted amounts for FY 2018.
- *Liquidity* reflects the City's ability to pay current liabilities with current assets. The City maintained sufficient, prudent liquidity levels throughout FY 2018 and at year end.
- *Fund balance* reflects the provision of financial resources for future needs and contingencies. The City's unassigned fund balances provided reasonable and sufficient working capital for operations and security for contingencies throughout FY 2018 and at year end.
- *Debt levels and debt payments* reflect the impacts of the City's borrowing decisions. Throughout fiscal FY 2018 the City continued to borrow against the low interest agreement for planning costs involved in the major repair and replacement of water and sanitary sewer lines throughout the City's aging utility system.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2018 by \$32,949,981 (net position). Of this amount, \$5,464,432 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental fund revenues increased by \$959,785 or 7.6% when compared to fiscal year 2017. Governmental fund expenditures increased by \$220,115 or 1.6% during this same period.
- Operating revenues of the City's enterprise funds increased by \$656,596 and operating expenses increased \$856,316 when compared to last year.
- Loans payable increased by \$1,515,403 or 91.5% when compared to fiscal year 2017.
- The City recognized revenue from a funding agreement with Pinellas County in the amount of \$100,000 for the construction of a Mooring Field on Boca Ciega Bay.
- The City recognized revenue from the Clean Vessel Act Grant Program to provide funding for site preparation, equipment purchase and installation, and pump out signage for two pump out systems and a pump out vessel in the amount of \$107,748.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

Financial Highlights - *Continued*

- The City received a non-cash Federal award from the Florida Department of Transportation for 2018 Ford Transit Van with a capacity of 5 ambulatory passengers and 2 wheelchair passengers for the Gulfport Elderly Mobility Service (GEMS).
- The Penny for Pinellas tax that supports long-term capital projects in critical areas for the City was renewed by voters on November 7, 2017. This ten-year renewal will run from 2020 – 2030.
- Consent order 17-0028 with the FDEP to address the issues associated with the wastewater discharges from the collections system owned and operated by the City was amended on January 5, 2018. The Consent Order establishes a number of corrective actions submitted by the City to the FDEP, and subsequently approved by the FDEP, which are designed to mitigate overflows and discharges during future wet weather events. A significant condition of the consent order, in lieu of civil penalties, was to fund \$127,500 for the implementation of a City-wide funding assistance private lateral rehabilitation and or replacement program, which the City satisfied in the FY18 budget.
- On September 4, 2017 the governor declared a state of emergency in all 67 counties within the State of Florida in response to Hurricane Irma. The City of Gulfport effects from Hurricane Irma generated over 9000 cubic yards of vegetative debris. The estimated expenses related to this storm in Fiscal year 2018 relate solely to the Sanitation Fund and amount to \$181,145, of which, the City has not yet recognized any revenue from the Division of Emergency Management. The City is working with FEMA liaisons to recover these reimbursable costs.
- Long term planning efforts initiated the commencement of designated fund balance accounts assigned to Williams Pier, Beach Re-nourishment, Solar Upgrades.
- The City's total required pension contribution decreased overall when expressed as a percentage of total annual payroll. Due to a net favorable actuarial experience, the City's contribution for the General Employees' Pension Plan decreased from 5.1% to 5%, the Municipal Police Officers' Trust Fund increased from 10.8% to 13.5%, and the Firefighters' Retirement Pension Fund decreased from 15.6% to 11.5%.
- The monthly benefit being received by all retirees, joint pensioners or beneficiaries of the City's General Employee Pension plan received a Cost-of- Living Adjustment in the amount of 3% as a one-time increase effective October 1, 2017.
- The Water and Sewer Fund initiated an increase in the rate structure. Water and Stormwater increased by 9.75% while Sewer rates experienced an increase of 20%. The Sanitation Fund also increased fees by 9.75%. The rate increases were calculated at that time in preparation for the upcoming expiration of the long-term wholesale interlocal agreement with the City of St. Petersburg which expired in October 2018 and upon expiration exposed the City to an allowable surcharge of 25% on wholesale costs.
- Staffing levels reflected a City-wide increase of 8 full time equivalent positions. There were positions added in Stormwater, Streets, Planning, Recreation, Library and the Marina.
- Fees within the General Fund including fire inspection fees, planning and zoning fees, occupational license fees, and permitting fees were increased 12.95%. Facility rental rates were increased by the same.
- The Marina increased rates by 12.95% for monthly slip rentals, dry storage rental fees, transient slip rentals, and boat ramp fees. Electric meter reading fees were increased from \$3 to \$4.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

Financial Highlights - *Continued*

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and is effective for the period ended September 30, 2018. This Statement establishes new accounting and financial reporting requirements including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources and expense.

Overview of the Financial Statements

The Financial Statements focus are on both the City as a whole (government-wide) and on the major individual and governmental funds as a whole. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add up to a total for the Primary Government. The focus of the Statement of Net Position is designed to be similar to bottom-line results for the City and its governmental and business-type activities. This statement combines and consolidates the government funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, component units and business-type), which are supported by charges for services, operating and capital grants, and by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of and/or subsidy to various governmental services and business-type activities.

The governmental activities reflect the City's basic services, including general government, police, fire, protective inspections, public services, library and recreation. Property taxes, utility service taxes, gas taxes and sales taxes, along with the City's utilities contribution, finance the majority of these services. The business-type activities reflect private sector-type operations (sanitation, water & wastewater, recycling, stormwater, and the marina), where the fees for service typically cover all or most of the cost of operation, including depreciation.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentations more familiar with the focus now on major funds of the City. The governmental funds statements are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses, and/or budgeting compliance associated therewith.

The fund financial statements also allow the government to address its fiduciary funds by type (pension trust funds). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Fund Financial Statements - Continued

While the business-type activities – enterprise funds statements are essentially the same as the business-type activities column on the government-wide financial statement, the governmental funds total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources), which is reflected on the page following each statement. The flow of current financial resources reflect interfund transfers and other financial sources, as well as capital and debt service expenditures. The reconciliations eliminate these transactions and incorporate the capital asset and long-term obligations into the governmental activities column in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceed liabilities and deferred inflows by \$32,949,981 (net position).

A large portion of the City's net position (81.3%) reflects its investment in capital assets (e.g., land, land improvements, buildings and equipment) net of any related debt. The City uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending.

A small portion of the City's net position (2.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$5,464,432 may be used to meet the government's ongoing obligations to citizens and creditors.

The change in net pension liability is related to accounting treatment for the City's pensions in accordance with GASB 68. Deferred outflows and inflows of resources represent amounts that will increase or decrease net position in future periods as they are amortized.

The following table reflects the condensed Statement of Net Position for the current year as compared to the previous year.

STATEMENT OF NET POSITION

As of September 30

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 6,310,431 | \$ 5,986,980 | \$ 4,598,835 | \$ 4,423,649 | \$ 10,909,266 | \$ 10,410,629 |
| Capital Assets (Net) | 14,969,676 | 14,681,952 | 15,409,498 | 13,987,668 | 30,379,174 | 28,669,620 |
| Total Assets | <u>21,280,107</u> | <u>20,668,932</u> | <u>20,008,333</u> | <u>18,411,317</u> | <u>41,288,440</u> | <u>39,080,249</u> |
| Deferred Outflows of Resources | 510,752 | 509,433 | 172,590 | 137,239 | 683,342 | 646,672 |
| Current and other liabilities | 503,283 | 606,676 | 782,309 | 1,003,840 | 1,285,592 | 1,610,516 |
| Long-term Liabilities | 3,489,950 | 3,154,413 | 3,255,000 | 1,891,743 | 6,744,950 | 5,046,156 |
| Total Liabilities | <u>3,993,233</u> | <u>3,761,089</u> | <u>4,037,309</u> | <u>2,895,583</u> | <u>8,030,542</u> | <u>6,656,672</u> |
| Deferred Inflows of Resources | 783,653 | 823,258 | 207,606 | 170,234 | 991,259 | 993,492 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 14,442,054 | 14,241,800 | 12,347,115 | 12,318,000 | 26,789,169 | 26,559,800 |
| Restricted | 508,014 | 380,078 | 188,366 | 167,685 | 696,380 | 547,763 |
| Unrestricted | 2,063,905 | 2,136,248 | 3,400,527 | 3,024,924 | 5,464,432 | 5,161,172 |
| Total Net Position | <u>\$ 17,013,973</u> | <u>\$ 16,758,126</u> | <u>\$ 15,936,008</u> | <u>\$ 15,510,609</u> | <u>\$ 32,949,981</u> | <u>\$ 32,268,735</u> |

As of September 30, 2018, the City is able to report positive balances in total net position for the City as a whole. The same situation held true for the previous fiscal year.

CITY OF GULFPORT, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS - *Continued*

GOVERNMENT-WIDE FINANCIAL STATEMENTS - *Continued*

Statement of Net Position - *Continued*

Total capital assets increased by \$1,709,554 mainly as a result of current year acquisition of assets being greater than current year depreciation expense. This increase is in large part a result of infrastructure improvements discussed in further detail in the capital assets discussion. Some of the other large projects that contributed to this increase include:

- Chase Park – Tennis court improvements
- Skateboard Park – Design and permitting
- Street paving and resurfacing
- 56th Street road repair
- 59th Street South sidewalk installation
- Computer Lifecycle Replacement Program and network infrastructure upgrade
- Community Development – Energov software integration
- Fire Department – Bay floor resurfacing
- Public safety vehicles
- Completion of the Gulfport Municipal Marina Mooring Field
- Marina – Pump-out Vessel and equipment
- Sanitary Sewer – Major Sewer Rehabilitation Project
- Sanitary Sewer Evaluation Survey [SSES] – Planning phase II
- Sewer & Stormwater heavy duty equipment
- Sanitation – Sideloader & Rearloader
- Completion of Shore Boulevard Recreational Trail and Improvement Project – Phase II
- Tangerine Parkway – Trolley Market Square Improvement Project – planning and design

The Gulfport Municipal Mooring Field celebrated a grand opening in November 2018. The Mooring Field consists of 25 state of the art mooring balls that are designated for sailboats only. The City received \$100,000 from Pinellas County in FY18 to fund this project. In addition, the City purchased a Pump out vessel which will aid the disposal of vessel waste and improve water quality. This vessel was obtained through the assistance of the U.S. Fish and Wildlife Commission (FFWC), the Florida Department of Environmental Protection (FDEP), and the Clean Vessel Act.

Total long-term liabilities increased by \$1,698,794. Most notably the Florida Department of Environmental Protection State Revolving Loan reported a net increase of \$1,431,267 as a result of the City entering into the construction phase of major sewer system rehabilitation improvements. Capital Leases within the governmental activities reported a net increase of \$147,825 as capital lease agreements continue for the vehicle replacement plan within the Police Department.

There was a \$681,246 increase in the City’s total net position, as compared to the previous year, of this an increase of \$425,399 relates to the Enterprise Funds and an increase of \$255,847 relates to the governmental activities. This increase includes a restatement of net position of \$191,978 for the effects of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with \$164,108 attributed to governmental activities and \$27,870 attributed to business-type activities. Additional information regarding the City’s Other Postemployment Benefits (OPEB) Plan and the resulting restatement can be found in the notes to the financial statements. Details of these variances can be found below in the *Financial Analysis of the City’s Funds*.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - Continued

Changes in Net Position

The following schedule reflects the changes in net position for governmental and business-type activities

| | STATEMENT OF ACTIVITIES | | | | | |
|---|--|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | For the Year Ended September 30 | | | | | |
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total Primary Government</u> | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 4,112,033 | \$ 3,489,275 | \$ 10,637,796 | \$ 9,981,200 | \$ 14,749,829 | \$ 13,470,475 |
| Operating Grants and Contributions | 381,472 | 293,936 | 9,075 | 224,750 | 390,547 | 518,686 |
| Capital Grants and Contributions | 137,347 | 309,692 | 225,627 | 839,255 | 362,974 | 1,148,947 |
| General Revenues: | | | | | | |
| Property Taxes | 3,563,112 | 3,314,375 | - | - | 3,563,112 | 3,314,375 |
| Utility Taxes and Franchise | 2,372,732 | 2,297,783 | - | - | 2,372,732 | 2,297,783 |
| Sales, Use, and Other Taxes | 2,808,438 | 2,715,907 | - | - | 2,808,438 | 2,715,907 |
| Investment Income | 52,561 | 36,588 | 409 | 229 | 52,970 | 36,817 |
| Other | 176,961 | 128,144 | 65,500 | - | 242,461 | 128,144 |
| Total Revenues | <u>13,604,656</u> | <u>12,585,700</u> | <u>10,938,407</u> | <u>11,045,434</u> | <u>24,543,063</u> | <u>23,631,134</u> |
| EXPENSES | | | | | | |
| General Government | 1,566,692 | 1,613,579 | - | - | 1,566,692 | 1,613,579 |
| Public Safety | 5,744,614 | 5,483,173 | - | - | 5,744,614 | 5,483,173 |
| Recreation | 3,434,025 | 3,249,407 | - | - | 3,434,025 | 3,249,407 |
| Community Development / Redevelopment | 811,698 | 1,410,597 | - | - | 811,698 | 1,410,597 |
| Public Works | 1,836,660 | 1,038,754 | - | - | 1,836,660 | 1,038,754 |
| Interest on Long Term Debt | 13,012 | 6,497 | - | - | 13,012 | 6,497 |
| Sanitation | - | - | 2,473,830 | 2,209,531 | 2,473,830 | 2,209,531 |
| Water and Sewer | - | - | 5,824,820 | 5,399,306 | 5,824,820 | 5,399,306 |
| Marina | - | - | 1,964,488 | 1,762,291 | 1,964,488 | 1,762,291 |
| Total Expenses | <u>13,406,701</u> | <u>12,802,007</u> | <u>10,263,138</u> | <u>9,371,128</u> | <u>23,669,839</u> | <u>22,173,135</u> |
| Excess (Deficiency) Before Transfers | 197,955 | (216,307) | 675,269 | 1,674,306 | 873,224 | 1,457,999 |
| Transfers | 222,000 | (433,000) | (222,000) | 433,000 | - | - |
| Change in Net Position | 419,955 | (649,307) | 453,269 | 2,107,306 | 873,224 | 1,457,999 |
| Net Position - Beginning, as Previously Reported | 16,758,126 | 17,407,433 | 15,510,609 | 13,403,303 | 32,268,735 | 30,810,736 |
| Prior Period Adjustment | (164,108) | - | (27,870) | - | (191,978) | - |
| Net Position - Beginning, Restated | <u>16,594,018</u> | <u>17,407,433</u> | <u>15,482,739</u> | <u>13,403,303</u> | <u>32,076,757</u> | <u>30,810,736</u> |
| Net Position - Ending | <u>\$ 17,013,973</u> | <u>\$ 16,758,126</u> | <u>\$ 15,936,008</u> | <u>\$ 15,510,609</u> | <u>\$ 32,949,981</u> | <u>\$ 32,268,735</u> |

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

GOVERNMENT-WIDE FINANCIAL STATEMENTS - *Continued*

Normal Impacts

There are nine basic (normal) impacts on revenues and expenses, as reflected below.

Revenues

Economic Condition – Which can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, gas and other tax revenue, as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in Council Approved Rates – While statutes set certain tax rates, the City Council has significant authority to impose and periodically increase/decrease rates (sanitation, recycling, water, wastewater, stormwater, permitting, recreation user fees, slip rental, and facility rental fees, etc.).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically, while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Contribution from the Water and Sewer Fund – The City owns and operates the Water & Sewer utility system and provides administrative and support services for the utility. In return, the City receives payments from the utility. Therefore, the ongoing competitiveness and vitality of the utility is important to the City's well-being.

Market Impacts on Investment Income – Due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year.

Expenses

Introduction of New Programs – Within the functional expense categories (General Government, Public Safety, Public Works, Recreation, and Redevelopment, etc.), individual programs may be added or deleted to meet changing community needs.

Increase/Decrease in Authorized Personnel – Changes in service demand may cause the Council to increase/decrease authorized staffing. Historically staffing costs (salary and related benefits) represent a significant portion of the City's total expenses.

Salary Increases (cost of living, merit and market adjustment) – The ability to attract and retain qualified personnel requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities, such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity-specific increases (for example, fuel prices).

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

GOVERNMENT-WIDE FINANCIAL STATEMENTS - *Continued*

Current Year Impacts

Governmental activities program revenues increased by \$537,949, of which one of the largest contributing factors was an increase in revenue from permitting fees of \$195,772. Permitting fee rates were increased by 12.95%, coupled with an overall increase in permit activity, as well as a general increase in the valuation of the cost of construction which is used to calculate the permit fee. In addition, during fiscal year 2018 one large scale newly developed commercial property was permitted which is not expected to reoccur in future years. Another contribution to the program revenue is the increase in administrative overhead charges. A 15% charge against recurring revenues of operations in the Enterprise Funds is transferred to the General Fund to cover administrative services including finance, personnel, budgeting, risk management, clerical services, building maintenance etc. As reoccurring revenues in the Enterprise Fund increase, the 15% administrative revenue to the governmental funds raises as well.

General revenues increased by \$481,007 in FY 2018 most significantly due to additional ad valorem proceeds based on an increase to the taxable value of real and personal property of 7.73%. Also, related to the increase was a new contract that was negotiated effective October 1, 2017 with Pinellas County Emergency Medical Services Authority to provide First Responder Services. The new contract includes an increase of funding from 25% to 50% of the EMS coordinator position.

Revenues generated from charges for services for business-type activities increased by \$656,596 over the previous fiscal year while operating expenses increased by \$856,316 combined with other financing uses and sources the result was an increase in net position of \$453,269.

The increase in charges for services is a result of an increase in the Water and Sewer Fund of \$293,201, an increase in the Sanitation Fund of \$82,187, and an increase in the Marina Fund of \$281,208.

The Water and Sewer Fund increase is most significantly related to the rate increase of 9.75% for Water & Stormwater, and 20% increase in Sewer. The increase in the Sanitation Fund is largely the result of the 9.75% increase in refuse collection rates, however, special trash pick-up collections reduced significantly due to employee retirement. The increase in the Marina Fund is most significantly a result of fuel sales, as well as a rate increase of 12.95% for monthly slip rentals, dry storage rental fees, transient slip rentals, and boat ramp fees. Slip rental revenue increased slightly, however the Marina has remained at near capacity throughout FY 2018.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the year-end September 30, 2018, the governmental funds reported a combined fund balance of \$4.68 million, which is an 8.3% increase when compared to the previous year combined fund balance of \$4.32 million. As of fiscal year-end, the expenditures exceeded the revenues by \$125,270, before transfers and other sources, in all governmental funds combined. This is largely due to the General Fund including transfers as a revenue source to issue a balanced budget, and therefore was expected to have a deficit before transfers.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - *Continued*

Governmental Funds - *Continued*

In accordance with GAAP, the City's fund balances are allocated as follows: non-spendable for prepaid items and inventories of \$73,354, restricted for various purposes \$463,182, assigned for various purposes \$523,163, and unassigned of \$3,626,415.

The General Fund is the chief operating fund of the City. The General Fund had a total fund balance of \$3,799,334 at year end 2018, of which \$3,626,415 is unassigned, available for unforeseen emergencies and is considered necessary for the City. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.2% of the total general fund expenditures, while total fund balance represents 31.6% of that same amount.

The General Fund completed the fiscal year with an increase to fund balance of \$301,238 after transfers. The contributing factors include additional revenue from permitting fees (discussed earlier) and reduced costs due to reduced personnel and benefit costs; as a result of vacant positions in several departments throughout the year under the City Manager's direction to manage personnel and employee costs where possible.

Pinellas County Emergency Medical Services Authority contracts with the City of Gulfport to provide First Responder Services. A new contract was negotiated effective October 1, 2017 and includes an increase of funding from 25% to 50% of the EMS coordinator position

General Fund expenditures before transfers increased by \$678,107 over the prior fiscal year. The increase is significantly comprised of additional staffing levels of 4.5 full time equivalent positions in the General Fund. Positions were added in Streets, Planning, Recreation and the Library. A 3.5% cost of living increase on all city personnel wages was implemented, health insurance rates rose by only 1%, and the increase in the cost of workers compensation insurance increased by .3%.

The Capital Projects Fund is used to account for the proceeds and use of the local government infrastructure sales surtax of 1% or Penny for Pinellas for capital projects within the County. The Capital Projects Fund finished the fiscal year with a net increase to fund balance of \$86,258. Total encumbrances amounted to \$599,629 largely for the Tangerine Parkway – Trolley Market Square Improvement Project, which will be offset by anticipated grant proceeds of \$232,980. The net effect of the increase to fund balance, minus the total encumbrances, plus the anticipated grant revenue amounts to \$280,391, of which appropriated surplus was budgeted to be \$272,260.

Enterprise Funds

The City's enterprise funds include the City's Sanitation, Water and Sewer Fund, and Marina Fund. Total net position for the enterprise funds increased by \$425,399 from the prior year, although the current year change in net position reflects an increase of \$453,269. The difference is related to a restatement of net position of \$27,870 for the effects of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Each of the Enterprise Funds are considered major funds, and therefore are to be reviewed and analyzed as a separate and distinct business, thus the following commentary focuses on each fund.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - *Continued*

Enterprise Funds - *Continued*

The Sanitation Fund is used to account for the operations of the City's solid waste utility. The Sanitation Fund had a decrease in net position of \$177,435 compared to an increase of \$45,699 in the prior year. In fiscal year 2018 refuse collection and recycling rates were increased by 9.75%, however while revenues increased, significant wear and tear on the fleet has considerably increased the cost of maintaining the vehicles and equipment necessary to operate the Sanitation Fund. Also, the prior year's budget did not call for any PILOT transfers from this fund, whereas FY18 reported \$108,000 of PILOT expense. Additionally, the most significant expense that contributed to this year's deficit was contractual debris removal in the amount of \$181,145, of which, the City has not yet recognized any revenue from the Division of Emergency Management. The City is working with FEMA liaisons to recover these reimbursable costs.

The Water and Sewer Fund is used to account for the operations of the City's water, sewer and stormwater utility. The Water and Sewer Fund had an increase in net position of \$284,225 as compared to an increase of \$1,757,919 in the prior year.

The prior year had included capital contributions from State of Florida Department of Environmental Protection, and Southwest Florida Water Management District [SWFMD] to complete the 49th Street Stormwater Retrofit Project. There was also revenue recognized from the Division of Emergency Management to offset the costs associated with Hurricane Hermine. Lastly a new tier for water and sewer use above 20,000 gallons per month at a rate of \$17.95 and \$10.95 per thousand gallons respectively within the current water conservation inclining block rate structure, as well as a rate increase of 3.2% for both water and sewer was implemented.

The sharp decline in revenue in FY18 is a result of not receiving the previous revenue from capital contributions, or operating grants discussed above. Additionally, revenue slightly increased due to Water and Stormwater rate increases of 9.75% and a Sewer rate increase of 20%, however, much of this was offset by an increase in wholesale costs of 4.77% for water and 4.19% for wastewater.

The Marina Fund is used to account for the operations of the City's Municipal Marina. The Marina Fund had an increase in net position of \$346,479 compared to the prior year increase of \$303,688. Current year positive growth in net position is largely due to fuel sales.

**CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued***

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - *Continued*

BUDGETARY HIGHLIGHTS – GENERAL FUND

**GENERAL FUND
For the Year Ended September 30, 2018**

| Expenditures | <u>Original Budget</u> | <u>Final Budget</u> | <u>Difference</u> |
|-------------------------|------------------------|----------------------|-------------------|
| General Government | \$ 1,642,580 | \$ 1,540,560 | \$ (102,020) |
| Public Safety | 5,068,261 | 5,333,236 | 264,975 |
| Recreation | 3,159,600 | 3,138,119 | (21,481) |
| Community Development / | | | |
| Redevelopment | 838,463 | 773,226 | (65,237) |
| Public Works | 1,521,096 | 1,634,022 | 112,926 |
| Transfers Out | 20,000 | 20,000 | - |
| | <u>\$ 12,250,000</u> | <u>\$ 12,439,163</u> | <u>\$ 189,163</u> |

| Expenditures | <u>Actual</u> | <u>Final Budget</u> | <u>Difference</u> |
|-------------------------|----------------------|----------------------|---------------------|
| General Government | \$ 1,488,743 | \$ 1,540,560 | \$ (51,817) |
| Public Safety | 5,223,519 | 5,333,236 | (109,717) |
| Recreation | 2,979,511 | 3,138,119 | (158,608) |
| Community Development / | | | |
| Redevelopment | 743,339 | 773,226 | (29,887) |
| Public Works | 1,585,687 | 1,634,022 | (48,335) |
| Transfers Out | - | 20,000 | (20,000) |
| | <u>\$ 12,020,799</u> | <u>\$ 12,439,163</u> | <u>\$ (418,364)</u> |

The General Fund final budget in total increased by \$189,162 from the original budget. The components of the change include insurance proceeds, sale of surplus equipment, grants, and use of appropriated surplus. The detail of appropriated surplus includes the addition of a School Resource Officer to Gulfport Elementary school, use of prior year restricted fund balance for employee recognition and payments on purchase orders for professional services that were encumbered in FY17 and paid in FY18.

Final budgeted expenditures, including transfers out, for the General Fund increased by \$146,395 over the prior fiscal year final budget. The FY17 final budget encompassed several projects as a result of the BP Oil Company Settlement totaling \$652,488 which did not reoccur in FY18, therefore when excluding the one-time project expenditures, the increase would result in the amount of \$798,883. This growth is comprised of an increase in staffing levels of 4.5 full time equivalent positions in the General Fund. There were positions added in Streets, Planning, Recreation and the Library. Also, a 3.5% Cost of Living (COLA) increase was provided to all non-union General Employees. Public Safety personnel provided for their respective Collective Bargaining Agreement(s) step pay plans ranging from 12 to 17 steps, with a 2% – 3% salary increase per step based upon tenure/seniority within pay grade. City Council also authorized a 5% increase in compensation of the City Manager and City Clerk, as well as an increase in compensation allotted for Councilmembers, including the Mayor for the first time since 2014.

The FY 2018 budget provided for the Marina to include the (3rd) and final transfer back to the General Fund in the amount of \$380,000 of the intended \$880,000 of PILOT dollars expected to be generated from the new Marina building.

Actual fiscal year 2018 net change in fund balance, including transfers, for the General Fund were more than the final budgeted net change in fund balance by \$322,467. Revenues actually collected came in under budget by \$95,896 due to economic fluctuation, while expenditures were under budget by \$398,363 mostly due to reduced personnel and benefit costs; as a result of vacant positions in several departments throughout the year under the City Manager's direction to manage personnel and employee costs where possible.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - *Continued*

CAPITAL ASSETS

As of September 30, 2018, the City had \$30,379,174 invested in a variety of capital assets, as compared to \$28,669,620 as of September 30, 2017. This represents a net increase of \$1,709,554 or 5.96% from the prior year. Governmental activities contributed 17% of this increase while business-type activities contributed 83%.

Construction in Progress within the Governmental Activities of \$385,430 includes architectural design services for both the Senior Center and Skate Park, engineering services for the Tangerine Parkway – Trolley Market Square Improvement Project, as well as expenses related to the Osgood Point trail connector.

Construction in Progress within the Business-type Activities of \$3,295,851 is comprised of the Sanitary Sewer Evaluation Survey Planning Phase I and Phase II which includes closed circuit television investigations and recommendations for repair and rehabilitation of the collection systems, as well as construction support including bidding assistance and program management for the City's wastewater utilities system. Also included is the Sanitary Sewer Major Rehabilitation Phase I which involves primarily priority 1 repairs including replacing fractured or broken pipes, holes, gusher type infiltration, sand infiltration, large offset joints, delaminated liners, defective point repairs, and broken lateral connections.

Depreciation slightly increased from the prior year due to projects that were components of Construction in Progress reaching completion and are now being depreciated. This includes the Municipal Marina's new Mooring Field Project.

CAPITAL ASSETS
As of September 30

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 592,072 | \$ 592,072 | \$ 20,000 | \$ 20,000 | \$ 612,072 | \$ 612,072 |
| Construction in Progress | 385,430 | 646,469 | 3,295,851 | 1,906,359 | 3,681,281 | 2,552,828 |
| Buildings | 10,857,853 | 10,857,853 | 1,556,390 | 1,556,390 | 12,414,243 | 12,414,243 |
| Infrastructure and Improvements | 18,164,340 | 16,768,290 | 24,618,122 | 24,604,914 | 42,782,462 | 41,373,204 |
| Equipment | 4,807,576 | 4,494,300 | 3,910,411 | 3,111,857 | 8,717,987 | 7,606,157 |
| Software | 416,345 | 346,061 | 69,953 | 69,653 | 486,298 | 415,714 |
| | <u>35,223,616</u> | <u>33,705,045</u> | <u>33,470,727</u> | <u>31,269,173</u> | <u>68,694,343</u> | <u>64,974,218</u> |
| Less: Accumulated Depreciation | <u>(20,253,940)</u> | <u>(19,023,093)</u> | <u>(18,061,229)</u> | <u>(17,281,505)</u> | <u>(38,315,169)</u> | <u>(36,304,598)</u> |
| Capital Assets, net | <u>\$ 14,969,676</u> | <u>\$ 14,681,952</u> | <u>\$ 15,409,498</u> | <u>\$ 13,987,668</u> | <u>\$ 30,379,174</u> | <u>\$ 28,669,620</u> |

Additional detailed information on the City's capital assets may be found in the notes to the financial statements, Note 5.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - *Continued*

LONG TERM DEBT

The City entered into an agreement with the Florida Department of Environmental Protection for a loan of up to \$1,500,000 for Phase I planning costs involved in major sewer system rehabilitation improvements. Additionally, on April 4, 2017 two additional loans were executed, one for Phase II Sanitary Sewer Evaluation Survey [SSES] in the amount of \$601,300, and another for major sewer rehabilitation in the amount of \$2,518,703. The Phase II SSES work will run concurrently with the major rehabilitation construction project and completion of project construction is scheduled for September 15, 2019. The current total principal and interest to be paid on the above referenced loans is \$3,426,839 as of September 30, 2018.

LONG TERM DEBT
As of September 30

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------|--------------------------------|-------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Capital Leases | \$ 436,386 | \$ 288,561 | \$ 28,229 | \$ 91,918 | \$ 464,615 | \$ 380,479 |
| State Revolving Loans | - | - | 2,995,086 | 1,563,819 | 2,995,086 | 1,563,819 |
| | <u>\$ 436,386</u> | <u>\$ 288,561</u> | <u>\$ 3,023,315</u> | <u>\$ 1,655,737</u> | <u>\$ 3,459,701</u> | <u>\$ 1,944,298</u> |

Business-type activities had \$3,023,315 in outstanding long-term debt. The FDEP loan discussed in the preceding paragraph is responsible for \$2,995,086. The remaining \$28,229 relates to a Master Equipment Lease/Purchase Agreement for equipment related to the solid waste utility operation which is scheduled for final payment in September 2019. Governmental activities initiated the first Master Equipment Lease Purchase Agreement for eight police vehicles with The Bancorp with an interest rate of 4.957% on April 10, 2017. Additional schedules to the loan were initiated beginning in July 2018 for ten added police vehicles with an average interest rate of 5.53%. As of September 30, 2018, there was a total outstanding balance of \$436,386.

Additional detailed information on the City's long-term debt and other long-term liabilities may be found in the notes to the financial statements, Note 7.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - *Continued*

ECONOMIC FACTORS AND YEAR 2019 BUDGETS AND RATES

The City continued to face changing economic times in our community, state and nation. With the positive growth in property values, much of the budget development process is focused on beginning to address the past compounded decline in revenues and the continued ability of the City Council and staff to maintain the traditional high levels of personal services provided the residents of the City of Gulfport. It is paramount the City must continually address the sustained financial impact of providing such a high level of services as the City moves forward. Gulfport, like many other local governments, primarily relies on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees to fund governmental activities. The budget development process for FY 2019 was focused on the City's ability to fund present and future levels of General Fund operations and services.

Key Factors considered in preparing the City of Gulfport's budget for fiscal year 2019 included:

- The Ad Valorem millage (property tax) has been budgeted to remain at 4.039 mils for the 7th consecutive year. An increase in the actual assessed value of property in the City is projected to generate an estimated \$270,000 in additional revenue.
- Fiscal Year 2018-2019 property tax revenues will increase with the City Manager recommended adoption of the operating millage rate of 4.039. This is the fifth consecutive year of improved property values.
- No recommended increase in Water, Sewer Rate or Sanitation Rates at this time for Fiscal Year 2019.
- An increase in Stormwater rates of 25% (\$1.00) is included in the budget.
- An increase in employee compensation has been included in the budget with the application of a 3.5% salary plan adjustment program, pending negotiated adjustments to the Public Safety pay plans.
- Employee health insurance increased 8% across all funds.
- Overall renewal rate of insurance coverage for Property, Workers' Compensation, General Liability, Automotive Liability, and Public Official Liability amounts increased 6.72% in total.
- Fuel cost adjustments across all funds due to continued volatility of costs.
- Pension contributions to all three (3) City sponsored funds have experienced market volatility - management staff contribution will remain at 12%. Due to the historical nature of the performance of the financial markets, the Fiscal Year 2018-2019 budget will continue to offset the cost of legally required contributions required to maintain actuarial soundness within the plan.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City's Finance Director at City Hall at 2401 53rd Street South, Gulfport, Florida 33707, telephone (727) 893-1014.

Basic Financial Statements

The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The government-wide financial statements present financial information about the reporting government, as a whole, except for its fiduciary activities. The fund financial statements present financial information about major funds individually and nonmajor funds in the aggregate. They also include financial information about the fiduciary funds. The notes to the financial statements present information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements.

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CITY OF GULFPORT, FLORIDA
STATEMENT OF NET POSITION
September 30, 2018

| | Governmental | Business-type | Total |
|---|----------------------|----------------------|----------------------|
| | Activities | Activities | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 3,890,159 | \$ 2,479,387 | \$ 6,369,546 |
| Restricted Cash and Investments | 508,014 | 422,143 | 930,157 |
| Receivables (Net) | 603,739 | 1,084,471 | 1,688,210 |
| Due from Other Governments | 114,131 | 62,113 | 176,244 |
| Inventories | 32,689 | 69,288 | 101,977 |
| Prepaid Items | 40,665 | 1,000 | 41,665 |
| Net Pension Asset | 1,121,034 | 480,433 | 1,601,467 |
| Capital Assets: | | | |
| Capital Assets Not Being Depreciated | 977,502 | 3,315,851 | 4,293,353 |
| Capital Assets Being Depreciated and Amortized (Net) | 13,992,174 | 12,093,647 | 26,085,821 |
| Total Capital Assets | <u>14,969,676</u> | <u>15,409,498</u> | <u>30,379,174</u> |
| Total Assets | <u>21,280,107</u> | <u>20,008,333</u> | <u>41,288,440</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows for Pensions | <u>510,752</u> | <u>172,590</u> | <u>683,342</u> |
| Total Deferred Outflows of Resources | <u>510,752</u> | <u>172,590</u> | <u>683,342</u> |
| LIABILITIES | | | |
| Accounts Payable | 232,376 | 408,908 | 641,284 |
| Liabilities Payable from Restricted Assets | - | 233,777 | 233,777 |
| Accrued Liabilities | 229,519 | 56,842 | 286,361 |
| Due to Other Governments | 6,902 | 82,782 | 89,684 |
| Deposits | 34,486 | - | 34,486 |
| Long-term Liabilities: | | | |
| Due within One Year | 472,196 | 75,526 | 547,722 |
| Due in More Than One Year | <u>3,017,754</u> | <u>3,179,474</u> | <u>6,197,228</u> |
| Total Liabilities | <u>3,993,233</u> | <u>4,037,309</u> | <u>8,030,542</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows for OPEB | 640 | 109 | 749 |
| Deferred Inflows for Pensions | <u>783,013</u> | <u>207,497</u> | <u>990,510</u> |
| Total Deferred Inflows of Resources | <u>783,653</u> | <u>207,606</u> | <u>991,259</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 14,442,054 | 12,347,115 | 26,789,169 |
| Restricted | | | |
| Sewer Projects | - | 185,505 | 185,505 |
| Capital Projects | 419,309 | - | 419,309 |
| Debt Service | - | 2,861 | 2,861 |
| Library Projects | 44,832 | - | 44,832 |
| Public Safety | 1,000 | - | 1,000 |
| Other Special Projects | 42,873 | - | 42,873 |
| Unrestricted | <u>2,063,905</u> | <u>3,400,527</u> | <u>5,464,432</u> |
| Total Net Position | <u>\$ 17,013,973</u> | <u>\$ 15,936,008</u> | <u>\$ 32,949,981</u> |

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

| | <u>Program Revenues</u> | | | |
|---------------------------------------|-------------------------|-----------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental Activities: | | | | |
| General Government | \$ 1,566,692 | \$ 1,766,829 | \$ 486 | \$ - |
| Public Safety | 5,744,614 | 1,179,267 | 72,070 | - |
| Recreation | 3,434,025 | 778,508 | 308,916 | 126,191 |
| Community Development/Redevelopment | 811,698 | - | - | - |
| Public Works | 1,836,660 | 387,429 | - | 11,156 |
| Interest on Long-Term Debt | 13,012 | - | - | - |
| Total Governmental Activities | <u>13,406,701</u> | <u>4,112,033</u> | <u>381,472</u> | <u>137,347</u> |
| Business-type Activities: | | | | |
| Sanitation | 2,473,830 | 2,329,632 | 9,075 | - |
| Water and Sewer | 5,824,820 | 6,091,054 | - | 17,820 |
| Marina | 1,964,488 | 2,217,110 | - | 207,807 |
| Total Business-type Activities | <u>10,263,138</u> | <u>10,637,796</u> | <u>9,075</u> | <u>225,627</u> |
| Total | <u>\$ 23,669,839</u> | <u>\$ 14,749,829</u> | <u>\$ 390,547</u> | <u>\$ 362,974</u> |

General Revenues:
Property Tax
Sales Tax
Infrastructure Surtax
Public Service Tax
Gas Tax
State Revenue Sharing
Other Taxes
Franchise Fees
Investment Income
Miscellaneous
Gain on Sale of Assets
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning, as Restated
Net Position - Ending

The notes to the financial statements are an integral part of the financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

| Governmental Activities | Business- type Activities | Total |
|------------------------------------|--|----------------------|
| \$ 200,623 | \$ - | \$ 200,623 |
| (4,493,277) | - | (4,493,277) |
| (2,220,410) | - | (2,220,410) |
| (811,698) | - | (811,698) |
| (1,438,075) | - | (1,438,075) |
| <u>(13,012)</u> | <u>-</u> | <u>(13,012)</u> |
| <u>(8,775,849)</u> | <u>-</u> | <u>(8,775,849)</u> |
| - | (135,123) | (135,123) |
| - | 284,054 | 284,054 |
| <u>-</u> | <u>460,429</u> | <u>460,429</u> |
| <u>-</u> | <u>609,360</u> | <u>609,360</u> |
| <u>(8,775,849)</u> | <u>609,360</u> | <u>(8,166,489)</u> |
| 3,563,112 | - | 3,563,112 |
| 798,887 | - | 798,887 |
| 1,343,079 | - | 1,343,079 |
| 1,620,445 | - | 1,620,445 |
| 174,274 | - | 174,274 |
| 424,823 | - | 424,823 |
| 67,375 | - | 67,375 |
| 752,287 | - | 752,287 |
| 52,561 | 409 | 52,970 |
| 176,961 | - | 176,961 |
| - | 65,500 | 65,500 |
| <u>222,000</u> | <u>(222,000)</u> | <u>-</u> |
| <u>9,195,804</u> | <u>(156,091)</u> | <u>9,039,713</u> |
| 419,955 | 453,269 | 873,224 |
| <u>16,594,018</u> | <u>15,482,739</u> | <u>32,076,757</u> |
| <u>\$ 17,013,973</u> | <u>\$ 15,936,008</u> | <u>\$ 32,949,981</u> |

CITY OF GULFPORT, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------|--|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 3,562,938 | \$ 363,238 | \$ 471,997 | \$ 4,398,173 |
| Accounts Receivable (Net) | 599,570 | - | 4,169 | 603,739 |
| Due from Other Governments | 9,079 | 105,052 | - | 114,131 |
| Prepaid Items | 39,827 | - | 838 | 40,665 |
| Inventories | 32,689 | - | - | 32,689 |
| Total Assets | <u>\$ 4,244,103</u> | <u>\$ 468,290</u> | <u>\$ 477,004</u> | <u>\$ 5,189,397</u> |
| LIABILITIES AND FUND | | | | |
| BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 174,032 | \$ 48,981 | \$ 9,363 | \$ 232,376 |
| Accrued Liabilities | 229,349 | - | 170 | 229,519 |
| Due to Other Governments | 6,902 | - | - | 6,902 |
| Deposits Payable | 34,486 | - | - | 34,486 |
| Total Liabilities | <u>444,769</u> | <u>48,981</u> | <u>9,533</u> | <u>503,283</u> |
| Fund Balances: | | | | |
| Nonspendable Inventories and Prepays | 72,516 | - | 838 | 73,354 |
| Restricted for Law Enforcement | - | - | 1,000 | 1,000 |
| Restricted for Capital Purchases | - | 419,309 | - | 419,309 |
| Restricted for Donor Provisions | 42,873 | - | - | 42,873 |
| Restricted for Library | - | - | 44,832 | 44,832 |
| Assigned for Solar Improvements | 20,000 | - | - | 20,000 |
| Assigned for Capital Purchases | 8,785 | - | - | 8,785 |
| Assigned for Subsequent Year's Budget | 28,745 | - | - | 28,745 |
| Assigned for 49th Street Redevelopment | - | - | 11,963 | 11,963 |
| Assigned for Beach Renourishment | - | - | 20,000 | 20,000 |
| Assigned for Williams Pier | - | - | 10,000 | 10,000 |
| Assigned for Other Waterfront Redevelopment | - | - | 378,838 | 378,838 |
| Unassigned | 3,626,415 | - | - | 3,626,415 |
| Total Fund Balances | <u>3,799,334</u> | <u>419,309</u> | <u>467,471</u> | <u>4,686,114</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,244,103</u> | <u>\$ 468,290</u> | <u>\$ 477,004</u> | <u>\$ 5,189,397</u> |

The notes to the financial statements are an integral part of the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
as of September 30, 2018

Total fund balances of governmental funds \$ 4,686,114

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$35,223,616, and the accumulated depreciation and amortization is \$20,253,940. 14,969,676

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Long-term liabilities at year-end consist of:

| | | |
|-----------------------|------------------|-------------|
| Capital leases | (436,386) | |
| Total OPEB Liability | (499,284) | |
| Net pension liability | (1,817,340) | |
| Compensated absences | <u>(736,940)</u> | |
| | | (3,489,950) |

The net pension asset is not a current financial resource; and therefore is not reported in governmental funds. 1,121,034

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in governmental funds.

| | | |
|---|------------------|-----------|
| Deferred outflows of resources for pensions | 510,752 | |
| Deferred inflows of resources for OPEB | (640) | |
| Deferred inflows of resources for pensions | <u>(783,013)</u> | (272,901) |

Total net position of governmental activities \$ 17,013,973

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|--|---|
| REVENUES | | | | |
| Taxes | \$ 5,863,319 | \$ 1,343,079 | \$ 294,384 | \$ 7,500,782 |
| Permits and Fees | 573,526 | 11,156 | - | 584,682 |
| Intergovernmental Revenues | 1,956,345 | 129,551 | - | 2,085,896 |
| Charges for Services | 2,742,381 | - | - | 2,742,381 |
| Fines and Forfeitures | 109,675 | - | - | 109,675 |
| Investment Income | 52,561 | - | - | 52,561 |
| Miscellaneous Revenues | 422,230 | 413 | 46,865 | 469,508 |
| Total Revenues | <u>11,720,037</u> | <u>1,484,199</u> | <u>341,249</u> | <u>13,545,485</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 1,488,743 | - | - | 1,488,743 |
| Public Safety | 5,223,519 | - | 19,465 | 5,242,984 |
| Recreation | 2,979,511 | - | - | 2,979,511 |
| Community Development/ Redevelopment | 743,339 | - | 379,489 | 1,122,828 |
| Public Works | 1,585,687 | - | - | 1,585,687 |
| Capital Outlay | - | 1,123,482 | - | 1,123,482 |
| Debt Service: | | | | |
| Principal | - | 114,508 | - | 114,508 |
| Interest | - | 13,012 | - | 13,012 |
| Total Expenditures | <u>12,020,799</u> | <u>1,251,002</u> | <u>398,954</u> | <u>13,670,755</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(300,762)</u> | <u>233,197</u> | <u>(57,705)</u> | <u>(125,270)</u> |
| OTHER FINANCING SOURCES AND (USES) | | | | |
| Capital Lease Issuance | - | 262,333 | - | 262,333 |
| Transfers In | 602,000 | - | 29,272 | 631,272 |
| Transfers (Out) | - | (409,272) | - | (409,272) |
| Total Other Financing Sources and (Uses) | <u>602,000</u> | <u>(146,939)</u> | <u>29,272</u> | <u>484,333</u> |
| Net Change in Fund Balances | 301,238 | 86,258 | (28,433) | 359,063 |
| Fund Balances - Beginning | <u>3,498,096</u> | <u>333,051</u> | <u>495,904</u> | <u>4,327,051</u> |
| Fund Balances - Ending | <u>\$ 3,799,334</u> | <u>\$ 419,309</u> | <u>\$ 467,471</u> | <u>\$ 4,686,114</u> |

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2018

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 359,063 |
|--|----|---------|

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated and amortized over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which the cost of capital purchases (\$1,759,061) and donated assets (\$59,171) exceeds depreciation and amortization (\$1,510,014).

| | | |
|--|--|---------|
| | | 308,218 |
|--|--|---------|

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:

Debt issued or incurred:

| | | |
|---------------------------|----|-----------|
| Issuance of capital lease | \$ | (262,333) |
|---------------------------|----|-----------|

Principal repayments:

| | | |
|--------|--|-----------|
| Leases | | 114,508 |
| | | (147,825) |

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:

| | | |
|----------------------|--|----------|
| Compensated absences | | (11,993) |
|----------------------|--|----------|

In the statement of activities, only the loss on the sale/disposal of capital assets is reported. The change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed or adjusted in value.

| | | |
|--|--|----------|
| | | (20,494) |
|--|--|----------|

Governmental funds report City pension contributions and OPEB benefit payments as expenditures. In the statement of activities, the cost of pension and OPEB benefits earned net of contributions and OPEB benefit payments is reported as expense.

| | | |
|---|--|----------|
| Difference between OPEB benefit payments and net OPEB expense | | (28,373) |
|---|--|----------|

| | | |
|--|--|----------|
| Difference between pension contributions and net pension expense | | (38,641) |
| | | (38,641) |

| | | |
|---|----|---------|
| Change in net position of governmental activities | \$ | 419,955 |
|---|----|---------|

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|------------------|-------------------|
| | Sanitation | Water and Sewer | Marina | Total |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 140,370 | \$ 1,376,609 | \$ 962,408 | \$ 2,479,387 |
| Restricted Assets: | | | | |
| Cash Held for Customer Deposits | - | 151,450 | 82,327 | 233,777 |
| Cash Held for Debt Service | - | 2,861 | - | 2,861 |
| Cash Held for Sewer Impact Fees | - | 185,505 | - | 185,505 |
| Accounts Receivable (Net) | 322,317 | 734,751 | 27,403 | 1,084,471 |
| Due from Other Governments | - | 62,113 | - | 62,113 |
| Inventories | - | 49,340 | 19,948 | 69,288 |
| Prepaid Items | - | - | 1,000 | 1,000 |
| Total Current Assets | 462,687 | 2,562,629 | 1,093,086 | 4,118,402 |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Land | - | - | 20,000 | 20,000 |
| Buildings | 230,746 | 411,965 | 913,679 | 1,556,390 |
| Infrastructure and Improvements | 295,053 | 19,795,300 | 4,527,769 | 24,618,122 |
| Equipment and Machinery | 2,314,992 | 1,074,256 | 521,163 | 3,910,411 |
| Software | 17,104 | 36,274 | 16,575 | 69,953 |
| Construction in Progress | - | 3,295,851 | - | 3,295,851 |
| Less: Accumulated Depreciation and Amortization | (2,267,017) | (11,954,992) | (3,839,220) | (18,061,229) |
| Total Capital Assets (Net) | 590,878 | 12,658,654 | 2,159,966 | 15,409,498 |
| Net Pension Asset | 246,425 | 164,774 | 69,234 | 480,433 |
| Total Noncurrent Assets | 837,303 | 12,823,428 | 2,229,200 | 15,889,931 |
| Total Assets | 1,299,990 | 15,386,057 | 3,322,286 | 20,008,333 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows for Pensions | \$ 104,229 | \$ 62,984 | \$ 5,377 | \$ 172,590 |

Continued

CITY OF GULFPORT, FLORIDA
STATEMENT OF NET POSITION - Continued
PROPRIETARY FUNDS
September 30, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|---------------------|----------------------|
| | Sanitation | Water and Sewer | Marina | Total |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ 38,070 | \$ 342,342 | \$ 28,496 | \$ 408,908 |
| Accrued Liabilities | 37,476 | 9,207 | 10,159 | 56,842 |
| Due to Other Governments | - | 80,727 | 2,055 | 82,782 |
| Liabilities Payable from Restricted | | | | |
| Assets - Deposits | - | 151,450 | 82,327 | 233,777 |
| Capital Lease Payable | 28,229 | - | - | 28,229 |
| Compensated Absences Payable | 14,921 | 20,089 | 12,287 | 47,297 |
| Total Current Liabilities | 118,696 | 603,815 | 135,324 | 857,835 |
| Noncurrent Liabilities: | | | | |
| Other Postemployment Benefits | 53,970 | 33,310 | 14,855 | 102,135 |
| Revolving Loan Payable | - | 2,995,086 | - | 2,995,086 |
| Compensated Absences Payable | 15,713 | 39,669 | 26,871 | 82,253 |
| Total Noncurrent Liabilities | 69,683 | 3,068,065 | 41,726 | 3,179,474 |
| Total Liabilities | 188,379 | 3,671,880 | 177,050 | 4,037,309 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows for OPEB | 50 | 36 | 23 | 109 |
| Deferred Inflows for Pensions | 108,539 | 74,068 | 24,890 | 207,497 |
| Total Deferred Inflows of Resources | 108,589 | 74,104 | 24,913 | 207,606 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 562,649 | 9,624,500 | 2,159,966 | 12,347,115 |
| Restricted for Sewer Projects | - | 185,505 | - | 185,505 |
| Restricted for Debt Service | - | 2,861 | - | 2,861 |
| Unrestricted | 544,602 | 1,890,191 | 965,734 | 3,400,527 |
| Total Net Position | \$ 1,107,251 | \$ 11,703,057 | \$ 3,125,700 | \$ 15,936,008 |

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended September 30, 2018

| | Business-type Activities - Enterprise Funds | | | |
|---|--|----------------------------|---------------------|----------------------|
| | Sanitation | Water and Sewer | Marina | Total |
| OPERATING REVENUES: | | | | |
| Charges for Services | \$ 2,329,632 | \$ 6,091,054 | \$ 2,212,712 | \$ 10,633,398 |
| Miscellaneous Revenues | - | - | 4,398 | 4,398 |
| Total Operating Revenues | <u>2,329,632</u> | <u>6,091,054</u> | <u>2,217,110</u> | <u>10,637,796</u> |
| OPERATING EXPENSES: | | | | |
| Personal Services | 796,798 | 632,293 | 261,599 | 1,690,690 |
| Contracted Services | 612,404 | 3,070,136 | 16,459 | 3,698,999 |
| Supplies and Materials | 85,566 | 147,606 | 918,639 | 1,151,811 |
| Repairs and Maintenance | 351,276 | 252,019 | 55,662 | 658,957 |
| Administrative Overhead | 365,663 | 970,017 | 293,321 | 1,629,001 |
| Other Services and Charges | 37,887 | 97,909 | 199,073 | 334,869 |
| Depreciation and Amortization | 223,074 | 617,977 | 219,178 | 1,060,229 |
| Total Operating Expenses | <u>2,472,668</u> | <u>5,787,957</u> | <u>1,963,931</u> | <u>10,224,556</u> |
| Operating Income (Loss) | <u>(143,036)</u> | <u>303,097</u> | <u>253,179</u> | <u>413,240</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Operating Grants | 9,075 | - | - | 9,075 |
| Investment Income | 188 | 171 | 50 | 409 |
| Interest Expense | (1,162) | (36,863) | (557) | (38,582) |
| Gain/Loss from Sale of Capital Assets | 65,500 | - | - | 65,500 |
| Total Nonoperating Revenues (Expenses) | <u>73,601</u> | <u>(36,692)</u> | <u>(507)</u> | <u>36,402</u> |
| Income (Loss) Before Contributions and Transfers | (69,435) | 266,405 | 252,672 | 449,642 |
| Capital Contributions | - | 17,820 | 207,807 | 225,627 |
| Transfers In | - | - | 380,000 | 380,000 |
| Transfers (Out) | (108,000) | - | (494,000) | (602,000) |
| Change in Net Position | <u>(177,435)</u> | <u>284,225</u> | <u>346,479</u> | <u>453,269</u> |
| Total Net Position - Beginning, as Restated | <u>1,284,686</u> | <u>11,418,832</u> | <u>2,779,221</u> | <u>15,482,739</u> |
| Total Net Position - Ending | <u>\$ 1,107,251</u> | <u>\$ 11,703,057</u> | <u>\$ 3,125,700</u> | <u>\$ 15,936,008</u> |

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended September 30, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|---------------------|---------------------|
| | Sanitation | Water and Sewer | Marina | Total |
| Cash Flows from Operating Activities | | | | |
| Receipts from Customers and Users | \$ 2,305,617 | \$ 6,848,340 | \$ 2,227,169 | \$ 11,381,126 |
| Payments to Suppliers | (1,465,468) | (4,781,209) | (1,474,156) | (7,720,833) |
| Payments to Employees | (821,294) | (648,659) | (260,761) | (1,730,714) |
| Net Cash and Cash Equivalent Provided by Operating Activities | 18,855 | 1,418,472 | 492,252 | 1,929,579 |
| Cash Flows from Noncapital Financing Activities | | | | |
| Transfers (to) Other Funds | (108,000) | - | (494,000) | (602,000) |
| Transfers from Other Funds | - | - | 380,000 | 380,000 |
| Interfund Loan | - | (263,294) | (378,634) | (641,928) |
| Operating Grants | 9,075 | - | - | 9,075 |
| Net Cash and Cash Equivalent Provided (Used) in Noncapital Financing Activities | (98,925) | (263,294) | (492,634) | (854,853) |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Acquisition/Construction of Capital Assets | (357,756) | (1,797,591) | (287,644) | (2,442,991) |
| Impact Fees Received | - | 17,820 | - | 17,820 |
| Capital Grants Received | - | - | 215,231 | 215,231 |
| Proceeds from Sale of Assets | 65,500 | - | - | 65,500 |
| Proceeds from Revolving Loan | - | 1,431,267 | - | 1,431,267 |
| Principal Payments | (63,689) | - | - | (63,689) |
| Interest Payments | (1,162) | (36,863) | (557) | (38,582) |
| Net Cash and Cash Equivalent (Used) in Capital and Related Financing Activities | (357,107) | (385,367) | (72,970) | (815,444) |
| Cash Flows from Investing Activities | | | | |
| Income Received from Investments | 188 | 171 | 50 | 409 |
| Net Cash and Cash Equivalent Provided in Investing Activities | 188 | 171 | 50 | 409 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (436,989) | 769,982 | (73,302) | 259,691 |
| Cash and Cash Equivalents at Beginning of Year | 577,359 | 946,443 | 1,118,037 | 2,641,839 |
| Cash and Cash Equivalents at End of Year | \$ 140,370 | \$ 1,716,425 | \$ 1,044,735 | \$ 2,901,530 |

Continued

CITY OF GULFPORT, FLORIDA
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
For The Year Ended September 30, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|-------------------|---------------------|
| | Sanitation | Water and Sewer | Marina | Total |
| Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents Provided by Operating Activities | | | | |
| Operating Income (Loss) | \$ (143,036) | \$ 303,097 | \$ 253,179 | \$ 413,240 |
| Depreciation and Amortization | 223,074 | 617,977 | 219,178 | 1,060,229 |
| Deferred Outflows for Pensions | (16,550) | (14,336) | (4,465) | (35,351) |
| Deferred Inflows for Pensions | 17,445 | 15,111 | 4,707 | 37,263 |
| Deferred Inflows for OPEB | 50 | 36 | 23 | 109 |
| Total OPEB Liability | 2,180 | 1,543 | 986 | 4,709 |
| Net Pension Liability | (18,405) | (15,943) | (4,966) | (39,314) |
| Change in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | (24,015) | (16,743) | 13,752 | (27,006) |
| (Increase) Decrease in Due from Other Governments | - | 772,608 | - | 772,608 |
| (Increase) Decrease in Inventories | - | 4,368 | 8,353 | 12,721 |
| Increase (Decrease) in Accounts Payable | (12,672) | (237,996) | 5,601 | (245,067) |
| Increase (Decrease) in Due to Other Governments | - | (9,894) | (4,956) | (14,850) |
| Increase (Decrease) in Accrued Liabilities | (4,899) | 4,220 | 2,269 | 1,590 |
| Increase (Decrease) in Compensated Absences | (4,317) | (6,997) | 2,284 | (9,030) |
| Increase (Decrease) in Customer Deposits | - | 1,421 | (3,693) | (2,272) |
| Total Adjustments | 161,891 | 1,115,375 | 239,073 | 1,516,339 |
| Net Cash and Cash Equivalents Provided by Operating Activities | \$ 18,855 | \$ 1,418,472 | \$ 492,252 | \$ 1,929,579 |

There were no noncash transactions.

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
September 30, 2018

ASSETS

| | |
|---------------------------------|----------------|
| Cash and Cash Equivalents: | |
| Short Term Investments | \$ 381,088 |
| Total Cash and Cash Equivalents | <u>381,088</u> |

Receivables:

| | |
|-------------------------------|----------------|
| City Contributions in Transit | 110,226 |
| Additional City Contribution | 6,964 |
| Employee Buyback | 15,940 |
| Due from Broker | 9,556 |
| Investment Income | 26,838 |
| Due from Government | <u>1,305</u> |
| Total Receivables | <u>170,829</u> |

Investments, at Fair Value:

| | |
|-----------------------------|--------------------------|
| U.S. Government Obligations | 274,184 |
| Asset-backed Securities | 1,094,466 |
| Stocks | 2,405,376 |
| Corporate Bonds | 2,023,208 |
| Mutual Funds: | |
| Equity | 17,601,368 |
| Real Estate | 1,279,664 |
| Fixed Income | <u>6,829,220</u> |
| Total Investments | <u>31,507,486</u> |
| Total Assets | <u><u>32,059,403</u></u> |

LIABILITIES

| | |
|---------------------------|----------------------|
| Prepaid City Contribution | 26,920 |
| Accounts Payable | <u>1,458</u> |
| Total Liabilities | <u><u>28,378</u></u> |

**Net Position Restricted
for Pension Benefits**

\$ 32,031,025

The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For The Year Ended September 30, 2018

ADDITIONS

| | |
|---|-------------------------|
| Contributions | |
| City | \$ 542,941 |
| Member | 306,061 |
| Employee Buyback | 15,940 |
| State | 186,538 |
| Total Contributions | <u>1,051,480</u> |
| Investment Income (Loss) | |
| Net Increase in Fair Value of Investments | 2,048,136 |
| Interest and Dividends | 423,500 |
| Less: Investment Expense ¹ | <u>(93,483)</u> |
| Net Investment Income (Loss) | <u>2,378,153</u> |
| Total Additions | <u>3,429,633</u> |

DEDUCTIONS

| | |
|---------------------------------|-------------------------|
| Distributions to Members: | |
| Benefit Payments | 1,321,432 |
| Lump Sum PLOP Distributions | 6,271 |
| Refunds of Member Contributions | 32,976 |
| Total Distributions | <u>1,360,679</u> |
| Administrative Expense | <u>148,123</u> |
| Total Deductions | <u>1,508,802</u> |

Change in Net Position 1,920,831

Net Position Restricted for Pension Benefits

| | |
|--------------------------|-----------------------------|
| Beginning of Year | <u>30,110,194</u> |
| End of Year | <u><u>\$ 32,031,025</u></u> |

¹ Investment related expenses include investment advisory, custodial and performance monitoring fees
The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Gulfport, Florida (the "City"), have been prepared in conformity with generally accepted accounting principles ("GAAP"), as applied to governmental units, which were promulgated by the Governmental Accounting Standards Board ("GASB"). A summary of the City's significant accounting policies applied in the preparation of these financial statements follows.

A. REPORTING ENTITY

The City of Gulfport is a political subdivision of the state of Florida. The City was originally incorporated as the Town of Gulfport on October 12, 1910. This act was amended by Chapter 27580, No. 1101, Laws of Florida, Regular Session 1951, and approved by the Governor and filed with the Secretary of State, which changed the name to the City of Gulfport. The City provides a wide range of services that include police and fire protection, recreation and senior services, mini-bus service, public works services, and general administration. The City also operates several enterprise activities, including: sanitation, water and sewer, and a marina. The City operates a vehicle maintenance central garage, which is accounted for in the General Fund.

The City is a municipal corporation governed by an elected mayor and four-member council. As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable or entities that would be misleading to exclude. 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 data of the primary government.

Blended Component Units

The City has included the Gulfport Community Redevelopment Agency ("CRA") in these financial statements. The City Council (the "Council") is the governing body of this agency, which was approved by the Board of County Commissioners of Pinellas County under Chapter 163, Florida Statutes, to act as the redevelopment agency for the Gulfport Community Redevelopment Districts. The City approves the budget, provides funding, and performs all accounting functions for the CRA. The CRA's services are provided exclusively to the City. There are two separate and distinct redevelopment districts in the City, which are referred to as the "Waterfront" and "49th Street" Redevelopment Districts. The operations of these two redevelopment districts are reported as special revenue funds.

B. BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide statements (statement of net position and statement of activities) are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables, deferred outflows of resources, long-term liabilities, and deferred inflows of resources. The City's fiduciary funds are not included in the government-wide statements since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. BASIC FINANCIAL STATEMENTS *(Continued)*

The government-wide statement of activities reports the gross and net cost for the various functional categories (general government, public safety, recreation, community development and redevelopment, and public works) of the City that are otherwise supported by general government revenues (property, sales and use tax, and certain intergovernmental revenues, etc.). For the most part, the effect of interfund activity has been removed from this statement. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are those costs that are allocated to functions and activities in accordance with the City's indirect cost allocation plan. The "Expenses" column includes both direct and indirect expenses. Program revenues are defined as charges for services, and operating and capital grants and contributions that specifically relate to a specific program function. Charges for services include revenue arising from charges to customers or applicants who purchase, use or directly benefit from the goods, services, or privileges provided. Operating and capital grants and contributions consist of revenues received from governments, organizations, or individuals that are specifically attributable to an activity program for either operating expenses or capital expenses associated with the specific program.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are summarized into a single column. The City has reported the General Fund and Capital Projects Fund as major funds. In addition, all three of the City's enterprise funds are major funds. The City has reported the 49th Street Redevelopment District, Law Enforcement Trust, Library Fund, and Waterfront Redevelopment District as non-major funds.

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The minimum number of funds is maintained consistent with legal and managerial requirements. A fund is a separate accounting entity with a self-balancing set of accounts.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION *(Continued)*

Funds are classified into three fund types: governmental, proprietary, and fiduciary. Each fund type is described below:

1. Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income. The following is a description of the governmental funds that the City has presented:

- a) **General Fund** - This fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
- b) **Special Revenue Funds** - These funds are used to account for and report the proceeds of specific revenue sources (other than debt service or major capital projects) that are legally restricted or committed to expenditures for specified purposes. The City has four special revenue funds consisting of the Waterfront and 49th Street Redevelopment Districts discussed previously, the Library Fund to account for donations for the library, and the Law Enforcement Trust to account for forfeiture proceeds restricted in use by Florida Statutes.
- c) **Capital Projects Fund** - The City has one Capital Projects Fund which is used to account for financial resources restricted, committed, or assigned to expenditure for the acquisition or construction of major governmental capital projects.

2. Proprietary Funds:

These funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds – These funds are used to account for those operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Sanitation Fund is used to account for refuse collection activities, the Water and Sewer Fund to account for water and wastewater sales and services, and the Marina Fund to account for operations of the City's marina.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION *(Continued)*

2. Proprietary Funds: *(Continued)*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in conjunction with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of personnel, contractual services, supplies, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. Fiduciary Funds:

Fiduciary funds account for assets held by the City in a trustee capacity. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Pension Trust Funds - These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust funds account for the assets of the City's public safety employees' pension plans and the general employees' pension plan.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

All proprietary funds and pension trust funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

1. Modified Accrual:

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual 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 revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are utility and franchise taxes, intergovernmental revenues and grants, state revenue sharing, and interest on pooled investments.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING *(Continued)*

2. Accrual:

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS, AND FUND EQUITY

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are carried at a mixture of fair value measurement and amortized cost because certain investments meet GASB Statement No. 31, as amended by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*, which establishes criteria for external investment pools to qualify for making the election to measure all of their investments at amortized cost for financial reporting purposes. The City's investments in the Florida PRIME and Florida Surplus Asset Fund Trust (SAFE) are similar to money market funds in which units are owned in the fund rather than the underlying investments, and they are reported at amortized cost.

There are no limitations or restrictions on withdrawals from the Florida PRIME and SAFE. In the occurrence of an event that has a material impact on the liquidity or operations of the PRIME, the fund's executive director may limit contributions to or withdrawals from the PRIME for a period of 48 hours. For investments in SAFE, there are no maximum transaction amounts or liquidity fees. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the Florida PRIME. All other investments are carried at fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY *(Continued)*

Receivables and Payables *(Continued)*

All accounts receivable are shown net of an allowance for uncollectible. Accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectible.

Property taxes, which were levied during fiscal year 2018 and are uncollected as of September 30, 2018, are immaterial and, therefore, not recorded as a receivable.

Inventories

Inventories are valued at cost using the first-in first-out (“FIFO”) method and consist of expendable items held for consumption or resale. The cost of these items is recorded as expenditure or expense at the time the inventory item is consumed or sold.

Prepaid Expenditures/Expenses

Payments made to vendors for services, as well as to the actuary for pension contributions, that will benefit periods beyond September 30, 2018, are recorded as prepaid items. These payments are recorded as expenditures or expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets (i.e., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost, of more than \$1,000 and an estimated useful life beyond one year. These assets are recorded at historical cost or estimated historical cost, if purchased, and acquisition value, if contributed or donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred and are not capitalized. Depreciation and amortization on all capital assets is provided on a straight-line basis over the following estimated useful lives: buildings 20-50 years; improvements other than buildings, including infrastructure assets, 5-70 years; software 5 years; and equipment 3-20 years.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY *(Continued)*

Compensated Absences

It is the City's policy to permit employees to accumulate earned and unused vacation and sick pay benefits. Vested vacation and sick leave that accrues that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability of the appropriate proprietary fund. The portion of the liability expected to be liquidated within the next year has been classified as a current liability. Amounts not expected to be liquidated within the next year are reported as a component of long-term liabilities. Compensated absences are reported in governmental funds only upon the retirement or resignation of a vested employee. The payment of compensated absences is charged to the respective fund and department in which the individual being paid is employed.

Net Pension Liability (Asset)

In the government-wide and proprietary statements, net pension liability or (asset) represents the present value of projected benefit payments to be provided through the single employer defined benefit pension plans to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension plans, pension expense, information about the fiduciary net position, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension investments are reported at fair value. The City allocated its net pension liability (asset), deferred outflows for pensions, deferred inflows for pensions, and pension expense to funds and functions/activities based on their respective contributions made to the pension plans during the measurement year.

Total OPEB Liability

The total OPEB liability of the City of Gulfport Retiree Benefits Plan (the OPEB Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. The plan is not administered through a trust.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY *(Continued)*

Deferred Outflows of Resources / Deferred Inflows of Resources

The City reports deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure or expense) until that applicable time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that applicable time.

The City reports one item that qualifies as deferred outflows of resources on its government-wide and proprietary statements of net position, deferred outflows for pensions. The deferred outflows for pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows for pensions will be recognized as pension expense or a reduction of the net pension liability in future reporting years.

The City reports two items that qualify as deferred inflows of resources on its government-wide and proprietary statements of net position, deferred inflows for Other Postemployment Benefits (OPEB) and deferred inflows for pensions. The deferred inflows for OPEB are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The deferred inflows for pensions are an aggregate of items related to pensions as calculated under the same principles as deferred outflows for pensions. Both deferred inflows will be recognized as reductions to OPEB and pension expenses in future reporting years.

The City sometimes reports deferred inflows of resources on applicable governmental fund statements that represent revenues which are measurable but not available in accordance with the modified accrual basis of accounting. These deferred inflows will be recognized as revenue in the fiscal year they are earned and become available. The majority of these deferred inflows of resources represent intergovernmental receipts and reimbursements.

Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is presented in three components - net investment in capital assets, restricted, and unrestricted.

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation and capital related debt.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY *(Continued)*

Net Position *(Continued)*

- **Restricted-** This component consists of net position that has constraints placed either externally by third parties (grantors and contributors) or by law, through constitutional provisions of enabling legislation. The City would typically use restricted net position first, as appropriated opportunities arise, but reserves the right to selectively defer the use of these funds. A portion of the net position of the Water and Sewer Fund is restricted for improvement of the City's sewer system, through the use of sewer impact fees.
- **Unrestricted** - This component consists of net position that does not meet the definition of "net investment in capital assets" and "restricted." Allocations or earmarks of net position made by the City's management are included in this component because these types of constraints are internal and management can remove or modify them.

Fund Balance

In accordance with GAAP, the City classified governmental fund balances as follows:

- **Nonspendable Fund Balance** - Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City's highest level of decision-making authority, which is an ordinance. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action. The Council can establish, modify or rescind a fund balance commitment through the formal approval of an ordinance.
- **Assigned Fund Balance** - Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Council or (b) a body or official to which the Council has delegated the authority to assign amounts to be used for specific purposes. The City Manager has the official authority to assign fund balance in accordance with the City's Fund Balance Policy. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's budget.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY *(Continued)*

Fund Balance *(Continued)*

- **Unassigned Fund Balance** - Unassigned fund balance is the residual classification for the General Fund and also includes deficit fund balances of other governmental funds.

The City intends that restricted amounts be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that would prohibit doing this, such as grant agreements with dollar-for-dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

It is the goal of the City to achieve and maintain an unassigned General Fund balance equal to 25% of the City's General Fund Budget previous year balance. These funds can only be used for an emergency as authorized in section 310 and 311 of the City Charter. If during any year, money is appropriated out of the unassigned fund and is spent in an amount that results in the unassigned funds being depleted below the required twenty five (25) percent budget minimum, then the Council shall in subsequent years add to the unassigned funds the lesser of a total of two hundred fifty thousand dollars (\$250,000) per year or whatever amount is necessary to achieve unassigned funds that are twenty five (25) percent of the previous fiscal year. These additions shall continue until funds in the unassigned fund have been increased to equal at least twenty five (25) percent of the City's General Fund budget for the previous year.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) Prior to July 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
- b) Two public hearings are conducted to obtain taxpayer comments on the proposed budget.
- c) Prior to October 1, the budget is legally enacted through passage of an ordinance for the General, Redevelopment Trusts, Law Enforcement Trust, Capital Projects, Sanitation, Water and Sewer, and Marina Funds.
- d) The City Manager may authorize budget adjustments if the total appropriations of the fund is not changed.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY *(Continued)*

Budgets and Budgetary Accounting *(Continued)*

- e) The City Manager is authorized to transfer any unencumbered appropriation balance or portion thereof between general classifications of expenditures within any department in the general fund and within any other fund. At the request of the City Manager, the Council may, by resolution, transfer any unencumbered appropriation balance or portion thereof from one department to another or from one fund to another.
- f) Budgets for enterprise funds are adopted using a financial flow basis and, as a result, are not consistent with GAAP in that depreciation is excluded and capital outlay cost is included. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects and Enterprise Funds. Budgets for the governmental funds are adopted using a basis consistent with GAAP.
- g) Lapse of Appropriations – All appropriations shall lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered. Amounts that are legally encumbered but not expended shall be carried forward and incorporated in the following year's budget.

F. ENCUMBRANCES

Encumbrances represent contractual commitments in the form of purchase orders and contracts relating to governmental funds. Such encumbrances are not recorded as expenditures, but rather as restricted, committed or assigned fund balance depending on the method of approval of the contract or purchase order. Unencumbered appropriations lapse at year-end. The annual appropriations ordinance provides that outstanding encumbrances are to become supplemental appropriations in the respective departmental accounts in the ensuing fiscal year, unless cancelled.

G. PROPERTY TAXES

The assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the Pinellas County Property Appraiser and Pinellas County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit cities to levy property taxes at a rate of up to ten mills. The millage rate in effect for the fiscal year ended September 30, 2018 was 4.039 mills.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

G. PROPERTY TAXES *(Continued)*

The tax levy of the City is established by the Council prior to October 1 of each year, and the Pinellas County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, independent districts, county, and the school board tax requirements.

All property is reassessed according to its fair value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the roll meets all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they were assessed, and at such time a lien on the property is recorded. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. The City does not accrue its portion of the county-held certificates due to the immateriality of the amount.

H. INTERFUND TRANSACTIONS

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market value or near market value, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation. Amounts reported in the funds as receivables from or payable to fiduciary funds are included in the statement of net position as receivables from and payables to external parties.

I. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statements No. 75, Accounting and financial reporting for postemployment benefits other than pensions and No. 85, Omnibus- issues related to blending component units, goodwill, fair value measurement and application and post employment benefits, effective for reporting periods beginning after December 15, 2016 and June 15, 2017. The Statements address improving the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB), and for enhancing consistency in the application of accounting and financial reporting requirements for other post employment benefits.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (*Continued*)

Year Ended September 30, 2018

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS

The City utilizes a consolidated cash pool to account for cash and investments of all City funds. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield, which are inherent to a larger investment pool. The account balances of each fund are reported as cash and cash equivalents and investments.

Cash and Pooled Cash

The City has one cash pool that maintains the deposits of all the governmental and enterprise funds of the City. The trust funds maintain their own cash accounts. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for all City receipts and disbursements, with a separate checking account for payroll disbursements.

Deposits

At September 30, 2018, the bank balance of the City's cash deposit accounts was \$5,959,353 and the carrying amount of the demand deposits and cash on hand was \$5,156,793. The cash deposits are held by a bank that qualifies as a public depository under the Florida Security and Public Deposits Act, as required by Chapter 280, Florida Statutes, and are considered fully insured.

Investments

Florida Statutes (218.415) authorize municipalities to invest excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of the U.S. Government, U.S. Government Instrumentalities, State of Florida Local Government Surplus Funds Trust Fund, and mutual funds investing in U.S. Government securities.

The City adopted its own investment policy that also authorizes the City to invest in the following: a) Florida Municipal Investment Trust Funds; b) SEC registered money market funds with the highest credit rating from a nationally recognized rating agency; c) obligations of government-sponsored corporations (instrumentalities - which are usually "AAA" rated but have no explicit government guarantee), which are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve; d) collateralized mortgage obligations ("CMO's") with very accurately defined maturities issued by Federal Agencies and instrumentalities and limited to VATM/accretion directed CMO's or planned amortization class CMO's or sequential bonds CMO's; e) bankers acceptance guaranteed by banking institutions with a bank rating of "AA" on its long-term debt; f) prime commercial paper having received an "A1/P1" or higher rating by a nationally recognized rating agency; g) non-negotiable certificates of deposit and bank investment contracts ("BIC"), which can be insured, collateralized at the Federal Reserve or qualify as

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2018

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS (Continued)

Investments (Continued)

state-qualified public deposits, as defined by Florida Statutes; h) taxable or tax-exempt government bonds, notes or other obligations of state or local governments, including municipal corporations and special districts, of investment-grade quality; i) repurchase agreements with a “primary securities dealer” or with the City’s primary state certified public depository that are collateralized pursuant to State law and pursuant to a Master Repurchase Agreement entered into with the selling institution; j) auction rate securities (Dutch Auctions) rated “AA” or “AAA” with 28-35 day resets rated by a nationally-recognized rating agency; and k) corporate debt of corporations whose long-term debt is rated at least “AA-” or equivalent by a nationally recognized rating agency.

The City’s investment policy states that, to the extent possible, investment maturities and liquidity shall be matched to anticipated cash flow requirements. Unless an investment is matched to a specific cash flow, such as a reserve requirement or other longer term investment horizon, investments shall not have a maturity date of more than five (5) years from the date of purchase.

The City categorizes the fair value measurement of its investments based on the hierarchy established by GASB Statement No. 72 *Fair Value Measurement and Application*. The hierarchy has three levels based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. GASB 72 allows for the use of quoted prices provided by third parties. The City uses quoted prices provided by its third-party custodians for its pension trust funds.

The City’s investments reported at amortized cost as of September 30, 2018, are as follows:

| | Fair Value | Weighted Average Maturity | Credit Rating |
|---|-------------------|--------------------------------------|----------------------|
| Florida Surplus Asset Fund Trust (SAFE) | \$ 2,077,519 | 51 days (1) | S&P AAAM |
| Florida PRIME | 65,391 | 33 days (1) | S&P AAAM |
| Total Investments | \$ 2,142,910 | | |

(1) The weighted average maturity does not exceed 60 days in accordance with S&P guidelines.

Interest Rate Risk- In compliance with the City’s investment policy, as of September 30, 2018, the City minimized the interest rate risk related to the decline in fair value of securities due to rising interest rates, by limiting the effective duration of security types not to exceed five (5) years, with the exception of securities related to a specific cash flow, such as a reserve fund and investing operating funds in primarily shorter term securities or similar government investment pools so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2018

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk - In compliance with the City's Investment Policy, as of September 30, 2018, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, U.S. Government Agency securities and government investment pools, and by pre-qualifying the financial institutions with which the City does business. Mortgage-backed U.S. Government Agencies securities are collateralized mortgage obligations restricted to those backed by GMNA, FHLMC, or FNMA and must pass the FIEC high-risk security test. Additional information on pension investments can be found in Note 8.

General Employees' Pension Fund

Cash and Cash Equivalents

Salem Trust Company periodically holds uninvested cash in its capacity as custodian of the General Employees' Pension Fund (the "Pension Fund"). These funds exist temporarily as cash in the process of collection from the sale of securities. Money market funds with original maturities of three months or less, totaling \$85,585, are reported as cash equivalents and valued at amortized cost.

Investments

The Board of Trustees of the Pension Fund are authorized to invest and reinvest in such securities or property, real or personal, as shall be approved by the Board of Trustees, including, but not limited to, stocks, common or preferred, bonds, so long as such stocks or bonds retain one of the three highest quality ratings on a major recognized rating service, and other evidence of indebtedness or ownership, including shares or units of common trust funds approved as investments for pension and profit-sharing plans.

The Pension Fund held the following investments with fair value measurements as of September 30, 2018:

| | Fair Value | Weighted Average Maturity | Credit Rating |
|---------------------------|----------------------|------------------------------|---------------|
| Equity Mutual Funds | \$ 10,701,487 | n/a | n/a |
| Real Estate MF | 779,664 | n/a | n/a |
| Fixed Income Mutual Funds | <u>5,146,653</u> | see below | A |
| Total Investments | <u>\$ 16,627,804</u> | | |

Fixed income mutual funds with Dodge and Cox Income Fund have weighted average maturity of 8.1 years, and with Templeton have weighted average maturity of 2.84 years.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS *(Continued)*

General Employees' Pension Fund *(Continued)*

| | <u>Fair Value Measurements Using</u> | | |
|---------------------------|--------------------------------------|---------------------------------|-----------------------------|
| | Quoted Priced in Active Markets | Significant Observable Input | Significant Unobservable |
| | Level 1 | Level 2 | Level 3 |
| Equity Mutual Funds | \$ 10,701,487 | \$ - | \$ - |
| Real Estate MF | - | - | 779,664 |
| Fixed Income Mutual Funds | 5,146,653 | - | - |
| Total Investments | \$ 15,848,140 | \$ - | \$ 779,664 |

Real estate investments in Level 3 are valued using discounted cash flows techniques.

Credit Risk- The Pension Fund minimizes credit risk by investing in mutual funds.

Interest Rate Risk- Through its investment policies, the Pension Fund manages its exposure to fair value losses arising from increasing interest rates by investing in short-term money market-type funds that can be liquidated immediately.

Police Pension Fund

Cash and Cash Equivalents

Salem Trust Company periodically holds uninvested cash in its capacity as custodian of the Police Pension Fund (the "Police Pension"). These funds exist temporarily as cash in the process of collection from the sale of securities. Money market funds with original maturities of three months or less, totaling \$229,439, are reported as cash equivalents and valued at amortized cost.

Investments

The Board of Trustees of the Police Pension are authorized to invest in annuity and life insurance contracts with life insurance companies; time, savings, and money market accounts of an institution insured by the Federal Deposit Insurance Corporation; obligations of the U.S. Government or an agency or instrumentality of the U.S. Government, including mortgage-related securities; domestic and international equity securities, such that not more than 5% of the Police Pension's assets shall be invested in the common stock of any one issuing company, no more than 10% of the Police Pension's assets shall be invested in foreign securities, and no more than 60% of the aggregate investments shall be invested in common stock or convertible securities.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2018

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS (Continued)

Firefighters' Pension Fund

Cash and Cash Equivalents

Salem Trust periodically holds uninvested cash in its capacity as custodian of the Firefighters' Pension Fund (the "Firefighters' Pension"). These funds exist temporarily as cash in the process of collection from the sale of securities. Money market funds with original maturities of three months or less, totaling \$66,064, are reported as cash equivalents and valued at amortized cost.

Investments

The Board of Trustees of the Firefighters' Pension are authorized to invest in annuity and life insurance contracts with life insurance companies; time, savings, and money market accounts of an institution insured by the Federal Deposit Insurance Corporation; obligations of the U.S. Government or an agency or instrumentality of the U.S. Government, including mortgage-related securities; domestic and international equity securities, such that not more than 5% of the Firefighters' Pension's assets shall be invested in the common stock of anyone issuing company, no more than 10% of the Firefighters' Pension's assets shall be invested in foreign securities, and no more than 65% of the aggregate investments shall be invested in common stock or convertible securities.

The Firefighters' Pension held the following investments with fair value measurements as of September 30, 2018:

| | Fair Value | Weighted Average Maturity | Credit Rating |
|---------------------------|---------------------|--------------------------------------|----------------------|
| Stocks | \$ 827,810 | n/a | n/a |
| Equity Mutual Funds | 2,100,742 | n/a | n/a |
| Fixed Income Mutual Funds | <u>1,682,567</u> | see below | A |
| Total Investments | <u>\$ 4,611,119</u> | | |

| | Fair Value Measurements Using | | |
|---------------------------|--|---|-------------------------------------|
| | Quoted Priced in Active Markets | Significant Observable Input | Significant Unobservable |
| | Level 1 | Level 2 | Level 3 |
| Stocks | \$ 827,810.00 | \$ - | \$ - |
| Equity Mutual Funds | 2,100,742 | - | - |
| Fixed Income Mutual Funds | <u>1,682,567</u> | - | - |
| Total Investments | <u>\$ 4,611,119</u> | <u>\$ -</u> | <u>\$ -</u> |

Fixed income mutual funds with Dodge and Cox Income Fund have weighted average maturity of 8.1 years, and with Templeton have weighted average maturity of 2.84 years.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS *(Continued)*

Firefighters' Pension Fund *(Continued)*

Credit Risk - To mitigate credit risk, the Firefighters' Pension's investment policy limits the minimum credit quality rating of investments, as rated by nationally recognized statistical rating organizations (NRSROs).

Interest Rate Risk - Through its investment policies, the Firefighters' Pension manages its exposure to fair value losses arising from increasing interest rates by investing in mutual bond funds and short-term money market-type funds that can be liquidated immediately.

NOTE 3 - RECEIVABLES

Receivables as of September 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

| | Governmental Activities | Business-type Activities | Total |
|------------------------------|----------------------------|-----------------------------|--------------|
| Accounts Receivable: | | | |
| Billed | \$ 411,257 | \$ 922,758 | \$ 1,334,015 |
| Unbilled | 16,202 | 524,909 | 541,111 |
| Payroll Advance | 4,028 | 1,045 | 5,073 |
| Code Enforcement Liens | 239,835 | - | 239,835 |
| Total Receivables | 671,322 | 1,448,712 | 2,120,034 |
| Allowance for Uncollectibles | (67,583) | (364,241) | (431,824) |
| Net Total Receivables | \$ 603,739 | \$ 1,084,471 | \$ 1,688,210 |

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers consist of the following for the year ended September 30, 2018:

| Fund | Transfers In | Transfers Out |
|--------------------------------|--------------|---------------|
| General | \$ 602,000 | \$ - |
| Capital Projects | - | 409,272 |
| Sanitation | - | 108,000 |
| Water and Sewer | - | - |
| Marina | 380,000 | 494,000 |
| Nonmajor Special Revenue Funds | 29,272 | - |
| Total | \$ 1,011,272 | \$ 1,011,272 |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS *(Continued)*

The transfers in to the General Fund were made by Sanitation and the Marina and represent payments in lieu of taxes (PILOT), as well as a transfer to support construction. The transfer to the nonmajor special revenue fund from the Capital Projects Fund was to support the skateboard park project.

NOTE 5 - CAPITAL ASSETS

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

| Governmental Activities: | Beginning Balance 10/1/2017 | Additions | Deletions | Transfers | Ending Balance 9/30/2018 |
|--|-----------------------------------|-------------------|--------------------|----------------|--------------------------------|
| Non-depreciated Assets: | | | | | |
| Land | \$ 592,072 | \$ - | \$ - | \$ - | \$ 592,072 |
| Construction in Progress | 646,469 | 258,082 | - | (519,121) | 385,430 |
| Depreciated and Amortized Assets: | | | | | |
| Buildings | 10,857,853 | - | - | - | 10,857,853 |
| Infrastructure and Improvements | 16,768,290 | 912,828 | (35,899) | 519,121 | 18,164,340 |
| Equipment | 4,494,300 | 571,225 | (429,366) | 171,417 | 4,807,576 |
| Software | 346,061 | 76,097 | (5,813) | - | 416,345 |
| Total Capital Assets at Historical Cost | <u>33,705,045</u> | <u>1,818,232</u> | <u>(471,078)</u> | <u>171,417</u> | <u>35,223,616</u> |
| Less Accumulated Depreciation and Amortization for: | | | | | |
| Buildings | 5,066,957 | 290,635 | - | - | 5,357,592 |
| Infrastructure and Improvements | 10,778,106 | 641,585 | (35,899) | 241 | 11,384,033 |
| Equipment | 2,848,452 | 570,999 | (408,872) | 171,176 | 3,181,755 |
| Software | 329,578 | 6,795 | (5,813) | - | 330,560 |
| Total Accumulated Depreciation and Amortization | <u>19,023,093</u> | <u>1,510,014</u> | <u>(450,584)</u> | <u>171,417</u> | <u>20,253,940</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 14,681,952</u> | <u>\$ 308,218</u> | <u>\$ (20,494)</u> | <u>\$ -</u> | <u>\$ 14,969,676</u> |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 5 - CAPITAL ASSETS *(Continued)*

| | Beginning Balance 10/1/2017 | Additions | Deletions | Transfers | Ending Balance 9/30/2018 |
|---|-----------------------------------|---------------------|------------------|------------------|--------------------------------|
| Business-Type Activities: | | | | | |
| Non-depreciated Assets: | | | | | |
| Land | \$ 20,000 | \$ - | \$ - | \$ - | \$ 20,000 |
| Construction in Progress | 1,906,359 | 1,514,989 | - | (125,497) | 3,295,851 |
| Depreciated and Amortized Assets: | | | | | |
| Buildings | 1,556,390 | - | - | - | 1,556,390 |
| Infrastructure and Improvements | 24,604,914 | 61,978 | - | (48,770) | 24,618,122 |
| Equipment | 3,111,857 | 904,792 | (109,087) | 2,849 | 3,910,411 |
| Software | 69,653 | 300 | - | - | 69,953 |
| Total at Historical Cost | <u>31,269,173</u> | <u>2,482,059</u> | <u>(109,087)</u> | <u>(171,418)</u> | <u>33,470,727</u> |
| Less Accumulated Depreciation and Amortization for: | | | | | |
| Buildings | 648,833 | 50,314 | - | - | 699,147 |
| Infrastructure and Improvements | 14,059,264 | 673,946 | - | (29,660) | 14,703,550 |
| Equipment | 2,522,583 | 329,876 | (109,087) | (141,758) | 2,601,614 |
| Software | 50,825 | 6,093 | - | - | 56,918 |
| Total Accumulated Depreciation and Amortization | <u>17,281,505</u> | <u>1,060,229</u> | <u>(109,087)</u> | <u>(171,418)</u> | <u>18,061,229</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 13,987,668</u> | <u>\$ 1,421,830</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,409,498</u> |

Depreciation and amortization was charged to governmental activities, as follows:

| | |
|---|---------------------|
| General Government | \$ 65,578 |
| Public Safety | 457,225 |
| Leisure Services | 441,079 |
| Community Development/ Redevelopment | 189,235 |
| Public Works | 356,897 |
| | <u>\$ 1,510,014</u> |

Depreciation and amortization was charged to business-type activities: \$223,074 to sanitation, \$617,977 to water and sewer, and \$219,178 to marina operations.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 6 - RISK MANAGEMENT

The City is subject to losses in the normal course of operations resulting from general liability, property and casualty; workers' compensation; employee health and accident; environmental, and antitrust matters. The City has purchased commercial insurance to protect against employee health losses. The City participates in the Public Risk Management of Florida for purposes of protecting against workers' compensation losses; real and personal property losses; automobile damage; and general liability, including malpractice, and errors and omissions. The City does not self-insure against any risks. To the extent that the City has purchased commercial insurance, all risk of loss has been transferred to the insurance underwriter.

There has been no significant reduction in insurance coverage from the prior year. In addition, there have been no settlements which exceeded the City's insurance coverage for each of the past three fiscal years. The Public Risk Management of Florida is a risk pool that assumes the risk of loss for all participating members. The members are subject to additional premium assessments in the event that the risk pool requires additional funding to satisfy all claims. The City has not been assessed any additional insurance premiums during the last three years, nor is the City aware of any contingent assessments.

NOTE 7 - LONG TERM LIABILITIES

The City's long-term liabilities consist of capital leases, a state revolving loan payable, accrued compensated absences, other postemployment benefits liability, and net pension liability. The change in long term liabilities is as follows:

| | Balance 10/1/2017 | Additions | Deletions | Balance 9/30/2018 | Due in One Year |
|----------------------------------|----------------------|---------------------|-----------------------|----------------------|--------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 724,947 | \$ 357,923 | \$ (345,930) | \$ 736,940 | \$ 276,162 |
| Capital Lease | 288,561 | 262,333 | (114,508) | 436,386 | 196,034 |
| Net Pension Liability | 1,669,354 | 712,824 | (564,838) | 1,817,340 | - |
| Total OPEB Liability | 471,551 | 55,873 | (28,140) | 499,284 | - |
| | <u>\$ 3,154,413</u> | <u>\$ 1,388,953</u> | <u>\$ (1,053,416)</u> | <u>\$ 3,489,950</u> | <u>\$ 472,196</u> |
| Business-Type Activities: | | | | | |
| Compensated Absences | \$ 138,580 | \$ 56,158 | \$ (65,188) | \$ 129,550 | \$ 47,297 |
| Capital Lease | 91,918 | - | (63,689) | 28,229 | 28,229 |
| State Revolving Loan | 1,563,819 | 1,431,267 | - | 2,995,086 | - |
| Total OPEB Liability | 97,426 | 9,489 | (4,780) | 102,135 | - |
| | <u>\$ 1,891,743</u> | <u>\$ 1,496,914</u> | <u>\$ (133,657)</u> | <u>\$ 3,255,000</u> | <u>\$ 75,526</u> |

Governmental activities compensated absences, total OPEB liability, and net pension liability will be liquidated in future periods primarily by the General Fund.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 7 - LONG TERM LIABILITIES *(Continued)*

State Revolving Loan

The City entered into three agreements with the Florida Department of Environmental Protection involved in major sewer system rehabilitation improvements. This is funded through the Clean Water State Revolving Fund (SRF) Loan Program protected under the Federal Clean Water Act. The loans include Sanitary Sewer Evaluation Study [SSES] Phase I Planning up to \$1,500,000 at an interest rate of 2.12%, SSES Phase II Planning up to \$601,300 at an interest rate of 1.05%, and Major Sewer Rehabilitation up to \$2,518,703 at an interest rate of .05%. All three loans have repayment beginning March 2020.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the loan. The loan is payable solely from water and sewer customer net revenues and is payable through 2039. Rate coverage for the loan requires that the pledged revenues equal or exceed 1.15 times the sum of the semiannual loan payments due in the fiscal year. The total principal and interest to be paid on the loan is \$3,426,839. No principal and interest payments were paid during the current year and current year pledged revenues were \$921,245. Future debt service payments on the SRF Loan are as follows:

| FY Ending | Principal | Interest |
|-----------|--------------|------------|
| 2019 | \$ - | \$ - |
| 2020 | 132,127 | 39,215 |
| 2021 | 133,772 | 37,570 |
| 2022 | 135,449 | 35,893 |
| 2023 | 137,159 | 34,183 |
| 2024-2028 | 712,639 | 144,070 |
| 2029-2033 | 760,700 | 96,010 |
| 2034-2038 | 813,677 | 43,032 |
| 2039 | 169,563 | 1,780 |
| | \$ 2,995,086 | \$ 431,753 |

Capital Leases

The City entered into master equipment lease/purchase agreements with Bank of America and The Bancorp Bank to acquire police vehicles and sanitation equipment. The equipment's cost on a cumulative basis under these agreements is \$961,931. The interest rate for these agreements range from 1.6143% - 5.619%. Future minimum lease payments are as follows:

| FY Ending | Governmental Activities | | Business-type Activities | |
|-----------|-------------------------|-----------|--------------------------|----------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 196,034 | \$ 1,810 | \$ 28,229 | \$ 338 |
| 2020 | 156,049 | 8,474 | - | - |
| 2021 | 84,298 | 2,371 | - | - |
| 2022 | 5 | - | - | - |
| | \$ 436,386 | \$ 12,655 | \$ 28,229 | \$ 338 |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS

Pension Plan Financial Statements

CITY OF GULFPORT, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
 September 30, 2018

| | General Employees' Pension | Police Officers' Pension | Firefighters' Pension | Total |
|---|---|---|----------------------------------|----------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents: | | | | |
| Short Term Investments | \$ 85,585 | \$ 229,439 | \$ 66,064 | \$ 381,088 |
| Total Cash and Cash Equivalents | 85,585 | 229,439 | 66,064 | 381,088 |
| Receivables: | | | | |
| City Contributions in Transit | 38,550 | 67,088 | 4,588 | 110,226 |
| Additional City Contribution | - | - | 6,964 | 6,964 |
| Employee Buyback | - | 15,940 | - | 15,940 |
| Due From Broker | 9,556 | - | - | 9,556 |
| Investment Income | - | 25,763 | 1,075 | 26,838 |
| Due From Government | - | - | 1,305 | 1,305 |
| Total Receivable | 48,106 | 108,791 | 13,932 | 170,829 |
| Investments, at Fair Value: | | | | |
| U.S. Government Obligations | - | 274,184 | - | 274,184 |
| Asset-backed Securities | - | 1,094,466 | - | 1,094,466 |
| Stocks | - | 1,577,566 | 827,810 | 2,405,376 |
| Corporate Bonds | - | 2,023,208 | - | 2,023,208 |
| Mutual Funds: | | | | |
| Equity | 10,701,487 | 4,799,139 | 2,100,742 | 17,601,368 |
| Real Estate | 779,664 | 500,000 | - | 1,279,664 |
| Fixed Income | 5,146,653 | - | 1,682,567 | 6,829,220 |
| Total Investments | 16,627,804 | 10,268,563 | 4,611,119 | 31,507,486 |
| Total Assets | 16,761,495 | 10,606,793 | 4,691,115 | 32,059,403 |
| LIABILITIES | | | | |
| Prepaid City Contribution | 568 | 26,352 | - | 26,920 |
| Accounts Payable | - | 1,458 | - | 1,458 |
| Total Liabilities | 568 | 27,810 | - | 28,378 |
| Net Position Restricted for Pension Benefits | \$ 16,760,927 | \$ 10,578,983 | \$ 4,691,115 | \$ 32,031,025 |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Pension Plan Financial Statements *(Continued)*

CITY OF GULFPORT, FLORIDA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 For The Year Ended September 30, 2018

| | General Employees' Pension | Police Officers' Pension | Fire fighters' Pension | Total |
|---|---|---|-----------------------------------|----------------------|
| ADDITIONS | | | | |
| Contributions | | | | |
| City | \$ 164,641 | \$ 286,047 | \$ 92,253 | \$ 542,941 |
| Member | 89,157 | 172,314 | 44,590 | 306,061 |
| Employee Buyback | - | 15,940 | - | 15,940 |
| State | - | 101,801 | 84,737 | 186,538 |
| Total Contributions | 253,798 | 576,102 | 221,580 | 1,051,480 |
| Investment Income (Loss) | | | | |
| Net Increase in Fair Value of Investment: | 1,361,488 | 503,302 | 183,346 | 2,048,136 |
| Interest & Dividends | - | 286,585 | 136,915 | 423,500 |
| Less: Investment Expense ¹ | (31,365) | (36,026) | (26,092) | (93,483) |
| Net Investment Income (Loss) | 1,330,123 | 753,861 | 294,169 | 2,378,153 |
| Total Additions | 1,583,921 | 1,329,963 | 515,749 | 3,429,633 |
| DEDUCTIONS | | | | |
| Distributions to Members: | | | | |
| Benefit Payments | 731,029 | 477,304 | 113,099 | 1,321,432 |
| Lump Sum PLOP Distributions | 6,271 | - | - | 6,271 |
| Refunds of Member Contributions | 7,543 | 21,140 | 4,293 | 32,976 |
| Total Distributions | 744,843 | 498,444 | 117,392 | 1,360,679 |
| Administrative Expense | 56,105 | 51,060 | 40,958 | 148,123 |
| Total Deductions | 800,948 | 549,504 | 158,350 | 1,508,802 |
| Change in Net Position | 782,973 | 780,459 | 357,399 | 1,920,831 |
| Net Position - Beginning of Year | 15,977,954 | 9,798,524 | 4,333,716 | 30,110,194 |
| Net Position - End of Year | \$ 16,760,927 | \$ 10,578,983 | \$ 4,691,115 | \$ 32,031,025 |

¹ Investment related expenses include investment advisory, custodial and performance monitoring fees.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Summary of Significant Accounting Policies

Basis of Accounting. The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Description

Plan Administration. The City contributes to three single-employer defined benefit pension plans covering all full-time City employees, which are maintained as Pension Trust Funds and reported as fiduciary funds of the City. The Council has the authority to establish and amend plan benefits. The pension plans do not issue stand-alone financial reports; however, more information on each individual plan can be found in this section. The pension plans are administered by an independent Board of Trustees and accounted for as separate funds. The accounting information with respect to these funds has been provided to the City by the insurance company and the banks, which maintain custody over their assets.

General Employees' Pension Plan (GEPP) covers all permanent, full-time City employees, except those employees covered by the Police or Fire Pension Plans, the City Manager, the Department Directors, and the City Clerk. The plan is administered by a Board of Trustees comprised of four members of the plan, two Council appointees, and the administrative services director.

Police Officers' Pension Plan (PPP) covers all non-civilian police department employees. The plan is administered by a Board of Trustees comprised of two Council appointees, two members of the department elected by membership, and the fifth member elected by the other four and appointed by Council.

Firefighters' Pension Plan (FPP) covers all firefighters. The plan is administered by a Board of Trustees comprised of two Council appointees, two members of the department elected by membership, and the fifth member elected by the other four and appointed by Council.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Plan Description *(Continued)*

Plan Membership as of October 1, 2017

| | GEPP | PPP | FPP |
|---|------|-----|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 71 | 19 | 21 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 82 | 10 | 10 |
| Active Plan Members | 70 | 30 | 12 |
| | 223 | 59 | 43 |

Benefits Provided

General Employees' Pension Plan (GEPP):

The GEPP provides retirement, termination and death benefits.

Normal Retirement:

Date: The attainment of age 62 with 5 years of Credited Service.

Benefit: 2.0% of Average Compensation times Credited Service.

Early Retirement:

Date: Attainment of age 55 with 5 years of Credited Service.

Benefit: Accrued Benefit on Early Retirement Date, actuarially reduced for each year that Early Retirement precedes Normal Retirement.

Termination of Employment:

| | | |
|-------------------|-------------------------|-----------------|
| Vesting Schedule: | <u>Years of Service</u> | <u>Vested %</u> |
| | Less than 5 | 0% |
| | 5 or more | 100% |

Benefit: Vested Accrued benefit payable at 62 (unreduced) or Early Retirement Date (reduced).

Pre-Retirement Death Benefit:

Eligibility: 5 Years of Credited Service.

Benefit: Accrued benefit payable for 10 years beginning at the member's otherwise Early Retirement Date (reduced) or Normal Retirement Date (unreduced).

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Plan Description *(Continued)*

Benefits Provided (Continued)

Firefighters' Pension Plan (FPP):

The FPP provides retirement, termination, disability and death benefits.

Normal Retirement:

Eligibility: Earlier of: 1) Age 55 and completion of 10 years of Credited Service
2) Age 52 and the completion of 25 years of Credited Service or
3) the completion of 30 years of Credited Service, regardless of age.

Benefit: 3.02% of Average Final Compensation times Years of Credited Service.

Early Retirement:

Eligibility: Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Benefit Service Incurred: Greater of: \$250 per month, accrued benefit, or 50% of average final compensation.

Benefit Non-service Incurred: Accrued Benefit.

Pre-Retirement Death Benefits:

Lesser of: 1) \$25,000, or 2) Greater of twice annual salary, 100 times projected benefit, or present value of accrued benefit.

Cost-Of-Living Adjustments:

Members who retire or terminate employment after April 21, 2009 receive 0.12% increases each year from Age 55 to Age 65.

Annual Supplemental Payment:

Each March 1, each current retiree receives a benefit increase in the amount of 3.0% of the State contribution received in the prior year, subject to a maximum increase for all retirees equal to 10.0% of the State contribution.

Chapter 175 Share Accounts:

Ordinance 2016-02 established a Share Plan and is funded by the allowable state monies determined under an annual "default" actuarial calculation.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Plan Description *(Continued)*

Benefits Provided (Continued)

Police Officers' Pension Plan (PPP):

The PPP provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of: 1) Age 55 and 10 years of Credited Service, or
2) age 52 and 25 years of Credited Service.

Benefit: 2.88% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 50 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year for each year that Early Retirement precedes Normal Retirement.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Disability:

Eligibility: Service Incurred: Covered from Date of Employment. Non-Service Incurred: 10 years of Credited Service.

Benefit: Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested: Refund of accumulated contributions without interest.

Chapter 185 Share Accounts:

Ordinance 2016-01 established a Share Plan and is funded by the allowable state monies determined under an annual "default" actuarial calculation.

Contributions. Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. The Council has the authority to establish and amend contribution amounts. The City contributed \$164,641 to the GEPP, \$403,788 (including buyback) to the PPP, and \$176,990 to the FPP, including state contributions for the PPP and FPP. For the year ended September 30, 2018 the active member average contribution rate and the City's average contribution rate was as follows:

| | GEPP | PPP | FPP |
|---|-------|--------|--------|
| Active member average contribution rate | 2.70% | 8.00% | 5.00% |
| City's average contribution rate | 5.00% | 11.50% | 13.50% |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Investments

Investment Policy. The following was the Board's adopted asset allocation policy as of September 30, 2018:

| | <u>Target Allocation</u> | | |
|-----------------------|--------------------------|------|------|
| | GEPP | PPP | FPP |
| Domestic Equity | 40% | 45% | 45% |
| International Equity | 10% | 15% | 15% |
| Domestic Fixed Income | 30% | 30% | 35% |
| Global Fixed Income | 5% | 5% | 5% |
| GTAA | 5% | -- | -- |
| Real Estate | 5% | 5% | -- |
| REITS | 5% | -- | -- |
| | 100% | 100% | 100% |

Concentrations. The Plans did not hold investments in any one organization that represent 5 percent or more of the Plan's fiduciary net positions.

Rate of Return. For the year ended September 30, 2018 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

| Money-Weighted Rate of Return | | |
|-------------------------------|-------|-------|
| GEPP | PPP | FPP |
| 8.47% | 7.72% | 6.82% |

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset) and Actuarial Assumptions

The components of the \$1,817,340 net pension liability and \$(1,601,467) net pension asset of the Plans as of September 30, 2018 were as follows:

| | GEPP | PPP | FPP |
|--------------------------------------|----------------|---------------|--------------|
| Total Pension Liability | \$ 15,160,028 | \$ 12,228,532 | \$ 4,858,905 |
| Plan Fiduciary Net Position | 16,761,495 | 10,578,982 | 4,691,115 |
| City's Net Pension Liability (Asset) | \$ (1,601,467) | \$ 1,649,550 | \$ 167,790 |

| | | | |
|--|---------|--------|--------|
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 110.56% | 86.51% | 96.55% |
|--|---------|--------|--------|

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Net Pension Liability (Asset) and Actuarial Assumptions *(Continued)*

Actuarial Assumptions. The total pension liability was determined by actuarial valuations as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions applied to all measurement periods.

| | GEPP | PPP | FPP |
|---------------------------|---------------|-------|---------------|
| Inflation | 3.00% | 2.50% | 3.00% |
| Salary Increases | 3.50% - 5.50% | 5.50% | Service based |
| Discount Rate | 7.25% | 7.50% | 7.50% |
| Investment Rate of Return | 7.25% | 7.50% | 7.50% |

Mortality rates were factored using the following:

GEPP – Healthy Active Lives RP2000 Generational with Scale BB: Males – 50% white collar, 50% blue collar; Females – 100% white collar. Healthy Inactive Lives RP2000 Generational with Scale BB: Males – 50% annuitant white collar, 50% annuitant blue collar; Females – 100% annuitant white collar. Disabled Lives RP2000: Males – 100% disabled male with four-year setback; Females – 100% disabled female with two-year set forward. The significant assumptions are based upon the most recent actuarial experience study dated July 22, 2015 for the period 2007-2014.

PPP - Healthy Active Lives RP2000 Generational with Scale BB: Males – 10% combined healthy white collar, 90% combined healthy blue collar; Females – 100% combined healthy white collar. Healthy Inactive Lives RP2000 Generational with Scale BB: Males – 10% annuitant white collar, 90% annuitant blue collar; Females – 100% annuitant white collar. Disabled Lives RP2000 without projection: Males – 60% disabled male with four-year setback, 40% annuitant white collar no setback; Females – 60% disabled female with two-year set forward, 40% annuitant white collar no setback. The significant assumptions are based upon the most recent actuarial experience study dated July 20, 2017.

FPP - Healthy Active Lives RP2000 Generational with Scale BB: Males – 10% combined healthy white collar, 90% combined healthy blue collar; Females – 100% combined healthy white collar. Healthy Inactive Lives RP2000 Generational with Scale BB: Males – 10% annuitant white collar, 90% annuitant blue collar; Females – 100% annuitant white collar. Disabled Lives RP2000 without projection: Males – 60% disabled male with four-year setback, 40% annuitant white collar no setback; Females – 60% disabled female with two-year set forward, 40% annuitant white collar no setback. The significant assumptions are based upon the most recent actuarial experience study dated July 20, 2017.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Net Pension Liability (Asset) and Actuarial Assumptions *(Continued)*

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and 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 rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in each Plan's target asset allocation as of September 30, 2018 are summarized in the following table:

| | <u>Long Term Expected Real Rate of Return</u> | | |
|-----------------------|---|------|------|
| | GEPP | PPP | FPP |
| Domestic Equity | 7.5% | 7.5% | 7.5% |
| International Equity | 8.5% | 8.5% | 8.5% |
| Domestic Fixed Income | 2.5% | 2.5% | 2.5% |
| Global Fixed Income | 3.5% | 3.5% | 3.5% |
| GTAA | 3.5% | -- | -- |
| Real Estate | 4.5% | 4.5% | -- |
| REITS | 2.5% | -- | -- |

Discount Rate Sensitivity Analysis

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 sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability (asset) to changes in the discount rate.

| | <u>GEPP</u> | | |
|-------------------|----------------------|------------------------|----------------------|
| | 1% Decrease 6.25% | Discount Rate 7.25% | 1% Increase 8.25% |
| Net Pension | | | |
| Liability (Asset) | \$ 217,676 | \$ (1,601,467) | \$ (3,129,315) |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Net Pension Liability (Asset) and Actuarial Assumptions *(Continued)*

| | <u>PPP</u> | | |
|-------------------|--------------|---------------|-------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| | 6.50% | 7.50% | 8.50% |
| Net Pension | | | |
| Liability (Asset) | \$ 3,337,629 | \$ 1,649,550 | \$ 256,879 |

| | <u>FPP</u> | | |
|-------------------|-------------|---------------|--------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| | 6.50% | 7.50% | 8.50% |
| Net Pension | | | |
| Liability (Asset) | \$ 883,740 | \$ 167,790 | \$ (419,976) |

Net Pension Liability (Asset), Deferred Outflows/Deferred Inflows of Resources, and Pension Expense for the City's Defined Benefit Plans

The following table presents the change in net pension liability (asset) of the City's Plans as of the measurement date of September 30, 2018.

| | <u>GEPP</u> | <u>PPP</u> | <u>FPP</u> |
|--|-----------------------|---------------------|-------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 233,428 | \$ 351,591 | \$ 149,429 |
| Interest | 1,040,024 | 849,234 | 364,329 |
| Change in Excess State Monies | - | - | 8,474 |
| Share Plan Allocation | - | 8,757 | 8,882 |
| Change in Benefit Terms | - | - | 37,711 |
| Difference Between Actual and Expected Experience | 147,269 | 280,707 | (173,374) |
| Contributions - Buyback | - | 15,940 | - |
| Change of Assumptions | - | - | - |
| Benefit Payments | (744,843) | (498,444) | (117,392) |
| Net Change in Total Pension Liability | <u>675,878</u> | <u>1,007,785</u> | <u>278,059</u> |
| Total Pension Liability - Beginning | <u>14,484,150</u> | <u>11,220,747</u> | <u>4,580,846</u> |
| Total Pension Liability - Ending (a) | <u>15,160,028</u> | <u>12,228,532</u> | <u>4,858,905</u> |
| | | | |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 164,641 | 286,047 | 92,253 |
| Contributions - State | - | 101,801 | 84,737 |
| Contributions - Member | 89,157 | 172,314 | 44,590 |
| Contributions - Buyback | - | 15,940 | - |
| Net Investment Income | 1,330,123 | 753,861 | 294,169 |
| Benefit Payments, including Refunds of Contributions | (744,843) | (498,444) | (117,392) |
| Administrative Expense | (56,105) | (51,060) | (40,958) |
| Net Change in Plan Fiduciary Net Position | <u>782,973</u> | <u>780,459</u> | <u>357,399</u> |
| Plan Fiduciary Net Position - Beginning | <u>15,978,522</u> | <u>9,798,523</u> | <u>4,333,716</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>16,761,495</u> | <u>10,578,982</u> | <u>4,691,115</u> |
| | | | |
| Net Pension Liability (Asset) (a) - (b) | <u>\$ (1,601,467)</u> | <u>\$ 1,649,550</u> | <u>\$ 167,790</u> |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

For the year ended September 30, 2018, the City recognized pension expense of \$730,717 (\$62,751 related to the GEPP, \$563,169 related to the PPP, and \$104,797 related to the FPP).

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

| | GEPP | |
|--|-------------------|--------------------|
| | Deferred Outflows | (Deferred Inflows) |
| Difference between expected and actual experience | 98,179 | (20,461) |
| Difference for change in assumptions | - | - |
| Net difference between projected and actual earnings on plan investments | - | (553,082) |
| | PPP | |
| | Deferred Outflows | (Deferred Inflows) |
| Difference between expected and actual experience | 308,070 | (140,096) |
| Difference for change in assumptions | 240,612 | - |
| Net difference between projected and actual earnings on plan investments | - | (7,751) |
| | FPP | |
| | Deferred Outflows | (Deferred Inflows) |
| Difference between expected and actual experience | - | (269,120) |
| Difference for change in assumptions | 22,109 | - |
| Net difference between projected and actual earnings on plan investments | 14,372 | - |
| Total All Plans | \$ 683,342 | \$ (990,510) |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending September 30 | GEPP | PPP | FPP | Net Amount |
|-----------------------------|--------------|------------|--------------|---------------|
| 2019 | \$ 8,819 | \$ 210,728 | \$ (143,106) | \$ 76,441 |
| 2020 | (233,376) | 66,440 | (75,510) | (242,446) |
| 2021 | (212,503) | 127,262 | (22,852) | (108,093) |
| 2022 | (38,304) | (3,595) | 8,829 | (33,070) |
| 2023 | - | - | - | - |
| | \$ (475,364) | \$ 400,835 | \$ (232,639) | \$ (307,168) |

Payable to the Pension Plans

On September 30, 2018, the City reported a payable of \$6,964 for the outstanding amount of contributions the FPP required for the year ended September 30, 2018.

NOTE 9 - DEFINED CONTRIBUTION PLAN

The City contributes to the 401(a) Money Purchase Defined Contribution Plan (DC Plan) for participating eligible employees which include the City Manager, Department Directors, Fire Chief, Police Chief, and City Clerk hired after October 1, 1999. The DC Plan is administered by ICMA Retirement Corporation. Benefit terms, including contribution requirements, for the DC Plan are established and may be amended by the Council. For each participating employee in the DC Plan, the City must contribute 12% of annual compensation, and 15% for the City Manager. The DC Plan does not require contributions from members. For the year ended September 30, 2018, the City recognized pension expense of \$60,705. Employer contributions and earnings on those contributions are immediately 100% vested; therefore, there are no forfeitures.

NOTE 10 - DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Section 457, Internal Revenue Code. The plans, which are available to all City employees through the International City/County Management Association (“ICMA”) and Public Employees Benefit Services Corporation (“PEBSCO”), permit the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (*Continued*)

Year Ended September 30, 2018

NOTE 10 - DEFERRED COMPENSATION PLAN (*Continued*)

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the participating employees. It is the opinion of the government's legal counsel that the government has no liability for losses under the plans, but does have the duty of due care that would be required of any ordinary prudent investor.

GASB Statement No. 32 eliminates the requirement that the City report the assets of Internal Revenue Code, Section 457, plans on the statement of net position.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective for the fiscal year ended September 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which supersedes previous accounting and financial reporting guidance for certain postemployment healthcare and life insurance benefits provided by the City. The implementation of this statement resulted in a restatement of net position as discussed further in Note 14.

Plan Description, Benefit Terms and Contribution Requirements

The Other Postemployment Benefit Plan ("OPEB Plan") is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees generally have higher costs, it means that the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. This is known as the "implicit rate subsidy".

Retirees and their dependents are permitted to remain covered under the City's respective medical and insurance plans as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employers per Ch. 112.08, F.S. Benefits that exceed this minimum are established and may be amended through action of the Council. The OPEB Plan does not issue a stand-alone report.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

OPEB Plan participants must reimburse the City for the City's average blended cost. Contributions requirements of the City are established and may be amended through action of the Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

At September 30, 2018, the following employees were covered by the benefit terms:

| | |
|--------------------------------------|-----|
| Retirees and Beneficiaries Currently | |
| Receiving Benefits | 2 |
| Active Employees | 128 |
| | 130 |

Total OPEB Liability and Changes in Total OPEB Liability

The measurement date for the City's total OPEB liability was September 30, 2018. The measurement period for OPEB cost was October 1, 2017 to September 30, 2018. The components of the City's net OPEB liability are as follows:

| | |
|--------------------------------------|------------|
| Total OPEB Liability | \$ 601,419 |
| OPEB Plan Fiduciary Net Position | - |
| City's Net OPEB Liability | \$ 601,419 |
| OPEB Plan Fiduciary Net Position as | |
| a Percentage of Total OPEB Liability | 0.0% |

The components of the changes in the total OPEB liability are as follows:

| | Fiscal Year |
|---|-------------|
| <u>Total OPEB Liability</u> | <u>2018</u> |
| Service Cost | \$ 46,052 |
| Interest | 20,112 |
| Difference between Expected and Actual Experience | (803) |
| Change of Assumptions and Other Inputs | - |
| Benefit Payments | (32,919) |
| Net Change in Total OPEB Liability | 32,442 |
| Total OPEB Liability, Beginning | 568,977 |
| Total OPEB Liability, Ending | \$ 601,419 |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Actuarial Assumptions and OPEB Liability Sensitivity to Healthcare Trend Rate

The total OPEB liability reported at September 30, 2018 was based on an actuarial valuation dated October 1, 2017 rolled forward to September 30, 2018 using the following actuarial assumptions:

| | |
|-----------------------|--|
| Inflation | 3.0% per annum |
| Discount Rate | 3.64% |
| Salary Increases | 3.0% per annum |
| Mortality Rates | RP-2014 mortality table with MP-2016 projection |
| Healthcare Trend Rate | Trend starting at 8.0% with 0.5% decrease per year to final rate of 5.0% after 7 years |

Sensitivity of OPEB liability to healthcare cost trend rate

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|----------------------|-------------|-----------------------|-------------|
| Total OPEB Liability | \$ 512,640 | \$ 601,419 | \$ 708,309 |

Discount Rate and OPEB Liability Sensitivity to Discount Rate

The discount rate used to measure the total OPEB liability reported as of September 30, 2018 was 3.64%. Because the City's OPEB costs are essentially funded on a pay-as-you-go funding structure, a municipal bond rate was used to determine the total OPEB liability for the OPEB Plan. The S&P Municipal Bond 20-Year High-Grade Rate Index was used for this purpose.

Sensitivity of OPEB liability to discount rate

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|-------------|--------------------------|-------------|
| Total OPEB Liability | \$ 674,038 | \$ 601,419 | \$ 528,801 |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2018

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$66,110. At September 30, 2018, the City had deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between Expected and Actual Experience | \$ - | \$ 749 |
| Change of Assumptions and Other Inputs | - | - |
| | \$ - | \$ 749 |

Deferred inflows of resources shown above will be recognized in OPEB expense in the following years.

| Fiscal Year Ending | Net Inflows |
|-----------------------|----------------|
| 2019 | \$ 54 |
| 2020 | 54 |
| 2021 | 54 |
| 2022 | 54 |
| 2023 | 54 |
| Thereafter | 479 |
| | \$ 749 |

NOTE 12 - COMMITMENTS

Contractual Services

The City has a Water Purchase and Sewer Treatment Agreement with the City of St. Petersburg to acquire water and have its sewage treated at prevailing wholesale rates. During the current year, the City paid the City of St. Petersburg \$2,938,363 for these services.

Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits cannot presently be determined, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2018

NOTE 12 - COMMITMENTS (Continued)

Litigation (Continued)

In October 2016, the City received a 60-day notice of violations of the Clean Water Act and notice of intent to file suit from Suncoast Waterkeeper, Inc., Our Children's Earth Foundation and Ecological Rights Foundation. In January 2017, those named parties filed a legal action in the U.S. District Court for the Middle District of Florida seeking civil penalties and injunctive relief preventing further violations of the Clean Water Act.

In April 2017, the City entered into Consent Order 17-0028 with the Florida Department of Environmental Protection (FDEP) to address the issues associated with the wastewater discharges from collection systems owned and operated by the City. The consent order was amended in January 2018. It establishes a number of corrective actions submitted by the City to the FDEP, subsequently approved by the FDEP, which are designed to mitigate overflows and discharges during future weather events. A significant condition of the consent order, in lieu of civil penalties, was to fund \$127,500 for the implementation of a City-wide funding assistance private lateral rehabilitation and/or replacement program, which the City satisfied.

The City has included corrective actions set forth in the consent order in its Capital Improvements Plan; however, the City cannot predict whether its current Capital Improvements Plan will be sufficient to accomplish any additional required remediation. The City cannot predict the financial impact of this pending litigation.

Encumbrances

At September 30, 2018, the City has outstanding encumbrances in several funds as follows:

| | Amount | Classification |
|-----------------------------------|-------------------|---------------------------|
| <u>Major Funds:</u> | | |
| General Fund | \$ 8,785 | Assigned fund balance |
| Capital Projects Fund | 419,309 | Restricted fund balance |
| Marina | 8,659 | Unrestricted net position |
| <u>Nonmajor Fund:</u> | | |
| Waterfront Redevelopment District | 200,831 | Assigned fund balance |
| | <u>\$ 637,584</u> | |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (*Continued*)

Year Ended September 30, 2018

NOTE 12 - COMMITMENTS (*Continued*)

Grants

The City receives financial assistance from federal, state, and local agencies in the form of operating and capital grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Disallowed claims, if any, resulting from such audits, may become liabilities of the City. However, in the opinion of management, disallowed claims, if any, will not have a material effect on the City's financial statements.

In September 2017, most of the state of Florida was affected by Hurricane Irma, including the City. The President of the United States and the Governor of Florida declared most of the State a designated disaster area and issued relief through public assistance grants, coordinated by the Federal Emergency Management Agency (FEMA). Expenses were incurred by the City for hurricane preparedness, debris removal, repairs and other hurricane-related costs; almost half of which occurred in fiscal year 2017. The City is working with FEMA liaisons to recover these costs.

Construction Commitments

The City has significant construction commitments totaling \$1,399,352 to Secord Contracting Corp., Miller Pipeline, and Cardno, Inc. as part of the sewer rehabilitation project at September 30, 2018.

NOTE 13 - TAX ABATEMENT

GASB Statement No. 77, *Tax Abatement Disclosures* is effective for the financial statements of the City. This statement requires disclosure of tax abatement information about the City's tax abatement agreements and those entered by other governments that would reduce the City's tax revenues. The City has evaluated this statement and has determined no agreements meet the criteria to be disclosed.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2018

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLES

In 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in an increase in beginning OPEB liability and restatement of beginning net position for the City's governmental activities and proprietary funds. The components of this restatement are as follows:

| <u>Elements of Restatement:</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Beginning Net Position, as Originally Reported | \$ 16,758,126 | \$ 15,510,609 |
| Cumulative effect of application of GASB No. 75 | <u>(164,108)</u> | <u>(27,870)</u> |
| Beginning Net Position, as Restated | <u>\$ 16,594,018</u> | <u>\$ 15,482,739</u> |

Business-Type Activities by Fund

| <u>Elements of Restatement:</u> | <u>Sanitation</u> | <u>Water and Sewer</u> | <u>Marina</u> | <u>Total</u> |
|--|---------------------|----------------------------|---------------------|----------------------|
| Beginning Net Position, as Originally Reported | \$ 1,297,585 | \$ 11,427,963 | \$ 2,785,061 | \$ 15,510,609 |
| Cumulative effect of application of GASB No. 75 | <u>(12,899)</u> | <u>(9,131)</u> | <u>(5,840)</u> | <u>(27,870)</u> |
| Beginning Net Position, as Restated | <u>\$ 1,284,686</u> | <u>\$ 11,418,832</u> | <u>\$ 2,779,221</u> | <u>\$ 15,482,739</u> |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2018

NOTE 15 - COMMUNITY REDEVELOPMENT AGENCY ("CRA")

The 49th Street Redevelopment District and Water Redevelopment District are separate districts of the City's CRA blended component unit as discussed in Note 1. In accordance with Florida Statutes, Chapter 163.387 and Chapter 218.39, the City is presenting the following information on these two nonmajor funds.

**CITY OF GULFPORT, FLORIDA
GOVERNMENTAL BALANCE SHEET
COMMUNITY REDEVELOPMENT AGENCY
September 30, 2018**

| | 49th Street Redevelopment District | Waterfront Redevelopment District |
|--|---|--|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 12,090 | \$ 414,075 |
| Accounts Receivable (Net) | - | 4,169 |
| Prepays | - | 838 |
| Total Assets | <u>\$ 12,090</u> | <u>\$ 419,082</u> |
| | | |
| LIABILITIES | | |
| Accounts Payable | \$ - | \$ 9,363 |
| Accrued Liabilities | 127 | 43 |
| Total Liabilities | <u>127</u> | <u>9,406</u> |
| | | |
| FUND BALANCES | | |
| Nonspendable Prepaid Items | - | 838 |
| Assigned for 49th Street Redevelopment | 11,963 | - |
| Assigned for Beach Renourishment | - | 20,000 |
| Assigned for Williams Pier | - | 10,000 |
| Assigned for Waterfront Redevelopment | - | 378,838 |
| Total Fund Balances | <u>11,963</u> | <u>409,676</u> |
| Total Liabilities and Fund Balances | <u>\$ 12,090</u> | <u>\$ 419,082</u> |

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2018

NOTE 15 - COMMUNITY REDEVELOPMENT AGENCY ("CRA") (Continued)

CITY OF GULFPORT, FLORIDA
GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
COMMUNITY REDEVELOPMENT AGENCY
For the Year Ended September 30, 2018

| | 49th Street Redevelopment District | Waterfront Redevelopment District |
|--|---|--|
| | <u> </u> | <u> </u> |
| REVENUES | | |
| Taxes | \$ - | \$ 294,384 |
| Miscellaneous Revenues | - | 2,033 |
| Total Revenues | <u>-</u> | <u>296,417</u> |
| | | |
| EXPENDITURES | | |
| Current: | | |
| Community Development/Redevelopment | - | 379,489 |
| Total Expenditures | <u>-</u> | <u>379,489</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>(83,072)</u> |
| | | |
| Transfers In | - | 29,272 |
| Total Other Financing Sources and (Uses) | <u>-</u> | <u>29,272</u> |
| | | |
| Net Change in Fund Balances | - | (53,800) |
| | | |
| Fund Balances - Beginning | <u>11,963</u> | <u>463,476</u> |
| | | |
| Fund Balances - Ending | <u>\$ 11,963</u> | <u>\$ 409,676</u> |

Required Supplementary Information

This financial statement section provides the following schedules:

Budgetary comparison schedule for *Major Fund*

- General Fund

Schedules for Employee Retirement Plans

- Schedules of Net Pension Liability and Related Ratios
 - Municipal Police Officers' Trust Fund
 - Firefighters' Retirement Pension Fund
 - General Employees' Pension Plan
- Schedules of Contributions
 - Municipal Police Officers' Trust Fund
 - Firefighters' Retirement Pension Fund
 - General Employees' Pension Plan
- Schedule of Investment Returns

Schedules for Employee Other Postemployment Benefits Plan

- Schedule of Changes in the City's Total OPEB Liability and Related Ratios

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CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget -</u> <u>Over (Under)</u> |
|----------------------------|-------------------------|-------------------|---------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 5,960,095 | \$ 5,864,632 | \$ 5,863,319 | \$ (1,313) |
| Permits and Fees | 461,440 | 575,894 | 573,526 | (2,368) |
| Intergovernmental Revenues | 1,952,464 | 2,024,680 | 1,956,345 | (68,335) |
| Charges for Services | 2,705,801 | 2,744,281 | 2,742,381 | (1,900) |
| Fines and Forfeitures | 92,500 | 112,362 | 109,675 | (2,687) |
| Investment Income | 35,000 | 52,561 | 52,561 | - |
| Miscellaneous Revenues | 440,700 | 441,523 | 422,230 | (19,293) |
| Total Revenues | <u>11,648,000</u> | <u>11,815,933</u> | <u>11,720,037</u> | <u>(95,896)</u> |
| EXPENDITURES | | | | |
| General Government | | | | |
| Legislative | 359,799 | 362,856 | 343,622 | (19,234) |
| Legal | 100,000 | 90,109 | 90,109 | - |
| Executive | 267,693 | 261,935 | 253,326 | (8,609) |
| Financial | 669,068 | 563,358 | 543,860 | (19,498) |
| Information Technology | 246,020 | 262,302 | 257,826 | (4,476) |
| Total | <u>1,642,580</u> | <u>1,540,560</u> | <u>1,488,743</u> | <u>(51,817)</u> |
| Public Safety | | | | |
| Fire | 1,484,550 | 1,524,196 | 1,495,672 | (28,524) |
| Police | 3,583,711 | 3,809,040 | 3,727,847 | (81,193) |
| Total | <u>5,068,261</u> | <u>5,333,236</u> | <u>5,223,519</u> | <u>(109,717)</u> |
| Recreation | | | | |
| Library | 679,760 | 671,754 | 655,375 | (16,379) |
| Office of Director | 65,808 | 70,642 | 66,507 | (4,135) |
| Elderly Mobility Service | 111,347 | 176,855 | 109,166 | (67,689) |
| Recreation Center | 712,916 | 576,518 | 562,238 | (14,280) |
| Casino | 420,547 | 425,310 | 411,137 | (14,173) |
| Theater | 188,285 | 181,180 | 167,736 | (13,444) |
| Parks | 739,001 | 788,899 | 772,331 | (16,568) |
| Senior Center | 241,936 | 246,960 | 235,021 | (11,939) |
| Total | <u>3,159,600</u> | <u>3,138,118</u> | <u>2,979,511</u> | <u>(158,607)</u> |
| Community Development | | | | |
| Planning & Development | 302,724 | 277,422 | 263,807 | (13,615) |
| Building Inspections | 535,739 | 495,804 | 479,532 | (16,272) |
| Total | <u>838,463</u> | <u>773,226</u> | <u>743,339</u> | <u>(29,887)</u> |

Continued

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE - Continued
GENERAL FUND
For the Year Ended September 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget -</u> <u>Over (Under)</u> |
|--|-------------------------|---------------------|---------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| EXPENDITURES (Continued) | | | | |
| Public Works | | | | |
| Building Maintenance | \$ 258,929 | \$ 269,972 | \$ 264,758 | \$ (5,214) |
| Central Garage | 561,454 | 565,405 | 545,692 | (19,713) |
| Office of Director | 156,112 | 159,249 | 144,547 | (14,702) |
| Streets | 544,601 | 639,396 | 630,690 | (8,706) |
| Total | <u>1,521,096</u> | <u>1,634,022</u> | <u>1,585,687</u> | <u>(48,335)</u> |
| Total Expenditures | <u>12,230,000</u> | <u>12,419,162</u> | <u>12,020,799</u> | <u>(398,363)</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | <u>(582,000)</u> | <u>(603,229)</u> | <u>(300,762)</u> | <u>302,467</u> |
| OTHER FINANCING SOURCES | | | | |
| AND (USES) | | | | |
| Transfers In | 602,000 | 602,000 | 602,000 | - |
| Transfers (Out) | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> | <u>20,000</u> |
| Total Other Financing | | | | |
| Sources and (Uses) | <u>582,000</u> | <u>582,000</u> | <u>602,000</u> | <u>20,000</u> |
| Net Change in Fund Balance | <u>-</u> | <u>(21,229)</u> | <u>301,238</u> | <u>322,467</u> |
| Fund Balance - Beginning | <u>3,498,096</u> | <u>3,498,096</u> | <u>3,498,096</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 3,498,096</u> | <u>\$ 3,476,867</u> | <u>\$ 3,799,334</u> | <u>\$ 322,467</u> |

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL POLICE OFFICERS' TRUST FUND
Last 10 Fiscal Years

| | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|--|---------------------|---------------------|---------------------|--------------------|---------------------|
| Total Pension Liability | | | | | |
| Service Cost | \$ 351,591 | \$ 413,848 | \$ 362,330 | \$ 365,388 | \$ 334,035 |
| Interest | 849,234 | 807,364 | 729,221 | 715,821 | 672,178 |
| Change in Excess State Money | - | - | (2,819) | 2,819 | - |
| Share Plan Allocation | 8,757 | 4,450 | 5,930 | - | - |
| Changes of Benefit Terms | - | - | - | 21,042 | 20,404 |
| Differences Between Expected and Actual Experience | 280,707 | 123,717 | 46,622 | (420,290) | - |
| Changes of Assumptions | - | 132,292 | 322,474 | - | - |
| Contributions - Buy Back | 15,940 | - | - | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (498,444) | (529,340) | (490,278) | (479,625) | (511,332) |
| Net Change in Total Pension Liability | 1,007,785 | 952,331 | 973,480 | 205,155 | 515,285 |
| Total Pension Liability - Beginning | 11,220,747 | 10,268,416 | 9,294,936 | 9,089,781 | 8,574,496 |
| Total Pension Liability - Ending (a) | <u>\$12,228,532</u> | <u>\$11,220,747</u> | <u>\$10,268,416</u> | <u>\$9,294,936</u> | <u>\$ 9,089,781</u> |
| Plan Fiduciary Net Position | | | | | |
| Contributions - Employer | \$ 286,047 | \$ 225,173 | \$ 208,907 | \$ 280,862 | \$ 409,967 |
| Contributions - State | 101,801 | 93,186 | 93,326 | 90,084 | 86,155 |
| Contributions - Employee | 172,314 | 165,215 | 157,729 | 154,189 | 146,999 |
| Contributions - Buy Back | 15,940 | - | - | - | - |
| Net Investment Income | 753,861 | 950,148 | 603,881 | (63,986) | 781,414 |
| Benefit Payments, Including Refunds of Employee Contributions | (498,444) | (529,340) | (490,278) | (479,625) | (511,332) |
| Administrative Expense | (51,060) | (62,929) | (37,730) | (41,565) | (32,563) |
| Net Change in Plan Fiduciary Net Position | 780,459.00 | 841,453.00 | 535,835.00 | (60,041.00) | 880,640.00 |
| Plan Fiduciary Net Position - Beginning | 9,798,523 | 8,957,070 | 8,421,235 | 8,481,276 | 7,600,636 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$10,578,982</u> | <u>\$ 9,798,523</u> | <u>\$ 8,957,070</u> | <u>\$8,421,235</u> | <u>\$ 8,481,276</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 1,649,550</u> | <u>\$ 1,422,224</u> | <u>\$ 1,311,346</u> | <u>\$ 873,701</u> | <u>\$ 608,505</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.51% | 87.33% | 87.23% | 90.60% | 93.31% |
| Covered payroll | \$ 2,153,923 | \$ 2,065,190 | \$ 1,971,612 | \$1,927,761 | \$ 1,837,490 |
| Net Pension Liability as a Percentage of Covered payroll | 76.58% | 68.87% | 66.51% | 45.32% | 33.12% |

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - Continued
MUNICIPAL POLICE OFFICERS' TRUST FUND
Last 10 Fiscal Years

Current Year Notes to Schedule:

The amounts presented for each fiscal year were determined as of September 30. The city implemented GASB Statement No. 67 for the fiscal year ended September 30, 2014. As a result this information is only available for the past five fiscal years.

Changes of assumptions:

For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from the following changes:

- The actuarial cost method was updated from The Frozen Entry Age method to The Entry Age Normal method.
- The investment rate of return assumption was decreased from 7.75% to 7.50%.

Based on an experience study completed in June of 2017, the following assumptions were changed:

- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were updated to incorporate the mortality change by the Florida Retirement System actuary effective with the July 1, 2016 FRS valuation
- The assumption that Members eligible for Normal Retirement on the valuation date would continue to work one more year was eliminated.
- The salary increase assumption was decreased from 6.0% to 5.5%.
- The rates of withdrawal were increased by 50% at each age from the prior assumption.

Additionally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

Prior Year Notes to Schedule:

Changes of assumptions:

For the year ending 09/30/2016, as a result of Chapter 2015-157, Florida Statutes, the assumed rate of mortality was changed to the assumption used by the Florida Retirement System.

Changes of benefit terms:

For the year ending 09/30/2015 the benefit accrual rate has been increased from 2.87% to 2.88% for each year of Credited Service.

For the year ending 09/30/2014 the benefit accrual rate has been increased from 2.86% to 2.87% for each year of Credited Service.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT PENSION FUND
Last 10 Fiscal Years

| | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | |
| Service Cost | \$ 149,429 | \$ 152,339 | \$ 161,384 | \$ 160,502 | \$ 146,050 |
| Interest | 364,329 | 359,763 | 339,327 | 309,885 | 285,042 |
| Change in Excess State Money | 8,474 | 8,268 | 9,292 | 9,553 | 12,377 |
| Share Plan Allocation | 8,882 | 14,290 | - | - | - |
| Changes of Benefit Terms | 37,711 | (180,957) | (41,492) | (29,384) | 25,161 |
| Differences Between Expected and Actual Experience | (173,374) | (460,613) | (12,721) | 75,658 | - |
| Changes of Assumptions | - | 66,326 | 75,795 | - | 158,627 |
| Benefit Payments, Including Refunds of Employee Contributions | (117,392) | (117,165) | (122,139) | (153,677) | (124,928) |
| Net Change in Total Pension Liability | 278,059 | (157,749) | 409,446 | 372,537 | 502,329 |
| Total Pension Liability - Beginning | 4,580,846 | 4,738,595 | 4,329,149 | 3,956,612 | 3,454,283 |
| Total Pension Liability - Ending (a) | <u>\$ 4,858,905</u> | <u>\$ 4,580,846</u> | <u>\$ 4,738,595</u> | <u>\$ 4,329,149</u> | <u>\$ 3,956,612</u> |
| Plan Fiduciary Net Position | | | | | |
| Contributions - Employer | \$ 92,253 | \$ 153,107 | \$ 148,544 | \$ 163,946 | \$ 119,241 |
| Contributions - State | 84,737 | 82,682 | 92,921 | 95,531 | 123,764 |
| Contributions - Employee | 44,590 | 46,373 | 47,185 | 49,392 | 47,067 |
| Net Investment Income | 294,169 | 454,330 | 241,498 | (57,458) | 316,924 |
| Benefit Payments, Including Refunds of Employee Contributions | (117,392) | (117,165) | (122,139) | (153,677) | (124,928) |
| Administrative Expense | (40,958) | (43,038) | (29,214) | (36,745) | (23,058) |
| Net Change in Plan Fiduciary Net Position | 357,399 | 576,289 | 378,795 | 60,989 | 459,010 |
| Plan Fiduciary Net Position - Beginning | 4,333,716 | 3,757,427 | 3,378,632 | 3,317,643 | 2,858,633 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 4,691,115</u> | <u>\$ 4,333,716</u> | <u>\$ 3,757,427</u> | <u>\$ 3,378,632</u> | <u>\$ 3,317,643</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 167,790</u> | <u>\$ 247,130</u> | <u>\$ 981,168</u> | <u>\$ 950,517</u> | <u>\$ 638,969</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 96.55% | 94.61% | 79.29% | 78.04% | 83.85% |
| Covered payroll | \$ 891,807 | \$ 927,464 | \$ 943,708 | \$ 988,134 | \$ 941,341 |
| Net Pension Liability as a Percentage of Covered payroll | 18.81% | 26.65% | 103.97% | 96.19% | 67.88% |

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - Continued
FIREFIGHTERS' RETIREMENT PENSION FUND
Last 10 Fiscal Years

Current Year Notes to Schedule:

The amounts presented for each fiscal year were determined as of September 30. The city implemented GASB Statement No. 67 for the fiscal year ended September 30, 2014. As a result this information is only available for the past five fiscal years.

Changes of Assumptions:

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from an experience study dated July 20, 2017, the following assumptions and methods were changed:

- The actuarial cost method was updated from The Frozen Entry Age method to The Entry Age Normal method.
- The investment rate of return assumption was decreased from 7.75% to 7.50%.
- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were updated to incorporate the mortality change by the Florida Retirement System actuary effective with the July 1, 2016 FRS valuation.
- The assumption that Members eligible for Normal Retirement on the valuation date would continue to work one more year was eliminated.
- The salary increase assumption was changed from a flat 5.5% to a service-based table.

Changes of Benefit Terms:

For measurement date 09/30/2018, the following benefit changes have been reflected, as documented in our Actuarial Impact Statement dated January 10, 2019:

1. Increase the benefit accrual rate for all service for Members who terminate employment on or after April 21, 2009 from 3.02% to 3.04% of Average Final Compensation for year of Credited Service, and
2. Increase the automatic increases each year from age 55 through age 65 for all future (on or after April 21, 2009) retirees of any type and their beneficiaries from 0.12% per year to 0.22%.

Prior Year Notes to Schedule:

Changes of Assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Florida Statutes, the assumed rate of mortality was changed from the RP-2000 Combined Healthy Table to the assumption used by the Florida Retirement System.

For measurement date 09/30/2014 the investment rate of return has been lowered from 8.00% to 7.75% per year, net of investment related expenses.

Changes of Benefit Terms:

For measurement date 09/30/2017, amounts that were reported as benefit changes resulted from Ordinance 2009-04, that was adopted April 21, 2009 provided that if 90% of the State Monies received in any calendar year fell below \$108,435, then on the immediately following January 1st the benefit accrual rate and COLA rate would be reduced proportionally. In application of that ordinance, the benefit accrual rate decreased from 3.12% to 3.02% of Average Final Compensation for each year of Credited Service. Also, the automatic increases from age 55 through 65 for all future retirees of any type and their beneficiaries have decreased from 0.63% to 0.12%

For measurement date 09/30/2016 the benefit accrual rate has been decreased from 3.14% to 3.12% of Average Final Compensation for each year of Credited Service. The COLA rate has been decreased from 0.76% to 0.63%.

For measurement date 09/30/2015 the benefit accrual rate has been decreased from 3.16% to 3.14% of Average Final Compensation for each year of Credited Service. The COLA rate has been decreased from 0.84% to 0.76%.

For the year ending 09/30/2014 the benefit accrual rate has been increased from 3.14% to 3.16% of Average Final Compensation for each year of Credited Service. The COLA rate has been increased from 0.76% to 0.84%.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION PLAN
Last 10 Fiscal Years

| | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|--|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
| Total Pension Liability | | | | | |
| Service Cost | \$ 233,428 | \$ 226,567 | \$ 216,372 | \$ 269,179 | \$ 255,660 |
| Interest | 1,040,024 | 1,005,364 | 963,742 | 949,742 | 905,991 |
| Changes of benefit terms | - | 181,204 | - | - | - |
| Differences Between Expected and Actual Experience | 147,269 | (61,382) | 5,622 | (163,109) | - |
| Changes of Assumptions | - | - | (149,200) | 200,531 | - |
| Contributions - Buy Back | - | 37,041 | - | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (744,843) | (727,935) | (579,725) | (567,825) | (615,831) |
| Net Change in Total Pension Liability | 675,878 | 660,859 | 456,811 | 688,518 | 545,820 |
| Total Pension Liability - Beginning | 14,484,150 | 13,823,291 | 13,366,480 | 12,677,962 | 12,132,142 |
| Total Pension Liability - Ending (a) | <u>\$15,160,028</u> | <u>\$14,484,150</u> | <u>\$13,823,291</u> | <u>\$13,366,480</u> | <u>\$12,677,962</u> |
| Plan Fiduciary Net Position | | | | | |
| Contributions - Employer | \$ 164,641 | \$ 154,351 | \$ 245,147 | \$ 554,653 | \$ 538,169 |
| Contributions - Employee | 89,157 | 81,514 | 76,080 | 74,112 | 73,822 |
| Contributions - Buy Back | - | 37,041 | - | - | - |
| Net Investment Income | 1,330,123 | 1,909,526 | 1,322,566 | (274,556) | 1,325,707 |
| Benefit Payments, Including Refunds of Employee Contributions | (744,843) | (727,935) | (579,725) | (567,825) | (615,831) |
| Administrative Expense | (56,105) | (56,001) | (61,138) | (56,985) | (49,667) |
| Net Change in Plan Fiduciary Net Position | 782,973 | 1,398,496 | 1,002,930 | (270,601) | 1,272,200 |
| Plan Fiduciary Net Position - Beginning | 15,978,522 | 14,580,026 | 13,577,096 | 13,847,697 | 12,575,497 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$16,761,495</u> | <u>\$15,978,522</u> | <u>\$14,580,026</u> | <u>\$13,577,096</u> | <u>\$13,847,697</u> |
| Net Pension Asset - Ending (a) - (b) | <u>\$ (1,601,467)</u> | <u>\$ (1,494,372)</u> | <u>\$ (756,735)</u> | <u>\$ (210,616)</u> | <u>\$ (1,169,735)</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 110.56% | 110.32% | 105.47% | 101.58% | 109.23% |
| Covered payroll | \$ 3,302,099 | \$ 3,019,032 | \$ 2,837,465 | \$ 2,705,700 | \$ 2,734,138 |
| Net Pension Asset as a Percentage of Covered payroll | -48.50% | -49.50% | -26.67% | -7.78% | -42.78% |

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - Continued
GENERAL EMPLOYEES' PENSION PLAN
Last 10 Fiscal Years

Current Year Notes to Schedule:

The amounts presented for each fiscal year were determined as of September 30. The city implemented GASB Statement No. 67 for the fiscal year ended September 30, 2014. As a result this information is only available for the past five fiscal years.

Prior Year Notes to Schedule:

Changes of benefit terms:

For measurement date 09/30/2017, amounts reported as changes of benefit terms resulted from Ordinance No. 2017-14. This provided for an Ad Hoc cost-of-living adjustment (one-time increase) as of October 1, 2017 equal to 3.0% of the current benefit. This adjustment shall apply to all members that were receiving benefits on October 1, 2016, including Retirees and Beneficiaries.

Changes of Assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Florida Statutes, the assumed rate of mortality was changed to the assumption used by the Florida Retirement System

For measurement date 09/30/2015, amounts reported as changes of assumptions were resulted from lowering the investment rate of return from 7.50% to 7.25% and reducing the salary increase assumptions.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CONTRIBUTIONS
MUNICIPAL POLICE OFFICERS' TRUST FUND
Last 10 Fiscal Years

| | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|---|-------------|--------------|--------------|-------------|-------------|
| Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contributions | \$ 379,090 | \$ 313,909 | \$ 297,713 | \$ 368,127 | \$ 496,122 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$2,153,923 | \$ 2,065,190 | \$ 1,971,612 | \$1,927,761 | \$1,837,490 |
| Contributions as a Percentage of covered payroll | 17.60% | 15.20% | 15.10% | 19.10% | 27.00% |

Notes to Schedule:

Plan information is only available for 2014 through 2018. Subsequent years will be added as available.

Valuation Date: 10/1/2016

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rate:

Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection made.

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate:

7.75% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Retirement Age:

Earlier of Age 55 and 10 years of service or Age 52 and 25 years of services. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable based upon the plan provisions but do not have sufficient data to develop retirement rates at this time.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CONTRIBUTIONS - Continued
MUNICIPAL POLICE OFFICERS' TRUST FUND
 Last 10 Fiscal Years

Early Retirement: Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. We feel this assumption is reasonable based upon the plan provisions but do not have sufficient data to develop retirement rates at this time.

Disability Rates: See table below. It is assumed that 75% of disablements are service related. This assumption was developed from those used by other plans containing Florida municipal Police Officers.

Termination Rates: See table below. This assumption was developed in conjunction with a May 1, 2008 actuarial experience study to more closely mirror the actual experience realized in the plan.

Salary Increases: 6.0 % per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation. This assumption was developed from those used by other plans containing Florida municipal Police Officers.

Payroll Increases: 1.8 % per year. This assumption is in accordance with Part VII of Chapter 112, Florida Statutes.

Funding Method: Frozen Entry Age Actuarial Cost Method.

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Termination and Disability Rate Table:

| Age | % Becoming Disabled During the Year | % Terminating During the Year |
|-----|---|-------------------------------------|
| 20 | 0.03% | 9.3% |
| 30 | 0.04% | 7.9% |
| 40 | 0.07% | 4.3% |
| 50 | 0.18% | 1.1% |

Prior Year Notes to Schedule:

Amortization Method: Level Percentage of Pay, Closed.

Remaining Amortization Period: 29 Years (as of 10/01/2015).

Mortality Rate: RP 2000 Combined Healthy - Sex Distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers, we feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate: 7.75% per year compounded annually, net of investment related expenses. This assumption is in line with the national average utilized for public pension programs.

Disability Rates: See table. It is assumed that 75% of disablements and active Member deaths are service related. This assumption was developed from those used by other plans containing Florida municipal Police Officers.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT PENSION FUND
Last 10 Fiscal Years

| | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|--------------------------------------|-------------|-----------------|-------------------|-------------|-------------|
| Actuarially Determined Contribution | \$ 159,634 | \$ 217,027 | \$ 228,377 | \$ 249,924 | \$ 230,628 |
| Contributions in Relation to the | | | | | |
| Actuarially Determined Contributions | 159,634 | 213,231 | 232,173 | 249,924 | 230,628 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ 3,796</u> | <u>\$ (3,796)</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | |
| Covered payroll | \$ 891,807 | \$ 927,464 | \$ 943,708 | \$ 988,134 | \$ 941,341 |
| Contributions as a Percentage | | | | | |
| of Covered payroll | 17.90% | 22.99% | 24.60% | 25.29% | 24.50% |

Notes to Schedule

Plan information is only available for 2014 through 2018. Subsequent years will be added as available.

Valuation Date: 10/1/2016 (AIS 03/07/2018)

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality:

Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

Female: 60% RP2000 Disable Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report. We feel this assumption sufficiently accommodates future mortality improvements.

Termination Rates:

See table on following page. This assumption was covered in our 10/16/2010 Experience Study and continues to be our best estimate of future experience.

Disability Rates:

See table on following page. It is assumed that 75% of disablements and active Member deaths are service related. This assumption was developed from those used by other plans containing Florida Municipal Firefighters.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CONTRIBUTIONS - Continued
FIREFIGHTERS' RETIREMENT PENSION FUND
 Last 10 Fiscal Years

Retirement Age: The earlier of attainment of age 55 with 10 years of credited service, or age 52 with 25 years of credited service, or the completion of 30 years of Credited Service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable based upon the plan provisions but do not have sufficient data to develop retirement rates.

Interest Rate: 7.75% per year compounded annually, net of investment related expenses. This assumption was lowered from 8.0% in conjunction with the October 1, 2014 valuation, as approved by the Board of Trustees.

Salary Increases: 5.5% per year until the assumed retirement age; see table below. This assumption was developed from those used by other plans containing Florida Municipal Firefighters.

Early Retirement: Commencing with attainment of Early Retirement Status (age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Cost-of-Living (COLA): 0.63% automatic increases from age 55 to 65 for all retirees and beneficiaries.

Payroll Growth: 3.0% per year. This assumption is in accordance with Part VII of Chapter 112, Florida Statutes.

Funding Method: Frozen Entry Age Actuarial Cost Method.

Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

| Termination and Disability Rate Table: | % Terminating | % Becoming |
|--|---------------|-----------------|
| | During the | Disabled During |
| Age | Year | the Year |
| 20 | 12.00% | 0.03% |
| 30 | 10.00% | 0.04% |
| 40 | 5.20% | 0.07% |
| 50 | 1.60% | 0.18% |

Prior Year Notes to Schedule:

Remaining Amortization Period: 29 Years (as of 10/01/2015).

Amortization Method: Level Percentage of Pay, Closed.

Mortality: RP 2000 Combined Healthy Mortality Table. Disabled lives are set forward 5 years. Based upon other studies of municipal Firefighters, we feel this assumption sufficiently accommodates future mortality improvements.

Cost-of-Living (COLA): 0.76% automatic increases from age 55 to 65 for all retirees and beneficiaries.

Payroll Growth: 3.0% per year.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' PENSION PLAN
Last 10 Fiscal Years

| | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
|--------------------------------------|---------------|-----------------|---------------|-----------------|--------------|
| Actuarially Determined Contribution | \$ 165,105 | \$ 153,971 | \$ 245,146 | \$ 554,467 | \$ 571,435 |
| Contributions in Relation to the | | | | | |
| Actuarially Determined Contributions | 164,641 | 154,351 | 245,147 | 554,653 | 571,435 |
| Contribution Deficiency (Excess) | <u>\$ 464</u> | <u>\$ (380)</u> | <u>\$ (1)</u> | <u>\$ (186)</u> | <u>\$ -</u> |
| | | | | | |
| Covered payroll | \$ 3,302,099 | \$ 3,019,032 | \$ 2,837,465 | \$ 2,705,700 | \$ 2,734,138 |
| Contributions as a Percentage of | | | | | |
| Covered payroll | 4.99% | 5.11% | 8.64% | 20.50% | 20.90% |

Notes to Schedule

Plan information is only available for 2014 through 2018. Subsequent years will be added as available.

Valuation Date: 10/1/2016 (AIS 10/16/2017)

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rates:

Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2016 FRS valuation report. We feel this assumption sufficiently accommodates future mortality improvements.

Termination Rates:

See table below. This assumption was covered in our July 22, 2015 Experience Study and continues to be our best estimate of future experience.

| Years of Service | % Terminating During the Year |
|---------------------|----------------------------------|
| 0-1 | 25% |
| 2-5 | 10% |
| 6-19 | 7% |
| 20+ | 0% |

Retirement Age:

See table on following page. This assumption was covered in our July 22, 2015 Experience Study and continues to be our best estimate of future experience.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF CONTRIBUTIONS - Continued
GENERAL EMPLOYEES' PENSION PLAN
Last 10 Fiscal Years

| | | | | | | | | | | | | | | | |
|--|--|----------|------------|---------|-----------------|-----|------|-------|------|-----|------|-------|-----|-----|------|
| Retirement Age: | <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;">% Retiring</td> </tr> <tr> <td style="text-align: center;">Age</td> <td style="text-align: center;">During the Year</td> </tr> <tr> <td style="text-align: center;">62</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">63-64</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">65</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">66-68</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">69+</td> <td style="text-align: center;">100%</td> </tr> </table> | | % Retiring | Age | During the Year | 62 | 50% | 63-64 | 10% | 65 | 50% | 66-68 | 10% | 69+ | 100% |
| | % Retiring | | | | | | | | | | | | | | |
| Age | During the Year | | | | | | | | | | | | | | |
| 62 | 50% | | | | | | | | | | | | | | |
| 63-64 | 10% | | | | | | | | | | | | | | |
| 65 | 50% | | | | | | | | | | | | | | |
| 66-68 | 10% | | | | | | | | | | | | | | |
| 69+ | 100% | | | | | | | | | | | | | | |
| Early Retirement: | None. | | | | | | | | | | | | | | |
| Interest Rate: | 7.25% per year compounded annually, net of investment related expenses. This assumption was developed based upon our July 22, 2015 Experience Study of the Plan. | | | | | | | | | | | | | | |
| Salary Increases: | See table below. These rates were developed based upon our July 22, 2015 Experience Study of the Plan. Projected salary in the year of retirement is increased individually according to accrued leave at transition date. | | | | | | | | | | | | | | |
| | <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Years of</td> <td style="text-align: center;">Salary</td> </tr> <tr> <td style="text-align: center;">Service</td> <td style="text-align: center;">Increase</td> </tr> <tr> <td style="text-align: center;">0-4</td> <td style="text-align: center;">5.5%</td> </tr> <tr> <td style="text-align: center;">5-14</td> <td style="text-align: center;">4.5%</td> </tr> <tr> <td style="text-align: center;">15+</td> <td style="text-align: center;">3.5%</td> </tr> </table> | Years of | Salary | Service | Increase | 0-4 | 5.5% | 5-14 | 4.5% | 15+ | 3.5% | | | | |
| Years of | Salary | | | | | | | | | | | | | | |
| Service | Increase | | | | | | | | | | | | | | |
| 0-4 | 5.5% | | | | | | | | | | | | | | |
| 5-14 | 4.5% | | | | | | | | | | | | | | |
| 15+ | 3.5% | | | | | | | | | | | | | | |
| Payroll Increase (For UAL Amortization): | None. | | | | | | | | | | | | | | |
| Funding Method: | Entry Age Normal Method. | | | | | | | | | | | | | | |
| Actuarial Asset Method: | Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value. | | | | | | | | | | | | | | |
| <u>Prior Year Notes to Schedule:</u> | | | | | | | | | | | | | | | |
| Amortization Method: | Level Percentage of Pay, Closed. | | | | | | | | | | | | | | |
| Mortality Rates: | RP 2000 Combined Healthy (sex distinct) with 80% White Collar and 20% Blue Collar mix and incorporating generational mortality improvements using scale BB. Chapter 2015-157 requires generational mortality improvements beginning with the October 1, 2016 valuation. | | | | | | | | | | | | | | |
| Interest Rate: | 7.25% per year compounded annually, net of investment related expenses. | | | | | | | | | | | | | | |
| Remaining Amortization Period: | 21 Years (as of 10/01/2015). | | | | | | | | | | | | | | |

CITY OF GULFPORT, FLORIDA
SCHEDULE OF INVESTMENT RETURNS
 Last 10 Fiscal Years

Annual Money-Weighted Rate of Return
 Net of Investment Expense

| Year Ended September 30 | General Employees | Firefighters | Police Officers |
|----------------------------|-------------------|--------------|-----------------|
| 2018 | 8.47% | 6.82% | 7.72% |
| 2017 | 13.33% | 12.14% | 10.74% |
| 2016 | 9.87% | 7.17% | 7.25% |
| 2015 | -2.00% | -1.73% | -0.74% |
| 2014 | 10.61% | 11.05% | 10.23% |

Notes to Schedule:

The amounts presented for each fiscal year were determined as of September 30. The City implemented GASB Statement No. 67 for the fiscal year ended September 30, 2014. As a result this information is only available for the past five fiscal years.

CITY OF GULFPORT, FLORIDA
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Last 10 Fiscal Years

| | 9/30/2018 |
|---|--------------|
| Total OPEB Liability | |
| Service cost | \$ 46,052 |
| Interest | 20,112 |
| Difference between expected and actual experience | (803) |
| Change of assumptions and other inputs | - |
| Benefit payments | (32,919) |
| Net change in total OPEB liability | 32,442 |
| Total OPEB liability - beginning | 568,977 |
| Total OPEB liability - ending | \$ 601,419 |
| | |
| Covered payroll | \$ 7,564,210 |
| | |
| Total OPEB liability as a percentage of covered payroll | 7.95% |

Current Year Notes to Schedule:

Note 1: GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only those years for which information is available.

Note 2: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB75.

Other Supplementary Information

This financial statement section provides the following schedules:

Combining balance sheet and statement of revenues, expenditures, and changes in fund balances for nonmajor special revenue funds

Budgetary comparison schedules for

Major Fund

- Capital Projects Fund

Nonmajor Funds

- Waterfront Redevelopment District

Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill

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CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2018

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Budget - Over (Under)</u> |
|--|---------------------|-----------------------|--|
| REVENUES | | | |
| Taxes | \$ 1,387,000 | \$ 1,343,079 | \$ (43,921) |
| Permits and Fees | - | 11,156 | 11,156 |
| Intergovernmental Revenues | 362,530 | 129,551 | (232,979) |
| Miscellaneous Revenues | - | 413 | 413 |
| Total Revenues | <u>1,749,530</u> | <u>1,484,199</u> | <u>(265,331)</u> |
| EXPENDITURES | | | |
| General Government | | | |
| Capital Outlay | 174,500 | 47,655 | (126,845) |
| Public Safety | | | |
| Capital Outlay | 475,815 | 319,825 | (155,990) |
| Public Works | | | |
| Capital Outlay | 1,038,254 | 605,243 | (433,011) |
| Recreation | | | |
| Capital Outlay | 167,729 | 150,759 | (16,970) |
| Debt Service | | | |
| Principal | 114,508 | 114,508 | - |
| Interest | 13,013 | 13,012 | (1) |
| Total Expenditures | <u>1,983,819</u> | <u>1,251,002</u> | <u>(732,817)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(234,289)</u> | <u>233,197</u> | <u>467,486</u> |
| OTHER FINANCING SOURCES AND (USES) | | | |
| Capital Lease Issuance | 345,000 | 262,333 | (82,667) |
| Transfers (Out) | (409,272) | (409,272) | - |
| Total Other Financing Sources and (Uses) | <u>(64,272)</u> | <u>(146,939)</u> | <u>(82,667)</u> |
| Net Change in Fund Balance | (298,561) | 86,258 | 384,819 |
| Fund Balance - Beginning | <u>333,051</u> | <u>333,051</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 34,490</u> | <u>\$ 419,309</u> | <u>\$ 384,819</u> |

CITY OF GULFPORT, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

| | 49th Street Redevelopment District | Law Enforcement Trust | Library Fund | Waterfront Redevelopment District | Total Nonmajor Special Revenue Funds |
|--|---|--------------------------------------|-------------------------|--|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 12,090 | \$ 1,000 | 44,832 | \$ 414,075 | \$ 471,997 |
| Accounts Receivable (net) | - | - | - | 4,169 | 4,169 |
| Prepaid Items | - | - | - | 838 | 838 |
| Total Assets | 12,090 | 1,000 | 44,832 | 419,082 | 477,004 |
| LIABILITIES | | | | | |
| Accounts Payable | - | - | - | 9,363 | 9,363 |
| Accrued Liabilities | 127 | - | - | 43 | 170 |
| Total Liabilities | 127 | - | - | 9,406 | 9,533 |
| FUND BALANCES | | | | | |
| Nonspendable Prepaid Items | - | - | - | 838 | 838 |
| Restricted for Library | - | - | 44,832 | - | 44,832 |
| Restricted for Law Enforcement | - | 1,000 | - | - | 1,000 |
| Assigned for 49th Street Redevelopment | 11,963 | - | - | - | 11,963 |
| Assigned for Beach Renourishment | - | - | - | 20,000 | 20,000 |
| Assigned for Williams Pier | - | - | - | 10,000 | 10,000 |
| Assigned for Other Waterfront Redevelopment | - | - | - | 378,838 | 378,838 |
| Total Fund Balances | 11,963 | 1,000 | 44,832 | 409,676 | 467,471 |
| Total Liabilities and Fund Balances | \$ 12,090 | \$ 1,000 | \$ 44,832 | \$ 419,082 | \$ 477,004 |

CITY OF GULFPORT, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2018

| | 49th Street Redevelopment District | Law Enforcement Trust | Library Fund | Waterfront Redevelopment District | Total Nonmajor Special Revenue Funds |
|--|---|--------------------------------------|-------------------------|--|---|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 294,384 | \$ 294,384 |
| Miscellaneous Revenues | - | - | 44,832 | 2,033 | 46,865 |
| Total Revenues | - | - | 44,832 | 296,417 | 341,249 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public Safety | - | 19,465 | - | - | 19,465 |
| Community Development/ Redevelopment | - | - | - | 379,489 | 379,489 |
| Total Expenditures | - | 19,465 | - | 379,489 | 398,954 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (19,465) | 44,832 | (83,072) | (57,705) |
| OTHER FINANCING SOURCES AND (USES) | | | | | |
| Transfers In | - | - | - | 29,272 | 29,272 |
| Total Other Financing Sources And (Uses) | - | - | - | 29,272 | 29,272 |
| Net Change in Fund Balances | - | (19,465) | 44,832 | (53,800) | (28,433) |
| Fund Balances - Beginning | 11,963 | 20,465 | - | 463,476 | 495,904 |
| Fund Balances - Ending | \$ 11,963 | \$ 1,000 | \$ 44,832 | \$ 409,676 | \$ 467,471 |

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
WATERFRONT REDEVELOPMENT DISTRICT
For the Year Ended September 30, 2018

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Budget - Over (Under)</u> |
|---|---------------------|-----------------------|--|
| REVENUES | | | |
| Taxes | \$ 288,494 | \$ 294,384 | \$ 5,890 |
| Intergovernmental Revenues | 62,500 | - | (62,500) |
| Miscellaneous Revenues | - | 2,033 | 2,033 |
| Total Revenues | <u>350,994</u> | <u>296,417</u> | <u>(54,577)</u> |
| EXPENDITURES | | | |
| Community Development/Redevelopment | | | |
| Operating | 389,772 | 85,919 | (303,853) |
| Capital Outlay | 299,106 | 293,570 | (5,536) |
| Total Expenditures | <u>688,878</u> | <u>379,489</u> | <u>(309,389)</u> |
| Excess of Revenues Over Expenditures | <u>(337,884)</u> | <u>(83,072)</u> | <u>254,812</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers In | 337,884 | 29,272 | (308,612) |
| Total Other Financing Sources | <u>337,884</u> | <u>29,272</u> | <u>(308,612)</u> |
| Net Change in Fund Balance | - | (53,800) | (53,800) |
| Fund Balance - Beginning | <u>-</u> | <u>463,476</u> | <u>463,476</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ 409,676</u> | <u>\$ 409,676</u> |

CITY OF GULFPORT, FLORIDA
SCHEDULE OF RECEIPTS AND EXPENDITURES OF
FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL
For The Year Ended September 30, 2018

| <u>Source</u> | <u>Amount Received in the 2017-18 Fiscal Year</u> | <u>Amount Expended in the 2017-18 Fiscal Year</u> |
|---------------------------|---|---|
| British Petroleum: | | |
| Claim No. 5000262 | \$ - | \$ 145,390 |

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Statistical Section

City of Gulfport, Florida
Statistical Section
September 30, 2018

This part of the City of Gulfport, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place

Operating Information

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

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

Note: As of September 30, 2018, the City had no long-term general bonded debt outstanding, and there has been none for the prior ten years. The City Charter has established that any general obligation borrowing must be exercised in accordance with Chapter 166, Florida Statutes.

**Schedule 1
City of Gulfport, Florida**

**NET POSITION BY COMPONENT
(accrual basis of accounting)
(in thousands)**

Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>Governmental activities</u> | | | | | | | | | | |
| Net investment | | | | | | | | | | |
| in capital assets | \$ 13,268 | \$ 13,040 | \$ 12,736 | \$ 13,111 | \$ 12,797 | \$ 12,450 | \$ 12,812 | \$ 13,411 | \$ 14,242 | \$ 14,442 |
| Restricted | 631 | 316 | 775 | 606 | 752 | 690 | 847 | 438 | 380 | 508 |
| Unrestricted | 4,658 | 4,047 | 3,728 | 3,820 | 3,658 | 2,744 | 3,407 | 3,559 | 2,136 | 2,064 |
| Total governmental activities net position | <u>\$ 18,557</u> | <u>\$ 17,403</u> | <u>\$ 17,239</u> | <u>\$ 17,537</u> | <u>\$ 17,207</u> | <u>\$ 15,884</u> | <u>\$ 17,066</u> | <u>\$ 17,408</u> | <u>\$ 16,758</u> | <u>\$ 17,014</u> |
| <u>Business-type activities</u> | | | | | | | | | | |
| Net investment | | | | | | | | | | |
| in capital assets | \$ 12,881 | \$ 13,588 | \$ 13,186 | \$ 12,292 | \$ 11,795 | \$ 11,356 | \$ 10,952 | \$ 10,891 | \$ 12,318 | \$ 12,347 |
| Restricted | 162 | 164 | 168 | 169 | 169 | 516 | 409 | 702 | 714 | 188 |
| Unrestricted (Deficit) | 1,529 | 881 | 131 | 226 | (32) | 622 | 1,630 | 1,810 | 2,479 | 3,401 |
| Total business-type activities net position | <u>\$ 14,572</u> | <u>\$ 14,633</u> | <u>\$ 13,485</u> | <u>\$ 12,687</u> | <u>\$ 11,932</u> | <u>\$ 12,494</u> | <u>\$ 12,991</u> | <u>\$ 13,403</u> | <u>\$ 15,511</u> | <u>\$ 15,936</u> |
| <u>Primary government</u> | | | | | | | | | | |
| Net investment | | | | | | | | | | |
| in capital assets | \$ 26,149 | \$ 26,628 | \$ 25,922 | \$ 25,403 | \$ 24,592 | \$ 23,806 | \$ 23,764 | \$ 24,302 | \$ 26,560 | \$ 26,789 |
| Restricted | 793 | 480 | 943 | 775 | 921 | 1,206 | 1,256 | 1,140 | 1,094 | 696 |
| Unrestricted | 6,187 | 4,928 | 3,859 | 4,046 | 3,626 | 3,366 | 5,037 | 5,369 | 4,615 | 5,465 |
| Total primary government, net position | <u>\$ 33,129</u> | <u>\$ 32,036</u> | <u>\$ 30,724</u> | <u>\$ 30,224</u> | <u>\$ 29,139</u> | <u>\$ 28,378</u> | <u>\$ 30,057</u> | <u>\$ 30,811</u> | <u>\$ 32,269</u> | <u>\$ 32,950</u> |

Schedule 2
City of Gulfport, Florida

CHANGES IN NET POSITION
Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General Government | \$ 1,465 | \$ 1,533 | \$ 1,510 | \$ 1,303 | \$ 1,421 | \$ 1,451 | \$ 1,540 | \$ 1,557 | \$ 1,614 | \$ 1,567 |
| Public Safety | 4,452 | 4,549 | 4,854 | 4,877 | 5,042 | 4,984 | 5,315 | 5,455 | 5,483 | 5,745 |
| Recreation | 3,077 | 3,297 | 2,756 | 2,487 | 2,726 | 2,808 | 2,865 | 3,106 | 3,249 | 3,434 |
| Community Development - Redevelopment | 1,002 | 923 | 850 | 787 | 852 | 886 | 701 | 1,001 | 1,411 | 812 |
| Public Works | 1,439 | 1,208 | 1,535 | 1,552 | 1,501 | 1,659 | 1,630 | 1,494 | 1,039 | 1,836 |
| Interest on Long Term Debt | - | - | - | - | - | - | - | - | 6 | 13 |
| Total governmental activities expenses | \$ 11,435 | \$ 11,510 | \$ 11,505 | \$ 11,006 | \$ 11,542 | \$ 11,788 | \$ 12,051 | \$ 12,613 | \$ 12,802 | \$ 13,407 |
| Business-type activities: | | | | | | | | | | |
| Sanitation | \$ 1,823 | \$ 1,741 | \$ 1,629 | \$ 1,733 | \$ 1,837 | \$ 1,984 | \$ 1,971 | \$ 2,059 | \$ 2,210 | \$ 2,474 |
| Water and Sewer | 3,987 | 4,359 | 4,184 | 4,324 | 4,528 | 4,684 | 5,242 | 5,472 | 5,399 | 5,825 |
| Cultural Activities Marina | - | - | - | - | - | - | - | - | - | - |
| Marina | 1,212 | 1,262 | 1,500 | 1,460 | 1,447 | 1,610 | 1,580 | 1,536 | 1,762 | 1,964 |
| Total business-type activities expenses | 7,022 | 7,362 | 7,313 | 7,517 | 7,812 | 8,278 | 8,793 | 9,067 | 9,371 | 10,263 |
| Total primary government expenses | \$ 18,457 | \$ 18,872 | \$ 18,818 | \$ 18,523 | \$ 19,354 | \$ 20,066 | \$ 20,844 | \$ 21,680 | \$ 22,173 | \$ 23,670 |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services - | | | | | | | | | | |
| General Government | \$ 832 | \$ 793 | \$ 775 | \$ 802 | \$ 850 | \$ 980 | \$ 1,421 | \$ 1,498 | \$ 1,559 | \$ 1,767 |
| Public Safety | 279 | 289 | 879 | 980 | 1,078 | 1,026 | 1,200 | 1,240 | 957 | 1,179 |
| Recreation | 584 | 570 | 513 | 546 | 635 | 702 | 694 | 769 | 763 | 779 |
| Public Works | 384 | 305 | 363 | 240 | 333 | 329 | 149 | 178 | 210 | 387 |
| Operating Grants and Contributions | 1,005 | 682 | 316 | 219 | 191 | 255 | 293 | 526 | 294 | 382 |
| Capital Grants and Contributions | 108 | 140 | 169 | 108 | 90 | 4 | 387 | 317 | 310 | 137 |
| Total governmental activities program revenues | \$ 3,192 | \$ 2,779 | \$ 3,015 | \$ 2,895 | \$ 3,177 | \$ 3,296 | \$ 4,144 | \$ 4,528 | \$ 4,093 | \$ 4,631 |
| Business-type activities: | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Sanitation | \$ 1,723 | \$ 1,772 | \$ 1,801 | \$ 2,017 | \$ 2,030 | \$ 2,035 | \$ 2,218 | \$ 2,184 | \$ 2,247 | \$ 2,330 |
| Water and Sewer | 3,725 | 3,830 | 3,829 | 4,313 | 4,253 | 4,720 | 5,215 | 5,167 | 5,798 | 6,091 |
| Marina | 1,462 | 1,564 | 1,650 | 1,556 | 1,541 | 1,760 | 1,672 | 1,742 | 1,936 | 2,217 |
| Operating Grants and Contributions | - | - | - | - | - | - | - | 36 | 225 | 9 |
| Capital Grants and Contributions | 211 | 2 | 4 | 1 | - | 6 | 122 | 303 | 839 | 226 |
| Total business-type activities program revenues | \$ 7,121 | \$ 7,168 | \$ 7,284 | \$ 7,887 | \$ 7,824 | \$ 8,521 | \$ 9,227 | \$ 9,432 | \$ 11,045 | \$ 10,873 |
| Total primary government program revenues | \$ 10,313 | \$ 9,947 | \$ 10,299 | \$ 10,782 | \$ 11,001 | \$ 11,817 | \$ 13,371 | \$ 13,960 | \$ 15,138 | \$ 15,504 |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | \$ (8,243) | \$ (8,731) | \$ (8,489) | \$ (8,111) | \$ (8,364) | \$ (8,492) | \$ (7,907) | \$ (8,085) | \$ (8,709) | \$ (8,776) |
| Business-type activities | 99 | (194) | (29) | 371 | 11 | 243 | 434 | 365 | 1,674 | 610 |
| Total primary government net (expense) | \$ (8,144) | \$ (8,925) | \$ (8,518) | \$ (7,740) | \$ (8,353) | \$ (8,249) | \$ (7,473) | \$ (7,720) | \$ (7,035) | \$ (8,166) |

Continued next page

Schedule 2 - Continued
City of Gulfport, Florida

CHANGES IN NET POSITION - Continued
Last Ten Fiscal Years
(in thousands)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------------|-------------------|-------------------|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Revenues and Other | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Ad Valorem | \$ 3,171 | \$ 2,828 | \$ 2,528 | \$ 2,648 | \$ 2,633 | \$ 2,661 | \$ 2,848 | \$ 3,051 | \$ 3,314 | \$ 3,563 |
| Franchise Fees | 773 | 858 | 784 | 738 | 703 | 740 | 767 | 712 | 705 | 752 |
| Utility Taxes | 991 | 1,131 | 1,078 | 1,027 | 1,050 | 1,141 | 1,151 | 1,161 | 1,191 | 1,216 |
| Communication Service Tax | 605 | 551 | 526 | 520 | 503 | 454 | 438 | 416 | 402 | 405 |
| Sales Tax - Infrastructure | 1,047 | 952 | 917 | 970 | 1,022 | 1,010 | 1,258 | 1,242 | 1,281 | 1,343 |
| Half-cent Sales Tax | 619 | 611 | 624 | 631 | 658 | 692 | 730 | 764 | 772 | 799 |
| Local Option Gas Tax | 166 | 165 | 163 | 163 | 165 | 155 | 187 | 179 | 179 | 174 |
| Other Taxes | 66 | 69 | 65 | 62 | 69 | 78 | 70 | 64 | 69 | 67 |
| State Revenue Sharing | 249 | 349 | 351 | 353 | 360 | 372 | 391 | 398 | 416 | 425 |
| Investment Income | 35 | 25 | 16 | 20 | 5 | 36 | 33 | 27 | 37 | 53 |
| Miscellaneous | 96 | 138 | 152 | 105 | 98 | 148 | 1,370 | 203 | 128 | 177 |
| Gain/(Loss) on Sale of Capital Assets | - | - | - | - | - | - | - | - | - | - |
| Transfers | 531 | (100) | 1,122 | 1,172 | 767 | (319) | 378 | (47) | (433) | 222 |
| Total governmental activities | \$ 8,349 | \$ 7,577 | \$ 8,326 | \$ 8,409 | \$ 8,033 | \$ 7,168 | \$ 9,621 | \$ 8,170 | \$ 8,060 | \$ 9,196 |
| Business-type activities: | | | | | | | | | | |
| Investment Income (loss) | \$ - | \$ 6 | \$ 2 | \$ 4 | \$ 1 | \$ (1) | \$ 1 | \$ - | \$ - | \$ - |
| Gain on Sale of Capital Assets | - | - | - | - | - | - | - | - | - | 65 |
| Transfers | (531) | 100 | (1,122) | (1,172) | (767) | 319 | (378) | 47 | 433 | (222) |
| Total business-type activities | (531) | 106 | (1,120) | (1,168) | (766) | 318 | (377) | 47 | 433 | (157) |
| Total primary government | \$ 7,818 | \$ 7,683 | \$ 7,206 | \$ 7,241 | \$ 7,267 | \$ 7,486 | \$ 9,244 | \$ 8,217 | \$ 8,493 | \$ 9,039 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 106 | \$ (1,155) | \$ (163) | \$ 298 | \$ (330) | \$ (1,323) | \$ 1,714 | \$ 85 | \$ (649) | \$ 420 |
| Business-type activities | (432) | (88) | (1,149) | (798) | (754) | 561 | 57 | 412 | 2,107 | 453 |
| Total primary government | \$ (326) | \$ (1,243) | \$ (1,312) | \$ (500) | \$ (1,084) | \$ (762) | \$ 1,771 | \$ 497 | \$ 1,458 | \$ 873 |

**Schedule 3
City of Gulfport, Florida**

**FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>General Fund</u> | | | | | | | | | | |
| Reserved | \$ 2,902 | \$ 2,946 | | | | | | | | |
| Unreserved | 2,231 | 1,695 | | | | | | | | |
| Nonspendable | | | \$ 38 | \$ 33 | \$ 40 | \$ 178 | \$ 60 | \$ 51 | \$ 48 | \$ 72 |
| Restricted | | | - | 130 | 35 | 12 | 16 | 20 | 27 | 43 |
| Committed | | | 9 | 53 | - | - | - | - | - | - |
| Assigned | | | - | - | 26 | - | 60 | 17 | 9 | 58 |
| Unassigned | | | 4,278 | 4,347 | 4,216 | 3,248 | 4,330 | 4,184 | 3,415 | 3,626 |
| Total General Fund | \$ 5,133 | \$ 4,641 | \$ 4,325 | \$ 4,563 | \$ 4,317 | \$ 3,438 | \$ 4,466 | \$ 4,272 | \$ 3,499 | \$ 3,799 |
| <u>All other governmental funds</u> | | | | | | | | | | |
| Reserved | \$ 175 | \$ 211 | | | | | | | | |
| Unreserved (Deficit) | | | | | | | | | | |
| Reported in: | | | | | | | | | | |
| Special Revenue Funds | 387 | 10 | | | | | | | | |
| Capital Projects Fund | - | 31 | | | | | | | | |
| Nonspendable | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1 |
| Restricted | | | 758 | 458 | 718 | 678 | 831 | 419 | 354 | 465 |
| Assigned | | | 37 | 25 | 47 | 48 | 174 | 602 | 475 | 421 |
| Unassigned (Deficit) | | | (40) | - | - | (41) | (39) | - | - | - |
| Total All Other Governmental Funds | \$ 562 | \$ 252 | \$ 755 | \$ 483 | \$ 765 | \$ 685 | \$ 966 | \$ 1,021 | \$ 829 | \$ 887 |

Note: Prior to the implementation of GASB Statement 54 in 2011, fund balance presented using GASB 34 classifications. Prior balances were not restated due to lack of available data.

Schedule 4
City of Gulfport, Florida

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(in thousands)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 6,030 | \$ 5,679 | \$ 5,256 | \$ 6,065 | \$ 6,077 | \$ 6,217 | \$ 6,699 | \$ 6,805 | \$ 7,118 | \$ 7,501 |
| Permits and fees | 911 | 1,003 | 908 | 180 | 291 | 255 | 334 | 401 | 385 | 585 |
| Intergovernmental revenues | 1,891 | 1,834 | 1,857 | 1,649 | 1,697 | 1,728 | 2,211 | 2,414 | 2,209 | 2,086 |
| Charges for services | 1,582 | 1,561 | 1,574 | 1,528 | 1,720 | 1,871 | 2,119 | 2,264 | 2,377 | 2,742 |
| Fines and forfeitures | 112 | 108 | 275 | 362 | 410 | 343 | 426 | 401 | 116 | 110 |
| Investment Income | 35 | 24 | 16 | 20 | 5 | 36 | 33 | 27 | 37 | 52 |
| Miscellaneous revenues | 369 | 309 | 334 | 265 | 263 | 333 | 1,566 | 434 | 344 | 469 |
| Total revenues | \$ 10,930 | \$ 10,518 | \$ 10,220 | \$ 10,069 | \$ 10,463 | \$ 10,783 | \$ 13,388 | \$ 12,746 | \$ 12,586 | \$ 13,545 |
| Expenditures | | | | | | | | | | |
| General government | \$ 1,305 | \$ 1,356 | \$ 1,331 | \$ 1,255 | \$ 1,353 | \$ 1,387 | \$ 1,421 | \$ 1,432 | \$ 1,520 | \$ 1,489 |
| Public safety | 4,326 | 4,383 | 4,745 | 4,736 | 4,863 | 4,768 | 5,026 | 4,950 | 5,055 | 5,243 |
| Public services | 1,257 | 1,311 | - | - | - | - | - | - | - | - |
| Culture and recreation | 2,818 | - | - | - | - | - | - | - | - | - |
| Recreation | - | 2,786 | 2,649 | 2,226 | 2,473 | 2,564 | 2,860 | 2,698 | 3,015 | 2,979 |
| Community development/ Redevelopment | 1,452 | 1,384 | 612 | 571 | 635 | 699 | 774 | 1,709 | 1,406 | 1,123 |
| Public works | - | - | 1,350 | 1,329 | 1,343 | 1,397 | 1,185 | 1,180 | 1,225 | 1,586 |
| Capital outlay | - | - | 465 | 1,160 | 527 | 609 | 1,189 | 1,125 | 1,179 | 1,123 |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | 43 | 115 |
| Interest | - | - | - | - | - | - | - | - | 6 | 13 |
| Total expenditures | \$ 11,158 | \$ 11,220 | \$ 11,152 | \$ 11,277 | \$ 11,194 | \$ 11,424 | \$ 12,455 | \$ 13,094 | \$ 13,451 | \$ 13,671 |
| Excess of revenues over (under) expenditures | \$ (228) | \$ (702) | \$ (932) | \$ (1,208) | \$ (731) | \$ (641) | \$ 933 | \$ (348) | \$ (865) | \$ (126) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | \$ 1,561 | \$ 1,427 | \$ 1,177 | \$ 1,432 | \$ 1,157 | \$ 1,702 | \$ 734 | \$ 1,267 | \$ 686 | \$ 631 |
| Transfers out | (1,030) | (1,527) | (55) | (260) | (390) | (2,021) | (357) | (1,315) | (1,119) | (409) |
| Issuance of capital leases | - | - | - | - | - | - | - | - | 332 | 263 |
| Total other financing sources (uses) | \$ 531 | \$ (100) | \$ 1,122 | \$ 1,172 | \$ 767 | \$ (319) | \$ 377 | \$ (48) | \$ (101) | \$ 485 |
| Net change in fund balances | \$ 303 | \$ (802) | \$ 190 | \$ (36) | \$ 36 | \$ (960) | \$ 1,310 | \$ (396) | \$ (966) | \$ 359 |
| Debt service as a percentage of non-capital expenditures | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.4% | 1.1% |

**Schedule 5
City of Gulfport, Florida**

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

| Fiscal Year Ended Sept. 30 | Real Property | | | Less: Tax Exemptions | |
|---|---------------------------------|--------------------------------|------------------------------|--|-------------------------------|
| | Residential Property | Commercial Property | Personal Property | Governmental/ Institutional | \$25,000 Homestead |
| 2009 | 1,242,522,200 | 160,551,200 | 17,044,530 | 94,314,776 | 169,992,000 |
| 2010 | 1,073,945,817 | 144,038,327 | 16,477,353 | 91,738,983 | 166,891,870 |
| 2011 | 923,293,178 | 127,600,207 | 19,592,603 | 85,054,875 | 162,965,943 |
| 2012 | 811,188,628 | 123,584,412 | 19,978,443 | 81,345,121 | 159,531,596 |
| 2013 | 814,701,325 | 121,735,872 | 19,393,717 | 85,386,625 | 155,258,784 |
| 2014 | 921,149,481 | 125,580,281 | 18,742,091 | 88,127,607 | 155,487,991 |
| 2015 | 1,041,251,353 | 130,259,384 | 18,886,102 | 90,811,334 | 157,363,084 |
| 2016 | 1,158,471,984 | 132,568,863 | 18,251,893 | 90,582,656 | 160,455,030 |
| 2017 | 1,246,940,796 | 135,303,673 | 19,314,382 | 89,126,722 | 167,873,903 |
| 2018 | 1,363,188,964 | 142,481,545 | 17,562,734 | 91,440,845 | 174,575,373 |

Continued

Source: Pinellas County Property Appraiser, 2018 Final tax roll (Forms DR403V and Land Use Recaps)

**Schedule 5 - Continued
City of Gulfport, Florida**

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY - Continued

Last Ten Fiscal Years

| Less: Tax Exemptions | | Total Taxable | Millage |
|--|--|---------------------------|----------------|
| Homestead Assessment Differential | Widows/ Disability/ Blind | Assessed Value | Rate * |
| 258,470,796 | 7,055,438 | 890,284,920 | 3.474 |
| 170,486,824 | 6,775,477 | 798,568,343 | 3.474 |
| 97,945,583 | 6,068,572 | 718,451,015 | 3.474 |
| 50,474,346 | 6,230,087 | 657,170,333 | 4.000 |
| 53,289,264 | 6,641,608 | 655,254,633 | 4.039 |
| 116,611,683 | 7,486,605 | 697,757,967 | 4.039 |
| 186,620,366 | 7,608,410 | 747,993,645 | 4.039 |
| 245,544,608 | 7,550,108 | 805,160,338 | 4.039 |
| 269,860,826 | 8,096,306 | 866,601,094 | 4.039 |
| 310,073,683 | 9,607,438 | 937,535,904 | 4.039 |

*The rate used in the calculation of property taxes. One mill equals \$1 per \$1,000 of taxable value. A millage of 4.039 (which is the millage in effect for the City of Gulfport) is equal to \$4.039 for each \$1,000 of taxable value on real property. The tax rate on real property based on \$1 per \$1,000 of assessed property value.

Property is assessed at actual value and therefore a separate table for assessed and actual data is not presented.

**Schedule 6
City of Gulfport, Florida**

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

| City Direct Rates | | Overlapping Rates | | | | | |
|----------------------|---------------|--------------------|-------------------------------|---------|-------------------------------|--------|------------------|
| Fiscal Year | Basic Rate | Pinellas County | Pinellas County Schools | Transit | Emerg. Medical Services | Other | Total Millage |
| 2009 | 3.4742 | 4.8730 | 8.0610 | 0.5601 | 0.5832 | 1.5551 | 19.1066 |
| 2010 | 3.4742 | 4.8730 | 8.3460 | 0.5601 | 0.5832 | 1.5106 | 19.3471 |
| 2011 | 3.4742 | 4.8730 | 8.3400 | 0.5601 | 0.5832 | 1.4410 | 19.2715 |
| 2012 | 4.0000 | 4.8730 | 8.3850 | 0.7305 | 0.8506 | 1.2390 | 20.0781 |
| 2013 | 4.0390 | 5.3377 | 8.0600 | 0.7305 | 0.9158 | 1.2959 | 20.3789 |
| 2014 | 4.0390 | 5.3377 | 7.8410 | 0.7305 | 0.9158 | 1.2799 | 20.1439 |
| 2015 | 4.0390 | 5.3377 | 7.7700 | 0.7305 | 0.9158 | 1.2629 | 20.0559 |
| 2016 | 4.0390 | 5.3377 | 7.3180 | 0.7500 | 0.9158 | 1.2448 | 19.6053 |
| 2017 | 4.0390 | 5.3590 | 7.0090 | 0.7500 | 0.9158 | 1.2262 | 19.2990 |
| 2018 | 4.0390 | 5.3590 | 6.7270 | 0.7500 | 0.9158 | 1.2086 | 18.9994 |

Sources: Pinellas County Tax Collector, Pinellas County Property Appraiser

**Schedule 7
City of Gulfport, Florida**

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

| Fiscal Year Ended Sept. 30 | Total Tax Levy | Current Year Tax Collections | Percentage of Levy Collected in Year | Tax Collected in Subsequent Years ¹ | Total Tax Collected | Percentage of Levy Collected to Date |
|-------------------------------------|-------------------|------------------------------------|---|--|---------------------------|---|
| 2009 | 3,093,027 | 3,009,208 | 97.3% | - | 3,009,208 | 97.3% |
| 2010 | 2,776,835 | 2,699,875 | 97.2% | - | 2,699,875 | 97.2% |
| 2011 | 2,496,047 | 2,425,538 | 97.2% | - | 2,425,538 | 97.2% |
| 2012 | 2,628,681 | 2,567,103 | 97.7% | - | 2,567,103 | 97.7% |
| 2013 | 2,624,443 | 2,528,278 | 96.3% | 4,738 | 2,533,016 | 96.5% |
| 2014 | 2,646,579 | 2,554,311 | 96.5% | 4,461 | 2,558,772 | 96.7% |
| 2015 | 2,818,244 | 2,717,771 | 96.4% | 18,347 | 2,736,118 | 97.1% |
| 2016 | 3,021,146 | 2,912,132 | 96.4% | 8,951 | 2,921,083 | 96.7% |
| 2017 | 3,252,043 | 3,139,165 | 96.5% | 29,885 | 3,169,050 | 97.4% |
| 2018 | 3,500,202 | 3,384,032 | 96.7% | 10,887 | 3,394,919 | 97.0% |

Sources: Pinellas County Tax Collector's reports, Pinellas County Final Tax Roll.

¹ Tax collected in subsequent years had been included in the current year tax collections for all years prior to 2013.

Schedule 8
City of Gulfport, Florida

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

| <u>Property Description</u> | <u>2018</u> | | | <u>2009</u> | | |
|-----------------------------|-------------------------------|-------------|--|-------------------------------|-------------|--|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Seaside Villas Gulfport LLC | \$ 11,011,000 | 1 | 1.17% | \$ 7,000,000 | 1 | 0.79% |
| Hawkeye Equity LLC | 3,557,329 | 2 | 0.38% | - | | - |
| 49th Street LLC | 3,448,500 | 3 | 0.37% | - | | - |
| 5701 Gulfport Property LLC | 2,735,278 | 4 | 0.29% | - | | - |
| Woiteshek, Dwight | 2,626,351 | 5 | 0.28% | - | | - |
| Paonessa, Jeffrey | 2,469,017 | 6 | 0.26% | 3,855,778 | 4 | 0.43% |
| J L P Management Assoc Inc | 2,316,334 | 7 | 0.25% | 2,107,530 | 9 | 0.24% |
| Holmes, Michael R | 2,266,805 | 8 | 0.24% | - | | - |
| Culby Properties South LLC | 2,248,225 | 9 | 0.24% | - | | - |
| Hernandez, Roberto M | 2,070,318 | 10 | 0.22% | 2,333,699 | 7 | 0.26% |
| CFC Pasadena Yacht LLC | - | | - | 4,835,370 | 2 | 0.54% |
| CFC Pasadena Golf LLC | - | | - | 4,374,446 | 3 | 0.49% |
| Levine, Alan M | - | | - | 2,785,897 | 5 | 0.31% |
| Lavin, Jerome V | - | | - | 2,476,806 | 6 | 0.28% |
| Macomber, Jane E | - | | - | 2,194,408 | 8 | 0.25% |
| Yury Goncharov | - | | - | 1,912,338 | 10 | 0.21% |
| All Others | - | | 96.29% | | | 96.19% |
| Total | <u>\$ 34,749,157</u> | | <u>100.00%</u> | <u>\$ 33,876,272</u> | | <u>100.00%</u> |

Source: Pinellas County Property Appraiser tax rolls.

**Schedule 9
City of Gulfport, Florida**

**WATER SOLD BY TYPE OF CUSTOMER
Last Ten Fiscal Years**

| Type of Customer | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Residential | 3,142,239 | 2,865,646 | 2,903,000 | 2,910,549 | 3,040,983 | 2,896,639 | 2,852,787 | 2,758,757 | 2,828,295 | 2,646,964 |
| Commercial | 261,856 | 252,456 | 265,310 | 277,520 | 403,363 | 288,723 | 283,859 | 271,658 | 291,889 | 258,286 |
| Government | 125,989 | 106,315 | 102,136 | 104,043 | 113,000 | 111,633 | 110,428 | 113,235 | 112,531 | 108,342 |
| Total | 3,530,084 | 3,224,417 | 3,270,446 | 3,292,112 | 3,557,346 | 3,296,995 | 3,247,074 | 3,143,650 | 3,232,715 | 3,013,592 |
| Total direct rate per 1,000 gallons: | \$5.02 | \$5.02 | *\$5.02 | \$5.52 | \$5.52 | \$6.18 | *\$6.92 | \$6.92 | \$7.14 | \$7.84 |

Source: City of Gulfport Utility Billing System, Incode Software

* Corrected to properly reflect the effective date of the rate change

**Schedule 10
City of Gulfport, Florida**

**WATER AND SEWER RATES
Last Ten Fiscal Years**

| Fiscal Year | Water | | Sewer | |
|------------------------|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
| | Monthly Base Rate | Rate per 1,000 Gallons | Monthly Base Rate | Rate per 1,000 Gallons |
| 2009 | 10.04 | 5.02 | 12.48 | 6.24 |
| 2010 | 10.04 | 5.02 | 12.48 | 6.24 |
| *2011 | 10.04 | 5.02 | 12.48 | 6.24 |
| 2012 | 11.04 | 5.52 | 13.72 | 6.86 |
| 2013 | 11.04 | 5.52 | 13.72 | 6.86 |
| 2014 | 12.36 | 6.18 | 15.37 | 7.69 |
| 2015 | 13.84 | 6.92 | 17.21 | 8.61 |
| *2016 | 13.84 | 6.92 | 17.21 | 8.61 |
| 2017 | 14.28 | 7.14 | 17.76 | 8.88 |
| 2018 | 15.68 | 7.84 | 21.32 | 10.66 |

Source: City of Gulfport Utility Billing System, Incode Software

* Corrected to properly reflect the effective date of the rate change

Schedule 11
City of Gulfport, Florida

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | Business-Type Activities | | Total Primary Government | Gulfport Personal Income | Percentage of Personal Income | Per Capita |
|-------------|-------------------------|--------------------------|----------------------|--------------------------|--------------------------|-------------------------------|------------|
| | Capital Leases | Capital Leases | State Revolving Loan | | | | |
| 2009 | - | - | - | - | - | 0.0% | - |
| 2010 | - | - | - | - | - | 0.0% | - |
| 2011 | - | - | - | - | - | 0.0% | - |
| 2012 | - | - | - | - | - | 0.0% | - |
| 2013 | - | 220,778 | - | 220,778 | 347,466,018 | 0.1% | 18 |
| 2014 | - | 311,607 | - | 311,607 | 356,601,490 | 0.1% | 26 |
| 2015 | - | 239,633 | 959,120 | 1,198,753 | 366,447,480 | 0.3% | 98 |
| 2016 | - | 166,409 | 1,457,997 | 1,624,406 | 385,109,230 | 0.4% | 131 |
| 2017 | 288,561 | 91,918 | 1,563,819 | 1,944,298 | 408,689,190 | 0.5% | 155 |
| 2018 | 436,386 | 28,229 | 2,995,086 | 3,459,701 | 426,431,607 | 0.8% | 276 |

Sources: Per capita information for calculation of personal income obtained from University of Florida Bureau of Economic and Business Research for Pinellas County.

Debt limitation: There are no legal debt limits for Florida municipalities.

**Schedule 12
City of Gulfport, Florida**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2018

| Governmental Unit | Net Debt Outstanding | Estimated Percentage Applicable ^a | City's Share of Debt |
|--|---------------------------------|---|---------------------------------|
| DIRECT DEBT | | | |
| City of Gulfport | \$ 436,386 | 100.0% | \$ 436,386 |
| Subtotal Direct Debt | <u>\$ 436,386</u> | | <u>\$ 436,386</u> |
| OVERLAPPING DEBT | | | |
| Pinellas County School District State Bonds ^b | \$ 6,031,194 | 1.23% | \$ 74,184 |
| Pinellas County School District Capital Leases | 1,197,000 | 1.23% | 14,723 |
| Pinellas County Capital Leases | 499,386 | 1.23% | 6,142 |
| Pinellas County Notes Outstanding | 9,578,209 | 1.23% | 117,812 |
| Subtotal Overlapping Debt | <u>\$ 17,305,789</u> | | <u>\$ 212,861</u> |
| Total Direct and Overlapping Debt | <u><u>\$ 17,742,175</u></u> | | <u><u>\$ 649,247</u></u> |

Sources: Assessed value data used to estimate applicable percentages provided by Pinellas County Property Appraiser. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

^a The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

^b The School District State Bonds are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged for the bonds.

**Schedule 13
City of Gulfport, Florida**

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

| Year | Population | Personal Income ^a | Per Capita Personal Income | Median Age ^a | Unemployment Rate ^b | School Enrollment ^c |
|-------------|-------------------|-------------------------------------|-----------------------------------|--------------------------------|---------------------------------------|---------------------------------------|
| 2009 | 12,889 | 367,826,282 | 28,538 | 45.7 | 11.8% | 2,450 |
| 2010 | 12,217 | 339,192,788 | 27,764 | 50.2 | 12.2% | 2,332 |
| 2011 | 12,022 | 321,468,280 | 26,740 | 49.9 | 10.0% | 2,126 |
| 2012 | 12,056 | 315,288,512 | 26,152 | 51.5 | 8.8% | 2,137 |
| 2013 | 11,982 | 347,466,018 | 28,999 | 51.9 | 5.9% | 2,339 |
| 2014 | 12,145 | 356,601,490 | 29,362 | 50.7 | 5.4% | 2,394 |
| 2015 | 12,180 | 366,447,480 | 30,086 | 52.9 | 5.4% | 2,289 |
| 2016 | 12,371 | 385,109,230 | 31,130 | 53.0 | 4.5% | 2,489 |
| 2017 | 12,510 | 408,689,190 | 32,669 | 53.7 | 3.1% | 2,493 |
| 2018 | 12,527 | 426,431,607 | 34,041 | 54.2 | 3.7% | 2,531 |

Sources:

a - Pinellas County Economic Development

b - U.S. Bureau of Labor Statistics (*preliminary annual estimate; Tampa, St Pete, Clearwater area)

c - Pinellas County School Board (Boca Ciega High School, Gulfport Elementary School and Disston Academy)

**Schedule 14
City of Gulfport, Florida**

**PRINCIPAL EMPLOYERS (a)
Current Year and Nine Years Ago**

| Employer | 2018 | | | 2009 | | |
|--|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Pinellas County School District | 15,000 | 1 | 30.93% | 13,850 | 1 | 33.99% |
| Publix | 5,200 | 2 | 10.72% | - | - | - |
| Bay Pines VA Healthcare System | 4,000 | 3 | 8.25% | 3,500 | 4 | 8.59% |
| Raymond James | 4,000 | 4 | 8.25% | 2,600 | 7 | 6.38% |
| BayCare Health System | 4,000 | 5 | 8.25% | - | - | - |
| St Petersburg College | 3,700 | 6 | 7.63% | - | - | - |
| All Children's Hospital | 3,400 | 7 | 7.01% | - | - | - |
| Walmart | 3,200 | 8 | 6.60% | - | - | - |
| Pinellas County Board of County Commission | 3,000 | 9 | 6.19% | 2,041 | 10 | 5.01% |
| City of St Petersburg | 3,000 | 10 | 6.19% | 2,748 | 6 | 6.74% |
| Home Shopping Network | - | - | - | 4,000 | 3 | 9.82% |
| Pinellas County Sheriff's Office | - | - | - | 2,509 | 8 | 6.16% |
| Nielsen Media Research | - | - | - | 3,000 | 5 | 7.36% |
| Tech Data Corp. | - | - | - | 2,500 | 9 | 6.14% |
| Jabil | - | - | - | - | - | - |
| Fidelity | - | - | - | 4,000 | 2 | 9.82% |
| Total Employees | 48,500 | | | 40,748 | | |

(a) Data for the City of Gulfport is not currently available. Pinellas County is the closest large metropolitan area with data available for reporting purposes.

Source: Pinellas County Economic Development, Florida Research and Economic Information Database Application

Schedule 15
City of Gulfport, Florida

CITY FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

| Function/Program | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government | | | | | | | | | | |
| City Clerk | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| City Manager | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Administrative Services | 8 | 6.5 | 6.5 | 6 | 6 | 6.5 | 6 | 10 | 10 | 10 |
| Information Technology | 2 | 2 | 2 | 1 | 1 | - | - | - | - | - |
| Human Resources | - | 1 | 1 | 1 | 1 | 1 | 1.5 | - | - | - |
| Public Safety | | | | | | | | | | |
| Police | 43 | 40 | 40 | 36 | 36 | 37.5 | 37 | 37.5 | 37.5 | 37.5 |
| Fire | 15.5 | 16.5 | 15.5 | 16.5 | 14.5 | 13.5 | 13.5 | 14.5 | 13.5 | 13.5 |
| Recreation | | | | | | | | | | |
| Parks | 9 | 8 | 8 | 6 | 6 | 6 | - | - | - | - |
| Library | 9 | 9 | 8.75 | 8.75 | 9.75 | 9.75 | 9.75 | 8.5 | 8.75 | 9.75 |
| Recreation | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 | 11 | 11 | 10.25 | 11.25 | 12.25 |
| Senior Center | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 3 | 3 | 3 | 3.25 | 3.25 |
| Gems | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 4 | 4 | 3.5 | 3.5 | 3 |
| SPB Looper | - | 2 | 2 | - | - | - | - | - | - | - |
| Cultural Facilities | | | | | | | | | | |
| Casino | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.5 | 3.5 |
| Theater | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.5 | 3.5 |
| Tech Events | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community Development | | | | | | | | | | |
| Planning | 1.75 | 1.75 | 1.75 | 1.25 | 1.25 | 2 | 2 | 2 | 2 | 3 |
| Building | 3 | 3 | 1 | 1 | 1 | 3 | 3 | 3 | 3 | 3 |
| Code Enforcement | 1.25 | 1.25 | 1.25 | 1.75 | 1.75 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| 49th Street Corridor | 1 | 1 | 1 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Waterfront Redevelopment | 1 | 1 | 1 | 0.75 | 0.75 | - | - | - | - | - |
| Public Works | | | | | | | | | | |
| Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1.25 | 1.25 |
| Parks | - | - | - | - | - | - | 6 | 6 | 7 | 7 |
| Streets | 3 | 3 | 2.5 | 2.5 | 2.5 | 3.5 | 3.5 | 1.5 | 0.5 | 3.5 |
| Garage | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Building | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Utilities | | | | | | | | | | |
| Water | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.8 | 3.54 | 3.54 |
| Sewer | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.8 | 3.54 | 3.54 |
| Stormwater | 1.25 | 1.25 | 1 | 1 | 1 | 1 | 1 | 1 | 1.67 | 3.67 |
| Sanitation | 14.15 | 14.15 | 13.9 | 14.9 | 13.9 | 13.9 | 13.9 | 15.9 | 17 | 16 |
| Marina | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 4.5 | 6 |
| Total | 158.50 | 157.00 | 150.75 | 142.75 | 140.75 | 144.25 | 143.75 | 146.25 | 149.75 | 157.75 |

Notes:

Refers to the number of personnel authorized for an accounting period, including part-time personnel converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time recreation aide working twenty (20) hours per week for fifty-two (52) weeks a year equals .5 of a full-time position.

Schedule 16
City of Gulfport, Florida

OPERATING INDICATORS BY FUNCTION / PROGRAM
Last Ten Fiscal Years

| Function/Program | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Reported crime (UCR Part One) | 742 | 558 | 590 | 619 | 596 | 711 | 661 | 444 | 633 | 455 |
| Felony arrests * | - | - | - | - | - | 220 | 168 | 148 | 173 | 176 |
| Reported traffic crashes | 150 | 151 | 132 | 124 | 132 | 105 | 95 | 104 | 118 | 114 |
| Traffic violations issued * | - | - | - | - | - | 1,477 | 1,520 | 1,053 | 1,137 | 1,445 |
| Calls for service | 38,322 | 34,005 | 33,825 | 23,254 | 25,263 | 27,591 | 29,144 | 21,649 | 29,139 | 27,538 |
| Fire | | | | | | | | | | |
| Fires extinguished | 32 | 27 | 63 | 32 | 45 | 64 | 43 | 23 | 18 | 32 |
| Emergency responses | 2,606 | 2,829 | 2,519 | 2,598 | 2,591 | 2,761 | 3,040 | 3,668 | 2,576 | 2,698 |
| Fire inspections | - | - | 430 | 467 | 451 | 458 | 702 | 813 | 707 | 556 |
| Sanitation | | | | | | | | | | |
| Refuse collected (tons/day) | 24.55 | 24.79 | 23.47 | 23.99 | 32.50 | 33.64 | 32.78 | 37.80 | 38.11 | 38.60 |
| Recyclables collected (tons/day) | 2.90 | 2.13 | 2.42 | 3.15 | 4.36 | 4.52 | 3.14 | 3.80 | 2.96 | 2.58 |
| Utilities | | | | | | | | | | |
| Average daily consumption (thousands of gallons) | 1,142 | 989 | 730 | 981 | 957 | 951 | 948 | 964 | 1,003 | 997 |
| Average daily sewage treatment (thousands of gallons) | 806 | 1,051 | 996 | 1,062 | 1,147 | 1,050 | 1,323 | 1,299 | 1,013 | 1,028 |
| Recreation | | | | | | | | | | |
| Participants in after- school program | 50 | 45 | 49 | 50 | 46 | 50 | 58 | 61 | 52 | 78 |
| Participants in summer camp program | 127 | 110 | 108 | 93 | 129 | 133 | 152 | 136 | 149 | 125 |
| Library | | | | | | | | | | |
| Circulation of materials | 93,698 | 90,749 | 88,642 | 92,016 | 99,248 | 103,701 | 85,513 | 110,371 | 120,047 | 119,261 |
| Reference questions | 8,772 | 7,990 | 8,110 | 7,081 | 7,000 | 10,228 | 5,132 | 8,908 | 7,835 | 6,300 |
| Sponsored programs | 278 | 253 | 132 | 192 | 277 | 238 | 259 | 354 | 374 | 435 |
| Senior Center | | | | | | | | | | |
| Average daily attendance | 200 | 250 | 250 | 250 | 115 | 175 | 233 | 240 | 525 | 599 |
| Meals served daily | 60 | 60 | 50 | 50 | 35 | 50 | 71 | 82 | 88 | 59 |
| Reassurance calls made daily | 26 | 30 | 25 | 25 | 13 | 11 | 11 | 10 | 10 | 10 |
| GEMS | | | | | | | | | | |
| Number of rides | 10,927 | 10,454 | 11,124 | 11,109 | 8,132 | 8,760 | 6,811 | 8,300 | 8,502 | 9,624 |
| Number of subscriptions | 157 | 186 | 180 | 180 | 165 | 109 | 115 | 128 | 113 | 122 |
| Number of handicapped members | 69 | 103 | 95 | 95 | 85 | 87 | 92 | 102 | 76 | 73 |
| Marina | | | | | | | | | | |
| Number of wet/dry slips rented | 237 | 209 | 192 | 180 | 265 | 289 | 290 | 290 | 290 | 290 |
| Number of vessels fueled | 3,831 | 3,994 | 4,919 | 5,272 | 4,429 | 5,184 | 5,014 | 5,528 | 5,167 | 5,704 |
| Number of gallons dispensed | 198,653 | 189,152 | 211,333 | 181,680 | 172,266 | 211,697 | 196,046 | 208,394 | 224,490 | 272,977 |
| Number of transient rentals | - | - | - | - | - | 197 | 209 | 303 | 353 | 304 |
| Number of kayaks stored | - | - | - | - | - | 28 | 32 | 32 | 24 | 22 |
| Cultural Facilities | | | | | | | | | | |
| Number of dances/rentals | 302 | 327 | 323 | 319 | 317 | 314 | 329 | 335 | 328 | 331 |
| Number of theater rentals | 85 | 75 | 89 | 63 | 73 | 67 | 66 | 66 | 69 | 82 |

Sources: Various City departments

* Different operating indicators selected for tracking after 2007.

**Schedule 17
City of Gulfport, Florida**

**CAPITAL ASSET STATISTICS BY FUNCTION PROGRAM
Last Ten Fiscal Years**

| Function/Program | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Schools | | | | | | | | | | |
| Elementary | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Junior/Senior High | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 20 | 20 | 20 | 22 | 22 | 22 | 22 | 23 | 23 | 23 |
| Fire | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire trucks | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Other Public Works | | | | | | | | | | |
| Streets - Paved | 67.63 | 67.63 | 67.63 | 67.63 | 67.63 | 67.63 | 67.63 | 67.63 | 67.63 | *49.25 |
| Streets - Unpaved | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |
| Streetlights | 1,368 | 1,368 | 1,368 | 1,368 | 1,368 | 1,368 | 1,368 | 1,368 | 1,368 | 1,368 |
| Sanitation | | | | | | | | | | |
| Collection trucks | 6 | 6 | 6 | 6 | 7 | 7 | 8 | 11 | 11 | 11 |
| Utilities | | | | | | | | | | |
| Water mains (miles) | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 |
| Fire hydrants | 265 | 265 | 265 | 284 | 284 | 284 | 284 | 284 | 285 | 286 |
| Lift stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Sanitary sewer (miles) | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 |
| Storm drain lines (miles) | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Stormwater treatment lakes | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 4 |
| Recreation | | | | | | | | | | |
| Acreage | 36.75 | 36.75 | 36.75 | 36.75 | 36.75 | 36.75 | 36.75 | 36.75 | 36.75 | 36.75 |
| Playgrounds | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 6 | 6 | 6 |
| Tennis courts | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Skate parks | 1 | 1 | 1 | 1 | 1 | 1 | - | - | - | - |
| Volleyball courts | 2 | 2 | 2 | 4 | 5 | 5 | 4 | 4 | 4 | 4 |
| Basketball courts | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Bocce courts | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation buses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library | | | | | | | | | | |
| Catalogued items | 74,100 | 74,438 | 75,250 | 95,393 | 77,113 | 89,339 | 75,546 | 80,948 | 76,868 | 100,071 |
| GEMS | | | | | | | | | | |
| Vehicles | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Marina | | | | | | | | | | |
| Number of slips | 247 | 247 | 247 | 247 | 247 | 247 | 247 | 247 | 247 | 247 |
| Dry storage slips | - | - | 73 | 80 | 80 | 80 | 80 | 80 | 80 | 79 |

Sources: Various City departments

Note: No capital asset indicators are available for the general government function.

All paved roads were recently inventoried which showed a reduction in City maintained lane miles. Prior to 2018 this statistic included private and County maintained paved roadways.

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Compliance Section

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

Honorable Mayor and Members of the City Council
City of Gulfport, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gulfport, Florida (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

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

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

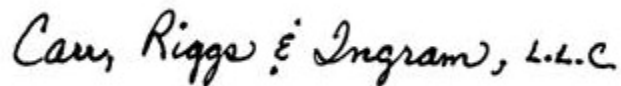
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
March 29, 2019

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE
AUDITOR GENERAL**

Honorable Mayor and Members of the City Council
City of Gulfport, Florida

Report on Compliance for Each Major State Project

We have audited the City of Gulfport, Florida’s (“the City”) compliance with the types of compliance requirements described in the *Florida Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on each of the City’s major state projects for the year ended September 30, 2018. The City’s major state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, *Rules of the Auditor General*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state project for the year ended September 30, 2018.

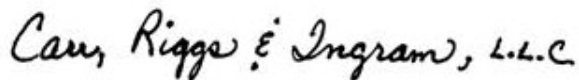
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
March 29, 2019

CITY OF GULFPORT, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2018

| State Grantor/Pass-through Grantor/ Program Title | CSFA Number | Contract/ Grant Number | Expenditures | Amount Provided to Subrecipients |
|---|----------------|---------------------------|---------------------|-------------------------------------|
| State Financial Assistance | | | | |
| Florida Department of Environmental Protection: | | | | |
| State Revolving Fund Program - | | | | |
| *Sanitary Sewer Evaluation Survey [SSES] - Planning phase II | 37.077 | WW520250 | \$ 310,714 | \$ - |
| *Sanitary Sewer Major Rehabilitation Project | 37.077 | WW520201 | 1,204,275 | - |
| Total Florida Department of Environmental Protection: | | | 1,514,989 | - |
| Florida Department of Education and Commissioner of Education: | | | | |
| Voluntary Pre-Kindergarten Education Program | 48.108 | OEL-VPK 20 | 15,710 | - |
| Total State Financial Assistance | | | <u>\$ 1,530,699</u> | <u>\$ -</u> |

* Denotes major state financial assistance project.

NOTE 1 - GENERAL

This schedule represents the State-initiated grant activity of the City of Gulfport, Florida (the "City"), recorded by the City during the fiscal year ended September 30, 2018. For purposes of this schedule, state financial assistance includes state assistance received directly from a state agency as well as state funds received indirectly by the City from non-federal or non-state organizations. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The information in this schedule is presented in accordance with the requirements of Chapter 69I-5, Schedule of Expenditures of State Financial Assistance, Rules of the Department of Financial Services; and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the City.

B. Basis of Accounting

The expenditures in this schedule are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the City becomes obligated for a payment as a result of the receipt of the related goods and services.

NOTE 3 - CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures. Based upon prior experience, the City does not believe such disallowances, if any, would have a material effect on the financial position of the City. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed; however, the possible disallowance by a government agency of any item charged to the program cannot be determined at this time.

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SECTION I – SUMMARY OF AUDITORS’ RESULTS:

| <u>Financial Statements</u> | <u>Results</u> |
|------------------------------------|-----------------------|
| Type of auditors’ report issued: | Unmodified |

Internal control over financial reporting:

| | |
|--|----|
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be a material weakness(es) | No |
| Noncompliance material to financial statements noted? | No |

Financial Assistance

State

Internal control over major projects:

| | |
|--|---------------|
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be a material weakness(es) | None reported |
| Type of auditors’ report issued on compliance for major programs? | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with – | |
| Chapter 10.550, Rules of the Auditor General | No |

Identification of Major Projects

| <u>State</u> | <u>Name of Project</u> |
|---------------------|--|
| CSFA 37.077 | Wastewater Treatment Facility Construction |

| | |
|--|----------------------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>State</u> \$300,000 |
|--|----------------------------------|

SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS:

None

SECTION IV – PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

None

SECTION V – PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS:

None

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES, *LOCAL GOVERNMENT INVESTMENT POLICIES***

Honorable Mayor and Members of the City Council
City of Gulfport, Florida

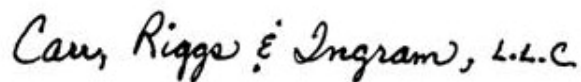
We have examined City of Gulfport, Florida's, (the "City"), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City of Gulfport, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
March 29, 2019

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and Members of the City Council
City of Gulfport, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Gulfport, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated, March 29, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 29, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No audit findings or recommendations were noted in the preceding annual financial audit report.

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one of more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Clearwater, FL
March 29, 2019

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