



Gulfport-Biloxi Regional Airport Authority
Annual Financial Report

For the Years Ended September 30, 2019 and 2018

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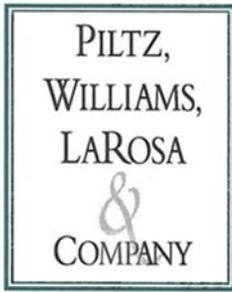
Gulfport–Biloxi Regional Airport Authority
Gulfport, Mississippi

Financial Statements

September 30, 2019 and 2018

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Independent Auditors' Report

Gerald Piltz, CPA (1925-2013)
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William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)
Darrell L. Galey, CPA (Retired)
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Stephen P. Theobald, CPA, CVA
Michael D. O'Neill, CPA

Commissioners of the Airport Authority
Gulfport–Biloxi Regional Airport Authority
Gulfport, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Gulfport–Biloxi Regional Airport Authority as of and for the years ended September 30, 2019 and 2018, and the related notes to the 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 audits. We conducted our audits 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 financial position of the Gulfport–Biloxi Regional Airport Authority as of September 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, pension system supplementary information and budgetary comparison information in Section I pages 4 through 11 and Section III pages 32-36 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

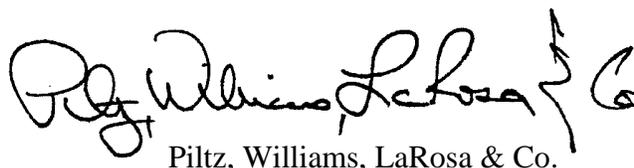
Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements found in Section II that collectively comprise the Gulfport–Biloxi Regional Airport Authority’s financial statements. The Capital Projects Fund – Statements of Revenues & Expenditures found in Section III page 37 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges also found in Section III are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and are also not a required part of the basic financial statements.

The Capital Projects Fund – Statements of Revenues & Expenditures and Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020, on our consideration of the Gulfport–Biloxi Regional Airport Authority's internal control over financial reporting and 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 Gulfport–Biloxi Regional Airport Authority's internal control over financial reporting and compliance.



Piltz, Williams, LaRosa & Co.

Biloxi, Mississippi
February 11, 2020

Section I

Management's Discussion and Analysis

Management’s Discussion and Analysis

Our discussion and analysis of the Airport’s financial performance provides an overview of the Airport’s financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the Airport’s financial statements, which are found in Section II.

Using This Annual Report

This annual report consists of a series of financial statements. The Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows provide information about the activities of the Airport similar to that of a for profit private-sector business enterprise with the appropriation and use of economic resources as the measurement focus. The notes to financial statements provide detailed support to individual balances and classes of transactions found in the various statements. The required and other supplemental information (See Section III) provides information about the Airport’s operating activities as compared to its budget, as well as certain other schedules required by *Government Auditing Standards*.

The Balance Sheet reports the Airport’s net position. You can think of the Airport’s net position (the difference between assets and liabilities), as one way to measure the Airport’s financial health, or financial position. Net position is divided into the following three basic categories: net investment in capital assets; net position restricted for debt covenant and other purposes, and net position unrestricted and available for spending. Over time, increases or decreases in the Airport’s net position are one indicator of whether its financial health is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position measures the annual change in the net position displayed on the Balance Sheet. The Statements of Cash Flows converts all economic resources and uses to cash and displays them into their basic categories of operating; non-capital financing; capital financing and investing activities.

Terminology

FAA – Federal Aviation Administration

AIP – Federal Airport Improvement Program that provides entitlement and discretionary grants for capital improvements to the Airport

PFC – Passenger Facility Charges are assessments of \$4.50 per enplaning passenger to fund capital improvements to the Airport

GA – General Aviation area of the Airport property

CFC – Customer Facility Charge of \$3.00 for each car rental customer used to fund construction (\$2.00) and operations (\$1.00) of the rental car service facility

Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2019

Financial Summaries and Comparisons

The following are summary presentations of the Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position for the years ended September 30, 2019 and 2018:

Balance Sheets
(in Thousands)

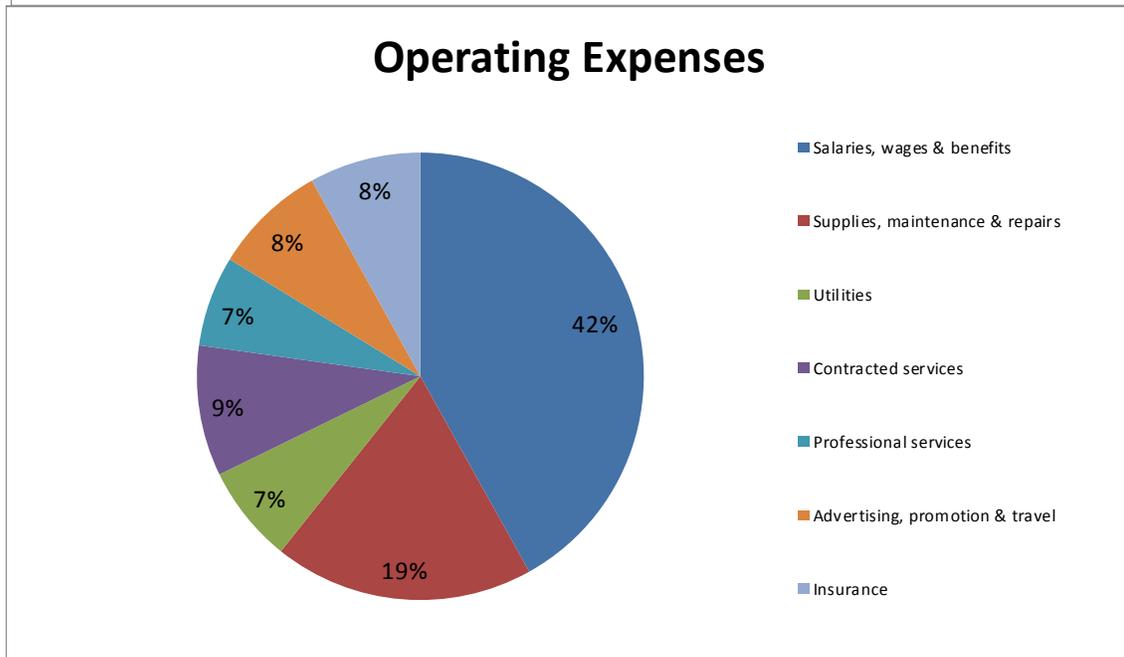
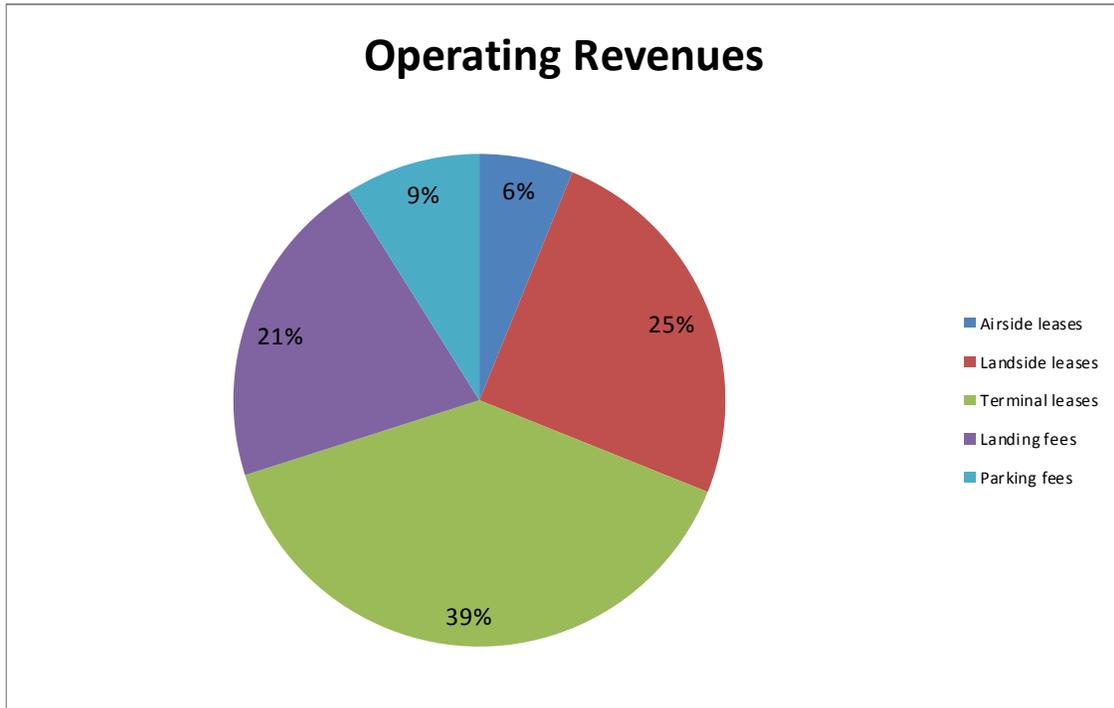
	September 30,	
	2019	2018
Current assets	\$ 14,818	\$ 13,018
Restricted assets	3,221	3,430
Capital assets	208,719	215,923
Deferred outflows	832	1,021
Total assets and deferred outflows	<u>227,590</u>	<u>233,392</u>
Current liabilities from current assets	2,019	2,502
Current liabilities from restricted assets	1,720	1,670
Noncurrent liabilities	23,149	24,990
Deferred inflows	138	123
Total liabilities and deferred inflows	<u>27,026</u>	<u>29,285</u>
Net position	<u>\$ 200,564</u>	<u>\$ 204,107</u>
Summary of net position		
Net investment in capital assets	\$ 191,397	\$ 196,966
Restricted	3,221	3,430
Unrestricted and spendable	5,946	3,711
Totals	<u>\$ 200,564</u>	<u>\$ 204,107</u>

Statements of Revenues, Expenses & Changes in Net Position
(in Thousands)

	Year Ended September 30,	
	2019	2018
Operating revenues	\$ 11,785	\$ 11,324
Operating expenses	(21,377)	(21,610)
Non-operating revenues	116	56
Non-operating expenses	(637)	(680)
Capital grants, PFCs and CFCs	6,571	7,418
Increase (decrease) in net position	<u>\$ (3,542)</u>	<u>\$ (3,492)</u>

Gulfport–Biloxi Regional Airport Authority
Financial Statements
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The following pie charts represent actual operating revenues (excluding fire and rescue services) and operating expenses (excluding depreciation and fire and rescue services) by category for the year ended September 30, 2019.



Gulfport–Biloxi Regional Airport Authority
Financial Statements
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Financial Highlights

- The Airport’s net position had a decrease of \$3.5 million as compared to 2018 which also had decrease of \$3.5 million. Unrestricted net position, which represents net position available for spending, increased from \$3.7 million to \$5.9 million at the end of 2019.
- Operating revenues increased by \$460,000 or 4.1% from 2018 to 2019, compared to 2018, which had an increase of \$561,000 or 5.2% over 2017.
- Operating expenses decreased by \$233,000 or 1.1%, primarily due to the GASB 68 pension liability expense, as compared to 2018, which had an increase of \$444,000 or 2.1% over 2017.
- Operating expenses, excluding GASB 68 pension liability expense, depreciation and amortization expenses, and fire and rescue services were approximately \$7.1 million in 2019 compared to \$7 million in 2018.
- Operating grants and other income increased by \$60,000, compared to 2018, which had a decrease of \$29,000 over 2017.
- The Airport had capital grants, PFC and CFC revenues of \$6.6 million, which was a decrease of \$847,000, or 11% over 2018. In 2018, capital grants, PFC and CFC revenues were \$7.4 million, which was a decrease of \$3.6 million, or 33% over 2017.
- The bond rate covenant achieved was 285% for fiscal 2019. Please refer to Note F to the audited financial statements for further discussion on the bond rate covenant.

Budgetary Highlights

Over the course of the year, the Airport revises the budget generally once or twice to react to changing financial conditions such as general increases and decreases in operating revenues and expenses, but generally the more significant budget amendments center around capital expenditures as federal grants and other capital financing sources become available. The following table summarizes the year 2019 budgets and comparative results.

Year 2019 Budget to Actual Comparison
(in Thousands)

	Original Budget	Amended Budget	Actual Results	Variance
Operating revenues	\$ 9,112	\$ 9,112	\$ 9,338	\$ 226
Operating expenses	(7,311)	(7,311)	(7,137)	174
Operating surplus	1,801	1,801	2,201	400
Other income	2	2	22	20
Capital grants, PFCs and CFCs	9,187	9,187	6,571	(2,616)
Debt service	(2,262)	(2,262)	(2,231)	31
Capital expenditures	(8,038)	(8,038)	(4,472)	3,566
Excess (deficiency)	<u>\$ 690</u>	<u>\$ 690</u>	<u>\$ 2,091</u>	<u>\$ 1,401</u>

Financial Statements

September 30, 2019

Generally, operating revenues and expenses were consistent with budgeted amounts. The more significant variances centered on capital grants and construction budgets. Capital expenditures and the related federal and state grants typically have budget variances caused by the fact that when projects are first budgeted, they are generally budgeted 100%, but rarely are they completed by the end of the fiscal year. All of the projects at the end of 2019 were on updated schedules and these budget amounts will carry over to 2020 when the projects are expected to be completed. Please see the analysis of the year 2020 capital budget under Capital Assets.

Capital Asset and Debt Administration

Capital Assets

At the end of 2019, the Airport had \$209 million invested in Airport facilities, infrastructure and equipment. This amount represents a net decrease (including additions and depreciation deductions) of \$7.2 million or about 3.3% over 2018. The Airport had a net decrease of \$5.9 million or about 2.7% in 2018. The majority of the Airport’s capital expenditures are funded with Federal AIP grants, State Airport Development grants, PFCs, CFCs, and other local funds. The following is a summary presentation of actual capital expenditures and related funding sources for 2019 and 2018 and the Airport’s capital budget summary for 2020:

	Budgeted 2020	Actual 2019	Actual 2018
Capital expenditures			
Runway, taxiway, ramp and apron expansion	\$ -	\$ 3	\$ 369
General aviation and air cargo	-	-	774
Noise compatibility	100	2,970	1,828
Long range planning	691	267	202
Terminal improvements	-	797	939
Other capital expenditures	1,993	435	1,720
Totals	<u>\$ 2,784</u>	<u>\$ 4,472</u>	<u>\$ 5,832</u>
Funding sources			
Federal grants	\$ 2,851	\$ 4,238	\$ 4,958
State grants	370	151	466
PFCs (for debt service)	1,681	1,535	1,506
CFCs	554	647	487
Local funds (for debt service mostly)	(2,672)	(2,099)	(1,585)
Totals	<u>\$ 2,784</u>	<u>\$ 4,472</u>	<u>\$ 5,832</u>

Financial Statements

September 30, 2019

The Airport’s 2020 capital budget is approximately \$2.8 million. The capital budget for 2020 is focused primarily on Airport infrastructure projects, including the completion of several projects on the airfield, terminal equipment, as well as the continuation of the FAA’s Noise Compatibility programs.

Debt

**Bonds Payable
(In Thousands)**

	September 30,	
	2019	2018
Revenue bonds payable	<u>\$ 17,585</u>	<u>\$ 19,255</u>

Please see Note F to the financial statements for a further explanation of the transaction, including covenants, maturities, interest rate, and future debt service schedule.

Economic Factors and Next Year’s Operating Budget

The Airport anticipates 2020 passenger traffic to be slightly ahead of 2019. The Airport will continue to focus resources on retaining existing air service, providing excellence in customer service and enhancing the overall passenger experience. The Airport continues to work with community partners from the public and private sectors to build a coalition to support the development of additional air service. In the spring and summer of 2019, airlines seasonally increased frequencies providing additional options and enhancing connectivity for passengers.

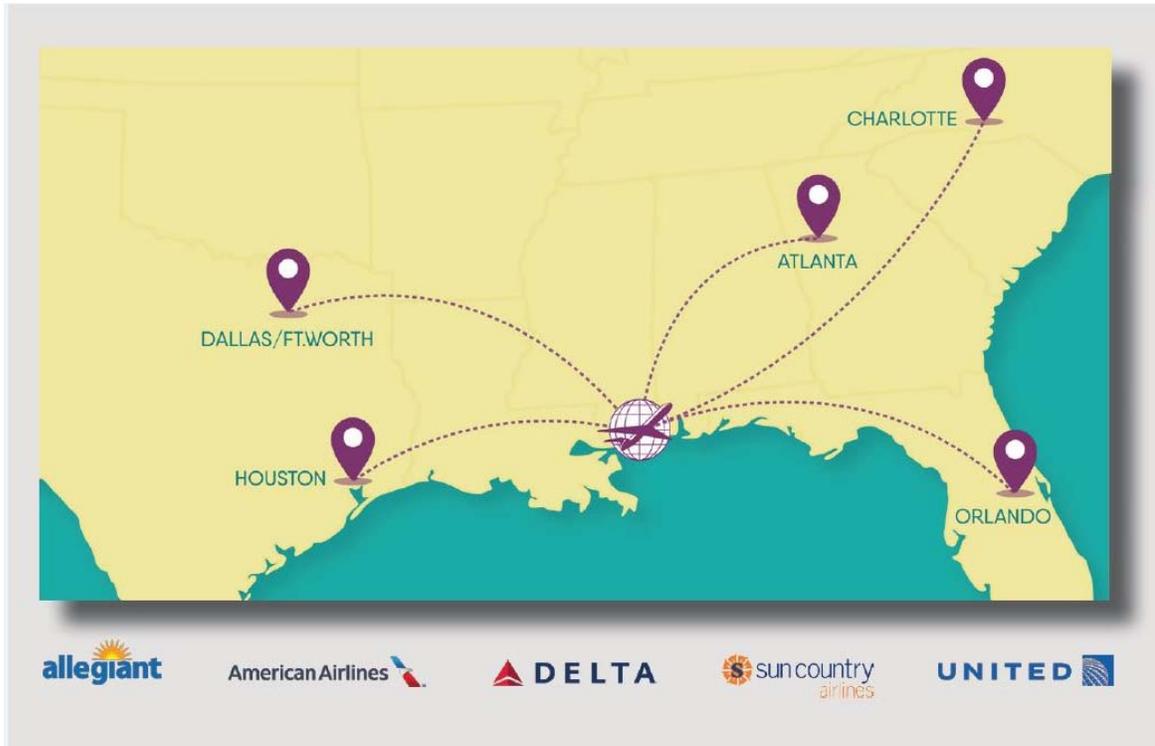
Delta offers services to its hub in Atlanta, GA. American Airlines provides service to both Charlotte, NC and Dallas, TX. United services Gulfport-Biloxi through its Houston, TX hub and Allegiant Air is offering two day a week service to/from Orlando-Sanford. Sun Country Airlines continues servicing the Airport as a gaming charter operating flights daily and also once again provided fall seasonal service to and from Minneapolis/St. Paul. Also, in 2019, Sun Country provided a seasonal offering to/from Austin, TX and Ft. Myers, FL. Other airlines flew gaming charters periodically to and from various markets. Some of the top passenger markets for 2019 were the hub cities flown from Gulfport-Biloxi along with Washington/Baltimore, Norfolk, and Orlando.

The Airport has approximately 12-14 daily departures, serviced by American, Delta, United, Sun Country and Allegiant. Airlines operated flights on a variety of equipment providing available seats to the community. The seat share by carrier is as follows:

- Delta 36%
- United Airlines 11%
- American 25%
- Sun Country 23%
- Allegiant 3%
- Various Charters 2%

Gulfport–Biloxi Regional Airport Authority
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The Airport has five nonstop markets, represented by the following map:



Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2019

The Airport’s total budgeted operating expenses (excluding depreciation expense and fire & rescue services) for 2020 is \$7.7 million.

The following table is a summary of the Airport’s operating budget for the fiscal year ending September 30, 2020:

Year 2020 Operating Budget Summary
(in Thousands)

Operating revenues	\$ 9,396
Operating expenses (excludes depreciation & fire and rescue services)	<u>(7,658)</u>
Operating surplus	1,738
Capital grants, PFCs and CFCs	5,456
Debt service	(2,260)
Capital expenditures	<u>(2,784)</u>
Excess (use)	<u><u>\$ 2,150</u></u>

Contacting the Airport’s Director of Finance and Administration

This financial report is designed to provide the user with a general overview of the Airport’s finances and to show the Airport’s accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Director of Finance and Administration at 228-863-5951 / 14035-L Airport Road, Gulfport, Mississippi 39503.

Section II

Financial Statements

Gulfport–Biloxi Regional Airport Authority
Balance Sheets

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Assets	September 30,	
	2019	2018
Current assets		
Cash and cash equivalents	\$ 11,660,072	\$ 9,571,115
Accounts receivable	1,304,363	1,265,382
Grant funds receivable	1,393,841	1,748,105
Prepaid insurance	460,165	433,634
Total current assets	14,818,441	13,018,236
Noncurrent assets		
Restricted cash and cash equivalents	3,220,687	3,430,327
Capital assets:		
Airport facilities, net of accumulated depreciation	208,719,106	215,923,203
Total assets	226,758,234	232,371,766
Deferred outflows of resources		
Unamortized loss on refunded debt	263,904	296,893
Deferred outflows on pension liability	568,578	724,085
Total deferred outflows of resources	832,482	1,020,978
Total assets and deferred outflows of resources	\$ 227,590,716	\$ 233,392,744
Liabilities		
Current liabilities payable from current assets		
Accounts payable	\$ 997,927	\$ 1,273,548
Accounts payable related to construction	770,714	974,543
Accrued wages and compensated absences	181,639	185,045
Unearned rent revenue	69,079	69,079
Total current liabilities payable from current assets	2,019,359	2,502,215
Current liabilities payable from restricted assets		
Revenue bonds payable, amounts due within one year	1,720,000	1,670,000
Total current liabilities payable from restricted assets	1,720,000	1,670,000
Noncurrent liabilities		
Unearned rent revenue	1,692,208	1,761,287
Revenue bonds payable	15,865,000	17,585,000
Proportionate share of collective net pension liability	5,591,839	5,644,141
Total noncurrent liabilities	23,149,047	24,990,428
Total liabilities	\$ 26,888,406	\$ 29,162,643

(Continued)

Gulfport–Biloxi Regional Airport Authority
Balance Sheets
(Continued)

	September 30,	
	2019	2018
Deferred inflows of resources		
Deferred inflows on pension liability	\$ 137,819	\$ 123,268
Total liabilities and deferred inflows of resources	27,026,225	29,285,911
 Net Position		
Net investment in capital assets	191,398,010	196,965,096
Restricted for debt service and capital outlay	3,220,686	3,430,327
Unrestricted	5,945,795	3,711,410
Total net position	200,564,491	204,106,833
Total liabilities and net position	\$ 227,590,716	\$ 233,392,744

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

Gulfport–Biloxi Regional Airport Authority
Statements of Revenues, Expenses and Changes in Net Position

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	Year Ended September 30,	
	2019	2018
Operating revenues		
Airside leases	\$ 3,022,062	\$ 2,951,814
Landside leases	2,326,259	1,899,571
Terminal leases	3,434,171	3,476,168
Landing fees	1,961,369	2,042,088
Parking fees	833,024	806,595
Operating grants and other income	207,619	148,250
Total operating revenues	11,784,504	11,324,486
Operating expenses		
Salaries and wages	2,140,542	2,148,462
Employee taxes and benefits	898,723	1,165,563
Fire and rescue service	2,446,099	2,489,933
Operating supplies, maintenance and repairs	1,266,415	1,254,416
Contracted services	685,298	658,942
Utilities	512,258	501,982
Office expense	99,026	86,011
Professional services	474,428	459,973
Advertising, promotion, training and travel	594,224	553,423
Insurance	584,035	569,948
Depreciation expense	11,675,695	11,721,278
Total operating expenses	21,376,743	21,609,931
Operating loss	(9,592,239)	(10,285,445)
Non-operating revenues (expenses)		
Interest income	116,256	55,829
Interest expense	(637,393)	(680,113)
Total non-operating revenues (expenses)	(521,137)	(624,284)
Net loss before capital contributions	(10,113,376)	(10,909,729)
Capital grants, PFCs & CFCs	6,571,034	7,417,568
Change in net position	(3,542,342)	(3,492,161)
Total net position, beginning	204,106,833	207,598,994
Total net position, ending	\$ 200,564,491	\$ 204,106,833

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

Gulfport–Biloxi Regional Airport Authority
Statements of Cash Flows

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	Year Ended September 30,	
	2019	2018
Cash flows from operating activities		
Cash received from Airport operations	\$ 9,052,606	\$ 8,640,938
Cash paid to suppliers for goods and services	(4,517,835)	(3,975,848)
Cash paid to and for employees	(2,924,914)	(2,953,168)
Net cash provided by operating activities	1,609,857	1,711,922
Cash flows from non-capital financing activities		
Operating grants and local subsidies	120,000	125,000
Cash flows from capital and related financing activities		
Proceeds from federal and state grants	4,800,983	5,670,847
Proceeds from PFC and CFC funds	2,182,053	1,993,836
Capital expenditures	(4,675,427)	(5,559,713)
Principal paid on bonds	(1,670,000)	(1,620,000)
Interest paid on bonds	(604,405)	(647,125)
Net cash provided by (used for) capital and related financing activities	33,204	(162,155)
Cash flows from investing activities		
Interest income received	116,256	55,829
Net increase in cash and cash equivalents	1,879,317	1,730,596
Cash and cash equivalents, beginning of year	13,001,442	11,270,846
Cash and cash equivalents, end of year	\$ 14,880,759	\$ 13,001,442
Summary of cash and cash equivalents, end of year		
Unrestricted	\$ 11,660,072	\$ 9,571,115
Restricted	3,220,687	3,430,327
Totals	\$ 14,880,759	\$ 13,001,442
Reconciliation of operating loss to net cash provided by operations		
Operating loss	\$ (9,592,239)	\$(10,285,445)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	11,675,695	11,721,278
Non-capital operating grants	(177,739)	(125,000)
Decrease in accounts receivable	(38,981)	464
Decrease (increase) in prepaid insurance	(26,530)	(103,326)
Increase (decrease) in accounts payable and accrued expenses	(279,026)	192,543
Decrease in unearned rent revenue	(69,079)	(69,079)
Deferred outflows of resources on net pension expense	117,756	380,487
Net cash provided by operating activities	\$ 1,609,857	\$ 1,711,922

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

Note A – Summary of Significant Accounting Policies

The Reporting Entity – The Gulfport–Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of appointees from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County, Mississippi.

The reporting entity consists of and includes all funds that are covered by the oversight responsibility of the Gulfport–Biloxi Regional Airport Authority. There are no funds excluded from the reporting entity, which are under the control of the Gulfport–Biloxi Regional Airport Authority. The reporting entity is not a component unit of another entity, nor does the reporting entity include any component units. However, the Airport is classified as a jointly governed organization of the City of Biloxi, City of Gulfport and Harrison County.

Significant Accounting Policies – The accounting policies of the Airport conform to generally accepted accounting principles applicable to governmental units (GAAP). The following is a summary of the more significant policies:

- 1. Basis of accounting and fund structure** – The Airport has been identified as an “enterprise fund” as described by GAAP for governmental entities. Enterprise funds utilize accounting principles in a manner similar to private business enterprises and are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and liabilities associated with the operation of the Airport are included on the balance sheets. In accordance with its bond covenants, the Airport maintains certain funds, each of which is considered a separate accounting unit. The Airport maintains Operating Funds, and Bond Covenant Funds. In addition, the Investment in Airport Facilities account group is maintained. The Airport applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, and applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

- 2. Airport facilities** – The Airport facilities, which were assumed by the Authority on October 1, 1977, are recorded at the original cost or assigned cost reported by the municipality that contributed them. Additions to the Airport facilities are recorded at cost and depreciation is recorded using the straight-line method over the estimated useful lives of the assets (buildings and airfield improvements 20-30 years and other property and equipment 3-10 years). Land and intangible assets identified as noise and navigation easements, having an indefinite useful life, are not depreciated or amortized. Repairs and maintenance, which do not substantially increase capacity or operational efficiency, are expensed as incurred. Interest costs are capitalized on debt where proceeds were used to finance the construction of assets.

Notes to Financial Statements

September 30, 2019 and 2018

(Continued)

- 3. Operating and non-operating revenues and expenses** – Operating revenues of the Airport include all revenues generated by exchange transactions entered into with any other entity (whether public or private) engaging in business on Airport property. The primary sources of operating revenue at the Airport are landing fees and terminal rentals paid by the airlines for the use of Airport facilities. Airline rental charges and fees are adjusted annually based on estimates of terminal and airfield expenses the airlines utilize. Annual landing fees and terminal rentals paid by the airlines are compared to actual expenses for the year, resulting in an annual settlement between the airlines and Airport. Operating expenses include all of the expenses necessary to operate, maintain and manage the Airport, as well as depreciation expense. Non-operating revenues include interest income. Non-operating expenses include interest expense. Capital contributions include capital financing grants from the federal and state governments, Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs). Restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.
- 4. Advertising and inventories of materials and supplies** – Advertising costs are expensed when incurred. Inventories of materials and supplies are not maintained and purchases of these items are expensed when incurred.
- 5. Lease revenues and tenant receivables** – The Airport extends credit to the various tenants who lease space and operating rights. The Airport has both short-term and long-term operating leases. The direct write-off method is used for bad debt expense. Management considers all of the remaining receivables collectible, and therefore, has not provided an allowance for doubtful accounts.
- 6. Capital contributions, grants and PFCs** – The Airport participates in Federal Aviation Administration AIP grants, State Department of Transportation Airport Development grants, and an FAA endorsed Passenger Facility Charge (PFC) Program, for many of its capital improvements. These funds are generally restricted for capital acquisition or construction.
- 7. Budget information** – The Airport maintains its accounting records using the accrual method of accounting for both financial and budgetary reporting purposes.
- 8. Cash and investments** – Cash and cash equivalents include amounts in demand deposits as well as short-term investments such as United States Treasury Bills. All investments are reported at fair value, which is determined using quoted market values with unrealized gains and losses charged or credited to investment income. Short-term investments held by the trustee generally include U.S. Treasury Bills and U.S. Government money market funds, and consequently are shown as cash and cash equivalents.
- 9. Deferred outflows and inflows of resources** – In connection with the 2014 refunding of the Series 2004 Revenue Bonds, the Airport incurred a loss (the difference between the carrying amount of the old bonds and the proceeds of the new bonds). In accordance with GASB 65 the loss is carried on the balance sheet as a deferred outflow and is being amortized over the life of the new bonds using the straight line method. Additionally, the Airport recorded deferred inflows and outflows of resources in connection with the implementation of Government Accounting Standard Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*.

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
(Continued)

10. Compensated absences – The Airport has two types of compensated absences which are described as follows:

- *Vacation* – Full-time employees who work year round are granted 12 vacation days for service period up to 5 years; 18 days for 6 to 10 years; and 24 days for over 10 years of service. Employees may accrue and carryover unused vacation time from year to year. Upon termination of employment, employees are paid up to a maximum of 30 days of unused vacation days. Any excess of unused days may be applied towards days of service upon retirement under the Public Employees Retirement System.
- *Sick Leave* – Each full-time employee is entitled to 12 days of sick leave per year. However, unused sick leave is not reimbursed upon termination. It may however be applied towards days of service upon retirement under the Public Employees Retirement System.

The Airport accrues for the accumulated vacation leave up to 30 days, however inasmuch as the sick leave may not be paid upon termination, no accrual is made.

11. Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B – Deposits, Investments and Restricted Assets

Deposits

The Airport deposits funds into financial institutions selected by the Board of Commissioners in accordance with Mississippi statutes. At September 30, 2019, cash bank deposits (including restricted deposits) and cash equivalents are as follows:

	Cash in Banks		Short-Term Investments		Total
	Bank Balance	Cash Carrying Amount	Government Mutual Funds	US Treasury Bills	
Cash and cash equivalents	\$ 11,674,975	\$ 11,660,072	\$ 948,885	\$ 2,271,802	\$ 14,880,759

All of the Airport's bank balances are entirely insured or collateralized. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the Airport's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
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Restricted assets

In accordance with the series 2014 Revenue Bonds (as more fully described in Note F) the Airport maintains the following restricted cash and cash equivalents:

	September 30,	
	2019	2018
Restricted cash and cash equivalents		
Series 2014 Revenue Bond Funds		
Revenue Fund	\$ 807,731	\$ 1,088,842
Debt Service Fund	113,215	46,044
Debt Service Reserve Fund	2,299,308	2,293,819
PFC Series Security Fund	302	388
Operations and maintenance reserve	131	1,234
Total restricted cash and investments	3,220,687	3,430,327
Unrestricted	11,660,072	9,571,115
Total cash and cash equivalents	\$ 14,880,759	\$ 13,001,442

Investments

The Airport is authorized by law to invest any monies of the Airport, including proceeds from the sale of bonds, notwithstanding any law to the contrary, but subject to any agreements with bondholders, on such terms and in such manner as the Airport and the Trustee deem proper. The Airport bond resolutions have authorized investments in cash and certificates of deposit with qualified depositories; bonds and direct obligations of the United States of America or mutual funds consisting of such obligations; obligations of federal agencies which carry the full faith and credit of the United States of America; AAA rated senior debt obligations issued by FNMA or FHLMC or other US government sponsored agencies; commercial paper; certain prefunded municipal obligations, and any other form of investment allowed under Mississippi Code Section 31-19-5.

In accordance with *Governmental Accounting Standards Board Statement No. 31*, at September 30, 2019, U.S. Treasury bills are recorded at amortized cost.

September 30, 2019				
	Date Issued	Maturity Date	Interest Rate	Amortized Cost
Debt Service Reserve Fund				
United States Treasury Bills	09/12/19	03/12/20	2.122%	\$ 2,271,802

September 30, 2018				
	Date Issued	Maturity Date	Interest Rate	Amortized Cost
Debt Service Reserve Fund				
United States Treasury Bills	09/20/18	03/21/19	1.616%	\$ 2,271,626

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
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Interest rate risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The Airport’s investment policy does not specifically restrict investment maturities other than commercial paper which is limited by state law. The Airport’s policy minimizes interest rate risk by requiring that the particular fund match its investments with the anticipated cash flow requirements thus allowing investments to be held to maturity and minimizing interest rate risk.

Credit risk

Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of September 30, 2019, the Airport’s investments in U.S. government mutual funds are unrated. The Airport’s policy allows only the highest or the second highest rating categories for investments other than U.S. government securities. The investments at September 30, 2019 meet the Airport’s investment policy and state law restrictions.

Custodial credit risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Airport does not have a policy for custodial credit risk.

Concentration of credit risk

The Airport has no specific policy regarding concentrations of credit risk. GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio.

Note C – Airport Construction in Progress and Related Grants Receivable

The following is a summary of Airport construction in progress and related grants receivable as of September 30, 2019 and 2018:

	September 30,	
	2019	2018
Federal and state grants	\$ 21,675,376	\$ 19,327,900
Airport share	833,675	1,240,515
Total project budgets	\$ 22,509,051	\$ 20,568,415
Project costs to date	\$ 14,493,316	\$ 10,538,720
Less Airport share to date	(1,069,675)	(1,105,741)
Federal and state participation	13,423,641	9,432,979
Less grant funds received and applied to date	(12,029,800)	(7,684,874)
Federal and state grants receivable	\$ 1,393,841	\$ 1,748,105

As described in Note A, the Airport has implemented an FAA endorsed Passenger Facility Charge (PFC) Program to finance airport development costs. The PFC assessments (\$4.50 per enplaning passenger) are collected by the airlines and remitted to the Airport monthly. As more fully described in Note F, all of the future PFC revenues have been pledged as security against the Airport’s revenue bonds. All future PFC revenues will be transferred to the Trustee for debt service and will no longer be available to fund project costs until such time as the bonds are fully retired.

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
(Continued)

Note D – Airport Facilities

	September 30, 2019		
	Beginning Balance	Additions/ Reclassifications	Ending Balance
General airfield and administration:			
Land, rights of way and easements	\$ 53,650,715	\$ 6,690,270	\$ 60,340,985
Buildings	2,333,832	1,011,724	3,345,556
Runways, taxiways, and other infrastructure	171,713,618	371,921	172,085,539
Equipment	7,561,840	64,801	7,626,641
Airport development in progress	9,620,991	(5,338,169)	4,282,822
Totals	244,880,996	2,800,547	247,681,543
Less accumulated depreciation	83,559,251	8,574,998	92,134,249
Totals, net	161,321,745	(5,774,451)	155,547,294
Subject to tenant leases:			
Land	2,675,112	-	2,675,112
Buildings	91,912,436	878,232	92,790,668
Equipment	2,820,404	792,819	3,613,223
Totals	97,407,952	1,671,051	99,079,003
Less accumulated depreciation	42,806,494	3,100,697	45,907,191
Totals, net	54,601,458	(1,429,646)	53,171,812
Total Airport facilities, net	\$ 215,923,203	\$ (7,204,097)	\$ 208,719,106

Depreciation expense for the year ended September 30, 2019 was \$11,675,695.

	September 30, 2018		
	Beginning Balance	Additions/ (Reclassifications)	Ending Balance
General airfield and administration:			
Land, rights of way and easements	\$ 52,872,355	\$ 778,360	\$ 53,650,715
Buildings	2,314,274	19,558	2,333,832
Runways, taxiways, and other infrastructure	165,280,259	6,433,359	171,713,618
Equipment	7,419,972	141,868	7,561,840
Airport development in progress	12,189,589	(2,568,598)	9,620,991
Totals	240,076,449	4,804,547	244,880,996
Less accumulated depreciation	74,881,290	8,677,961	83,559,251
Totals, net	165,195,159	(3,873,414)	161,321,745
Subject to tenant leases:			
Land	2,675,112	-	2,675,112
Buildings	91,875,180	37,256	91,912,436
Equipment	1,833,333	987,071	2,820,404
Totals	96,383,625	1,024,327	97,407,952
Less accumulated depreciation	39,763,177	3,043,317	42,806,494
Totals, net	56,620,448	(2,018,990)	54,601,458
Total Airport facilities, net	\$ 221,815,607	\$ (5,892,404)	\$ 215,923,203

Depreciation expense for the year ended September 30, 2018 was \$11,721,278.

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
(Continued)

Note E – Lease and Tenant Concession Income

The following is a schedule by years of minimum future revenues on non-cancellable tenant lease agreements:

Year Ending September 30,	
2020	\$ 2,373,489
2021	2,337,779
2022	2,321,606
2023	2,067,707
2024	451,517
Thereafter	5,925,782
Total minimum future rentals	<u><u>\$ 15,477,880</u></u>

About 17% of the Airport's lease revenues are contingent upon tenant sales or other operational activity.

The Airport has developed a "Business Office Park" on land owned by the Airport. The Airport provides the infrastructure and leases sites to commercial businesses for the construction of office buildings & other commercial facilities by the lessors. In connection therewith, the Airport has signed six leases, with initial terms of forty years. As called for by the lease agreements, all rents for the initial forty-year term are prepaid by the tenants in advance. In addition, the Airport receives 1-5% of the commercial sub-lease rentals and other gross receipts. For financial reporting purposes, the unearned rent revenue will be recognized over the initial forty-year term of the lease using the straight-line method. The following is a summary of prepaid rent income:

	September 30,	
	2019	2018
Unearned rent revenue, beginning	<u>\$ 1,830,366</u>	\$ 1,899,445
Rent revenue recognized currently	<u>(69,079)</u>	(69,079)
Unearned rent revenue, ending	1,761,287	1,830,366
Less amounts to be recognized within one year	<u>(69,079)</u>	<u>(69,079)</u>
Unearned rent revenue, amount to be recognized beyond one year	<u><u>\$ 1,692,208</u></u>	<u><u>\$ 1,761,287</u></u>

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
(Continued)

Note F – Noncurrent Liabilities – Revenue Bonds Payable

Revenue bonds payable at September 30, 2019 and 2018 consisted of the following:

	September 30,	
	2019	2018
Series 2014A, interest at 3.1%, maturing 2016 - 2028	\$ 17,155,000	\$ 18,785,000
Series 2014B, interest at 3.1%, maturing 2016 - 2028	430,000	470,000
Totals	17,585,000	19,255,000
Less amounts due within one year	(1,720,000)	(1,670,000)
Revenue bonds payable, amounts due beyond one year	<u>\$ 15,865,000</u>	<u>\$ 17,585,000</u>

The Series 2014 (A & B) Passenger Facility Charges and Airport Revenue Refunding Bonds (collectively the “Series 2014 Bonds”) were issued on July 8, 2014 in the amount of \$25,455,000 with a fixed interest rate of 3.1%, and maturities through September 30, 2028. These bonds, along with other available funds of the Airport, were used to (i) refund all of the Airport’s outstanding Series 2004 Bonds, (ii) fund the 2014 Series Debt Service Reserve Fund, and (iii) pay the costs of issuance of the Series 2014 Bonds. The following table illustrates the sources and uses of the bond refunding:

Sources

Principal amount of new debt	\$ 25,455,000
Debt service funds available	6,411,884
Total sources	<u>\$ 31,866,884</u>

Uses

Principal amount of old debt	\$ 28,590,000
Accrued interest on old debt	705,431
New debt service reserve fund	2,387,000
Debt issuance cost	184,453
Total uses	<u>\$ 31,866,884</u>

The refunding resulted in a loss of \$461,833 between the amount of the Series 2014 Bonds and the net carrying amount of the refunded bonds. This deferred loss is reported in the financial statements as a deferred outflow of resources and is being amortized over the remaining life of the new bonds using the straight line method. The current year amortization expense is \$32,988 and has been included in interest expense. The Airport completed the refunding to reduce its total debt service payments over the following 14 years by approximately \$6.7 million and to obtain an economic gain (net present value savings) of approximately \$5 million.

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
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The following are excerpts from the bond documents regarding security, covenants and maturities:

Security Agreement. The bonds are secured by a pledge of all of the operating revenues (Net Revenues); all of the PFC revenues (PFC Series Security), and generally all of the property of the Airport (Trust Estate), including all monies, investments and all other property of any kind. Additionally, the Airport is restricted in its ability to issue any additional debt obligations.

Rate Covenant. The Airport has agreed to impose, charge and collect rates, fees, rentals or other charges, so as to produce in each fiscal year, commencing with the fiscal year ending September 30, 2014 the sum of Net Revenues and the PFC Series Security received in such fiscal year at least equal to 100% of the Adjusted Debt Service Requirement for such fiscal year. The Airport further agrees to, as often as necessary, revise rates, fees and charges of the Airport in order to remain in compliance with the Rate Covenant. However, the Approved PFC, which comprises the PFC Series Security shall not be decreased from its current level of approved charges. The Airport shall within 30 days after adoption of its annual budget, implement such revisions to its rates, fees and charges as are necessary to cause the estimated Net Revenues and PFC Series Security, collectively, during the fiscal years to which such budget pertains to be not less than the amount required to satisfy the Rate Covenant.

Bond Covenants. The bond resolution provides for the establishment and maintenance of the following special funds, all of which are held by the “Independent Trustee”.

- Revenue Fund: Fund into which all of the Net Revenues of the Airport will be deposited.
- Operation & Expense Account: To deposit amounts equal to the budgeted one-twelfth of the Expenses of Operation and Maintenance anticipated for the then current Fiscal Year as evidenced by the Annual Budget as then in effect.
- Debt Service Fund: The trustee shall transfer monthly from the Revenue Fund & from the PFC Series Security Fund and deposit into the Debt Service Fund an amount sufficient to fund the next principal and interest payments on the Series 2014 bonds.
- Debt Service Reserve Fund: The Debt Service Reserve Fund was initially funded from the bond proceeds in the amount of \$2,387,000. The Debt Service Reserve Fund shall be used by the Trustee to meet the debt service requirements of the bonds when there are insufficient moneys otherwise. The Debt Service Reserve Fund shall be funded to the extent of the Reserve Fund Requirement defined as: the lesser of (1) the maximum amount of annual principal and interest payments coming due during the current or any succeeding calendar year, or (2) 125% of average annual debt service, or (3) the maximum amount which may be deposited in the Debt Service Reserve Fund from proceeds of the Series 2014 Bonds. As of September 30, 2019, the Debt Service Reserve Fund requirement was \$2,271,815.

Notes to Financial Statements

September 30, 2019 and 2018

(Continued)

- PFC Series Security Fund: There shall be deposited into the PFC Series Security Fund 100% of the approved passenger facility charges (PFCs) collected by the Airport from the airlines. Amounts on deposit in the PFC Series Security Fund may only be used for the purposes for which such amounts are deposited, which is to fund the Debt Service Fund for the Series 2014 A & B issues.
- Rebate Fund: The Trustee is authorized to establish and maintain a Rebate Fund for the purpose of depositing arbitrage profits to be rebated to the United States in accordance with the Tax Certificate.

Bond Principal & Interest Maturities: Bond interest is payable on April 1 and October 1 of each year. Bond principal is due on October 1 of each year. The following is the maturity schedule of all Series 2014 revenue bonds:

Series 2014 revenue bond maturities for the years ending September 30,

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,720,000	\$ 545,135	\$ 2,265,135
2021	1,780,000	491,815	2,271,815
2022	1,835,000	436,635	2,271,635
2023	1,890,000	379,750	2,269,750
2024	1,950,000	321,160	2,271,160
2025	2,010,000	260,710	2,270,710
2026	2,070,000	198,400	2,268,400
2027	2,130,000	134,230	2,264,230
2028	2,200,000	68,200	2,268,200
Totals	<u>\$ 17,585,000</u>	<u>\$ 2,836,035</u>	<u>\$ 20,421,035</u>

Revenue Bond – Rate Covenant Compliance

As demonstrated below, as of September 30, 2019, the Airport was in compliance with its revenue bond rate covenant coverage ratios:

Adjusted gross operating revenues	\$ 11,784,504
Less operating expenses	(9,701,048)
Net revenues	<u>2,083,456</u>
Debt service requirement	2,266,905
Less PFC revenues received	1,535,294
Debt service requirement, net	<u>731,611</u>
Rate coverage achieved	285%
Coverage required by the bond covenants	100%

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
(Continued)

Changes in long-term debt

Changes in long-term debt for the year ended September 30, 2019 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	\$ 19,255,000	\$ -	\$ (1,670,000)	\$ 17,585,000	\$ 1,720,000

Changes in long-term debt for the year ended September 30, 2018 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	\$ 20,875,000	\$ -	\$ (1,620,000)	\$ 19,255,000	\$ 1,670,000

Interest expense for the years ended September 30, 2019 and 2018 was \$637,393 and \$680,113 respectively.

Note G – Pension Plan

General information about the Pension Plan

Plan description

All of the Airport’s full time employees participate in the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit plan. Membership in PERS is a condition of employment granted upon hiring for qualifying employees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. Current rates are 15.75% for employer contributions through June 30, 2019 and 17.4% thereafter and 9% for members. The Airport’s contributions to the plan for the years ending September 30, 2019, 2018, and 2017 were \$344,038, \$334,858 and \$332,246, respectively. These amounts were 100% of the required contributions.

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee’s earnings during the four highest compensated years of creditable service.

Notes to Financial Statements

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(Continued)

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.pers.ms.gov.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At September 30, 2019, the Airport reported a liability of \$5,591,839 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport's proportion of the net pension liability was based on a projection of the Airport's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Airport's proportion was .033619%, which was a decrease of .000003% from its proportion measured as of June 30, 2017.

For the year ended September 30, 2019, the Airport recognized pension expense of \$453,529. At September 30, 2019, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>\$</u>	<u>\$</u>
Differences between expected and actual experience	24,514	23,572
Net difference between projected and actual earnings on pension plan investments		111,159
Changes in assumptions	3,300	3,088
Changes in proportion and differences between Airport contributions and proportionate share of contributions	123,125	
Airport contributions subsequent to the measurement date	417,639	
Totals	<u>\$ 568,578</u>	<u>\$ 137,819</u>

Notes to Financial Statements

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Deferred outflows of resources related to pensions resulting from Airport contributions subsequent to the measurement date totaling \$323,123 will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The remaining balance of \$94,517 will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2020	\$ 102,077
2021	19,298
2022	(94,046)
2023	(14,209)
Total	<u>\$ 13,120</u>

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00%

Salary increases 3.75-18.50%, average, including inflation

Investment rate of return 7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022 with rates set forward for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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September 30, 2019 and 2018

(Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International equity	18.00%	4.50%
Emerging markets equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real assets	10.00%	3.50%
Private equity	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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.

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

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability	\$ 7,362,847	\$ 5,591,839	\$ 4,119,897

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
(Continued)

Note H – Deferred Compensation Plan

In addition to PERS, full time employees may also participate in a Section 457 deferred compensation plan funded through a private retirement corporation. All contributions are made by the employees through salary deferral elections. The participants are fully vested in all contributions. The investment of the funds is self-directed by each participant and the retirement corporation through a joiner agreement. With respect to the Section 457 plan, the Airport has no unfunded pension liability or fiduciary responsibility.

Note I – Non-Cash Transactions

The Airport Authority is required to provide fire and rescue service to commercial air transportation to meet the requirements of Federal Aviation Regulation Part 139. Since the Airport assumed responsibility for airport operations in 1977, the fire and rescue function had been provided jointly by the Airport and the Air National Guard (ANG). While the ANG provided the firehouse and fire and rescue vehicles, the Airport paid the salaries of Gulfport City Firemen to man the facility 24 hours a day and respond to various civil and military alerts. This joint effort aided both the Airport and the ANG because no resources were duplicated; yet emergency response coverage was conducted in accordance with FAR 139. In April 1995, the ANG accepted responsibility for providing firemen labor, also. This was justified by the military's recognition of its impact on the Airport, and its desire to pay (or assume) its fair share of Airport operating costs.

The non-cash value of crash, fire and rescue services and facilities provided by ANG in the amounts of \$2,446,099 for 2019 and \$2,489,933 for 2018, have been included in airside lease income and fire and rescue service expense.

Note J – Capital Grants, PFCs and CFCs

	Year Ended September 30,	
	2019	2018
Federal Grant Funds	\$ 4,237,626	\$ 4,957,616
State Grant Funds	151,354	466,116
PFC Funds	1,535,294	1,506,430
CFC Funds	646,760	487,406
Total	\$ 6,571,034	\$ 7,417,568

Note K – Commitments and Contingencies

The Airport is involved in various legal matters arising during the normal course of business activities. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Airport.

Gulfport–Biloxi Regional Airport Authority
Notes to Financial Statements
September 30, 2019 and 2018
(Continued)

Additionally, the Airport is exposed to certain environmental liabilities in the ordinary course of business. The Airport utilizes consultants to adequately evaluate exposures to such liabilities as they arise. The Airport is not aware of any liabilities arising from environmental exposures that management believes will have a material adverse effect on the financial condition of the Airport.

Note L – Subsequent Events

Management has evaluated subsequent events through February 11, 2020, the date on which the financial statements were available to be issued.

Section III

Required and Other Supplemental Information

Gulfport–Biloxi Regional Airport Authority
Schedule of the Airport's Proportionate Share of the Net Pension Liability
Public Employees Retirement Plan of Mississippi
 Last Five Fiscal Years

	2019	2018	2017	2016	2015
Airport's proportion of the net pension liability	0.033619%	0.033953%	0.033154%	0.034708%	0.035140%
Airport's proportionate share of the net pension liability	\$ 5,591,839	\$ 5,644,141	\$ 5,922,132	\$ 5,365,172	\$ 4,265,353
Airport's covered-employee payroll	\$ 2,132,176	\$ 2,126,085	\$ 2,109,501	\$ 2,087,581	\$ 2,175,686
Airport's proportionate share of the net pension liability as a percentage of its covered-employee payroll	262.26%	265.47%	280.74%	257.00%	196.05%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

See independent auditors' report.

Gulfport–Biloxi Regional Airport Authority
Schedule of Airport Contributions
Public Employee's Retirement System of Mississippi
 Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 344,038	\$ 334,858	\$ 332,246	\$ 328,794	\$ 342,671	\$ 337,835	\$ 321,614	\$ 325,548	\$ 305,836	\$ 265,930
Contributions in relation to the contractually required contribution	344,038	334,858	332,246	328,794	342,671	337,835	321,614	325,548	305,836	265,930
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Airport's covered-employee payroll	\$ 2,132,176	\$ 2,126,085	\$ 2,109,501	\$ 2,087,581	\$ 2,175,686	\$ 2,144,983	\$ 2,194,239	\$ 2,487,509	\$ 2,548,634	\$ 2,216,085
Contributions as a percentage of covered-employee payroll	16.14%	15.75%	15.75%	15.75%	15.75%	15.75%	14.66%	13.09%	12.00%	12.00%

The notes to the required supplementary information are an integral part of this schedule.

See independent auditors' report.

Gulfport–Biloxi Regional Airport Authority
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

Changes of Assumptions

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disable lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

See independent auditors' report.

Gulfport–Biloxi Regional Airport Authority
Budget to Actual Comparison Statement
Year Ended September 30, 2019

Revenues	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final Amended		
From Airport operations				
Airside leases	\$ 435,934	\$ 435,934	\$ 575,963	\$ 140,029
Landside leases	2,128,102	2,128,102	2,326,259	198,157
Terminal leases	3,576,224	3,576,224	3,434,171	(142,053)
Landing fees	2,220,799	2,220,799	1,961,369	(259,430)
Parking fees	731,981	731,981	833,024	101,043
Other administrative income	19,000	19,000	207,619	188,619
Total from Airport operations	<u>9,112,040</u>	<u>9,112,040</u>	<u>9,338,405</u>	<u>226,365</u>
Expenditures				
Operating expenditures				
Salaries and wages	2,167,571	2,167,571	2,140,542	27,029
Employee taxes and benefits	789,118	789,118	780,967	8,151
Operating supplies, maintenance and repairs	1,351,800	1,351,800	1,266,415	85,385
Contracted services	692,100	692,100	685,298	6,802
Utilities	577,136	577,136	512,258	64,878
Office expense	106,155	106,155	99,026	7,129
Professional services	548,900	548,900	474,428	74,472
Advertising, promotion, training and travel	500,350	500,350	594,224	(93,874)
Insurance	577,638	577,638	584,035	(6,397)
Total operating expenditures	<u>7,310,768</u>	<u>7,310,768</u>	<u>7,137,193</u>	<u>173,575</u>
Non-operating revenues (expenditures)				
Interest income	1,750	1,750	22,451	20,701
Customer facility charges	554,000	554,000	646,760	92,760
Passenger facility charges	1,459,675	1,459,675	1,535,294	75,619
Federal grant revenues	6,498,231	6,498,231	4,237,630	(2,260,601)
State grant revenues	675,585	675,585	151,350	(524,235)
Debt service interest expense	(541,905)	(541,905)	(510,599)	31,306
Debt service principal reduction	(1,720,000)	(1,720,000)	(1,720,000)	-
Capital expenditures	(8,038,072)	(8,038,072)	(4,471,598)	3,566,474
Total non-operating revenues (expenses)	<u>(1,110,736)</u>	<u>(1,110,736)</u>	<u>(108,712)</u>	<u>1,002,024</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 690,536</u>	<u>\$ 690,536</u>	<u>\$ 2,092,500</u>	<u>\$ 1,401,964</u>

See independent auditors' report.

Gulfport–Biloxi Regional Airport Authority
Budget to Actual Comparison Statement
Budget to GAAP Reconciliation
Year Ended September 30, 2019

36

Excess of revenues over expenses / budgetary basis	\$ 2,092,500
Reconciling items	
Depreciation expense	(11,675,695)
Amortization of deferred outflows	(32,988)
Deferred outflows of resources on net pension expense	(117,756)
Principal reduction on bonds	1,720,000
Capital expenditures added to property and equipment	<u>4,471,597</u>
Change in net position / GAAP basis	<u><u>\$ (3,542,342)</u></u>

See independent auditors' report.

Gulfport–Biloxi Regional Airport Authority
Capital Projects Fund
Statements of Revenues and Expenditures

	Year Ended September 30,	
	2019	2018
Revenues and other sources		
Federal Grants	\$ 4,237,626	\$ 4,957,616
State Grants	151,354	466,116
Passenger Facility Charges (PFC)	1,535,294	1,506,430
Customer Facility Charges (CFC)	646,760	487,407
Transfers (to) from Operating Fund	(2,099,436)	(1,585,217)
	<u>\$ 4,471,598</u>	<u>\$ 5,832,352</u>
Expenditures		
Terminal improvements	\$ 796,830	\$ 938,626
Runway, taxiway and ramp improvements	3,495	368,640
Long range planning	266,571	201,884
General aviation	-	774,103
Noise compatibility	2,970,305	1,828,013
Perimeter roads and fence	82,594	-
Rental car facility	84,304	-
Furniture, machinery, equipment and small tools	267,499	1,600,217
Capital repairs to facilities and equipment	-	120,869
	<u>\$ 4,471,598</u>	<u>\$ 5,832,352</u>

See independent auditors' report.

**Schedule of Expenditures of Federal Awards and
Schedule of Passenger Facility Charges**

Gulfport–Biloxi Regional Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA Number	Contract/Grant Number	Federal Expenditures
U.S. Department of Transportation			
Small Community Air Service			
Development Program	20.930	2014-0113-0021	\$ 57,739
Federal Aviation Administration			
Airport Improvement Program	20.106	3-28-0030-083-2014	361,150
Airport Improvement Program	20.106	3-28-0030-085-2015	1,096,431
Airport Improvement Program	20.106	3-28-0030-088-2016	372,800
Airport Improvement Program	20.106	3-28-0030-089-2017	50,095
Airport Improvement Program	20.106	3-28-0030-090-2017	830,640
Airport Improvement Program	20.106	3-28-0030-091-2017	10,620
Airport Improvement Program	20.106	3-28-0030-092-2018	719,827
Airport Improvement Program	20.106	3-28-0030-093-2019	730,565
Airport Improvement Program	20.106	3-28-0030-094-2019	65,498
Total Airport Improvement Program			<u>4,237,626</u>
Total U.S. Department of Transportation			<u>4,295,365</u>
Total expenditures of federal awards			<u><u>\$ 4,295,365</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Gulfport–Biloxi Regional Airport Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Gulfport-Biloxi Regional Airport Authority under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Gulfport-Biloxi Regional Airport Authority, it is not intended to and does not present the financial position, results of operations and cash flows of Gulfport-Biloxi Regional Airport Authority.

Note B - Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when they are incurred. The expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note C - Indirect Cost Rate

The auditee has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Noncash Awards

The auditee did not have any noncash awards.

Note E - Subrecipients

The auditee did not have any subrecipients.

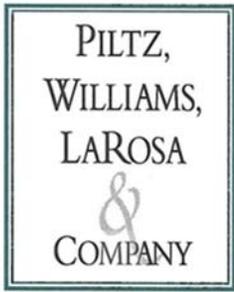
Gulfport–Biloxi Regional Airport Authority
Schedule of Passenger Facility Charges
Year Ended September 30, 2019

<u>Program Description</u>	<u>Application Approved Number</u>	<u>Amended Approved Amount</u>	<u>Cumulative Prior Year Earned Amount</u>	<u>Current Year Earned Amount</u>	<u>Total Earned Amount</u>
Passenger Facility Charge	03-06-C-02-GPT	<u>\$ 57,145,388</u>	<u>\$24,766,875</u>	<u>\$ 1,527,975</u>	<u>\$ 26,294,850</u>

See independent auditors' report.

Section IV

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*



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Jordan R. Church, CPA

**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***

Gerald Piltz, CPA (1925-2013)
Stanford A. Williams, Jr., CPA (1935-2017)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)
Darrell L. Galey, CPA (Retired)
Margaret D. Glosson, CPA (Retired)
Stephen P. Theobald, CPA, CVA
Michael D. O'Neill, CPA

Commissioners of the Airport Authority
Gulfport–Biloxi Regional Airport Authority
Gulfport, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gulfport–Biloxi Regional Airport Authority as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Gulfport–Biloxi Regional Airport Authority's basic financial statements, and have issued our report thereon dated February 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gulfport–Biloxi Regional Airport Authority'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 Gulfport–Biloxi Regional Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Gulfport–Biloxi Regional Airport Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulfport–Biloxi Regional Airport Authority’s financial statements are free of 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*.

Gulfport–Biloxi Regional Airport Authority’s Response to Findings

Gulfport–Biloxi Regional Airport Authority’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Gulfport–Biloxi Regional Airport Authority’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

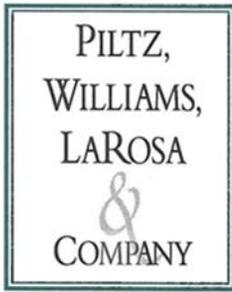


Certified Public Accountants

Biloxi, Mississippi
February 11, 2020

Section V

**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**



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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance

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Commissioners of the Airport Authority
Gulfport–Biloxi Regional Airport Authority
Gulfport, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Gulfport–Biloxi Regional Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on Gulfport–Biloxi Regional Airport Authority's major federal program and passenger facility charge programs for the year ended September 30, 2019. Gulfport–Biloxi Regional Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gulfport–Biloxi Regional Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Gulfport–Biloxi Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-02. Our opinion on each major federal program is not modified with respect to these matters.

Gulfport–Biloxi Regional Airport Authority’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Gulfport–Biloxi Regional Airport Authority’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Gulfport–Biloxi Regional Airport Authority 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 Gulfport–Biloxi Regional Airport Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gulfport–Biloxi Regional Airport Authority’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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Certified Public Accountants

Biloxi, Mississippi
February 11, 2020

Section 1 – Summary of Auditors' Results

1. An unmodified opinion was issued on the financial statements.
2. The audit disclosed a material weaknesses over financial reporting. No significant deficiencies were disclosed
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. The audit did not disclose any significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit disclosed one audit finding that is required to be reported under 2 CFR 200.516(a).
7. The major programs were:
 - a. DOT - Airport Improvement Program CFDA #20.106
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee was determined to be a low-risk auditee.

Section 2 – Findings Relating to the Financial Statements

Material Weakness

2019-01

Lack of timely general ledger account reconciliations and reviews to prevent misstatements.

Criteria: Controls should be in place to make certain that general ledger accounts are used and reconciled to supporting schedules and documented properly.

Condition: The audit disclosed a large number of uncorrected mispostings in the general ledger

Cause: The Airport experienced a high turnover in the Director of Finance position during the year. The Airport's Director of Finance at the beginning of the year had only been in the position for one year before going on maternity leave, then resigned shortly after the maternity leave period was over. A new Director of Finance was hired after a brief period of vacancy in the position. The new Director of Finance was new to the job learning all the ins and outs of the Airport accounting, administration, grant processes, etc., right at year end. During this time the Airport was also in the middle of migrating and implementing a new accounting software. The new Director of Finance was overwhelmed and resigned shortly after year end. After her resignation management realized the audit schedules and reconciliations had not been prepared. In an effort to keep the audit flowing the Airport hired a

consultant on a limited time arrangement to help prepare critical adjustments and schedules. However, a total review and reconciliation of the general ledger was not conducted.

Effect: The audit required a large number of adjustments that were in excess of acceptable levels and these resulted in a material misstatement that had to be corrected before the financial statements were issued.

Recommendation: The Airport should hire a qualified Director of Finance to get the books and records corrected and perform the duties as required by the Airport internal controls for financial reporting.

Current Status: The Airport management has hired a qualified Director of Finance set to begin work on February 19, 2020.

Section 3 – Findings and Questioned Costs for Federal Awards

2019-02

Airport Improvement Program CFDA No. 20.106 – Reporting

Questioned Costs: None

Criteria: Reports should be prepared and filed in accordance with the form instructions, using amounts agree to the underlying financial records.

Condition: Forms 271, 425, and Noise reports reported incorrect data.

Cause: New staff with no experience or proper training due to turnover in the finance department prepared the forms and compiled the information for reports that was incorrect.

Effect: Forms 271 and 425 and Noise reports were filed with incorrect data.

Recommendation: Forms and reports should be completed by a properly trained employee and reviewed by a member of management who fully understands the forms and requirements before submission to the FAA.

Current Status: The Airport management has hired a qualified Director of Finance set to begin work on February 19, 2020.



Gulfport-Biloxi International Airport

Corrective Action Plan

February 13, 2020

Gulfport-Biloxi Regional Airport Authority respectfully submits the following corrective action plan for the year ended September 30, 2019.

Piltz, Williams, LaRosa & Co.
1077 Tommy Munro Drive
Biloxi, MS 39532

Audit Period: September 30, 2019

The findings from the September 30, 2019 schedule of findings and questioned costs are discussed below.

Findings – Financial Statement Audit

Material weakness

2019-1 Financial reporting

Recommendation: The Airport should hire a qualified Director of Finance to get the books and records corrected and perform the duties as required by the Airport internal controls for financial reporting.

Corrective Action Taken: The Airport has experienced recent high turnover in the Finance Department. In particular, the Director of Finance position has experienced multiple vacancies. During the period audited, one individual serving as Director of Finance was in the position for a little over a year before taking maternity leave. Upon returning from leave, the Director of Finance shortly thereafter relocated out of state for a spouse's employment. A new Director of Finance was hired and was in the process of training and learning new airport procedures and then resigned after only four months in the position. Airport management engaged an accounting consultant who had previously worked as Director of Finance for the airport for over ten years to help prepare critical audit schedules and financial worksheets. The airport is in the process of hiring a Director of Finance to ensure the correction of records and timely reconciliations and the individual is set to start work February 19, 2020.

Anticipated Completion Date: February, 2020

Contact Person Responsible for Corrective Action: Clay Williams-228-863-5951

Findings – Federal Award Programs Audit

2019-2 Reporting

Recommendation: Forms and reports should be completed by a properly trained employee and reviewed by a member of management who fully understands the forms and requirements before submission to the FAA.

Corrective Action Taken: Staff will be trained to complete the forms in accordance with instructions. The accounting consultant who previously served as Director of Finance at the Airport will train the new Director of Finance to ensure accuracy and will resubmit the forms accordingly.

Anticipated Completion Date: April, 2020

Contact Person Responsible for Corrective Action: Clay Williams-228-863-5951