

March 22, 2005

Honorable Mayor and City Council  
City of Gulfport  
Gulfport, MS 39501

The Comptroller's office is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gulfport, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2004. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (a dramatic change in governmental financial reporting.) The new format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the report is accurate in all material respects and is designed to present fairly the financial position and results of operations of the City for Fiscal Year ending September 30, 2004. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Annual Financial Report consists of four parts. **(I) The Introductory Section** includes this transmittal letter, the City's organizational chart, a list of principal City officials, the geographic location of the City, and the certificate of Achievement for Excellence in Financial Reporting awarded for the 2003 CAFR. **(II) The Financial Section** includes: Management's Discussion and Analysis, the basic financial statements (government-wide and fund statements), notes to the financial statements, other required supplementary information (RSI), and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statement schedules. **(III) The Statistical Section** includes several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, generally presented on a multi-year basis. **(IV) Other Financial Information** includes useful schedules and charts that are no longer required to be published as part of the basic financial statements along with schedules required by State statutes.

The City is a member of the Harrison County Wastewater and Solid Waste Management District, a joint venture with other local cities to provide adequate wastewater treatment and solid waste disposal services. The city is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center. A synopsis of the two joint ventures' financial statements for the fiscal year ended September 30, 2004, is included in note 16 of the report.

### **The Reporting Entity and Services Provided**

Incorporated on July 28, 1898, Gulfport is located in South Mississippi in Harrison County. Gulfport is a code-charter municipality operating under a Mayor/Council form of government. The Mayor is full-time and the Council-members are part-time and elected by wards. The Mayor and Council serve concurrent four-year

terms. On July 1, 1997 the City added two additional members to the council as a result of a 1994 annexation bringing the total to seven.

In December 1993 the City annexed 33 square miles north of Gulfport becoming the second largest city in Mississippi with a land area of 62.37 square miles and a population in excess of 70,000. A full range of services are provided including: police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, planning and zoning, recreational and cultural services, and general administrative services.

### **Economic Conditions**

With about 6.7 miles of man-made white sandy beaches along the Gulf of Mexico, Gulfport enjoys being one of the fastest growing areas in the entire state. Home of the annual “Worlds Largest Fishing Rodeo,” Gulfport is a residential community that is blessed with a strong business center. The downtown area provides a strong professional center while the north central part of town provides a strong mercantile center.

Along beach drive are historic home sites with several motels scattered throughout to accommodate the golfing and water tourist that make up a large part of our economy. A large electric utility generating plant, shopping malls, along with several chain stores and restaurants provide for a continuing strong base that keeps our ad valorem tax rate one of the lowest on the Mississippi Gulf Coast.

Legalized dockside gaming brought the City two major casino operations, which created significant construction developments that have spilled over into the business and local community. Grand Casino’s opening of its five hundred-room hotel several years ago spurred several smaller chain motels opening on the City’s coastline. The Casino’s massive development contains a 14,000 square foot spa, salon and fitness center along with 3 acres of water recreation on the inland side of highway 90. Due to this rapidly growing industry, we have seen our tourism figures rise month after month. There is no doubt that the gaming industry continues to have a positive economic impact on the Mississippi Gulf Coast and the City of Gulfport.

To illustrate this growth, the following table represents the number of post gaming and annexation non-residential and residential building permits issued over the past 10 years.

Year	Non-Residential Permits Issued	Value	Residential Permits Issued	Value	Total Value Residential & Non-Residential
1995	109	44,009,982	235	36,475,107	80,485,089
1996	114	48,344,467	229	29,197,221	77,541,688
1997	86	65,018,000	279	103,771,000	168,789,000
1998	127	136,862,454	302	30,724,941	167,587,395
1999	144	67,754,000	431	45,163,000	112,917,000
2000	100	37,518,632	471	83,867,868	121,386,500
2001	109	29,080,483	278	41,053,650	70,134,133
2002	30	39,723,000	320	29,475,000	69,198,000
2003	37	17,871,610	297	33,866,664	51,738,274
2004	56	73,259,467	396	50,446,011	123,705,478

## Accomplishments

### Public Safety-Crime Prevention

The Gulfport Police Department's fundamental goal is to provide a safe and secure community for both citizens' visitors alike. In our attempts to achieve this goal, the Gulfport Police Department has partnered with various schools, businesses, civic groups and religious organizations in a collaborative effort to enhance the quality of life in our community and go beyond the scope of traditional policing programs.

Public safety accounts for the largest portion of the City's General Fund and makes up \$27.6 million (58%) of the City's \$48 million adopted General Fund Budget for fiscal year ending September 30, 2004. Crime prevention remains a top priority in city government. The total number of full-time sworn police officers is 200 bringing the total number of residents per sworn officer to approximately 380.

In 2004, the total calls for service for particular crimes listed below remained relatively close as compared to 2003:

Year	Murder	Rape	Robbery	Assault	Burglary	Larceny	Auto	Total
2003	12	48	147	2,534	1,181	4,091	465	8,478
2004	6	47	166	3,117	1,067	3,936	319	8,658
CHANGE	-50%	-2%	+13%	+23%	-10%	-4%	-32%	+2%

### Public Safety-Fire Protection

Gulfport continues to set the standard with regards to fire protection. Recognizing the sanctity of life and safety, the Gulfport Fire Department is dedicated to the protection of it's citizens and visitors to our community. The City currently enjoys a class 4-fire rating. With a total of 12 fire stations strategically located throughout the city and 173 personnel, our firefighters can respond to emergencies within two to four minutes. Fire department personnel responded to 8,923 emergency calls, logged more than 26,249.5 man-hours of training, educated 11,286 elementary age children in fire safety, and conducted 1,263 inspections. The table below illustrates the changes in fire department response calls over the past year.

YEAR	RESIDENTIAL FIRES	COMMERICAL FIRES	WOOD FIRES	VEHICLE FIRES	OTHER CALLS	FALSE ALARMS	MEDICAL CALLS	TOTAL CALLS
2003	73	4	105	42	1260	307	5593	7384
2004	75	10	85	67	880	253	6880	8,923
CHANGE	3%	150%	19%	60%	30%	18%	23%	21%

Thanks to a combination of efficient and innovative management, our police and fire departments are better equipped to help make our streets and our neighborhoods safer.

## **Leisure Services**

The Department of Leisure Services is committed to increasing the quality of life for Gulfport's citizens in the area of culture and recreation. Improvements to City recreation and parks facilities continue to provide participants all across the City with leisure activities year round. The City has completed construction on forty (40) acres of park space off Prudie Circle Drive including four (4) baseball/softball fields and two (2) soccer/football fields. This was a joint project between the City of Gulfport and Harrison County. The Department also received Tideland funding for a boat launch ramp to be constructed in conjunction with Ken Combs Pier. This project includes dredging, construction of a bulk head, and construction of a parking lot. The project also includes a new parking lot which was completed in early 2004.

The Department of Leisure Services employs 99 full time and part-time individuals and oversees ten divisions which are charged with park maintenance: approximately 540 acres; Athletics: coordination and administration of youth athletic programs; Recreation: coordination administration of after school and summer programs for the youth; Cultural Affairs: administration of special events such as parades, festivals, carnivals, etc. ; Senior Citizen programs: Coordination of programs for our elderly; Cemetery: Maintenance and administration of a City owned cemetery; Building Maintenance: Charged with maintenance and repairs of City owned buildings and public facilities; Horticulture: Management and beautification of City medians and rights of way. The other divisions include Special Populations which program for "persons with disabilities", and the Gulfport Sportsplex, which includes grounds management and programming for the Sportsplex which includes nine baseball/softball fields and four international soccer fields.

The development and operation of the City's Sports Complex continues to be the primary focus. This showcase is approximately 250 acres in size; includes nine lighted and fenced softball/baseball fields complete with a facility control center with restrooms, pavilions, and concessions; and four international size soccer fields. These facilities are designed with state of the art drainage and irrigation systems to insure that play can continue even after a heavy rain. Last year this venue hosted 45 events including two week long World Series Events. In 2005, there are again 45 events on the schedule with two (2) World Series Events being hosted in July.

The Department also went into a lease agreement with Coastal Entertainment Operations (CEO) in 2003. The city has provided approximately 18 acres for lease, and CEO is constructing and will operate a "world class" water park at the Sportsplex. Clearing began in late 2003, with an anticipated opening date for the park in spring/early summer 2005.

## **Urban Development**

The City's Urban Development Department is charged with building and planning code enforcement. This ranges from ensuring that state, local, and federal building codes are strictly adhered to and that the City's adopted zoning ordinances are followed. This department is also charged with administering economic development and business retention, federal block grants which annual funding is approximately \$2 million, and a FEMA funded buyout program totaling in excess of \$10 million.

## **Public Works**

The Public Works Division is tasked with providing essential services to the citizens of Gulfport which have a direct impact on their "Quality of Life" each and every day. Major services provided by this division include: drainage system maintenance and improvement, street repair and maintenance, safe traffic flow, and high quality water and environmentally safe wastewater treatment and solid waste disposal. The following table indicates types of work and accomplishments for the Public Works Division for the past three years:

<b>Description</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Ditches cleaned ( miles )</b>	317	364	298.1
<b>Culvert Installed (feet)</b>	6,425	6,255	4,077
<b>Asphalt (tons)</b>	1,676	2,049	1,949
<b>Limestone (yards)</b>	2,536	3,059	5,179
<b>Debris Removal (yards)</b>	22,102	24,416	25,399
<b>Water Leaks Repaired</b>	1,361	1,422	1,424
<b>Water Meters Installed</b>	522	748	916
<b>Water Meters Replaced</b>	63	212	346
<b>Sewer Taps</b>	71	84	136

### **FUTURE ECONOMIC OUTLOOK**

As our state caught national headlines with what was called the “miraculous” economic recovery in the 1990’s, the coastal counties of Hancock, Harrison, and Jackson were heralded as the economic “engine” of this economic renaissance. The City of Gulfport was certainly at the forefront of this economic rebirth and has continued to maintain its position as one of our state’s largest and most aggressively expanding economic centers.

Our city, historically driven by the seafood, timber and tourism industries, now finds its economy enhanced by the gaming industry, high-tech development, and new commercial and industrial development. The persistence of our community’s business leaders to showcase what Gulfport has to offer has indeed catapulted our city to the forefront of Mississippi’s primary economic market. Gulfport’s strategic location between the cities of New Orleans, Louisiana and Mobile, Alabama is unique – making it, simultaneously an employment center, suburb, vacation destination and transportation corridor. Well-developed air transportation through the Biloxi-Gulfport Regional Airport, land, sea, and rail arteries provide access to nearly 75% of the United States population, as well as emerging Mexican and Latin American markets.

This accessibility, combined with generally low labor costs and high ratings for quality of life, has helped Gulfport attract new businesses and residents. Cities along the Mississippi Gulf Coast have been ranked in *Money Magazine’s* “Best Places to Live,” *Forbes’* “Best Places to Start A Business,” *Modern Maturity’s* “Best Active Places to Retire,” and *Builder Magazine’s* “hottest housing markets in the United States.” And despite this phenomenal growth, our city still continues to boast an overall cost of living below the national average and is regarded as one of the most affordable urban housing markets in the South. These factors have been instrumental in the attraction and retention of national and international companies to our city.

As our city presses on into 2005, early sales figures indicate an upward trend for sales tax collections. In the month of February 2005, the City of Gulfport realized an increase of 11% in sales tax collections from the previous year. Several major developments will have a distinct impact on the City of Gulfport’s tax base for the future. Some of these projects include condominium development along the Gulf of Mexico and bayou waters, development of Future Pipe and other industries along the Industrial Parkway and continued development of our retail and commercial centers in our city. Cohesive marketing efforts, along with strong leadership and sound financial planning, will keep Gulfport as one of the south’s most formidable economic, cultural and residential centers.

## **Financial Information**

### **Accounting System**

The Department of Finance and Administration is responsible for providing the financial services for the City including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management, budgeting, purchasing, and information systems.

The Department of Finance and Administration is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that the City's current internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Controls**

The City maintains specific budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Mayor and City Council. Activities of the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary funds are included in the annual appropriated budget. The legal level of budgetary control ( that is, the level at which expenditures cannot legally exceed the appropriated amount ) is established by major expenditure classification and require approval by the governing body; however, equal transfers between line items within a classification may be approved by the Department Director. For management purposes, project length budgets are prepared for the capital projects fund even though all adopted budgets lapse annually in the State of Mississippi.

The City maintains an encumbrance accounting system as one budgetary control technique. Encumbrances reserve appropriations, which have been obligated through purchase orders or contractual documents. Encumbered amounts lapse at year end; however, they are generally reappropriated as part of the following year's budget.

## **General Government Functions**

The City's General Fund is used to account for expenditures for traditional services as well as all financial resources other than those required to be accounted for in other funds. General Fund revenues include property tax, intergovernmental revenues, various permit fees, franchise taxes, fines, sales tax, and other sources as indicated on the accompanying graphs and schedules.

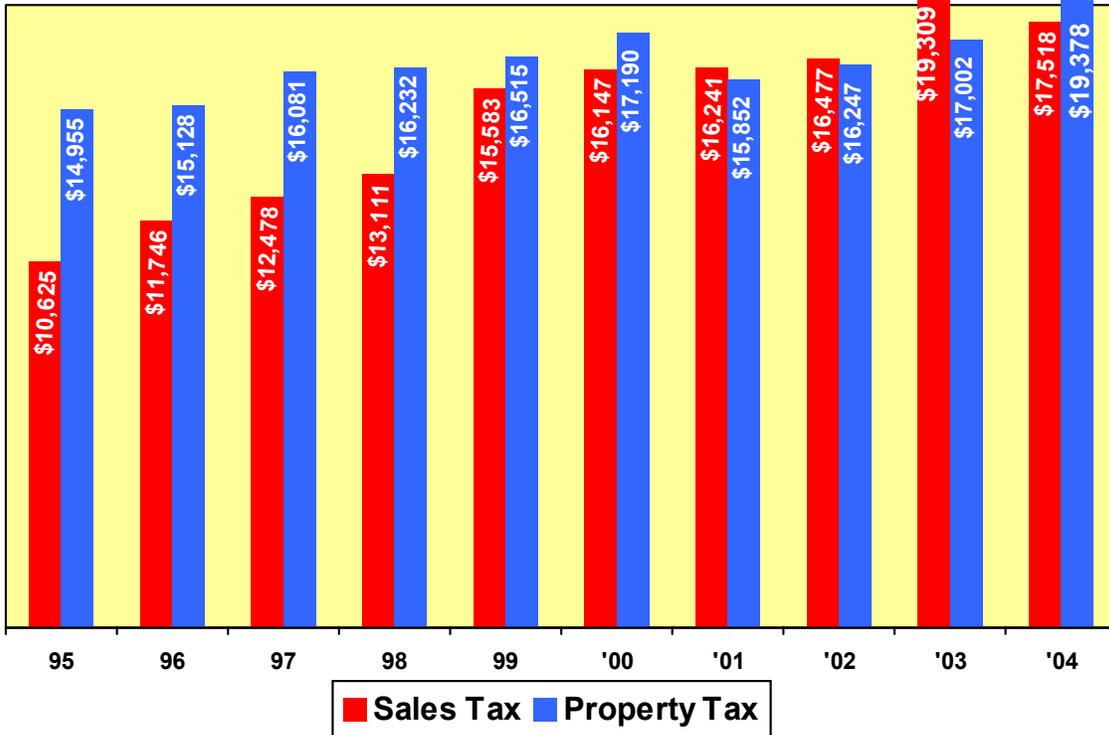
### **Revenues**

The largest revenue source for the City is Property Tax revenue. This tax is derived from the City levying a tax on property located within its corporate boundaries. Property tax of \$19.4 million accounted for 32% of Governmental revenues in fiscal year 2004.

Another primary source of revenue for Gulfport is sales tax. This tax is derived from the State of Mississippi levying a general sales tax of 7% on most retail sales. Of this amount collected by the state, 18.5% is remitted back to each municipality for the amounts collected within its corporate boundaries. Sales tax of \$17.5 million accounted for 29% of Governmental revenues in fiscal year 2004, which represented a slight increase of \$516,082 or 3%.

## Annual Sales and Property Tax Collections

Amounts Expressed in Thousands



The table below represents the percentage increases in sales tax and property tax revenues over the past ten years.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sales Tax	16%	11%	7%	5%	19%	4%	.5%	1%	3%	3%
Property Tax	84%	2%	7%	1%	2%	4%	-8%	3%	19%	0%

Note:

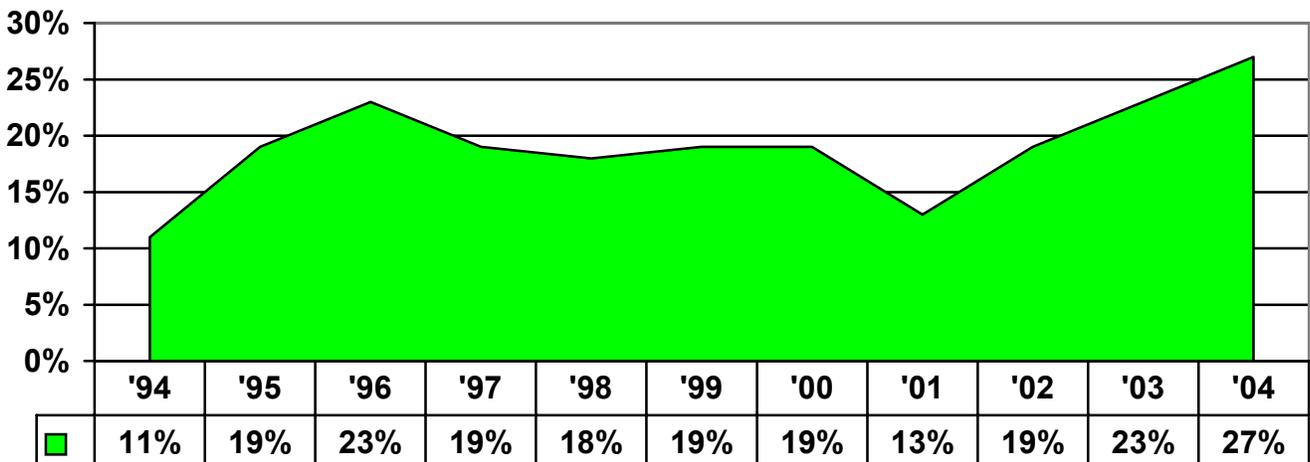
- 1) Increase in property tax revenue for 1995 is due to the 1994 annexation.
- 2) Decrease in property tax revenue for 2001 is due to property tax rate reduction.
- 3) Increase in property tax revenue for 2003 is due to a 15% tax rate increase.

### Status of undesignated Fund Balance – General Fund

Fund balance is a term used in governmental accounting to describe funds that are not obligated and not designated for subsequent years' appropriations. This is comparable to a private sector's retained earnings or an individual's personal savings account. The purpose of these funds is to: 1) stabilize tax rates due to economic slowdowns, 2) provide the City with emergency funds in the event of a natural disaster, and 3) provide the City with a working cash balance for the first three months of the fiscal year until property taxes become due.

As can be seen by reviewing the below graph, the City's undesignated fund balance as a percentage of expenditures was at 27% for FYE 2004. The City's current financial condition is strong and great care has been taken in this budget to ensure that an adequate level of Fund Balance is achieved. Below is a chart showing changes in the status of the City's undesignated fund balance as a percentage of General Fund expenditures.

### Status of Fund Balance



## **Enterprise Funds**

Gulfport's enterprise operations consist of the Water and Sewer Fund and the Joseph T. Jones Memorial Park Fund. The Water and Sewer Fund accounts for traditional water and sewer revenues and expenditures to construct and maintain the water and sewer system. The Joseph T. Jones Memorial Park Fund was created to account for operations, maintenance, and leasing of boat slips and other facilities within Jones Park. Financial statements related to both of these enterprise funds are contained in this report.

## **Debt Administration**

The City maintains the Municipal Debt Service Fund to administer the debt associated with its general obligation bonds. A separate ad valorem tax is levied and collected to provide funds to retire such debt. For 2004, this tax was 7.00 mills compared to 7.36 mills for the prior year.

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Gulfport's total assessed valuation is 594,936,280; therefore, the 15% limitation equals: \$89,240,442; less GO Bonds outstanding of \$ 26,829,000; plus \$2,680,874 in funds available for debt service principal payment; leaving a margin for further debt issuance of \$ 65,096,316.

Gulfport's bond rating was upgraded in August 1996 by Moody's bond rating service from "BAA1" to an "A2" rating.

For more detailed information on the City's debt, please refer to pages 29 and 30 of Management's Discussion and Analysis.

## **Cash Management**

The City utilizes a cash management policy to analyze cash flow and project immediate cash needs in order to maximize investment earnings. As allowed by state statute, idle funds are invested in US Treasury Bills. Also, all remaining cash is placed in a sweep account that is invested overnight in Treasury notes.

## **Risk Management**

The City is self insured for liability claims, workers' compensation and group health under plans administered by Stewart Sneed and Hewes Insurance Companies. Employee health insurance is provided for all employees. The City has in place a Safety Committee and Risk Manager that reviews all accidents and workers' compensation claims. Recommendations are then made to the appropriate department head concerning any additional preventive measures.

## **Independent Auditors**

The City of Gulfport is required by Section 21-35-31 of the Mississippi Code of 1972 to have an annual audit by independent certified public accountants. In compliance with these requirements, the City selected the firm of Culumber, Fletcher, Hooker, Harvey, and Burge, PLLC to perform the audit for fiscal year ended September 30, 2004. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' rendered an unqualified opinion.

The City of Gulfport is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-128, Audits of States and Local Governments. Information related to the single audit, including internal control and compliance reports and an opinion on federal financial assistance is included in a separately issued single audit report.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulfport, Mississippi, for its comprehensive annual financial report for the year ended September 30, 2003. This was the eighth year that the City of Gulfport has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgements**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance and Administration. I also wish to express my appreciation for the cooperation of the other City departments in providing information for this report.

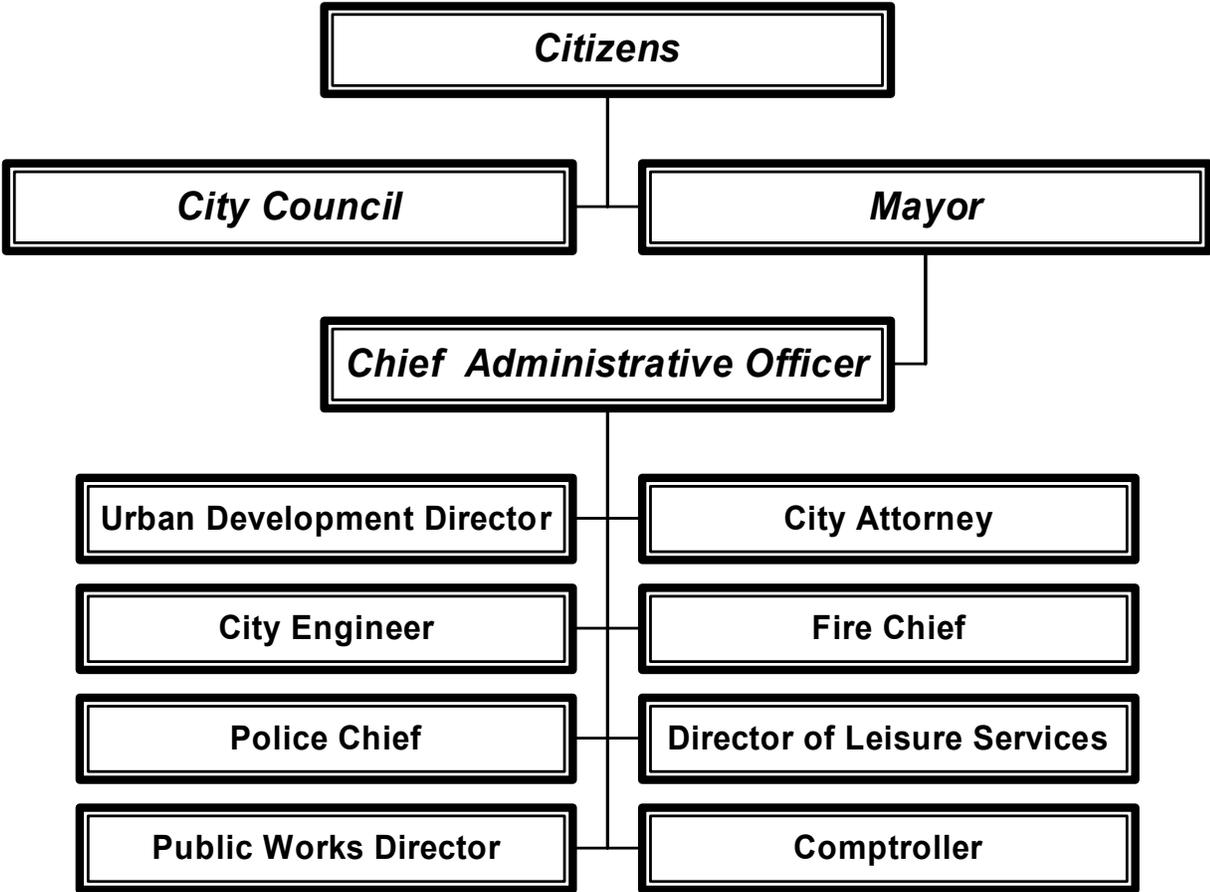
I acknowledge the thorough and professional manner in which the audit was conducted by our independent auditors Culumber, Fletcher, Hooker, Harvey, and Burge, PLLC.

Finally, I acknowledge the Mayor and City Council who have consistently supported the City's goal of excellence in all aspects of financial management. Their continuing interest and support are greatly appreciated.

Respectfully submitted,

Mike Necaise  
Comptroller

# CITY OF GULFPORT ORGANIZATIONAL CHART



# CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials  
As of September 30, 2004

## Elected Officials



**Ken Combs**  
Mayor



**Jimmie Jenkins**  
Councilman, Ward 1



**Libby Milner-Roland**  
Councilwoman, Ward 2



**Ella Holmes-Hines**  
Councilwoman, Ward 3



**Kim Savant**  
Councilman, Ward 4



**Ricky Dombrowski**  
Councilman, Ward 5



**Chuck Teston**  
Councilman, Ward 6

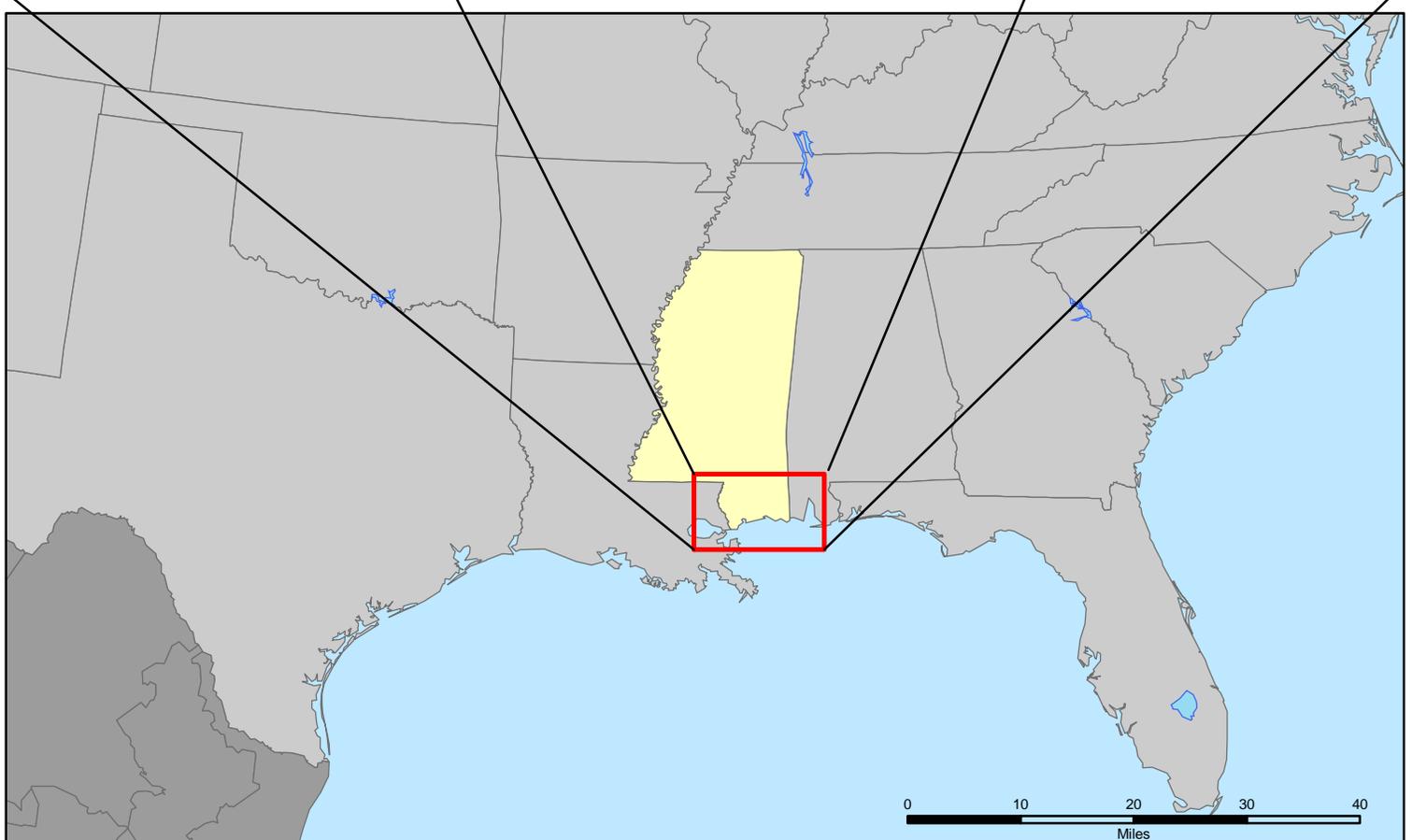
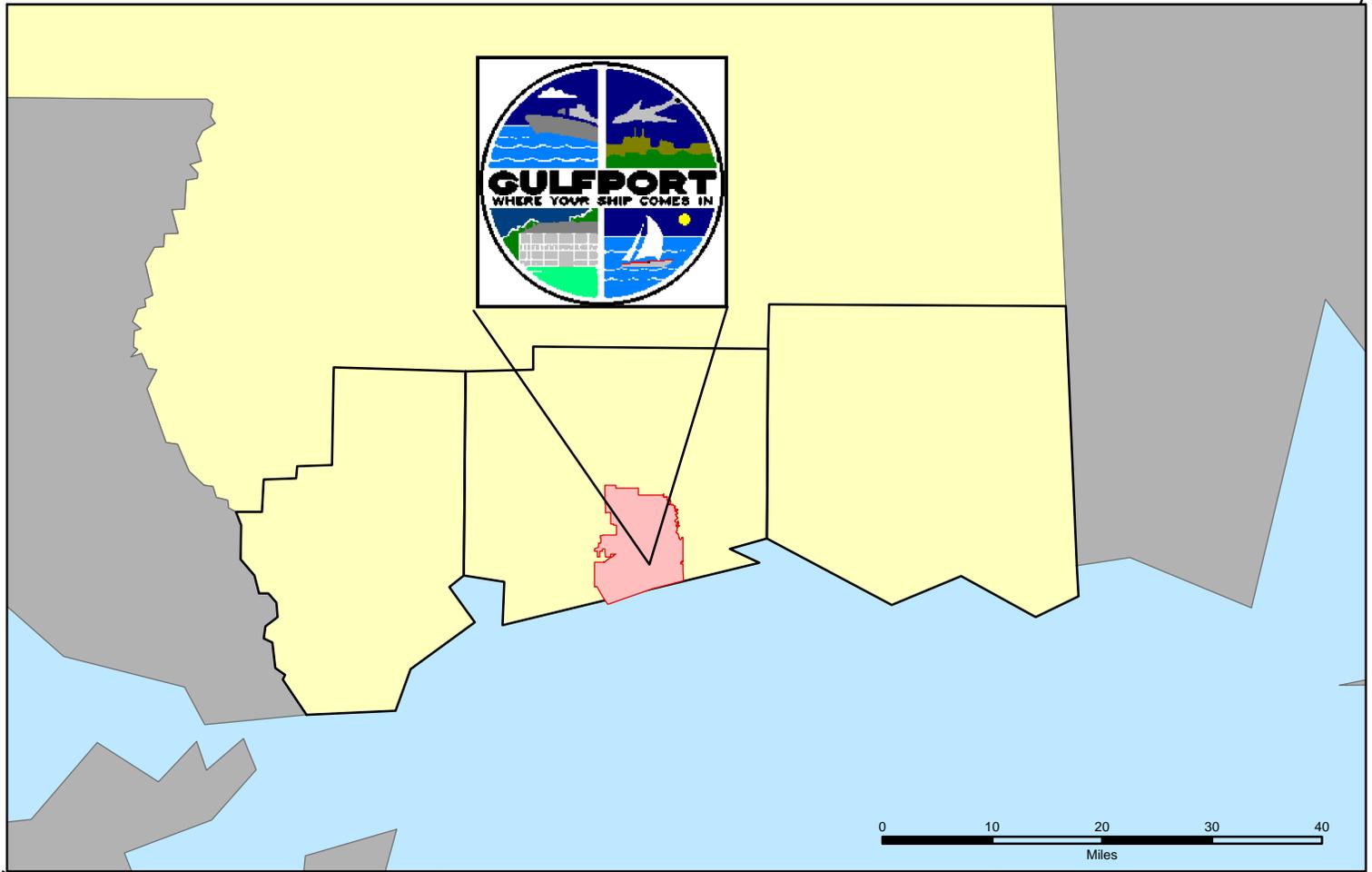


**Billy Hewes**  
Councilman, Ward 7

## Appointed Officials

Chief Administrative Officer	Jerry Smith	City Attorney	Harry Hewes
Police Chief	Steve Barnes	Fire Chief	Pat Sullivan
Leisure Services Director	George Decoux	Public Works Director	Kris Riemann
Urban Development Director	George Carbo	City Engineer	Bill Powell

# Geographic Location of Gulfport, Mississippi



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gulfport,  
Mississippi

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emmer*

Executive Director

## INDEPENDENT AUDITORS' REPORT

The Members of City Council  
and the Honorable Ken Combs, Mayor  
Gulfport, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Gulfport's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Analysis of Funding Progress are not required parts of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Members:*

American Institute of CPAs • AICPA Division of CPA Firms-Private Companies Practice Section • Mississippi Society of CPAs  
Biloxi • Gulfport / Downtown • Gulfport / Orange Grove • Ocean Springs



The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, our report dated March 11, 2005, on our consideration of internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants will be issued under separate cover in our *Single Audit Report* in June 2005. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Culumber, Fletcher, Hooker, Harvey & Burge P.L.L.C

CULUMBER, FLETCHER, HOOKER, HARVEY, & BURGE, PLLC  
Certified Public Accountants

March 11, 2005

## **Management Discussion and Analysis for the City of Gulfport, Ms.**

### **Introduction**

This section is a required component of the City's Comprehensive Annual Financial Report and should be read in conjunction with the City's transmittal letter at the front of this report and the City's financial statements which immediately follow this section. As management of the City of Gulfport, Mississippi, we offer this narrative and analysis of the financial activities for fiscal year ending September 30, 2004. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.

### **Financial Highlights**

The overall financial status of the City of Gulfport has improved significantly. This has been accomplished by using sound financial planning and balanced budgeting practices. The City is committed to continue approving balanced budgets and implementing long range financial planning.

- ✓ The General Fund's revenues exceeded its expenditures by \$ 4.7 million in 2004 as compared to \$1.5 million in 2003.
- ✓ The General Fund's unobligated and undesignated fund balance increased by \$1.6 million or 15%; (from \$ 10.6 million in 2003 to \$ 12.2 million in 2004.) This is a significant resource for the City in that it represents those resources which are available for appropriation.
- ✓ The Water and Sewer Fund generated a profit of \$1.7 million in 2004 as compared to a loss of \$ 1.7 million in 2003.
- ✓ The City's Employee Health Insurance Fund continues to remain solvent with an ending cash balance of \$1.9 million in 2004. This fund generated operating income of \$135,654 in 2004 as compared to operating income of \$239,447 in 2003.

### **Brief Description of the Financial Statements**

This annual report consists of a series of financial statements which are presented in a hierarchal structure. The highest level of reporting and most summarized statements are the Statement of Net Assets (i.e. balance sheet ) and Statement of Activities (i.e. income statement) contained on pages 33 and 34, respectively. These two statements provide financial information on the government as a whole similar to how private sector companies report their finances. These two statements are the only place within this report where a reader can review the operations and worth of the City of Gulfport as a whole. The entire operations of the City are rolled up to this level of reporting. All of

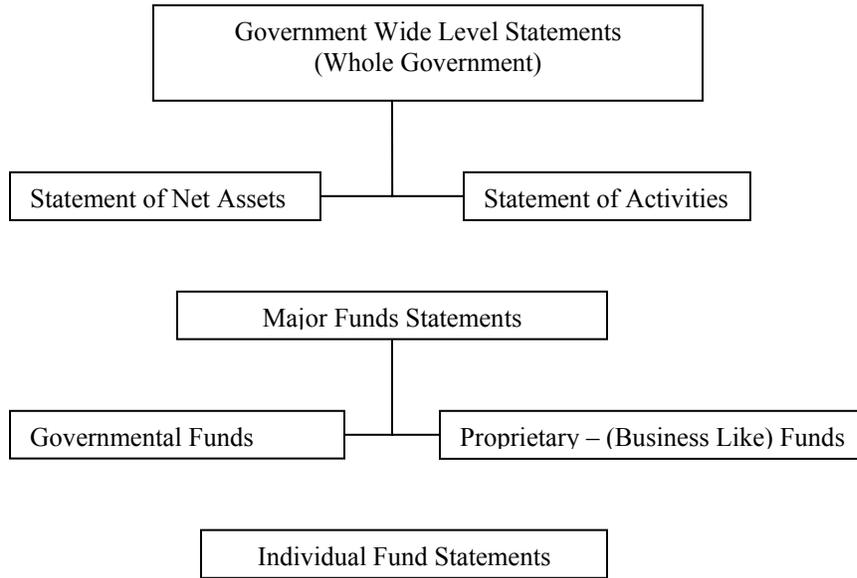
the City's annual revenues and expenses are reported in the Statement of Activities while the City's assets and liabilities are reported in the Statement of Net Assets. These two statements answer the question "Is the City as a whole better off or worse off as a result of the year's activities?"

The second tier of financial reporting is the "Major" Fund Financial Statements. The fund financial statements begin on page 35 and provide detailed information about the City's most significant funds. Funds are accounting entities used to track specific funding sources and uses for particular programs. Individual funds are either established by law or set up for management purposes. Two separate statements are issued: one for activities that are of a governmental nature and a separate set of statements are contained for activities that are of a business like nature.

Governmental Funds – Most of the City's basic services are reported in the governmental funds. Examples include activities relating to governmental funds are public safety, public works (non water and sewer), culture and recreation, urban development, capital projects, debt service and general administration. The financial statements of Governmental Funds are reported on the modified accrual basis – which measures cash and all other financial assets that can readily be converted to cash. Governmental statements provide a more detailed short-term view that can answer the question " Is the government better or worse off with regards to its financial resources , and whether there are fewer or more resources which can be spent in the short term future?." The amounts contained on these statements are adjusted for full accrual and rolled over to the government wide statements. Governmental Fund Financial Statements are contained on pages 35-38.

Proprietary Funds – Contain funds existing from fees charged to customers for services provided by the City. Activities relating to the City's Water and Sewer Operations and Joseph T. Jones yacht basin are reported in this section. The financial presentation of these activities are reported on pages 39-43 of this report. These financial statements are reported on the full accrual basis – revenues are recognized when earned and measurable. Because both the proprietary fund statements and the government wide statements are reported on the full accrual method of accounting, the total column of the proprietary funds statements are the same contained on the government wide business type activities column of the Statement of Net Assets and Statement of Activities.

Below is a chart illustrating the above mentioned financial reporting model:



## Financial Analysis of the City as a Whole

### Government Wide Statement of Net Assets

	Governmental Type Activities		Business Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
<b>Assets:</b>						
Current and Other Assets	\$37,531,128	\$34,295,698	\$10,264,838	\$8,166,713	\$47,795,966	\$42,462,411
Capital Assets	\$208,224,442	\$205,819,761	\$79,473,073	\$75,972,261	\$287,697,515	\$281,792,022
Total Assets	\$245,755,570	\$240,115,459	\$89,737,911	\$84,138,974	\$335,493,481	\$324,254,433
<b>Liabilities:</b>						
Current and Other Liabilities	\$6,735,031	\$8,719,961	\$5,944,967	\$4,832,994	\$12,679,998	\$13,552,955
Long Term Liabilities	\$37,521,742	\$38,315,074	\$63,525,346	\$61,503,459	\$101,047,088	\$99,818,533
Total Liabilities	\$44,256,773	\$47,035,035	\$69,470,313	\$66,336,453	\$113,727,086	\$113,371,488
<b>Net Assets:</b>						
Invested in Capital Assets net of related debt	\$171,665,624	\$168,887,356	\$2,679,954	(\$168,187)	\$174,345,578	\$168,719,169
Restricted	\$15,089,330	\$4,288,017	\$4,000	\$4,000	\$15,093,330	\$4,292,017
Unrestricted	\$14,743,843	\$19,905,051	\$17,583,643	\$17,966,708	\$32,327,486	\$37,871,759
Total Net Assets	\$201,498,797	\$193,080,424	\$20,267,597	\$17,802,521	\$221,766,394	\$210,882,945

Note: The column entitled business type activities includes the City's Water and Sewer and the Joseph T. Jones Memorial Park operations.

## Analysis of Government Wide Statement of Net Assets

### Total Primary Government

The overall financial condition has improved for the City of Gulfport as compared to the previous year. Total assets have increased from \$324,254,433 in 2003 to \$335,493,481 in 2004 while total liabilities remained relatively unchanged; \$113,371,488 in 2003 and \$113,727,086 in 2004. Net Assets serve as a useful indicator of a government's financial position over time. In the case of Gulfport, total net assets exceeded liabilities by \$221,766,394 in 2004 as compared to \$210,882,945 in 2003. By far, the majority of the City's net assets are related to investment in capital assets, i.e. roads, bridges, parks, water, sewer, machinery, etc. \$174,345,578 is the book value (net of related debt) of the City's capital assets which represents approximately 80% of the City's total net assets. The below two sections are a breakdown of the Total Primary Government into the two sections entitled Governmental Activities and Business Type Activities.

### Governmental Activities

Total assets for Governmental type activities increased by \$5,640,111, from \$240,115,459 in 2003 to \$245,755,570 in 2004. The majority of this increase is attributed mainly to: 1) **current assets** - an increase of \$4 million in cash and cash equivalents in the governmental funds for the 2004 year: from \$24.1 million in 2003 to \$28.1 million in 2004, and 2) **capital assets** - an increase in capital assets of \$2.4 million. This increase in cash for Governmental type activities was mainly the result of operating income in the General Fund of \$4.7 million; while, the increase in capital assets was due to the City acquiring \$3.3 million (net of related depreciation.) in additional capital assets.

### Business Type Activities

The City's business type activities consist of the Water and Sewer and Joseph T. Jones Memorial Park Funds. Total assets increased by \$5.9 million; from \$84.1 million in 2003 to \$90 million in 2004 with current assets increasing \$2.1 million and capital assets increasing \$3.5 million. This increase is a result of the following: 1) cash and cash equivalents increased by \$2 million, from \$1,358,101 in 2003 to \$3,322,210 in 2004; and 2) capital assets increased by \$5.2 million (net of related depreciation.) The reason for increase in cash is that the City raised water and sewer rates in 2004 by approximately 20% which resulted in an operating profit of \$1.7 million in 2004 as compared to a \$1.7 million loss in 2003 for the water and sewer fund. The increase in capital assets is due to the City beginning to address its comprehensive water and sewer master plan which was set forth several years ago. This plan will be discussed further in the section entitled "Current know Facts effecting future financial Issues" which is located on last page of this section.

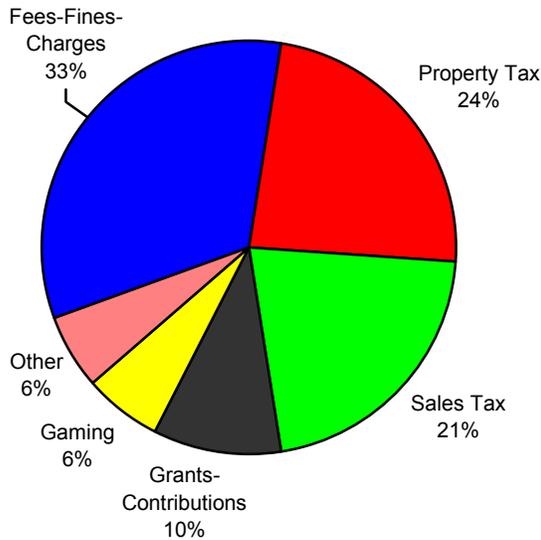
## Government Wide Statement of Activities

	Governmental Activities		Business Type Activities		Total Government	
	2004	2003	2004	2003	2004	2003
<b>Program Revenues:</b>						
Fees, Fines, Charges for Service	\$5,782,955	\$4,953,115	\$21,516,951	\$18,123,621	\$27,299,906	\$23,076,736
Operating Grants and Contributions	\$4,681,718	\$3,827,898		\$136,948	\$4,681,718	\$3,964,846
Capital Grants and Contributions	\$3,370,441	\$3,549,266	\$346,832	\$1,493,199	\$3,717,273	\$5,042,465
<b>General Revenues:</b>						
Property Taxes	\$19,378,488	\$19,309,087			\$19,378,488	\$19,309,087
Sales Taxes	\$17,518,320	\$17,002,238			\$17,518,320	\$17,002,238
Gaming	\$4,806,833	\$4,477,760			\$4,806,833	\$4,477,760
Other	\$4,913,304	\$3,969,297	\$171,574	\$195,204	\$5,084,878	\$4,164,501
Total Revenues	<u>\$60,452,059</u>	<u>\$57,088,661</u>	<u>\$22,035,357</u>	<u>\$19,948,972</u>	<u>\$82,487,416</u>	<u>\$77,037,633</u>
<b>Program Expenses</b>						
General Government	\$6,226,650	\$6,860,506			\$6,226,650	\$6,860,506
Police	\$17,595,664	\$17,018,231			\$17,595,664	\$17,018,231
Fire	\$10,237,466	\$10,721,640			\$10,237,466	\$10,721,640
Public Works	\$7,839,497	\$13,194,415			\$7,839,497	\$13,194,415
Economic Development	\$1,463,038	\$1,390,045			\$1,463,038	\$1,390,045
Culture and Recreation	\$5,097,842	\$4,890,495			\$5,097,842	\$4,890,495
Health and Welfare	\$1,576,615	\$5,172,462			\$1,576,615	\$5,172,462
Interest on Long Term Debt	\$1,996,914	\$1,542,641			\$1,996,914	\$1,542,641
Water and Sewer			\$19,752,358	\$20,280,704	\$19,752,358	\$20,280,704
Joseph T. Jones			\$337,477	\$339,255	\$337,477	\$339,255
Total Expenses	<u>\$52,033,686</u>	<u>\$60,790,435</u>	<u>\$20,089,835</u>	<u>\$20,619,959</u>	<u>\$72,123,521</u>	<u>\$81,410,394</u>
Change in Net Assets	\$8,418,373	(\$3,701,774)	\$1,945,522	(\$670,987)	\$10,363,895	(\$4,372,761)
Net Assets at beginning of year (restated)	\$193,080,424	\$196,782,198	\$18,322,075	\$18,473,508	\$211,402,499	\$215,255,706
Net assets at end of year	<u>\$201,498,797</u>	<u>\$193,080,424</u>	<u>\$20,267,597</u>	<u>\$17,802,521</u>	<u>\$221,766,394</u>	<u>\$210,882,945</u>

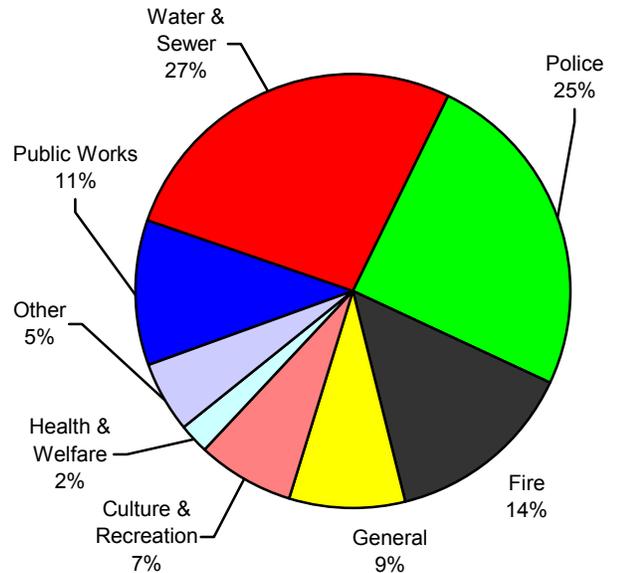
Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones operations.

## Analysis of Government Wide Statement of Activities

**Where does the City's Money Come From?**



**How is the Money Used?**



### Revenues

The City's Total Government wide revenues exceeded its expenses by \$10.4 million in 2004 as compared to expenses exceeding revenues by \$4.4 million in 2003. Total government wide revenue for 2004 was \$82,487,416 as compared to \$77,037,633 in 2003; representing an increase of \$5.4 million or 7%.

*Property Tax* – Property tax accounts for 24% of the City's revenues falling second only to charges for services, i.e. water and sewer charges. The City experienced practically no new growth in property taxes for the 2004 year, increasing only \$70,000 which represents less than a 1% increase.

*Sales Tax* - Another significant source of revenue for the City is sales tax accounting for 21% of the City's total revenues. Sales tax increased \$516,082 or 3% from the prior year ( from \$17 to \$17.5 million.) Although this increase was nominal, we feel encouraged due to the state of the overall State, Local, and National economies. The City of Gulfport continues to put great emphasis in promoting economic development activities in order to lessen the burden of taxes on its citizens.

*Charges for Service* – is an item included under the classification of “fees, fines, and charges for service. This is the City's number revenue source accounting for 33% of the City's total revenues. This category increased significantly for the 2004 year; up by \$4.2 million or 18% (from \$23.1 million in 2003 to \$27.3 million in 2004.) This increase was a direct result of the City increasing water and sewer rates by approximately 20%.

**Expenses**

The City’s total government wide expenses were \$72,123,521 in 2004 as compared to \$81,410,394 in 2003; representing a \$9.3 million decrease or 13%. Approximately \$5 million of this difference is a result of the City spending more in public works for 2003 as compared to 2004 in the area of routine maintenance (i.e. street paving, ditch cleaning, etc.), and the City spent approximately \$4 million more in 2003 as compared to 2004 in the area of Health and Welfare relating to acquiring flood prone homes in the City in the area referred to as West Bayou View.

The table below represents the cost of each of the City’s major governmental functional areas – Police, Fire, Public Works, Culture and Recreation, General Government, and Economic Development. The costs are separated into total cost and net cost. The net cost shows the financial burden that was placed on the City’s taxpayers after taking into account the program revenues generated by each of the major functional areas.

**Governmental Activities - Cost**

	Total Cost of Service	Net Cost of Service
Public Works		
Police	\$17,595,664	\$16,844,107
Fire	\$10,237,466	\$9,933,568
Culture and Recreation	\$5,097,842	\$4,505,458
General Government	\$6,226,650	\$1,626,087
Economic Development	\$1,463,038	\$83,436

**Fund Financial Analysis**

The City maintains fund accounting to comply with budgetary and legal compliance and for specific management control. The following is a brief discussion of financial highlights from the major fund financial statements.

**Governmental Funds**

The focus of the governmental fund financial statements is to provide information on current financial resources of the City. Funds included in this category are as follows: General Fund, Capital Project Funds ( i.e. Public Improvements 1993, 1996, 1998, 2001, and 2003), Special Revenue Funds ( i.e. Forfeits and Seizures, Community Development, Police and Fire Retirement, Library, and Flood Acquisition), and Debt Service Fund.

**The General Fund** is the primary “governmental fund” and is the main operating fund of the City. Activities that are traditional in nature to governmental entities are reported in

this fund: i.e. public safety, public works (operations & maintenance), culture and recreation, economic development, and general government. The General Fund accounts for approximately 60% of the City's total revenues and 83% of the City's governmental revenues. Overall, the General Fund's financial condition improved significantly as evidenced by the numbers below.

### ***General Fund – Financial Summary***

	2004	2003
Total Revenues	\$49,438,820	\$47,565,344
Total Expenditures	\$44,690,330	\$46,212,930
Excess of Revenues over Expenses	\$4,748,490	\$1,352,414
Fund Balance – Beginning Year	\$12,983,574	\$11,631,160
Fund Balance – Ending Year	\$17,732,064	\$12,983,574

- ✓ The General Fund's excess of revenues over expenditures and other financing sources was \$4.7 million in 2004 as compared to \$1.4 million in 2003.
- ✓ General Fund Cash increased by \$5 million or 45% in 2004: from \$11.2 million in 2003 to \$16.2 million in 2004.
- ✓ The General Fund's unreserved fund balance increased by \$1.5 million for 2004: from \$10.6 million in 2003 to \$12.2 million in 2004. Unreserved fund balance is extremely important in that it represents that portion of the City's assets (mainly cash and receivables) that are not designated for expenditures. The purpose of these funds are to 1) stabilize tax rates in an economic downturn, 2) provide the city with resources in the event of a natural disaster, and 3) provide the city with resources for other unforeseen events and or circumstances. The City's unreserved portion of fund balance as a percentage of general fund expenditures was 27% for year ending 2004 which is better than any other year in the City's past 12 year history.
- ✓ Total General Fund revenues increased by \$1.8 million or 4%: from \$47.6 million in 2003 to \$49.4 million in 2004. Some of the major increases were attributed to the following:
  - Sales Tax – increased \$500,000 or 3% (from \$17 million in 2003 to \$17.5 million in 2004.)
  - Gaming Tax – increased \$300,000 or 7% (from \$4.5 million in 2003 to \$4.8 million in 2004.)
  - Fines and forfeits – increased \$600,000 or 30% (from \$2 million in 2003 to \$2.6 million in 2004.) The majority of this increase was a result of both the City instituting additional fees as allowed by state law and contracting with a private firm to perform collection services on outstanding fines older than two years.

- ✓ Total General Fund expenditures decreased by \$1.5 million or 3%: from \$46.2 million in 2003 to \$44.7 million in 2004. This nominal decrease effected most all departments. In an effort to better balance recurring expenditures to revenues, the Mayor and Council directed department directors during the 2004 budget process to find creative ways to reduce their respective budget without reducing services to the Citizens. Most departments submitted reduced budgets, and as a result, actual expenditures for 2004 were less that the previous year.

## Business-Type Fund

### Water and Sewer Fund

The purpose of the City’s Water and Sewer Fund is to account for activities of its water and sewer operations. The financial reporting of this fund is contained on the government wide financial statements under the column entitled “business-type activities. Below is a condensed operating statement of the City’s Water and Sewer Fund.

City of Gulfport  
Water and Sewer Fund  
Condensed Statement of Revenues and Expenses

	2004	2003
Revenues	\$21,261,303	\$17,888,703
Expenses	\$19,558,056	\$19,571,595
Income / (Loss)	<u>\$1,703,247</u>	<u>(\$1,682,892)</u>

The overall financial condition of the City’s Water and Sewer Fund improved significantly in 2004 as compared to 2003. The City’s water and sewer operations generated a \$1.7 million profit in 2004 as compared to a \$1.7 million loss in 2003. Revenues increased by \$3.4 million or 20%. This increase is attributed to the City increasing rates by approximately 20% for 2004. Expenditures remained essentially the same for both years.

### General Fund Budgetary Highlights

The City’s General Fund Budget has been prepared in accordance with the laws of the State of Mississippi. The City maintains specific budgetary controls to ensure compliance with legal provisions embodied in the annual budget approved by the Mayor and Council. The legal level of budgetary control ( that is, the level at which expenditures cannot legally exceed the appropriated amount ) is established by department and major expenditure classification (i.e. personnel services, supplies, other services, and capital outlay ) and require approval by the governing body.

General Fund  
Summary of Budget to Actual Amounts  
Fiscal Year Ending 9-30-2004

	Original Budget	Revised Budget	Actual Amounts (Budget Basis)
Revenues:			
Property Taxes	\$13,736,488	\$13,736,488	\$13,924,419
Sales Tax	\$16,500,000	\$16,500,000	\$17,549,828
Intergovernmental	\$2,783,887	\$4,473,064	\$3,571,334
Fines and Forfeits	\$2,000,000	\$2,355,500	\$2,278,887
Gaming	\$4,400,000	\$4,400,000	\$4,899,001
Franchise Taxes	\$2,700,000	\$2,700,000	\$2,902,516
Licenses and Permits	\$1,511,000	\$1,511,000	\$2,030,786
Other	\$907,808	\$2,341,294	\$2,918,275
<b>Total Revenues</b>	<b>\$44,539,183</b>	<b>\$48,017,346</b>	<b>\$50,075,046</b>
Expenditures:			
Public Safety	\$26,141,060	\$27,624,396	\$25,856,888
Public Works	\$7,750,253	\$7,847,753	\$7,428,557
Economic Development	\$1,547,459	\$1,544,584	\$1,457,638
Culture and Recreation	\$4,545,194	\$4,816,381	\$4,535,245
General Government	\$5,696,587	\$8,646,146	\$6,473,246
Other	\$240,400	\$263,227	\$219,079
<b>Total Expenditures</b>	<b>\$45,920,953</b>	<b>\$50,742,487</b>	<b>\$45,970,653</b>
<b>Excess / ( deficit ) of Revenues over Expenses</b>	<b>(\$1,381,770)</b>	<b>(\$2,725,141)</b>	<b>\$4,104,393</b>

The City amended its General Fund's Revenue and Expenditure budget several times over the year. Below is a brief description of major budget amendments.

- ✓ The revenue budget was increased by \$3.5 million or 8%. The majority of this increase was due to the following: 1) a \$1.3 million contribution from Harrison County for reimbursement to the City on a County-wide public safety communication system; 2) \$666,000 to record various public safety grants that were approved during the year; 3) \$356,000 increase in fines and forfeits to reflect additional revenue due to increased collection efforts and increased court related fees; and, 4) \$737,000 increase in FEMA and MEMA grants relating to disaster recovery for Hurricane Ivan.

- ✓ The Expenditure Budget was increased by \$4.8 million for the 2004 year. Some of the major amendments include the following: 1) \$1.3 million for disaster recovery relating to Hurricane Ivan; 2) \$1.1 million in prior years' carryover funds relating to the City's matching funds for a downtown parking garage which was under construction; 3) \$1.1 million in public safety grants which were either carried over from prior years or approved during 2004; and, 4) \$285,000 for various capital outlay funds which were not expended in 2003 and were carried over into 2004 .

Overall, the City's General Fund actual revenues for 2004 ( budget basis ) exceeded the revised budget by \$2.1 million or 4%; from \$48 million in 2003 to \$50.1 million in 2004. Some major factors contributing to this are as follows:

- ✓ Actual sales tax revenue exceeded its budget by \$1 million or 6%, 2004 budget was \$16.5 million while 2004 actual was \$17.5 million. Due to the uncertainty of the local and national economy during the 2004 budget process, a conservative sales tax budget was submitted and approved because this source of revenue is directly impacted by economic conditions.
- ✓ Actual gaming revenue exceeded its budget by \$500,000 or 11%, 2004 budget was \$4.4 million while actual revenue was \$4.9 million. This increase can be attributed to one of the City's two existing casinos relocating to a different site which enabled it to significantly expand its operations.
- ✓ Actual licenses and permit revenues exceeded its budget by \$519,000 or 34%, 2004 budget was \$1.5 million while actual revenue was \$1.5 million. Most of this increase related to building permits which were issued during 2004. The City experienced significant growth in the area of commercial and residential construction during 2004 especially in the area of condominium development. This market continues to grow and appears to be very attractive to prospective investors and developers.

The City's General Fund actual expenditures fell short of its budgeted expenditures by \$4.7 million or 9%, 2004 budget was \$50.7 million while 2004 actual amounts were \$46 million. Major contributing factors for this difference are discussed below:

- ✓ Public Safety's 2004 actual expenditures fell short of budgeted amounts by \$1.8 million or 7%. Payroll related actual cost for public safety fell short of budgeted amounts by \$900,000 while other public safety actual operation cost fell short of budgeted amounts by \$900,000.
- ✓ General Government's 2004 actual expenditures fell short of budgeted amounts by \$2.2 million or 26%. The majority of this amount relates to funds in the amount of \$1.2 million which were budgeted at the end of the year for disaster recovery relating to Hurricane Ivan which were not expended in 2004 and these amounts were rolled over into the 2005 budget. Another reason for the difference in actual versus budgeted amounts for the General Government function relates to the City having \$500,000 in unspent funds at year ending 2004 relating to the City's matching funds for cost relating to the Coast Area Transit

Parking Garage. These funds were committed in prior years, unspent at the end of 2004, and rolled over into the 2005 budget.

### Capital Assets and Debt Administration

#### Capital Assets

City of Gulfport  
Schedule of Capital Assets  
Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$24,953,676	\$21,554,581	\$212,616	\$212,616	\$25,166,292	\$21,767,197
Buildings	\$10,365,182	\$10,752,257	\$819,148	\$838,556	\$11,184,330	\$11,590,813
Improvements	\$2,242,406	\$2,179,197	\$66,739,728	\$61,608,077	\$68,982,134	\$63,787,274
Infrastructure	\$164,976,190	\$164,349,503			\$164,976,190	\$164,349,503
Machinery & Eqp.	\$2,875,311	\$4,363,457	\$290,148	\$276,484	\$3,165,459	\$4,639,941
Vehicles	\$2,811,677	\$2,620,766	\$449,900	\$338,069	\$3,261,577	\$2,958,835
Totals	\$208,224,442	\$205,819,761	\$68,511,540	\$63,273,802	\$276,735,982	\$269,093,563

The above table represents the values ( net of depreciation ) of the City's various classes of assets. The ending 2004 asset values were estimated at \$276,735,982 and included a wide range of assets: land, buildings, parks, roads, bridges, drainage systems, machinery, vehicles, and water and sewer systems. Asset values increased by \$7.6 million ( after depreciation ) as compared to the prior year. See note 7 pages 56-57 for more detail information on capital assets.

Depreciation expense for the 2004 year totaled \$7 million and was allocated to the following classes of assets:

*Allocation of Depreciation by Major Asset Class*

Buildings	\$431,739
Machinery and Equipment	\$954,111
Vehicles	\$1,389,794
Infrastructure (roads, bridges, drainage, etc.)	\$2,617,205
Water & Sewer System and J. T. Jones Park	\$1,442,392
Improvement Other	\$166,729

Depreciation is both an extremely useful tool and is often under utilized in the financial planning process. In order to adequately maintain the City's assets, the amounts

contained in the above depreciation allocation table should become a recurring expense item in future City budgets.

Significant increases in capital acquisitions and improvements on a project basis include:

- ✓ Water and Sewer System Upgrades - \$6.6 million.
- ✓ Land Acquired relating to the West Bayou View flood buyout program - \$1.7 million
- ✓ Orange Grove (Prudie Circle) Park Improvements - \$730,000.
- ✓ Improvements to the City's streets and drainage systems - \$1.3 million.
- ✓ Improvements to the City's existing piers - \$230,000.

### Debt Administration

#### City of Gulfport Schedule of Long Term Debt

	Governmental Activities		Business-Type Activities		Totals	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Bonds	\$27,225,000	\$29,025,000			\$27,225,000	\$29,025,000
Notes	\$9,243,818	\$7,892,405			\$9,243,818	\$7,892,405
Capital Leases	\$490,000	\$860,000			\$490,000	\$860,000
Compensated Absences	\$1,725,181	\$1,544,751	\$10,673		\$1,735,854	\$1,544,751
Claims and Judgements	\$45,000	\$45,000			\$45,000	\$45,000
Revenue Bonds and Notes backed by water and sewer fund			\$65,831,584	\$63,441,988	\$65,831,584	\$63,441,988
Totals	\$38,728,999	\$39,367,156	\$65,842,257	\$63,441,988	\$104,571,256	\$102,809,144

Note: The above amounts do not include debt relating to Memorial Hospital or Harrison County Wastewater Management District. The City is in a joint venture with these two entities and both entities services its own debt. See note 8 pages 58-64 for further detail relating to City's debt activity.

At year ending 2004, the City had \$105 million in outstanding debt representing a net increase of \$2 million or 2% as compared to the prior year. The City issued \$6.2 million in new debt for 2004 and retired \$4.7 million, net of any refunding issues which is discussed the paragraph below. The new debt issued for \$6.2 million was for the following purposes: 1) \$4.3 million for water and sewer upgrades and improvements, 2) \$600,000 for recreational park improvements, and 3) \$1.3 million for infrastructure improvements (i.e. streets and drainage.)

The City issued \$6.2 million in new bonds to refund higher yielding bonds relating to a previous 1996 issue. This action resulted in a net present value savings to the City of

\$159,000 which lowered debt service cost by approximately \$30,000 per year for the next twelve years.

### **Current know Facts effecting future financial Issues**

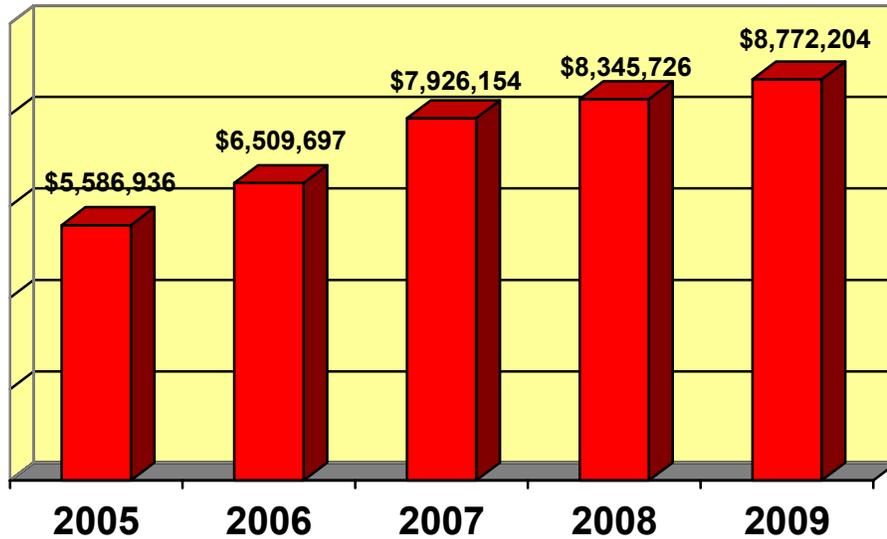
Without a doubt, the greatest financial challenge facing this City will be to find resources available to address an aging water and sewer system. The City has identified approximately \$130 million in needed water and sewer renovations and upgrades: \$80 million sewer and \$50 million water. The City has been mandated by the Environmental Protection Agency (EPA) to put together a long range plan (4 years) to address the sewer issue. On October 7, 2003, the City approved a schedule to complete all remaining sewer projects. This schedule has been approved by EPA and identified \$18 million in sewer projects that would be complete from 2004 – 2008. Upgrades of the water system also remains a critical need in order to sustain the City's fire insurance rating and extend potable water to unserved areas.

Of the \$130 million identified in needed water and sewer upgrades and renovations, approximately \$53 million has been funded (\$47 million sewer and \$6 million water) while another \$77 million remains unfunded. The City is seeking out federal grants and is prepared to enact the fees and charges necessary to accomplish this task.

As stated previously, the City has funded \$53 million of combined water and sewer improvements. This funding is from a combination of funding sources: \$790,000 from a Federal Grant, \$25.3 million from the Mississippi State Revolving Loan Fund Program, and \$27 million from revenue bonds.

Debt service payments (principal and interest) in the water and sewer fund is projected to increase from its current level of \$5.6 million budgeted for 2005 to \$8.8 million in 2009; representing a \$3.2 million or 57% increase (see chart on next page.) This debt increase represents only the \$53 million funded portion of the above described water and sewer master plan and does not include the unfunded portion of \$77 million. This increase in debt repayment is unfunded and, absent of any federal or state grants, the city will have to raise the fees and charges necessary to service this debt.

### Future Annual Water and Sewer Debt Projections



#### Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customer, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Comptroller's Office at 228-868-5769. The City's web site is [ci.gulfport.ms.us](http://ci.gulfport.ms.us).



This page left blank intentionally

**CITY OF GULFPORT, MISSISSIPPI**  
**Government-Wide Statement of Net Assets**  
**September 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled cash and cash equivalents	\$ 28,103,596	\$ 3,322,210	\$ 31,425,806
Non-pooled cash and cash equivalents	399,657	1,000	400,657
Cash with fiscal agent	92,955	-	92,955
Investments	1,070,403	245	1,070,648
Receivables (net of allowance for doubtful accounts):			
Taxes	2,368,721	-	2,368,721
Customer accounts	-	3,090,412	3,090,412
Grantee loans	2,377,294	-	2,377,294
Gaming fees	367,830	-	367,830
Gaming privilege license	125,700	-	125,700
Privilege licenses	115,380	-	115,380
For other governments	212,231	-	212,231
Other	40,780	988,857	1,029,637
Internal balances	54,250	(54,250)	-
Due from other governments	1,430,646	93,992	1,524,638
Prepaid insurance	590,300	-	590,300
Restricted assets:			
Pooled cash and cash equivalents	-	661,314	661,314
Deferred Charges	181,385	2,161,058	2,342,443
Capital assets:			
Land	24,953,676	212,616	25,166,292
Buildings	15,391,055	1,059,673	16,450,728
Equipment	6,379,953	908,308	7,288,261
Vehicles	10,459,662	1,252,445	11,712,107
Improvements	2,931,741	89,426,682	92,358,423
Infrastructure	225,604,978	-	225,604,978
Accumulated depreciation	(77,496,623)	(24,348,184)	(101,844,807)
Other debits:			
Cash - Water and Sewer Improvements	-	10,961,533	10,961,533
<b>Total assets</b>	<b>245,755,570</b>	<b>89,737,911</b>	<b>335,493,481</b>
<b>Liabilities</b>			
Accounts payable	1,885,773	1,169,384	3,055,157
Accrued wages payable	342,824	4,951	347,775
Accrued interest payable	383,202	808,796	1,191,998
Due to other governments	212,231	-	212,231
Retainage payable	24,462	142,338	166,800
Deferred revenue	540,276	-	540,276
Performance bonds payable	20,822	-	20,822
Other liabilities	47,360	841,271	888,631
Payable from restricted assets:			
Meter deposits	-	661,314	661,314
Current portion of long-term debt	3,278,081	2,316,913	5,594,994
Noncurrent liabilities:			
Liability for self-insurance claims	2,070,824	-	2,070,824
Revenue bonds payable	-	54,015,000	54,015,000
Claims payable	45,000	-	45,000
Compensated absences payable	1,725,181	10,673	1,735,854
General obligation bonds payable	24,860,000	-	24,860,000
Notes payable	8,700,737	9,499,673	18,200,410
Capital leases payable	120,000	-	120,000
<b>Total liabilities</b>	<b>44,256,773</b>	<b>69,470,313</b>	<b>113,727,086</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	171,665,624	2,679,954	174,345,578
Restricted for:			
Donor imposed restrictions	100,000	-	100,000
Debt service	2,680,874	4,000	2,684,874
Subsequent year expenditures	12,308,456	-	12,308,456
Unrestricted	14,743,843	17,583,643	32,327,486
<b>Total net assets</b>	<b>\$ 201,498,797</b>	<b>\$ 20,267,597</b>	<b>\$ 221,766,394</b>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Government-Wide Statement of Activities**  
**For the Fiscal Year Ended September 30, 2004**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Government activities</b>							
General government	\$ 6,226,650	\$ 3,588,145	\$ 1,012,418	\$ -	\$ (1,626,087)	\$ -	\$ (1,626,087)
Police	17,595,664	237,099	514,458	-	(16,844,107)	-	(16,844,107)
Fire	10,237,466	-	303,898	-	(9,933,568)	-	(9,933,568)
Public works	7,839,497	-	1,260,054	3,370,441	(3,209,002)	-	(3,209,002)
Economic development	1,463,038	1,379,602	-	-	(83,436)	-	(83,436)
Health and welfare	1,576,615	-	1,576,615	-	-	-	-
Culture and recreation	5,097,842	578,109	14,275	-	(4,505,458)	-	(4,505,458)
Interest on long term debt	1,996,914	-	-	-	(1,996,914)	-	(1,996,914)
<b>Total governmental activities</b>	<b>52,033,686</b>	<b>5,782,955</b>	<b>4,681,718</b>	<b>3,370,441</b>	<b>(38,198,572)</b>	<b>-</b>	<b>(38,198,572)</b>
<b>Business-type activities:</b>							
Water and sewer	19,752,358	21,169,528	-	346,832	-	1,764,002	1,764,002
Joseph T. Jones	337,477	347,423	-	-	-	9,946	9,946
<b>Total business-type activities</b>	<b>20,089,835</b>	<b>21,516,951</b>	<b>-</b>	<b>346,832</b>	<b>-</b>	<b>1,773,948</b>	<b>1,773,948</b>
<b>Total government</b>	<b>72,123,521</b>	<b>27,299,906</b>	<b>4,681,718</b>	<b>3,717,273</b>	<b>(38,198,572)</b>	<b>1,773,948</b>	<b>(36,424,624)</b>
<b>General revenues:</b>							
Taxes:							
Ad valorem					19,378,488	-	19,378,488
Sales					17,518,320	-	17,518,320
Gaming					4,806,833	-	4,806,833
Franchise taxes					2,934,983	-	2,934,983
Investment earnings					416,545	171,574	588,119
Miscellaneous					1,561,776	-	1,561,776
<b>Total general revenue and transfers</b>					<b>46,616,945</b>	<b>171,574</b>	<b>43,853,536</b>
Change in net assets					8,418,373	1,945,522	10,363,895
Net assets at beginning of year					193,080,424	18,322,075	211,402,499
Net assets at end of the year					\$ 201,498,797	\$ 20,267,597	\$ 221,766,394

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Balance Sheet**  
**Governmental Funds**  
**Year Ended September 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Pooled cash and cash equivalents	\$ 16,151,126	\$ 9,510,820	\$ 25,661,946
Cash with fiscal agent	-	92,955	92,955
Non-pooled cash and cash equivalents	191,520	208,137	399,657
Receivables:			
Property taxes	130,758	52,032	182,790
Sales taxes	1,430,895	-	1,430,895
Franchise taxes	755,036	-	755,036
Grantee loans	-	2,377,294	2,377,294
Gaming fees	367,830	-	367,830
Gaming privilege licenses	125,700	-	125,700
Privilege licenses	115,380	-	115,380
For other governments	212,231	-	212,231
Other	40,780	-	40,780
Due from other funds	499,004	15,976	514,980
Due from other governments	194,925	1,235,721	1,430,646
Deferred charges	-	98,458	98,458
	<u>\$ 20,215,185</u>	<u>\$ 13,591,393</u>	<u>\$ 33,806,578</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,703,742	\$ 179,175	\$ 1,882,917
Accrued wages payable	342,824	-	342,824
Due to other funds	-	460,730	460,730
Due to other governments	212,231	-	212,231
Deferred revenue	203,502	2,891,608	3,095,110
Retainage payable	-	24,462	24,462
Performance bonds payable	20,822	-	20,822
Other liabilities	-	47,360	47,360
	<u>2,483,121</u>	<u>3,603,335</u>	<u>6,086,456</u>
<b>Fund Balance</b>			
Reserved for encumbrances	396,795	83,586	480,381
Reserved for debt service	-	2,680,874	2,680,874
Restricted funds - donor imposed	100,000	-	100,000
Reserved for subsequent year expenditures:			
Special revenue funds	-	1,055,193	1,055,193
Capital projects funds	-	6,168,405	6,168,405
General fund	5,084,858	-	5,084,858
Unreserved	12,150,411	-	12,150,411
	<u>17,732,064</u>	<u>9,988,058</u>	<u>27,720,122</u>
Total fund balance	17,732,064	9,988,058	27,720,122
Total liabilities and fund balance	<u>\$ 20,215,185</u>	<u>\$ 13,591,393</u>	<u>\$ 33,806,578</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**September 30, 2004**

Total fund balance- total governmental funds	\$	27,720,122
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		208,224,442
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		2,554,834
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(383,202)
Bond issuance costs net of amortization.		82,927
<p>Internal service funds are used by management to charge the cost of certain activities, such as employee health care and life insurance benefits and workman's compensation and general liability claims, to individual funds. The assets and liabilities of the Internal Service Funds are</p>		
Internal Service Fund balances not included in other reconciling items:		
Current assets	\$	4,102,353
Accounts Payable		(2,856)
Estimated health claims payable		(2,070,824)
Net amount allocated to business-type activities		-
		2,028,673
<p>Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the government funds balance sheet.:</p>		
Due within one year	\$	3,278,081
Due in more than one year		35,450,918
		(38,728,999)
Net assets of governmental activities	\$	201,498,797

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended September 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes:			
Property	\$ 13,920,879	\$ 5,457,609	\$ 19,378,488
Sales	17,518,320	-	17,518,320
Franchise	2,934,983	-	2,934,983
Gaming	4,806,833	-	4,806,833
Licenses and permits	2,005,366	-	2,005,366
Intergovernmental	2,806,497	5,267,585	8,074,082
Charges for services	1,171,136	-	1,171,136
Fines and forfeits	2,606,454	-	2,606,454
Interest	255,179	161,366	416,545
Miscellaneous	1,413,173	148,603	1,561,776
Total revenues	<u>49,438,820</u>	<u>11,035,163</u>	<u>60,473,983</u>
<b>Expenditures</b>			
Current:			
General government	5,850,447	140,413	5,990,860
Public safety	25,241,992	1,153,657	26,395,649
Public works	7,376,398	297,144	7,673,542
Economic development	1,432,846	8,400	1,441,246
Health and welfare	-	1,581,289	1,581,289
Culture and recreation	4,569,568	509,645	5,079,213
Capital outlay	-	4,748,320	4,748,320
Debt service:			
Principal	-	2,820,319	2,820,319
Interest	-	1,951,663	1,951,663
Other	-	5,352	5,352
Bond issue costs	-	174,699	174,699
Total expenditures	<u>44,471,251</u>	<u>13,390,901</u>	<u>57,862,152</u>
Excess (deficiency) of revenues over expenditures	<u>4,967,569</u>	<u>(2,355,738)</u>	<u>2,611,831</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	283,862	283,862
Transfers out	(283,862)	-	(283,862)
Loan proceeds	-	1,921,732	1,921,732
Bond proceeds	-	6,179,867	6,179,867
Payment - defeasance of bonds	-	(6,005,168)	(6,005,168)
Sale of general fixed assets	64,783	2,093	66,876
Total other financing sources (uses)	<u>(219,079)</u>	<u>2,382,386</u>	<u>2,163,307</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,748,490	26,648	4,775,138
Fund balance - October 1	<u>12,983,574</u>	<u>9,961,410</u>	<u>22,944,984</u>
Fund balance - September 30	<u>\$ 17,732,064</u>	<u>\$ 9,988,058</u>	<u>\$ 27,720,122</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance of Governmental Funds to the**  
**Statement of Activities**  
**Year Ended September 30, 2004**

Net change in fund balance-total governmental funds	\$	4,775,138
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		8,693,788
<p>The net effect of various transactions involving capital assets (i.e., sales, trade ins, and contributions) is to increase net assets.</p>		(934,267)
<p>Depreciation expense on capital assets is reported on the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.</p>		(5,354,840)
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		814,105
<p>Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.</p>		(180,430)
<p>Some grant revenues will not be received for several months after the city's fiscal year end, they are not considered "available" revenues in the governmental funds.</p>		(21,923)
<p>Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.</p>		(45,251)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and depreciation expense.</p>		
Change in Net Assets		672,053
Net of amount allocated to business-type activities		-
Change in net assets of governmental activities	\$	8,418,373

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2004**

	<u>Business Type Activities - Enterprise Funds</u>			Governmental Activities-
	Water and Sewer	<u>Non-major Fund</u>	Totals 2004	Internal Service Funds
		Joseph T. Jones Park		
<b>Assets</b>				
<b>Current Assets</b>				
Pooled cash and cash equivalents	\$ 2,853,517	\$ 468,693	\$ 3,322,210	\$ 2,441,650
Non-pooled cash and cash equivalents	1,000	-	1,000	-
Investments	245	-	245	1,070,403
Receivables:				
Accounts, (net of allowance for uncollectible accounts)	2,219,149	7,806	2,226,955	-
Customer accounts accrued but not billed	863,457	-	863,457	-
Other	988,857	-	988,857	-
Prepaid items	-	-	-	590,300
Due from other governments	93,992	-	93,992	-
	<u>7,020,217</u>	<u>476,499</u>	<u>7,496,716</u>	<u>4,102,353</u>
<b>Total unrestricted current assets</b>				
	<u>7,020,217</u>	<u>476,499</u>	<u>7,496,716</u>	<u>4,102,353</u>
<b>Current Restricted Assets</b>				
Pooled cash and cash equivalents	661,314	-	661,314	-
	<u>661,314</u>	<u>-</u>	<u>661,314</u>	<u>-</u>
<b>Noncurrent Assets</b>				
Land	149,313	63,303	212,616	-
Buildings	139,619	920,054	1,059,673	-
Improvements other than buildings	88,580,900	845,782	89,426,682	-
Machinery and equipment	908,308	-	908,308	-
Vehicles	1,229,581	22,864	1,252,445	-
	<u>91,007,721</u>	<u>1,852,003</u>	<u>92,859,724</u>	<u>-</u>
Less accumulated depreciation	(23,415,340)	(932,844)	(24,348,184)	-
	<u>67,592,381</u>	<u>919,159</u>	<u>68,511,540</u>	<u>-</u>
<b>Net property, plant and equipment</b>				
	<u>67,592,381</u>	<u>919,159</u>	<u>68,511,540</u>	<u>-</u>
<b>Noncurrent Other Assets</b>				
Cash - Water and Sewer Improvements	10,961,533	-	10,961,533	-
Deferred charges	2,161,058	-	2,161,058	-
Total other assets	<u>13,122,591</u>	<u>-</u>	<u>13,122,591</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 88,396,503</u>	<u>\$ 1,395,658</u>	<u>\$ 89,792,161</u>	<u>\$ 4,102,353</u>

The accompanying notes are an integral part of these financial statements

(Continued)

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2004**

	<u>Business Type Activities - Enterprise Funds</u>			Governmental Activities-
	<u>Water and Sewer</u>	<u>Non-major Fund</u>	<u>Totals 2004</u>	<u>Internal Service Funds</u>
		<u>Joseph T. Jones Park</u>		
<b>Liabilities and Fund Net Assets</b>				
<b>Current Liabilities</b>				
(Payable from current assets)				
Accounts payable	\$ 1,164,259	\$ 5,125	\$ 1,169,384	\$ 2,856
Estimated health claims payable	-	-	-	2,070,824
Accrued wages payable	2,077	2,874	4,951	-
Accrued interest payable	808,796	-	808,796	-
Compensated absences payable	4,138	6,535	10,673	-
Due to other funds	54,251	-	54,251	-
Retainage payable	142,338	-	142,338	-
Other liabilities	835,921	5,350	841,271	-
Bonds payable - current	1,700,000	-	1,700,000	-
Notes payable - current	616,913	-	616,913	-
Total current liabilities payable from current assets	<u>5,328,693</u>	<u>19,884</u>	<u>5,348,577</u>	<u>2,073,680</u>
<b>Current Liabilities</b>				
(Payable from restricted assets)				
Meter deposits	<u>661,314</u>	<u>-</u>	<u>661,314</u>	<u>-</u>
<b>Noncurrent Liabilities</b>				
Bonds payable	54,015,000	-	54,015,000	-
Notes payable - State of Mississippi	<u>9,499,673</u>	<u>-</u>	<u>9,499,673</u>	<u>-</u>
Total long-term liabilities	<u>63,514,673</u>	<u>-</u>	<u>63,514,673</u>	<u>-</u>
Total liabilities	<u>69,504,680</u>	<u>19,884</u>	<u>69,524,564</u>	<u>-</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,760,795	919,159	2,679,954	-
Restricted for revenue bond indentures	4,000	-	4,000	-
Unrestricted	<u>17,127,028</u>	<u>456,615</u>	<u>17,583,643</u>	<u>2,028,673</u>
Total net assets	<u>\$ 18,891,823</u>	<u>\$ 1,375,774</u>	<u>\$ 20,267,597</u>	<u>\$ 2,028,673</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2004**

	Business Type Activities - Enterprise Funds		
	Water and Sewer	Non-major Fund	
		Joseph T. Jones	Totals
<b>Operating Revenues</b>			
Intergovernmental	\$ 91,775	\$ -	\$ 91,775
Employee contributions	-	-	-
Retiree contributions	-	-	-
Employer contributions	-	-	-
Insurance claims reimbursement	-	-	-
Charges for services	21,169,528	347,077	21,516,605
Miscellaneous	-	346	346
Total operating revenues	<u>21,261,303</u>	<u>347,423</u>	<u>21,608,726</u>
<b>Operating Expenses</b>			
Personal services	91,320	213,919	305,239
Contractual services	2,746,931	-	2,746,931
Materials and supplies	1,064,339	6,722	1,071,061
Premium payments	-	-	-
Death benefit payments	-	-	-
Claims paid-worker's compensation	-	-	-
Claims paid	-	-	-
Increase (decrease) in provision for self-insurance losses	-	-	-
Other services and charges	10,599,972	85,920	10,685,892
Capital outlay	-	76	76
Depreciation	1,628,730	18,400	1,647,130
Amortization	117,268	-	117,268
Bad debts	224,574	12,440	237,014
Total operating expenses	<u>16,473,134</u>	<u>337,477</u>	<u>16,810,611</u>
Operating income (loss)	<u>4,788,169</u>	<u>9,946</u>	<u>4,798,115</u>
<b>Non-operating Revenues</b>			
Interest income	163,763	7,811	171,574
Interest expense	(3,279,224)	-	(3,279,224)
Gain (loss) on sale of capital assets	30,539	-	30,539
Total nonoperating revenues (expenses)	<u>(3,084,922)</u>	<u>7,811</u>	<u>(3,077,111)</u>
Income (loss) before contributions and transfers	1,703,247	17,757	1,721,004
Capital contributions	224,518	-	224,518
Transfers from other funds	-	-	-
Change in net assets	1,927,765	17,757	1,945,522
Net Assets - October 1	<u>16,964,058</u>	<u>1,358,017</u>	<u>18,322,075</u>
Net Assets - September 30	<u>\$ 18,891,823</u>	<u>\$ 1,375,774</u>	<u>\$ 20,267,597</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30 , 2004**

	Business Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Non-major Fund		Internal Service Fund
		Joseph T. Jones	Totals	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 21,513,473	\$ 335,922	\$ 21,849,395	\$ -
Cash received from other governments	134,731	-	134,731	-
Cash received from employees and others	-	-	-	697,899
Cash received from insurance companies	-	-	-	22,947
Cash received from employer	-	-	-	4,617,028
Other operating receipts	-	346	346	-
Other receivables	(775,946)	-	(775,946)	-
Cash paid to suppliers	(13,244,938)	(96,244)	(13,341,182)	(4,889,403)
Cash paid to employees	(89,842)	(212,917)	(302,759)	-
Cash received from customer meter deposits, net	126,701	-	126,701	-
Net cash provided by (used in) operating activities	<u>7,664,179</u>	<u>27,107</u>	<u>7,691,286</u>	<u>448,471</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(6,660,476)	-	(6,660,476)	-
Disposition of capital assets	-	-	-	-
Proceeds from debt issuance	4,335,035	-	4,335,035	-
Principal paid on revenue bond maturities and notes payable	(1,945,439)	-	(1,945,439)	-
Interest paid on bonds and notes payable	(3,268,139)	-	(3,268,139)	-
Proceeds from sale of assets	30,539	-	30,539	-
Net cash used in capital and related financing activities	<u>(7,508,480)</u>	<u>-</u>	<u>(7,508,480)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	-	-	-	(97,744)
Proceeds from sale of investments	-	-	-	100,000
Interest received	163,763	7,811	171,574	44,689
Net cash used from investing activities	<u>163,763</u>	<u>7,811</u>	<u>171,574</u>	<u>46,945</u>
Net increase (decrease) in cash and cash equivalents	319,462	34,918	354,380	495,416
Cash and cash equivalents - October 1	<u>14,157,902</u>	<u>433,775</u>	<u>14,591,677</u>	<u>1,429,528</u>
Cash and cash equivalents - September 30	<u>\$ 14,477,364</u>	<u>\$ 468,693</u>	<u>\$ 14,946,057</u>	<u>\$ 1,924,944</u>
<b>Non-cash and capital related financing activities</b>				
Change in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,915)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2004**

(Continued)

	Business Type Activities - Enterprise Fund			Governmental Activities Internal Service Funds
	Water and Sewer	Joseph T. Jones	Totals	
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 4,788,169	\$ 9,946	\$ 4,798,115	\$ 352,647
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,628,730	18,400	1,647,130	-
Amortization	117,268	-	117,268	-
Bad debts	224,574	12,440	237,014	-
(Increase) decrease in assets:				
Accounts receivable	343,945	(11,155)	332,790	-
Other receivables	(775,946)	-	(775,946)	(7,551)
Prepaid assets	-	-	-	134,502
Due from other governments	42,956	-	42,956	-
Increase (decrease) in liabilities:				
Accounts payable	250,684	(3,068)	247,616	32,505
Retainage payable	85,305	-	85,305	-
Other liabilities	830,315	(458)	829,857	(182,472)
Meter deposit liability	126,701	-	126,701	-
Accrued wages payable	1,358	7	1,365	-
Compensated absences payable	120	995	1,115	-
 Net cash provided by (used in) operating activities	 <u>\$ 7,664,179</u>	 <u>\$ 27,107</u>	 <u>\$ 7,691,286</u>	 <u>\$ 329,631</u>

**Non-cash investing, capital and financing activities:**  
Contributed capital

	<u>\$ 224,518</u>	<u>\$ -</u>	<u>\$ 224,518</u>
--	-------------------	-------------	-------------------

**Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets**

	Other Assets	Restricted Assets	Current Assets	Total 2004
Cash and cash equivalents - October 1	\$ 12,698,461	\$ 534,613	\$ 1,358,603	\$ 14,591,677
Net increase (decrease)	<u>(1,736,928)</u>	<u>126,701</u>	<u>1,964,607</u>	<u>354,380</u>
Cash and cash equivalents - September 30	<u>\$ 10,961,533</u>	<u>\$ 661,314</u>	<u>\$ 3,323,210</u>	<u>\$ 14,946,057</u>

The accompanying notes are an integral part of these financial statements



This page left blank intentionally

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. General Statement**

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

The City complies with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainders of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2004.

**B. Financial Reporting Entity**

The City is a charter city in which citizens elect the mayor at large and seven council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based on these criteria, it has been determined that the City has no component units.

See Note 16 for information describing related organizations not included in the City's reporting entity.

**C. Basis of Presentation**

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues instead as general revenues.

**Fund Financial Statements -**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

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

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

General Fund –

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus; and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

Water and Sewer Fund –

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

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

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

**D. Measurement Focus/Basis of Accounting**

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

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

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

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

**E. Cash and Investments**

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

The City maintains and controls a major cash pool in which the majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet as "pooled cash and cash equivalents", some of which are restricted assets. In addition, non-pooled cash is separately held and reflected in their respective funds as "non-pooled cash and cash equivalents".

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

Investments are recorded at fair value in accordance with GASB statement 31 with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

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

**F. Receivables**

All trade receivables are shown net of an allowance for uncollectibles. An allowance in the amount of \$4,551,403 at September 30, 2004 has been provided in the Water and Sewer Enterprise Fund for estimated uncollectible utility charges. The allowance is based on trade receivables in excess of 90 days outstanding.

An allowance for estimated uncollectible rental fees has been established in the Joseph T. Jones Fund based upon historical collection experience and other relevant circumstances. The allowance for estimated uncollectible receivables at September 30, 2004 is \$74,793.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

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

**G. Interfund Receivables and Payables**

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

**H. Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**I. Prepaid Items**

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

**J. Restricted Assets**

Each customer deposits funds with the City when a water and sewer account is opened. These funds are restricted due to the deposits and are held by the City until the customer account is closed, at which time the amounts are refundable to the customer.

**K. Capital Assets**

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

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

Buildings	40 years
Water and Sewer system	50 years
Infrastructure	60 years
Improvements	10-25 years
Machinery and equipment	5-10 years
Vehicles	5 years

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

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

**M. Nature and Purpose of Reservations and Designations of Fund Equity**

The fund equity reserves for donor-imposed restrictions, debt service, encumbrances, are discussed in Note 11. The fund equity designation for subsequent year's expenditures primarily represents Streets and Drainage, Parks and Recreation and General Public Facilities fund balances specifically identified for capital outlays.

**N. Compensated Absences**

City policy allows employees to accumulate all unused vacation, compensatory (comp time) and sick leave. Retiring and terminating employees covered under the Disability and Relief-Municipal Retirement System are paid for all unused vacation, sick leave, and unused comp time. All other employees are paid for up to 30 days of unused vacation and all unused comp time upon retirement or termination, while excess vacation and all accumulated sick leave remaining are counted as creditable service toward retirement. Accumulated unpaid vacation and comp time amounts are accrued when incurred in government-wide financial statements as well as in proprietary fund financial statements and reported as a fund liability. For proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. Since only a portion of compensated absences are expected to be liquidated with expendable available financial resources and therefore shown as a current liability in the fund financial statements, the balance or long term portion represents a reconciling item between the fund level and government-wide presentations.

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2004. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

**O. Post Employment Health Care Benefits**

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

**P. Estimates**

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Data**

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

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division by June 1 each year.
3. The Finance Division reviews expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended in July each year, if necessary. However, budget revisions are made throughout the year (prior to July), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the Governmental Funds and the Internal Service Funds are prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for the Enterprise Funds are prepared on a modified accrual basis (i.e. exclude depreciation and bad debt expense and include principal debt payments and capital outlay).

The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are incorporated into the City's purchasing system. Purchase requisitions entered into the computer system that will cause a line item to exceed its budget will automatically be disallowed. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

10. Encumbrance accounting, under which executed but unperformed purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and are reappropriated in the next year's budget.
11. Unexpended appropriations lapse at year-end in all funds.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 3: PROPERTY AND GAMING TAX REVENUES**

**(A) Property Tax**

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

Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All taxes are remitted monthly to the City. In addition, Harrison County also remits to the City a prorata share of road and bridge taxes collected by the County. Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial.

The rates are expressed in terms of mills (i.e. ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2004 was 34.00 mills or \$34.00 per \$1,000 of assessed valuation.

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 3: PROPERTY AND GAMING TAX REVENUES (Continued)**

**(B) Gaming Tax Revenues**

In the early part of 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In May of 1993, the first casino opened in Gulfport. As of September 30, 2004 there were two casinos operating within the City. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4 to .8 percent. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the City's governmental funds for fiscal years ended September 30:

	2004	2003
Local casino revenue	\$ 129,991,125	\$ 121,103,938
	<u>          x 3.2%</u>	<u>          X 3.2%</u>
Local option tax levy	4,159,716	3,875,326
Plus: local share of State levy	<u>647,177</u>	<u>602,434</u>
Total gaming taxes	4,806,833	4,477,760
Plus: gaming privilege licenses	<u>365,283</u>	<u>381,795</u>
 Total gaming revenues	 <u>\$ 5,172,116</u>	 <u>\$ 4,859,555</u>

**(C) Sales Tax Revenues**

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Gulfport) back to the City monthly. Tax revenue reported in the General Fund includes \$17,518,320 of sales tax revenue.

**NOTE 4: CASH AND OTHER DEPOSITS, CASH WITH FISCAL AGENTS, AND INVESTMENTS**

**(A) Cash and Other Deposits**

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the city's deposits with financial institutions was \$43,449,310, and the bank balance was \$44,745,938.

Cash in Water and Sewer of \$10,961,533 is classified as an Other Asset as to not distort working capital.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 4: CASH AND OTHER DEPOSITS, CASH WITH FISCAL AGENTS, AND INVESTMENTS**  
**(Continued)**

**(B) Investments**

Investing is performed in accordance with investment policies complying with State Statutes (See Note 1.IV.A). The City's investments are categorized into three categories of credit risk:

- (1) Insured or registered, with securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the City's name.

At September 30, 2004, the City's surplus funds that were not invested in overnight sweep repurchase agreements (considered short term and reported above as cash) were invested in Federated U.S. Cash Reserves Mutual Funds. A summary of the City's investments at September 30, 2004 is as follows:

	Fair Value
<u>Internal Service Fund</u>	
Federated U.S. Cash Reserves Mutual Funds	\$ 1,070,403
<u>Water and Sewer Fund</u>	
Daily Income Govt. II	245
Total	\$ 1,070,648

**(C) Cash with Fiscal Agents**

The carrying amount of the city's cash with fiscal agents held by financial institutions was \$92,955. The entire amount was insured or collateralized with securities held by the financial institutions in the city's name.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 5: RECEIVABLES**

The combined balance sheet of the City includes the following receivables at September 30, 2004:

	General Fund	Non Major Funds
<u>Governmental Activities</u>		
Taxes receivable:		
Sales tax	\$ 1,430,895	\$ -
Franchise tax	755,036	-
Gaming revenues	367,830	-
Gaming privilege license	125,700	-
Property taxes	130,758	-
For other governments	212,231	-
Other receivables:		
Privilege licenses	115,380	-
Miscellaneous	40,780	-
Grantee loans:		
HUD Rehab loans	-	2,285,331
Rental Rehab loans	-	91,963
Total receivables	\$ 3,178,610	\$ 2,377,294
<u>Water &amp; Sewer Fund</u>		
<u>Business Type Activities</u>		
Accounts receivable:		
Water and sewer utility charges billed but uncollected		\$ 6,770,552
Water and sewer utility charges accrued but unbilled at year end		863,457
Harbor berth rentals		82,599
Total gross receivables		7,716,608
Less: allowance for uncollectibles		( 4,626,196)
Net total accounts receivable		\$ 3,090,412

The City has received certain grant awards for community and economic development from the U.S. Department of Housing and Urban Development (HUD) and the State of Mississippi for the purposes of providing certain loan programs. These loans, included in the above receivables summary as Grantee Loans, are described as follows:

Rehabilitation Loans - The purpose of this grant is to provide home improvement loans to qualifying individuals. At September 30, 2004, there were 55 individual loans outstanding totaling \$740,213 bearing interest at rates primarily between 0% and 3% depending on the type of loan.

Economic Development Loans - The purpose of this grant is to provide economic development loans to new businesses in the City that meet specific requirements established by the grant. At September 30, 2004, there were two loans outstanding totaling \$1,545,118 bearing interest at 3% per annum.

Rental Rehabilitation Loans - The purpose of this grant is to provide rehabilitation loans to owners renovating low to moderate-income rental housing units. At September 30, 2004, there were 3 loans outstanding totaling \$91,963 with an interest rate of 3% per annum.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 5: RECEIVABLES (Continued)**

The City has designated the principal and interest payments on these to be used for additional loans and, accordingly, have been recorded as deferred revenue until the program is terminated and the remaining funds returned to the grantor or taken into income.

The City has not provided an allowance for uncollectible loans due to the revolving nature of the programs. Activity in the programs for the year is as follows:

	Programs			Total
	Rehab Loans	Economic Development Loans	Rental Rehab Loans	
Balance, October 1, 2003	\$ 769,116	\$ 1,545,118	\$ 91,963	\$ 2,046,197
Plus: new loans added	-	-	-	-
Less: principal payments	<u>( 28,903)</u>	<u>-</u>	<u>-</u>	<u>( 28,903)</u>
Balance, September 30, 2004	<u>\$ 740,213</u>	<u>\$ 1,545,118</u>	<u>\$ 91,963</u>	<u>\$ 2,377,294</u>

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at September 30, 2004 is as follows:

	Due from Other Funds	Due to Other Funds
Major Funds:		
General Fund	\$ 499,004	\$ -
Water and Sewer Fund	-	54,250
Non-major Funds:	<u>15,976</u>	<u>460,730</u>
Totals	<u>\$ 514,980</u>	<u>\$ 514,980</u>

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

In addition to the above interfund loans, the following transfers were made between funds during the year ended September 30, 2004:

	Transfers to Other Funds	Transfers From Other Funds
Major Funds:		
General Fund	\$ 283,862	\$ -
Non-Major Funds:	<u>-</u>	<u>283,862</u>
Totals	<u>\$ 283,862</u>	<u>\$ 283,862</u>

The City transfers funds from the General Fund to pay for capital projects incurred.

The City's Water & Sewer Fund and Joseph T. Jones Fund (business-type funds) pay a management fee to the General Fund to cover various costs such as administrative salaries, occupancy costs, etc. Such fees totaled \$91,670 for the year ended September 30, 2004 and has been included in "Charges for Services" revenue on the General Fund and in "Other Services and Charges" expenditures on the Water & Sewer Fund and the Joseph T. Jones Fund.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 7: FIXED ASSETS**

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Balance</u> <u>October 1,</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>September 30,</u>
<b>Governmental Activities:</b>					
Capital assets not being depreciated					
Land	\$ 21,554,581	\$ 3,399,095	\$ -	\$ -	\$ 24,953,676
Total Capital assets not being depreciated	<u>21,554,581</u>	<u>3,399,095</u>	<u>-</u>	<u>\$ -</u>	<u>24,953,676</u>
Capital assets, being depreciated					
Buildings	15,365,799	25,256	-	-	15,391,055
Improvements	2,701,803	229,938	-	-	2,931,741
Infrastructure	222,361,086	3,243,892	-	-	225,604,978
Machinery and equipment	7,661,174	248,150	( 1,529,371)	-	6,379,953
Vehicles	<u>9,242,778</u>	<u>1,547,457</u>	<u>( 318,362)</u>	<u>( 12,211)</u>	<u>10,459,662</u>
Total capital assets being depreciated	<u>257,332,640</u>	<u>5,294,693</u>	<u>( 1,847,733)</u>	<u>( 12,211)</u>	<u>260,767,389</u>
Less accumulated depreciation for:					
Buildings	( 4,613,542)	( 412,331)	-	-	( 5,025,873)
Improvements	( 522,606)	( 166,729)	-	-	( 689,335)
Infrastructure	( 58,011,583)	( 2,617,205)	-	-	( 60,628,788)
Machinery and equipment	( 3,297,717)	( 881,791)	674,866	-	( 3,504,642)
Vehicles	<u>( 6,622,012)</u>	<u>( 1,276,784)</u>	<u>241,535</u>	<u>9,276</u>	<u>( 7,647,985)</u>
Total accumulated depreciation	<u>( 73,067,460)</u>	<u>( 5,354,840)</u>	<u>916,401</u>	<u>9,276</u>	<u>( 77,496,623)</u>
Total capital assets, being depreciated net	<u>184,265,180</u>	<u>( 60,147)</u>	<u>( 931,332)</u>	<u>( 2,935)</u>	<u>183,270,766</u>
Governmental activities, capital assets, net	<u>\$205,819,761</u>	<u>\$( 3,338,948)</u>	<u>\$( 931,332)</u>	<u>\$( 2,935)</u>	<u>\$ 208,224,442</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 7: FIXED ASSETS (Continued)**

	Balance October 1,	Additions	Retirement	Transfers	Balance September 30,
<u>Business-type activities:</u>					
Capital assets not being depreciated					
Land	\$ 212,616	\$ -	\$ -	\$ -	\$ 212,616
Total capital assets not being depreciated	212,616	-	-	\$ -	212,616
Capital assets being depreciated					
Buildings	1,059,673	-	-	-	1,059,673
Improvements	82,852,639	6,574,043	-	-	89,426,682
Machinery & Equipment	828,324	85,984	( 6,000)	-	908,308
Vehicles	1,069,848	221,906	( 51,520)	12,211	1,252,445
Total capital assets being depreciated	85,810,484	6,881,933	( 57,520)	12,211	92,647,108
Less accumulated depreciation for:					
Buildings	( 221,117)	( 19,408)	-	-	( 240,525)
Improvements	( 21,244,562)	( 1,442,392)	-	-	( 22,686,954)
Machinery & Equipment	( 551,840)	( 72,320)	6,000	-	( 618,160)
Vehicles	( 731,779)	( 113,010)	51,520	( 9,276)	( 802,545)
Total accumulated depreciation	( 22,749,298)	( 1,647,130)	57,520	( 9,276)	( 24,348,184)
Total capital assets being depreciated, net	63,061,186	5,234,803	-	2,935	68,298,924
Business type activities capital assets, net	\$ 63,273,802	\$ 5,234,803	\$ -	\$ 2,935	\$ 68,511,540

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

Governmental activities:	
General government	\$ 317,109
Police	518,474
Fire	1,174,150
Public works	3,196,260
Economic development	49,833
Culture and recreation	99,014
Total depreciation expense – Governmental activities	\$ 5,354,840
Business-type activities:	
Water and sewer	\$ 1,628,730
James T. Jones	18,400
Total depreciation expense – Business type activities	\$ 1,647,130

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 8: LONG-TERM DEBT**

**(A) Governmental Activities**

Transactions for the Year Ended September 30, 2004 are summarized as follows:

<u>Governmental Activities</u>	<u>Payable at 10/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable at 9/30/04</u>
General Obligation Bonds	\$ 28,180,000	\$ 6,160,000	\$ 7,515,000	\$ 26,825,000
School District Bonds	845,000	-	445,000	400,000
Notes payable	7,892,405	1,921,732	570,319	9,243,818
Capital leases	860,000	-	370,000	490,000
Compensated absences	1,544,751	180,430	-	1,725,181
Claims and judgments	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
<b>Total Governmental Activities</b>	<b><u>\$ 39,367,156</u></b>	<b><u>\$ 8,262,162</u></b>	<b><u>\$ 8,900,319</u></b>	<b><u>\$ 38,728,999</u></b>

(1) General Obligation and School District Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for City and School District activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City remains contingently liable on all school bond obligations issued prior to 1987, although debt service requirements are financed from school bond and interest tax millage. For the year ended September 30, 2004, the School District paid \$518,938 of principal and interest on these bonds. Such payments have been reflected in the City's General Bond and Interest Fund as intergovernmental revenue and debt service expenditures. The City reflects the outstanding portion of such obligations within its General Long-Term Debt due to its contingent obligation for such debt and because the School District has not reflected such debt within its annual financial statements. Debt obligations of the School District issued subsequent to 1986 pledge the full faith and credit of the School District only and, therefore, are not reflected in these financial statements.

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

<u>Purpose</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
School District	\$ 4,380,000	9/10/85	8.00-11.0	\$ 400,000
General government- Refunding Issue	1,895,000	9/12/95	7.00-7.80	845,000
General government	8,500,000	8/01/96	4.75-6.60	815,000
General government	6,000,000	7/01/98	4.40-6.00	4,805,000
General government	1,000,000	5/01/00	5.20	670,000
General government- Refunding Issue	9,580,000	12/01/02	2.00-5.00	8,690,000
General government	5,000,000	4/01/03	3.50-4.25	4,840,000
General government- Refunding Issue	<u>6,160,000</u>	8/05/04	2.00-4.05	<u>6,160,000</u>
	<b><u>\$ 42,515,000</u></b>			<b><u>\$ 27,225,000</u></b>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 8: LONG-TERM DEBT (Continued)**

In August 2004, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2004, \$5,710,000 of bonds outstanding is considered defeased.

In November 2002, the City issued General Obligation Refunding Bonds, Series 2002, in the amount of \$9,580,000, to achieve debt service savings on the General Obligation Bonds, Series 1993, dated March 1, 1993, in the original principal amount of \$14,455.00.

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

Year Ending September 30	Principal	Interest	Total
2005	\$ 2,365,000	\$ 1,096,483	\$ 3,461,483
2006	2,025,000	1,015,700	3,040,700
2007	2,125,000	926,266	3,051,266
2008	2,230,000	845,620	3,075,620
2009	2,100,000	757,310	2,857,310
2010-2014	10,420,000	2,395,254	12,815,254
2015-2019	4,585,000	745,851	5,330,851
2020-2023	<u>1,375,000</u>	<u>148,260</u>	<u>1,523,260</u>
Totals	<u>\$ 27,225,000</u>	<u>\$ 7,930,744</u>	<u>\$ 35,155,744</u>

(2) General Obligation Notes

The City issued general obligation notes to provide funding for various capital improvement projects. The notes are also direct obligations of the City and pledge the full faith and credit of the City. General obligation notes currently outstanding are as follows:

Description	Issue Date	Interest Rate	Outstanding Amount
State of Mississippi CAP Revolving Fund, 15 year note, \$992,903, to construct fire stations in the annexed area	08/04/97	3.70%	\$ 544,652
State of Mississippi CAP Revolving Fund, 15 year note, \$425,000, to construct fire stations in the annexed area	08/04/97	3.70%	250,814
Hancock Bank, Mississippi Development 20 year Promissory Note, \$10,000,000, authorized (\$2,500,000 for flood acquisition, and \$7,500,000 for general capital projects) original loan proceeds of \$598,489 are reported on business-type activities. TBMA – The Bond Market Association Index	12/01/00	1.05% Over TBMA	<u>8,448,352</u>
Total			<u>\$ 9,243,818</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 8: LONG-TERM DEBT (Continued)**

The annual debt service requirements to maturity for the general obligation notes are as follows:

Year Ending September 30,	Principle	Interest	Total
2005	\$ 543,080	\$ 190,952	\$ 734,032
2006	544,080	190,405	734,485
2007	547,570	177,302	724,872
2008	551,192	164,067	715,259
2009	554,950	150,695	705,645
2010-2014	2,567,881	558,131	3,126,012
2015-2019	2,256,644	300,921	2,557,565
2020-2024	<u>1,678,421</u>	<u>69,062</u>	<u>1,747,483</u>
Totals	<u>\$ 9,243,818</u>	<u>\$ 1,801,535</u>	<u>\$ 11,045,353</u>

**(3) General Capital Lease Obligation**

The City has entered into a lease agreement as lessee for financing the acquisition of a new computer system and signage at the Sportsplex complex. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The following lease obligation is currently outstanding:

Description	Original Amount	Issue Date	Effective Interest Rate	Outstanding Present Value
General government computer lease	\$ 1,100,000	5/22/00	5.29%	\$ 250,000
Sportsplex signage	600,000	10/1/01	3.596%	<u>240,000</u>
Total				<u>\$ 490,000</u>

The following is an analysis of property leased under capital leases as of September 30, 2004:

	Cost
Machinery and equipment	\$ 1,100,000
Signage	<u>600,000</u>
Total	<u>\$ 1,700,000</u>

These leased assets are included in Equipment under General and Culture and Recreation.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 8: LONG-TERM DEBT (Continued)**

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2004:

<u>Year Ending September 30.</u>	<u>Total</u>
2005	\$ 565,639
2006	<u>124,315</u>
Total	<u>\$ 689,954</u>
Less amount representing interest	( 199,954)
Present value of future minimum lease payments	<u>\$ 490,000</u>

(5) Compensated Absences

The City's policies relative to compensated absences, method of computing accrued liabilities and reporting are discussed at Note 1. It is estimated that \$75,000 of the accrued liability of \$1,735,854 for compensated absences will be paid within one year. The General Fund has been used in prior years to liquidate the liability for compensated absences.

(6) Claims and Judgments

The City has a commitment to pay life insurance benefits of \$1,000 upon the death of each retiree included in the Firemen's and Policemen's Disability and Relief Plan. The City elected to cancel its insurance policy covering such claims and self-insure these benefits. As a result, a total of \$85,000 was recorded for the 85 remaining retirees receiving benefits effective October 1, 1992. As of September 30, 2004, a total of 45 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$45,000 has been included in the General Long-Term Debt at September 30, 2004. None of the liability for these benefits is estimated to be paid within one year.

(7) Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$89,240,442. After reduction for outstanding general obligation bonds of \$26,825,000 and increase by \$2,680,874 of available assets in the Debt Service Fund, the City's legal debt margin was \$65,096,316, at September 30, 2004.

(8) No-Commitment Debt

The City authorized the issuance of \$13,900,000 of Hospital Revenue Bonds in 1988, \$17,725,000 of Hospital Revenue Refunding Bonds in 1989 and \$60,000,000 of Hospital Revenue Bonds in 2001. The Series 1994A and 1994B Hospital Revenue Refunding and Improvement Bonds were issued in 1994 to refund the 1988 and 1989 bonds and provide financing for expansion. The 2001 bonds were used to provide financing for construction. As of September 30, 2004, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$96,903,676. These bonds do not constitute a liability of the City, are not a charge against its general credit or taxing powers and, accordingly, are not included in the City's General Long-Term Debt. However, as more fully discussed at Note 16, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 8: LONG-TERM DEBT (Continued)**

**(B) Business Note Obligations**

The following changes occurred in long-term debt liabilities reported in the Enterprise Funds for the year ended September 30, 2004:

	<u>Note Bonds</u>	<u>Obligations</u>	<u>Total</u>
Balance, October 1, 2003	\$ 57,205,000	\$ 6,236,988	\$ 63,441,988
Plus: new issues	-	4,335,035	4,335,035
Less: principal payments	<u>( 1,490,000)</u>	<u>( 455,439)</u>	<u>( 1,945,439)</u>
Balance, September 30, 2004	<u>\$ 55,715,000</u>	<u>\$ 10,116,584</u>	<u>\$ 65,831,584</u>

(1) Revenue Bonds

These are bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service. Bonds outstanding at September 30, 2004 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
Water and Sewer General Obligation Series 1996 Bonds	\$ 6,000,000	12/01/96	4.875-6.25%	\$ 4,620,000
Water and Sewer General Obligation Refunding Series 1998 Bonds	6,440,000	8/01/98	4.75%	4,000,000
Water and Sewer Series 1999 Revenue Bonds	33,300,000	12/01/99	4.4-6.0%	32,450,000
Water and Sewer Series 2002 Revenue Bonds	<u>15,000,000</u>	4/23/02	3.0-5.25%	<u>14,645,000</u>
Total	<u>\$ 60,740,000</u>			<u>\$ 55,715,000</u>

Bonded debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,700,000	\$ 2,999,000	\$ 4,699,000
2006	1,805,000	2,915,956	4,720,956
2007	2,265,000	2,828,625	5,093,625
2008	2,385,000	2,716,834	5,101,834
2009	2,535,000	2,604,063	5,139,063
2010-2014	11,255,000	11,202,763	22,457,763
2015-2019	13,820,000	7,858,556	21,678,556
2020-2024	16,975,000	3,711,113	20,686,113
2025-2027	<u>2,975,000</u>	<u>317,888</u>	<u>3,292,888</u>
Totals	<u>\$ 55,715,000</u>	<u>\$ 37,154,798</u>	<u>\$ 92,869,798</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 8: LONG-TERM DEBT (Continued)**

On December 1, 1996, the City issued \$6,000,000 of general obligation water and sewer bonds with an average interest rate of 5.55% to provide funds for the purpose of repairing or improving the existing combined water and sewer system of the City and for erecting or purchasing additional waterworks or other public utility plants or distribution systems or franchises, and repairing or improving the same. The bonds are backed by the full faith, credit and taxing power of the City. The balance of these bonds has been recorded in the Water and Sewer Enterprise Fund, as it is the intention of the City to use utility revenue to service these bonds.

On August 1, 1998, the City issued \$6,440,000 of general obligation refunding bonds with an average interest rate of 4.75% to refund the Series 1992 \$8,800,000 Combined Water and Sewer System Revenue Refunding Bonds of the City. The refunding of these bonds made available the restricted cash and investments of \$875,000 required to be held by the Series 1992 bonds. The new bonds were used to purchase existing waterworks or other public utility plants or distribution systems or franchises, and repairing or improving the same. The bonds are backed by the full faith, credit and taxing power of the City. The balance of these bonds has been recorded in the Water and Sewer Fund, as it is the intention of the City to use utility revenue to service these bonds.

On December 1, 1999, the City issued \$33,300,000 of water and sewer revenue bonds with an average interest rate of 5.2% to provide funds to purchase the utility system operated by Orange Grove Utilities, Inc., which was a private water system in the annexed area. Bond covenants require the city to maintain a \$1,000 depreciation reserve and a \$1,000 contingency reserve in addition to maintaining a 105% net revenue coverage on the current debt service.

On April 23, 2002, the City issued \$15,000,000 of water and sewer special obligation bonds with an average interest rate of 5.21% to provide funds for the water and sewer master plan – phase I (right-of-way acquisitions), to upgrade water systems, and to purchase smaller utility companies in the Orange Grove area. Bond covenants require the city to maintain a \$1,000 depreciation reserve and a \$1,000 contingency reserve in addition to maintaining a 105% net revenue coverage on the current debt service.

(2) Business Activities Note Obligations

The City's utility enterprise fund finances extensions and improvements to its system through note obligations that are subordinate to the revenue bonds.

The utility maintains state revolving loans, which enabled the City to provide sewer services in needed areas. These loans are to be repaid over a period of twenty years, bearing interest rates of 3% - 4.5% per annum. Payment on these loans is made by way of sales tax reductions from amounts due to the City for sales taxes collected in the City. The Water and Sewer Fund then reimburses the General Fund for the amount of the deduction.

A summary of note obligations outstanding at September 30, 2004 is as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Outstanding Amount</u>
State Revolving Fund Loans	\$ 33,868,422	various	3.0-4.5%	\$ 9,549,103
MS Development Bank	<u>598,489</u>	various	% of prime	<u>567,481</u>
Total	<u>\$ 34,466,911</u>			<u>\$ 10,116,584</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 8: LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the above noted obligations are as follows:

Year Ending September 30	Principal	Interest	Total
2005	\$ 616,912	\$ 247,928	\$ 864,840
2006	705,977	254,511	960,488
2007	728,599	231,628	960,227
2008	751,776	207,820	959,596
2009	775,805	183,158	958,963
2010-2014	3,613,896	533,417	4,147,313
2015-2019	1,430,604	196,857	1,627,461
2020-2024	1,483,054	67,325	1,550,379
2025-2027	<u>9,961</u>	<u>27</u>	<u>9,988</u>
Totals	<u>\$ 10,116,584</u>	<u>\$ 1,922,671</u>	<u>\$ 12,039,255</u>

**NOTE 9: DEFICIT OF INDIVIDUAL FUNDS**

In the Capital Projects Fund the 1993 Public Improvement Fund has a deficit fund balance in the amount of (\$52,648). This fund had a current net loss of \$205,754. The loss added to the beginning balance of \$153,106 results in the (\$52,648) deficit.

**NOTE 10: OTHER INDIVIDUAL FUND DISCLOSURES**

A listing of the individual funds that have an excess of expenditures over budget, including amounts of the excess, is as follows:

Fund Type/Fund	Amount
Special Revenue Funds – Police and Fireman’s Retirement Fund	\$ 32,654
Special Revenue Funds – Library Fund	10,000
Debt Service Fund – Debt Service Fund	238,834
Internal Service Fund – Group Life and Health Fund	5,627

The Debt Service Fund is in violation of state law. However, the city has no liability associated with this violation. The Special Revenue funds are not in violation of state law since additional tax receipts from the prior year were collected and dispersed at year-end.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 11: FUND RESERVES**

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the city:

Reserved for encumbrances – An account that represents a portion of the fund balance for commitments related to unperformed contracts.

Restricted funds – donor imposed - The city received \$100,000 for the senior citizens. The principal cannot be expended .

Reserved for debt service – An account that represents the fund balance for the Debt Service Fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for subsequent year expenditures – An account that represents the amount designated to be spent in the next year.

**NOTE 12: UNEMPLOYMENT COMPENSATION FUND**

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

**NOTE 13: RISK MANAGEMENT**

**(A) Description**

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

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

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 13: RISK MANAGEMENT (Continued)**

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

<u>Workers' Compensation</u>	
Per occurrence deductible (SIR)	\$ 200,000
Annual aggregate risk of loss through deductibles	1,000,000
Specific excess coverage in force	Statutory
<u>Employee Health Insurance</u>	
Per occurrence deductible (SIR)	125,000
Annual aggregate risk of loss through deductibles	3,760,448
<u>General and Other Liability Coverage</u>	
Per occurrence deductible (SIR)	50,000
Annual aggregate risk of loss through deductibles	350,000
Specific excess coverage in force	1,000,000/Occurrence 3,000,000/Aggregate
<u>Property Coverage</u>	
Per occurrence deductible (SIR)	50,000
Specific excess coverage in force	80,526,184

**(B) Claims Liability**

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

**(C) Unpaid Claims Liabilities**

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2002 to September 30, 2004:

	Claims Contingency Fund (Workers' Compensation and Tort Claims)	Group Life and Health Fund (Health Care Claims)
Liability balance, October 1, 2002	\$ 1,839,071	\$ 300,242
Claims and changes in estimates	535,932	2,904,477
Claims payments	<u>(703,556)</u>	<u>(2,819,324)</u>
Liability balance, September 30, 2003	1,671,447	385,395
Claims and changes in estimates	127,210	2,731,063
Claims payments	<u>(65,228)</u>	<u>(2,779,063)</u>
Liability balance, September 30, 2004	<u>\$ 1,733,429</u>	<u>\$ 337,395</u>
Assets available to pay claims at September 30, 2004	<u>\$ 1,563,501</u>	<u>\$ 1,945,696</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 13: RISK MANAGEMENT (Continued)**

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

In addition to claims paid, a total of \$1,125,857 was paid for insurance premiums and \$214,753 for administrative costs.

**NOTE 14: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

**(A) Status of Grants**

The City receives annual entitlement grants from the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of grant awards at September 30, 2004:

Grant Number	Award Amount	Funds Drawn and Expended*	Balance of Award
B-02-MC-28-0002	\$ 1,031,000	973,414	-
B-03-MC-28-0002	952,000	673,525	278,475
B-04-MC-28-0002	<u>928,000</u>	<u>-</u>	<u>928,000</u>
Totals	<u>\$ 2,911,000</u>	<u>\$ 1,646,939</u>	<u>\$ 1,206,475</u>

**(B) Section 108 Loan/Economic Development**

In 1988, the City obtained a Section 108 loan from the Department of Housing and Urban Development (HUD) in the amount of \$1,000,000. Proceeds of the loan were used for the acquisition of 158 acres of property in connection with the City's Urban Development Project. Although the loan has since been repaid, program income from the sale of parcels of the property is required to be used for property improvements in connection with the project.

In 1989, approximately 22 acres of the property was sold to a developer for the construction of a new Food World grocery store. The project was completed in fiscal year 1994. A loan was issued to the developer in the amount of \$1,000,000 with interest to accrue over the first four years of the project. The note is to be repaid over twenty years and bears an average interest rate of 3.75%. The accrued interest of \$115,065 was added to the principal balance in 1994. The outstanding balance on the note at September 30, 2004 totaled \$945,118.

During fiscal year ending September 30, 2000, the City entered into an agreement to lend a developer \$600,000 under an Urban Development Action Grant (UDAG) from the United States Department of Housing and Urban Development (HUD). The term of the loan is 15 years, bearing an interest rate of 0% for the first 5 years and 4% for the remaining years. No payments are required for the first five years, with equal monthly installments due over the next 15 years. The outstanding balance on the note at September 30, 2004 totaled \$600,000.

During 1995, the City received \$1,650,701 from the sale of 116 acres of the remaining property. The City incurred \$1,468,868 of infrastructure improvements through September 30, 1996, and an additional \$193,833 in fiscal year 1997. No amounts were spent in fiscal year 2004.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 14: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (Continued)**

**(C) Loan Programs**

Under the CDBG Program, the City makes installment and deferred loans to eligible homeowners and other eligible parties. These loan programs have been described at Note 5.

**NOTE 15: OTHER COMMITMENTS AND CONTINGENCIES**

**(A) Federal Grants**

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

**(B) Contract Commitments**

*Construction Contracts*

The following significant contracts were outstanding at September 30, 2004.

<u>Infrastructure Projects</u>	<u>Contract Amount</u>	<u>Expended At 9/30/04</u>	<u>Outstanding Commitment</u>
Brickyard Bayou Drainage Improvements	\$ 1,516,050	\$ 1,229,915	\$ 286,135
Three Rivers Rd	371,668	129,691	241,977
Remove, renovate, and replace Pump Stations	2,872,665	2,604,404	268,261
Sanitary Sewer Rehabilitation SRF-07	2,607,968	1,288,086	1,319,882
North Central Gulfport Water System Improv.	<u>2,900,007</u>	<u>171,264</u>	<u>2,728,743</u>
Totals	<u>\$ 10,268,358</u>	<u>\$ 5,423,360</u>	<u>\$ 4,844,998</u>

*Service Contracts*

In February 1999, the City entered into a service contract with OPTECH, Inc. to provide customer billing, maintenance and other services necessary for the proper operation of the City's water facilities, and the management, maintenance and repairs to the City's sewer collection system and lift stations. OPTECH, Inc. is responsible for all labor, chemicals, parts, supplies, etc. The City renewed the contract for four years which calls for annual amounts of \$5,891,623, \$6,068,371, \$6,250,423, and \$6,437,936 for years ending September 30, 2003, 2004, 2005, and 2006, respectively.

**(C) Litigation**

The City is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$1,733,429 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 14 for the treatment of claims incurred but not reported and other tort liability information.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 16: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

**I. JOINT VENTURES**

**(1) Harrison County Wastewater and Solid Waste Management District**

The City is a member of the Harrison County Wastewater and Solid Waste Management District (District), which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the District. Through a fifty-year contract, the City is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the District. Additionally, the City is jointly and severally liable for all of the District. The District is classified as a joint venture between the City and the other members.

The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2004, a complete copy of which is on file at the administrative offices of the District which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

**BALANCE SHEET**

<u>ASSETS</u>	
Current assets	\$ 2,290,918
Restricted assets	37,101,200
Property, plant and equipment (net)	80,481,618
Deferred charges	<u>3,922,608</u>
Total assets	<u>\$ 123,796,344</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Current, unrestricted	\$ 2,282,616
Current, restricted	6,138,300
Long-term liabilities	<u>119,858,119</u>
Total liabilities	128,279,035
 <u>FUND EQUITY</u>	
Total liabilities and fund equity	<u>(4,482,691)</u> <u>\$ 123,796,344</u>

**STATEMENT OF REVENUES AND EXPENSES**

Operating revenues	\$ 14,554,829
Operating expenses	(14,766,675)
Depreciation and amortization	(4,434,216)
Non-operating revenues (expense)	<u>3,011,614</u>
Net loss	<u>\$ (1,634,448)</u>

The following financial information concerning transactions with the District has been included in the City's financial statements under the following captions:

Water and Sewer Enterprise Fund

Statement of Revenues, Expenses and Changes in Retained Earnings	
Other services and charges (solid waste and wastewater treatment charges)	<u>\$ 8,580,106</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 16: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**(2) Memorial Hospital At Gulfport (MHG)**

MHG is an acute care, not-for-profit community hospital jointly owned by the City and the Gulfport-West Harrison County Hospital District. The Board of Trustees of MHG pursuant to section 41-13-15 et operates it. seq. Mississippi Code of 1972, as amended. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District. The following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2004, a complete copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

**BALANCE SHEET**

<u>ASSETS</u>	
Current assets	\$ 75,687,723
Non-current assets	114,444,356
Property, plant and equipment (net)	144,297,311
Other assets	<u>2,141,051</u>
Total assets	<u>\$ 336,570,441</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Current liabilities	\$ 24,577,617
Long-term liabilities	104,321,862
Net assets	<u>207,670,962</u>
Total liabilities and net assets	<u>\$ 336,570,441</u>

**STATEMENT OF REVENUES AND EXPENSES**

Operating revenues	\$ 237,052,640
Operating expenses	(226,477,501)
Non-operating (expenses)	<u>(3,955,675)</u>
Net income	<u>\$ 6,619,464</u>

The City has no transactions with MHG that are included in the City's financial statements. All general obligation bonds issued on behalf of Memorial Hospital were paid off during prior fiscal year. See Note 8(A)8 for additional information pertaining to conduit debt issued for Memorial Hospital.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 16: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**II. JOINTLY GOVERNED ORGANIZATIONS**

**(1) Harrison County Library System**

On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Gulfport Public Library, the City of Biloxi, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement. However, the County Library Board that stipulates the amount of funds needed from the participating municipalities and various other funding sources approves a budget every year. The City contributed \$509,645 for the year ended September 30, 2004. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year.

**(2) Gulfport-Biloxi Regional Airport Authority**

The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The authority is comprised of one appointee each from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually, if necessary. During the past fiscal year, the City provided \$115,000 to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility.

**NOTE 17: RETIREMENT PLANS**

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

**(A) Public Employees' Retirement System**

**1. Plan Description and Provisions**

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 17: RETIREMENT PLANS (Continued)**

**2. Description of Funding Policy**

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2004, 2003 and 2002 were \$2,172,318, \$2,103,127, and \$1,970,793 respectively equal to the required contributions for each year.

**3. Trend Information**

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2002 financial report.

**(B) Disability and Relief-Municipal Retirement Systems Pension Plan**

**1. General**

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At September 30, 2002, the date of the most recent actuarial verification available, the MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**2. Memberships and Benefit Provision**

Membership in the Fire and Police Disability and Relief Systems was granted to all City uniformed police officers and fire fighters who were not already members of PERS and who were hired prior to July 1, 1976. Employees hired after July 1, 1976 automatically become members of PERS. MRS were fully closed to new members July 1, 1976. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions.

Participating employees who retire regardless of age with at least 20 years of credited service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66-2/3 percent of average monthly compensation. Average monthly compensation is the monthly average for the last six months of service. The City provides a minimum monthly retirement allowance of \$500 under the MRS. Benefits vest upon reaching 20 years of credited service. MRS also provide certain death and disability benefits. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Annotated (1972) and annual local and private legislation. Statutes may be amended only by the state legislature.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2004**

**NOTE 17: RETIREMENT PLANS (Continued)**

**3. Funding Policy and Annual Pension Costs**

Contribution provisions for MRS are established by state statute, annual local and private legislation and may be amended only by the state legislature.

During the year ended September 30, 2004, contributions totaling \$1,110,847 (\$1,090,052 employer and \$20,795 employee) was made in accordance with contribution requirements.

**(C) Deferred Compensation Plan**

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

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2004 and 2003, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$2,013,420 and \$1,686,835, respectively.

**NOTE 18: SUBSEQUENT EVENTS**

The following occurred subsequent to year-end.

In December 2004, the City directed the sale of General Obligation Water and Sewer Refunding Bonds, Series 2004, in the amount of \$3,810,000, for the purpose of refunding outstanding General Obligation Water and Sewer Bonds, Series 1996 dated December 1, 1996, in the original principal amount of 6,000,000.

In December 2004, the City exercised eminent domain and purchased water and sewer assets and franchise certificates from Dedeaux Utility Company, Inc. for \$3,634,757 and accrued interest of \$ 2,928,456.

In March 2005, the City directed the sale of Special General Obligation Water and Sewer Refunding Bonds, Series 2005, in the amount of \$47,565,000, for the purpose of refunding outstanding General Obligation Water and Sewer Bonds, Series 1999 dated December 1, 1999, in the original principal amount of \$33,300,00 and the General Obligation Water and Sewer Bonds, Series 2002 dated April 23, 2002, in the original principal amount of \$15,000,000.

In March 2005, the City directed the sale of General Obligation Water and Sewer Bonds, Series 2005 in the principal amount of \$5,200,000, to raise money for the purpose of sewer improvements.

**NOTE 19: RECLASSIFICATIONS**

Certain amounts for the year ended June 30, 2003, have been reclassified to conform with the presentation of June 30, 2004, amounts



This page left blank intentionally

**CITY OF GULFPORT, MISSISSIPPI**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
**For the Fiscal Year Ended September 30, 2004**

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Taxes:						
Property	\$ 13,736,488	\$ 13,736,488	\$ 13,920,879	\$ 3,540	\$ 13,924,419	\$ 187,931
Sales	16,500,000	16,500,000	17,518,320	31,508	17,549,828	1,049,828
Franchise	2,700,000	2,700,000	2,934,983	(32,467)	2,902,516	202,516
Gaming	4,400,000	4,400,000	4,806,833	92,168	4,899,001	499,001
Licenses and permits	1,511,000	1,511,000	2,005,366	25,420	2,030,786	519,786
Intergovernmental	2,783,887	4,473,064	2,806,497	764,837	3,571,334	(901,730)
Charges for services	779,808	873,622	1,171,136	9,795	1,180,931	307,309
Fines and forfeits	2,000,000	2,355,500	2,606,454	(327,567)	2,278,887	(76,613)
Interest	100,000	100,000	255,179	-	255,179	155,179
Miscellaneous	28,000	1,367,672	1,413,173	68,992	1,482,165	114,493
Total revenues	<u>44,539,183</u>	<u>48,017,346</u>	<u>49,438,820</u>	<u>636,226</u>	<u>50,075,046</u>	<u>2,057,700</u>
Expenditures:						
Current:						
General government	5,696,587	8,646,146	5,850,447	622,799	6,473,246	2,172,900
Public safety	26,141,060	27,624,396	25,241,992	614,896	25,856,888	1,767,508
Public works	7,750,253	7,847,753	7,376,398	52,159	7,428,557	419,196
Economic development	1,547,459	1,544,584	1,432,846	24,792	1,457,638	86,946
Culture and recreation	4,545,194	4,816,381	4,569,568	(34,323)	4,535,245	281,136
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>45,680,553</u>	<u>50,479,260</u>	<u>44,471,251</u>	<u>1,280,323</u>	<u>45,751,574</u>	<u>4,727,686</u>
Excess of revenues over expenditures	<u>(1,141,370)</u>	<u>(2,461,914)</u>	<u>4,967,569</u>	<u>(644,097)</u>	<u>4,323,472</u>	<u>6,785,386</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(240,400)	(324,262)	(283,862)	-	(283,862)	40,400
Loan proceeds	-	-	-	-	-	-
Sale of general fixed assets	-	61,035	64,783	-	64,783	3,748
Total other financing sources (uses)	<u>(240,400)</u>	<u>(263,227)</u>	<u>(219,079)</u>	<u>-</u>	<u>(219,079)</u>	<u>44,148</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,381,770)</u>	<u>(2,725,141)</u>	<u>4,748,490</u>	<u>(644,097)</u>	<u>4,104,393</u>	<u>6,829,534</u>
Fund balance - October 1	<u>12,983,574</u>	<u>12,983,574</u>	<u>12,983,574</u>	<u>-</u>	<u>12,983,574</u>	<u>-</u>
Fund balance -September 30	<u>\$ 11,601,804</u>	<u>\$ 10,258,433</u>	<u>\$ 17,732,064</u>	<u>\$ (644,097)</u>	<u>\$ 17,087,967</u>	<u>\$ 6,829,534</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**MISSISSIPPI MUNICIPAL RETIREMENT SYSTEM (MMRS)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS**  
(Amounts Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	Unfunded AAL as a Percentage of Covered Payroll (( b-a ) / c )
9/30/98	\$ 8,012	\$ 17,172	\$ 9,160	46.7%	\$ 777	1178.9%
9/30/99	8,997	17,120	8,123	52.6%	747	1087.4%
9/30/00	9,893	17,425	7,532	56.8%	740	1017.8%
9/30/01	10,627	18,601	7,974	57.1%	694	1149.0%
9/30/02	10,986	18,904	7,918	58.1%	588	1346.6%
9/30/03	11,136	23,527	12,391	47.3%	408	3037.0%
9/30/04	10,745	23,317	12,572	46.1%	230	5466.1%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the City of Gulfport's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and the annual covered payroll are both affected by inflation. Usually expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan. However, for closed plans such as this one, this figure is highly misleading and should be ignored.

## General Fund

***General Fund:***

The General Fund is used to account for sources and uses of financial resources applicable to the general operations of the City of Gulfport, Mississippi which are not required legally or by sound financial management to be accounted for in another fund.

**CITY OF GULFPORT, MISSISSIPPI**  
**General Fund**  
**Comparative Balance Sheets**  
**September 30, 2004 and 2003**

	2004	2003
<b>Assets</b>		
Pooled cash and cash equivalents	\$ 16,151,126	\$ 11,154,312
Non-pooled cash and cash equivalents	191,520	189,633
Receivables:		
Property taxes	130,758	134,319
Sales taxes	1,430,895	1,462,402
Franchise taxes	755,036	722,569
Gaming fees	367,830	459,998
Gaming privilege licenses	125,700	131,350
Privilege licenses	115,380	118,401
For other governments	212,231	265,370
Other	40,780	95,672
Due from other funds	499,004	881,014
Due from other governments	194,925	955,736
Total assets	\$ 20,215,185	\$ 16,570,776
<b>Liabilities and Fund balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,703,742	\$ 2,264,429
Accrued wages payable	342,824	833,356
Due to other governments	212,231	265,370
Deferred revenue	203,502	196,522
Performance bonds payable	20,822	27,525
Total liabilities	2,483,121	3,587,202
<b>Fund Balance</b>		
Reserved for encumbrances	396,795	901,384
Restricted funds - donor imposed	100,000	100,000
Reserved for subsequent year expenditures	5,084,858	1,381,770
Unreserved	12,150,411	10,600,420
Total fund balance	17,732,064	12,983,574
Total liabilities and fund balance	\$ 20,215,185	\$ 16,570,776

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**General Fund**  
**Comparative Statements of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Taxes:		
Property	\$ 13,920,879	\$ 13,654,704
Sales	17,518,320	17,002,238
Franchise	2,934,983	2,832,711
Gaming	4,806,833	4,477,760
Licenses and permits	2,005,366	1,783,718
Intergovernmental	2,806,497	3,742,887
Charges for services	1,171,136	1,204,168
Fines and forfeits	2,606,454	1,965,229
Interest	255,179	124,752
Miscellaneous	1,413,173	777,177
Total revenues	<u>49,438,820</u>	<u>47,565,344</u>
<b>Expenditures</b>		
Current:		
General government	5,850,447	6,743,365
Public safety	25,241,992	25,598,526
Public works	7,376,398	7,904,706
Economic development	1,432,846	1,452,673
Culture and recreation	4,569,568	4,370,787
Total expenditures	<u>44,471,251</u>	<u>46,070,057</u>
Excess of revenues over expenditures	<u>4,967,569</u>	<u>1,495,287</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	15,675
Transfers out	(283,862)	(195,450)
Sale of general fixed assets	64,783	36,902
Total other financing sources (uses)	<u>(219,079)</u>	<u>(142,873)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	4,748,490	1,352,414
Fund balance - October 1	<u>12,983,574</u>	<u>11,631,160</u>
Fund balance - September 30	<u>\$ 17,732,064</u>	<u>\$ 12,983,574</u>

The accompanying notes are an integral part of these financial statements

**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2004**

(With Comparative Actual Totals for the Fiscal Year Ended September 30, 2003)

	2004					Variance with Final Budget Positive (Negative)	2003
	Budgeted Amounts		Actual GAAP	Adjustments Budget	Actual Budget		Actual GAAP
	Original	Final	Actual	Basis	Basis		Basis
<b>Revenues</b>							
Taxes:							
Property	\$ 13,736,488	\$ 13,736,488	\$ 13,920,879	\$ 3,540	\$ 13,924,419	\$ 187,931	\$ 13,654,704
Sales	16,500,000	16,500,000	17,518,320	31,508	17,549,828	1,049,828	17,002,238
Franchise	2,700,000	2,700,000	2,934,983	(32,467)	2,902,516	202,516	2,832,711
Gaming	4,400,000	4,400,000	4,806,833	92,168	4,899,001	499,001	4,477,760
Licenses and permits	1,511,000	1,511,000	2,005,366	25,420	2,030,786	519,786	1,783,718
Intergovernmental	2,783,887	4,473,064	2,806,497	764,837	3,571,334	(901,730)	3,742,887
Charges for services	779,808	873,622	1,171,136	9,795	1,180,931	307,309	1,204,168
Fines and forfeits	2,000,000	2,355,500	2,606,454	(327,567)	2,278,887	(76,613)	1,965,229
Interest	100,000	100,000	255,179	-	255,179	155,179	124,752
Miscellaneous	28,000	1,367,672	1,413,173	68,992	1,482,165	114,493	777,177
Total revenues	44,539,183	48,017,346	49,438,820	636,226	50,075,046	2,057,700	47,565,344
<b>Expenditures</b>							
Current:							
General government							
Personnel services	3,743,977	4,020,001	3,641,365	78,182	3,719,547	300,454	3,534,729
Supplies	208,534	304,739	154,249	37,023	191,272	113,467	224,990
Other services	1,614,076	3,893,198	1,693,983	503,099	2,197,082	1,696,116	2,557,240
Capital outlay	130,000	428,208	360,850	4,495	365,345	62,863	426,406
Total	5,696,587	8,646,146	5,850,447	622,799	6,473,246	2,172,900	6,743,365
Police							
Personnel services	13,413,652	13,309,760	12,554,459	248,742	12,803,201	506,559	12,460,137
Supplies	1,458,200	1,583,837	1,392,806	13	1,392,819	191,018	1,511,172
Other services	1,343,635	1,718,627	1,234,734	(19,045)	1,215,689	502,938	1,444,544
Capital outlay	200,000	938,536	834,038	408	834,446	104,090	241,363
Total	16,415,487	17,550,760	16,016,037	230,118	16,246,155	1,304,605	15,657,216
Fire							
Personnel services	8,972,867	8,934,237	8,354,657	176,150	8,530,807	403,430	8,801,323
Supplies	306,003	363,300	355,087	(3,855)	351,232	12,068	413,623
Other services	246,703	261,753	269,594	(17,482)	252,112	9,641	269,728
Capital outlay	200,000	514,346	246,617	229,965	476,582	37,764	456,636
Total	9,725,573	10,073,636	9,225,955	384,778	9,610,733	462,903	9,941,310
Public Works							
Personnel services	1,803,667	1,766,667	1,680,319	(8,579)	1,671,740	94,927	1,605,588
Supplies	1,457,398	1,439,316	1,401,010	16,809	1,417,819	21,497	1,370,731
Other services	4,089,188	4,104,188	3,904,929	43,929	3,948,858	155,330	4,292,162
Capital outlay	400,000	537,582	390,140	-	390,140	147,442	636,225
Total	7,750,253	7,847,753	7,376,398	52,159	7,428,557	419,196	7,904,706
Economic Development							
Personnel services	1,262,916	1,252,916	1,230,453	24,699	1,255,152	(2,236)	1,113,784
Supplies	29,405	33,905	28,202	1,600	29,802	4,103	29,296
Other services	185,138	187,763	119,636	493	120,129	67,634	278,950
Capital outlay	70,000	70,000	54,555	(2,000)	52,555	17,445	30,643
Total	1,547,459	1,544,584	1,432,846	24,792	1,457,638	86,946	1,452,673

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2004**  
(With Comparative Actual Totals for the Fiscal Year Ended September 30, 2003)

	2004						2003 Actual GAAP Basis
	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)	
	Original	Final					
Culture & Recreation							
Personnel services	3,138,358	3,194,640	2,994,256	(14,388)	2,979,868	214,772	3,066,375
Supplies	564,040	576,397	569,795	(1,155)	568,640	7,757	484,752
Other services	642,796	787,784	758,237	(18,780)	739,457	48,327	745,370
Capital outlay	200,000	257,560	247,280	-	246,040	11,520	74,290
Total	<u>4,545,194</u>	<u>4,816,381</u>	<u>4,569,568</u>	<u>(34,323)</u>	<u>4,534,005</u>	<u>282,376</u>	<u>4,370,787</u>
Debt Service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>45,680,553</u>	<u>50,479,260</u>	<u>44,471,251</u>	<u>1,279,083</u>	<u>45,750,334</u>	<u>4,728,926</u>	<u>46,070,057</u>
Excess (deficit) of revenues over expenditures	<u>(1,141,370)</u>	<u>(2,461,914)</u>	<u>4,967,569</u>	<u>(642,857)</u>	<u>4,324,712</u>	<u>6,786,626</u>	<u>1,495,287</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	-	-	15,675
Transfers out	(240,400)	(324,262)	(283,862)	-	(283,862)	40,400	(195,450)
Sale of general fixed assets	-	61,035	64,783	-	64,783	3,748	36,902
Total other financing sources (uses)	<u>(240,400)</u>	<u>(263,227)</u>	<u>(219,079)</u>	<u>-</u>	<u>(219,079)</u>	<u>44,148</u>	<u>(142,873)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,381,770)</u>	<u>(2,725,141)</u>	<u>4,748,490</u>	<u>(642,857)</u>	<u>4,105,633</u>	<u>6,830,774</u>	<u>1,352,414</u>
Fund balance - October 1	<u>12,983,574</u>	<u>12,983,574</u>	<u>12,983,574</u>	<u>-</u>	<u>12,983,574</u>	<u>-</u>	<u>11,631,160</u>
Fund balance - September 30	<u>\$ 11,601,804</u>	<u>\$ 10,258,433</u>	<u>\$ 17,732,064</u>	<u>\$ (642,857)</u>	<u>\$ 17,089,207</u>	<u>\$ 6,830,774</u>	<u>\$ 12,983,574</u>

The accompanying notes are an integral part of these financial statements



This page left blank intentionally

## Non-Major Governmental Funds

### ***Special Revenues:***

Forfeitures and Seizures Fund – This fund is used to account for monies seized and forfeited through drug enforcement actions and are specifically restricted for drug enforcement expenditures and other such public safety operations.

Police Traffic Safety Fund – This fund is used to account for federal grants legally restricted to the traffic safety programs for which they are provided.

Community Development Fund – This fund is primarily used to account for the community development block grant that is funding certain economic development and community revitalization projects in low-income areas within the City's jurisdiction.

Police and Firemen's Retirement Fund – This fund is used to account for tax revenues legally restricted for funding the police and firemen's retirement plan. All collections are forwarded to the Public Employee's Retirement System (PERS) for a closed fire and police retirement system managed by PERS.

Library Fund – This fund is used to account for tax revenues legally restricted to provide funding to the library system.

Flood Acquisition Fund – This fund is used to account for the purchasing of houses under the Disaster Assistance for Unmet Needs Grants Program.

### ***Capital Projects Funds:***

1993 Public Improvements Fund – This fund is used to account for streets and drainage projects throughout the City of Gulfport, Mississippi's jurisdiction which are being financed with the City's 1993 general obligation bond issue.

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

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

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

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

### ***Debt Service Funds:***

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the City of Gulfport, Mississippi is obligated in some manner for the payment.

**CITY OF GULFPORT, MISSISSIPPI**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**September 30, 2004**

	Special Revenue					Capital Projects							Total Other Governmental Funds 2003
	Police Traffic Safety	Community Development	Police and Firemen's Retirement	Library	Flood Acquisition Program	1993 Public Improvement Fund	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund	Capital Projects Fund	Debt Service Fund	
Forfeitures and Seizures	\$ 143,219	\$ -	\$ -	\$ -	\$ 155,044	\$ 5,532	\$ 98,037	\$ 129,604	\$ 633,523	\$ 3,513,690	\$ 2,232,605	\$ 2,536,655	\$ 9,510,820
Cash with fiscal agent	-	-	-	-	-	-	-	-	-	-	-	92,955	92,955
Non-pooled cash and cash equivalents	-	208,137	-	-	-	-	-	-	-	-	-	-	208,137
Receivables:													
Taxes	-	-	10,026	4,677	-	-	-	-	-	-	-	37,329	52,032
Grantee loans	-	2,377,294	-	-	-	-	-	-	-	-	-	-	2,377,294
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	562,387	-	431,649	-	-	-	-	-	-	239,765	-	1,235,721
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	15,976	15,976
Deferred Charges	-	-	-	-	98,458	-	-	-	-	-	-	-	98,458
Total assets	\$ 143,219	\$ 3,147,818	\$ 10,026	\$ 4,677	\$ 685,151	\$ 5,532	\$ 98,037	\$ 129,604	\$ 633,523	\$ 3,513,690	\$ 2,472,370	\$ 2,682,915	\$ 13,591,393

Accounts payable	\$ 1,054	\$ 263	\$ 61,266	\$ 10,026	\$ 630	\$ 49,718	\$ 6,116	\$ -	\$ -	\$ 3,600	\$ 41,825	\$ -	\$ 179,175
Due to other funds	-	-	458,689	-	-	-	-	-	-	-	-	2,041	460,730
Retainage payable	-	-	1,000	-	-	8,462	-	-	-	-	15,000	-	24,462
Deferred revenue	-	-	2,409,244	-	-	-	-	-	-	-	482,364	-	2,891,608
Other liabilities	-	-	46,862	-	498	-	-	-	-	-	-	-	47,360
Total liabilities	1,054	263	2,977,061	10,026	1,128	58,180	6,116	-	-	3,600	539,189	2,041	3,603,335

Reserved for encumbrances	432	-	5,888	-	-	1,099	-	-	9,736	18,356	48,075	-	83,586
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	2,680,874	2,680,874
Unreserved:													
Designated for subsequent year expenditures	141,733	64,568	164,869	-	684,023	(53,747)	91,921	129,604	623,787	3,491,734	1,885,106	-	7,223,598
Total fund balances	142,165	64,568	170,757	-	684,023	(52,648)	91,921	129,604	633,523	3,510,090	1,933,181	2,680,874	9,988,058
Total liabilities and fund balances	\$ 143,219	\$ 64,831	\$ 3,147,818	\$ 10,026	\$ 685,151	\$ 5,532	\$ 98,037	\$ 129,604	\$ 633,523	\$ 3,513,690	\$ 2,472,370	\$ 2,682,915	\$ 13,591,393

**CITY OF GULFPORT, MISSISSIPPI**  
**Combining Statements of Revenues and Expenditures and**  
**Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended September 30, 2004**

	Special Revenue				Capital Projects							Debt Service Fund	Total Other Governmental Funds	
	Police Traffic Safety	Police and Firemen's Retirement	Library	Flood Acquisition Program	1993 Public Improvement Fund	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund	Capital Projects Fund				
<b>Revenues</b>														
Taxes:														
Property	\$ -	\$ -	\$ -	\$ 1,058,950	\$ 490,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,908,202	\$ 5,457,609
Intergovernmental	55,147	6,248	2,123,944	30,598	14,275	2,056,799	-	-	110,000	-	237,747	-	632,827	5,267,585
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	2,084	1,019	6,803	-	-	-	-	-	-	2,690	1,643	2,058	-	-
Miscellaneous	-	-	28,903	-	-	4,700	-	-	-	115,000	116,643	-	-	161,366
Total revenues	57,231	7,267	2,159,650	1,089,548	504,732	2,067,499	-	-	117,685	117,685	2,058	273,288	4,586,043	11,035,163
<b>Expenditures</b>														
Current:														
General government	-	-	140,413	-	-	-	-	-	-	-	-	-	-	140,413
Public safety	47,331	6,248	-	1,100,078	-	-	-	-	-	-	-	-	-	1,153,657
Public works	-	-	297,144	-	-	-	-	-	-	-	-	-	-	297,144
Economic development	-	-	8,400	-	-	-	-	-	-	-	-	-	-	8,400
Health and welfare	-	-	1,581,289	-	-	-	-	-	-	-	-	-	-	1,581,289
Culture and recreation	-	-	-	-	509,645	-	-	-	-	-	-	-	-	509,645
Capital outlay	30,400	-	99	-	-	1,774,673	-	-	934,015	60,625	-	751,783	-	4,748,320
Debt service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	2,820,319	2,820,319
Interest	-	-	-	-	-	-	-	-	-	-	-	-	1,951,663	1,951,663
Bond issue costs	-	-	-	-	-	-	-	174,699	-	-	-	-	-	174,699
Other	-	-	-	-	-	-	-	-	-	-	-	-	5,352	5,352
Total expenditures	77,731	6,248	2,027,345	1,100,078	509,645	1,774,673	-	-	934,015	235,324	-	751,783	4,777,334	13,390,901
Excess (deficit) of revenues over expenditures	(20,500)	1,019	132,305	(10,530)	(4,913)	286,826	-	-	(816,330)	(205,754)	2,058	(478,495)	(191,291)	(2,355,738)
<b>Other Financing Sources (Uses)</b>														
Transfers in	-	-	-	-	-	-	-	-	23,862	-	-	60,000	-	283,862
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	1,117,572	-	-	804,160	-	-	-	-	1,921,732
Bond proceeds	-	-	-	-	-	-	-	-	6,179,867	-	-	-	-	6,179,867
Payment - defeasance of bonds	-	-	-	-	-	-	-	-	(6,005,168)	-	-	-	-	(6,005,168)
Sale of general fixed assets	2,093	-	-	-	-	-	-	-	-	-	-	-	-	2,093
Total other financing sources (uses)	2,093	-	-	-	-	1,117,572	-	-	828,022	(205,754)	2,058	60,000	-	2,207,687
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(18,407)	1,019	132,305	(10,530)	(4,913)	1,404,398	-	-	(731,452)	(205,754)	2,058	(418,495)	(191,291)	(148,051)
Fund balances - October 1	160,572	63,549	38,452	10,530	4,913	(720,375)	-	-	621,831	35,903	127,546	2,351,676	2,872,165	9,961,410
Fund balances - September 30	\$ 142,165	\$ 64,568	\$ 170,757	\$ -	\$ -	\$ 684,023	\$ -	\$ -	\$ 633,523	\$ (62,648)	\$ 129,604	\$ 1,933,181	\$ 2,680,874	\$ 9,813,359

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Forfeitures and Seizures Special Revenue Fund**  
**Comparative Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Forfeitures and Seizures Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	57,005	55,147	(1,858)	-	223,108	223,108
Fines and forfeits	-	-	-	-	-	-
Interest	-	2,084	2,084	-	1,320	1,320
Miscellaneous	-	-	-	-	671	671
Total revenues	<u>57,005</u>	<u>57,231</u>	<u>226</u>	<u>-</u>	<u>225,099</u>	<u>225,099</u>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	92,926	47,331	45,595	62,236	20,414	41,822
Economic development	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	119,237	30,400	88,837	229,891	119,017	110,874
Debt service:						
Other	-	-	-	-	-	-
Total expenditures	<u>212,163</u>	<u>77,731</u>	<u>134,432</u>	<u>292,127</u>	<u>139,431</u>	<u>152,696</u>
Excess (deficit) of revenues over expenditures	<u>(155,158)</u>	<u>(20,500)</u>	<u>134,658</u>	<u>(292,127)</u>	<u>85,668</u>	<u>377,795</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Sale of general fixed assets	2,093	2,093	-	-	-	-
Total other financing sources (uses)	<u>2,093</u>	<u>2,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(153,065)</u>	<u>(18,407)</u>	<u>134,658</u>	<u>(292,127)</u>	<u>85,668</u>	<u>377,795</u>
Fund balance - October 1	<u>160,572</u>	<u>160,572</u>	<u>-</u>	<u>74,904</u>	<u>74,904</u>	<u>-</u>
Fund balance - September 30	<u>\$ 7,507</u>	<u>\$ 142,165</u>	<u>\$ 134,658</u>	<u>\$ (217,223)</u>	<u>\$ 160,572</u>	<u>\$ 377,795</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Police Traffic Safety Special Revenue Fund**  
**Comparative Statements of Revenue, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Police Traffic Safety Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,394	6,248	(3,146)	-	15,183	15,183
Fines and forfeits	-	-	-	-	-	-
Interest	-	1,019	1,019	-	805	805
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>9,394</u>	<u>7,267</u>	<u>(2,127)</u>	<u>-</u>	<u>15,988</u>	<u>15,988</u>
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Public safety	8,284	6,248	2,036	11,534	9,750	1,784
Economic development	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Other	-	-	-	-	-	-
Total expenditures	<u>8,284</u>	<u>6,248</u>	<u>2,036</u>	<u>11,534</u>	<u>9,750</u>	<u>1,784</u>
Excess (deficit) of revenues over expenditures	<u>1,110</u>	<u>1,019</u>	<u>(91)</u>	<u>(11,534)</u>	<u>6,238</u>	<u>17,772</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>1,110</u>	<u>1,019</u>	<u>(91)</u>	<u>(11,534)</u>	<u>6,238</u>	<u>17,772</u>
Fund balance - October 1	<u>63,549</u>	<u>63,549</u>	<u>-</u>	<u>57,311</u>	<u>57,311</u>	<u>-</u>
Fund balance - September 30	<u>\$ 64,659</u>	<u>\$ 64,568</u>	<u>\$ (91)</u>	<u>\$ 45,777</u>	<u>\$ 63,549</u>	<u>\$ 17,772</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Community Development Fund Special Revenue Fund**  
**Comparative Statements of Revenue, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Community Development Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,138,454	2,123,944	(3,014,510)	5,170,260	2,088,801	(3,081,459)
Fines and forfeits	-	-	-	-	-	-
Interest	-	6,803	-	-	3,222	-
Miscellaneous	-	28,903	28,903	-	32,720	32,720
Total revenues	<u>5,138,454</u>	<u>2,159,650</u>	<u>(2,985,607)</u>	<u>5,170,260</u>	<u>2,124,743</u>	<u>(3,048,739)</u>
<b>Expenditures</b>						
Current						
General government	279,629	140,413	139,216	430,133	296,625	133,508
Public safety	-	-	-	-	-	-
Public works	959,332	297,144	-	-	-	-
Economic development	36,250	8,400	27,850	-	-	-
Health and welfare	3,467,564	1,581,289	1,886,275	2,184,198	639,332	1,544,866
Culture and recreation	-	-	-	37,634	6,041	31,593
Capital outlay	-	99	(99)	2,377,841	1,289,499	1,088,342
Debt service:						
Other	-	-	-	-	-	-
Total expenditures	<u>4,742,775</u>	<u>2,027,345</u>	<u>2,053,242</u>	<u>5,029,806</u>	<u>2,231,497</u>	<u>2,798,309</u>
Excess (deficit) of revenues over expenditures	<u>395,679</u>	<u>132,305</u>	<u>(932,365)</u>	<u>140,454</u>	<u>(106,754)</u>	<u>(250,430)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>395,679</u>	<u>132,305</u>	<u>(932,365)</u>	<u>140,454</u>	<u>(106,754)</u>	<u>(250,430)</u>
Fund balance - October 1	<u>38,452</u>	<u>38,452</u>	<u>-</u>	<u>145,206</u>	<u>145,206</u>	<u>-</u>
Fund balance - September 30	<u>\$ 434,131</u>	<u>\$ 170,757</u>	<u>\$ (932,365)</u>	<u>\$ 285,660</u>	<u>\$ 38,452</u>	<u>\$ (250,430)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Police and Fireman's Retirement Special Revenue Fund**  
**Comparative Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Police and Fireman's Retirement Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ 1,039,777	\$ 1,058,950	\$ 19,173	\$ 1,020,436	\$ 1,051,176	\$ 30,740
Intergovernmental	27,647	30,598	2,951	27,958	30,424	2,466
Fines and forfeits	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>1,067,424</u>	<u>1,089,548</u>	<u>22,124</u>	<u>1,048,394</u>	<u>1,081,600</u>	<u>33,206</u>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	1,067,424	1,100,078	(32,654)	1,048,394	1,071,070	(22,676)
Economic development	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Other	-	-	-	-	-	-
Total expenditures	<u>1,067,424</u>	<u>1,100,078</u>	<u>(32,654)</u>	<u>1,048,394</u>	<u>1,071,070</u>	<u>(22,676)</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(10,530)</u>	<u>(10,530)</u>	<u>-</u>	<u>10,530</u>	<u>10,530</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>(10,530)</u>	<u>(10,530)</u>	<u>-</u>	<u>10,530</u>	<u>10,530</u>
Fund balance - October 1	<u>10,530</u>	<u>10,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - September 30	<u>\$ 10,530</u>	<u>\$ -</u>	<u>\$ (10,530)</u>	<u>\$ -</u>	<u>\$ 10,530</u>	<u>\$ 10,530</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Library Fund Special Revenue Fund**  
**Comparative Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Library Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ 486,704	\$ 490,457	\$ 3,753	\$ 477,650	\$ 490,478	\$ 12,828
Intergovernmental	12,941	14,275	1,334	13,087	14,200	1,113
Fines and forfeits	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>499,645</u>	<u>504,732</u>	<u>5,087</u>	<u>490,737</u>	<u>504,678</u>	<u>13,941</u>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	499,645	509,645	(10,000)	490,737	499,765	(9,028)
Capital outlay	-	-	-	-	-	-
Debt service:						
Other	-	-	-	-	-	-
Total expenditures	<u>499,645</u>	<u>509,645</u>	<u>(10,000)</u>	<u>490,737</u>	<u>499,765</u>	<u>(9,028)</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(4,913)</u>	<u>(4,913)</u>	<u>-</u>	<u>4,913</u>	<u>4,913</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>(4,913)</u>	<u>(4,913)</u>	<u>-</u>	<u>4,913</u>	<u>4,913</u>
Fund balance - October 1	<u>4,913</u>	<u>4,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - September 30	<u>\$ 4,913</u>	<u>\$ -</u>	<u>\$ (4,913)</u>	<u>\$ -</u>	<u>\$ 4,913</u>	<u>\$ 4,913</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Flood Acquisition Program Special Revenue Fund**  
**Comparative Statements of Revenue, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Flood Acquisition Program</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,000,098	2,056,799	56,701	-	1,907,580	1,907,580
Fines and forfeits	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	3,753	3,753
Total revenues	<u>2,000,098</u>	<u>2,056,799</u>	<u>56,701</u>	<u>-</u>	<u>1,911,333</u>	<u>1,911,333</u>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	2,044,805	1,774,673	270,132	5,878,604	3,241,544	2,637,060
Debt service:	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenditures	<u>2,044,805</u>	<u>1,774,673</u>	<u>270,132</u>	<u>5,878,604</u>	<u>3,241,544</u>	<u>2,637,060</u>
Excess (deficit) of revenues over expenditures	<u>(44,707)</u>	<u>282,126</u>	<u>326,833</u>	<u>(5,878,604)</u>	<u>(1,330,211)</u>	<u>4,548,393</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	36,750	36,750
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Bond proceeds	960,169	-	(960,169)	-	141,920	724,425
Total other financing sources (uses)	<u>960,169</u>	<u>-</u>	<u>(960,169)</u>	<u>-</u>	<u>178,670</u>	<u>761,175</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>915,462</u>	<u>282,126</u>	<u>(633,336)</u>	<u>(5,878,604)</u>	<u>(1,151,541)</u>	<u>5,309,568</u>
Fund balance - October 1	<u>(720,375)</u>	<u>(720,375)</u>	<u>-</u>	<u>431,166</u>	<u>431,166</u>	<u>-</u>
Fund balance - September 30	<u>\$ 195,087</u>	<u>\$ (438,249)</u>	<u>\$ (633,336)</u>	<u>\$ (5,447,438)</u>	<u>\$ (720,375)</u>	<u>\$ 5,309,568</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**1993 Public Improvement Fund**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>1993 Public Improvement Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	2,691	2,691	-	13,632	13,632
Miscellaneous	-	-	-	-	5,362	-
<b>Total revenues</b>	<u>-</u>	<u>2,691</u>	<u>2,691</u>	<u>-</u>	<u>18,994</u>	<u>13,632</u>
<b>Expenditures</b>						
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	293,992	208,444	85,548	1,517,100	1,281,929	235,171
Economic development	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-
<b>Total expenditures</b>	<u>293,992</u>	<u>208,444</u>	<u>85,548</u>	<u>1,517,100</u>	<u>1,281,929</u>	<u>235,171</u>
Excess (deficit) of revenues over expenditures	<u>(293,992)</u>	<u>(205,753)</u>	<u>88,239</u>	<u>(1,517,100)</u>	<u>(1,262,935)</u>	<u>248,803</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Sale of general fixed assets	-	-	-	-	-	-
<b>Total other financing     sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(293,992)</u>	<u>(205,753)</u>	<u>88,239</u>	<u>(1,517,100)</u>	<u>(1,262,935)</u>	<u>248,803</u>
Fund balance - October 1	<u>153,106</u>	<u>153,106</u>	<u>-</u>	<u>1,416,041</u>	<u>1,416,041</u>	<u>-</u>
Fund balance - September 30	<u><u>\$ (140,886)</u></u>	<u><u>\$ (52,647)</u></u>	<u><u>\$ 88,239</u></u>	<u><u>\$ (101,059)</u></u>	<u><u>\$ 153,106</u></u>	<u><u>\$ 248,803</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**1996 Public Improvement Fund**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>1996 Public Improvement Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	1,643	1,643	-	810	810
Miscellaneous	115,000	115,000	-	-	-	-
<b>Total revenues</b>	<u>115,000</u>	<u>116,643</u>	<u>1,643</u>	<u>-</u>	<u>810</u>	<u>810</u>
<b>Expenditures</b>						
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	178,738	60,625	118,113	223,974	84,426	139,548
Economic development	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-
<b>Total expenditures</b>	<u>178,738</u>	<u>60,625</u>	<u>118,113</u>	<u>223,974</u>	<u>84,426</u>	<u>139,548</u>
Excess (deficit) of revenues over expenditures	<u>(63,738)</u>	<u>56,018</u>	<u>119,756</u>	<u>(223,974)</u>	<u>(83,616)</u>	<u>140,358</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Bond proceeds	-	6,179,867	6,179,867	-	-	-
Bond issue costs	-	174,699	174,699	-	-	-
Payment - defeasance of bonds	-	(6,005,168)	(6,005,168)	-	-	-
Loan proceeds	-	-	-	-	-	-
Sale of general fixed assets	-	-	-	-	-	-
<b>Total other financing     sources (uses)</b>	<u>-</u>	<u>349,398</u>	<u>349,398</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(63,738)</u>	<u>405,416</u>	<u>469,154</u>	<u>(223,974)</u>	<u>(83,616)</u>	<u>140,358</u>
Fund balance - October 1	<u>35,903</u>	<u>35,903</u>	<u>-</u>	<u>119,519</u>	<u>119,519</u>	<u>-</u>
Fund balance - September 30	<u>\$ (27,835)</u>	<u>\$ 441,319</u>	<u>\$ 469,154</u>	<u>\$ (104,455)</u>	<u>\$ 35,903</u>	<u>\$ 140,358</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**1998 Public Improvement Fund**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>1998 Public Improvement Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	2,058	2,058	-	1,700	1,700
Miscellaneous	-	-	-	-	-	-
Total revenues	-	2,058	2,058	-	1,700	1,700
<b>Expenditures</b>						
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	23	-	23	5,272	5,249	23
Economic development	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-
Total expenditures	23	-	23	5,272	5,249	23
Excess (deficit) of revenues over expenditures	(23)	2,058	2,081	(5,272)	(3,549)	1,723
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Sale of general fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(23)	2,058	2,081	(5,272)	(3,549)	1,723
Fund balance - October 1	127,546	127,546	-	131,095	131,095	-
Fund balance - September 30	<u>\$ 127,523</u>	<u>\$ 129,604</u>	<u>\$ 2,081</u>	<u>\$ 125,823</u>	<u>\$ 127,546</u>	<u>\$ 1,723</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**2001 Public Improvement Fund**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>2001 Public Improvement Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Intergovernmental	\$ 110,000	\$ 110,000	\$ -	\$ -	\$ -	\$ -
Interest	-	7,685	7,685	-	5,205	5,205
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>110,000</u>	<u>117,685</u>	<u>7,685</u>	<u>-</u>	<u>5,205</u>	<u>5,205</u>
<b>Expenditures</b>						
Capital outlay	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	1,530,683	934,015	596,668	2,338,409	945,808	1,392,601
Economic development	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-
Total expenditures	<u>1,530,683</u>	<u>934,015</u>	<u>596,668</u>	<u>2,338,409</u>	<u>945,808</u>	<u>1,392,601</u>
Excess (deficit) of revenues over expenditures	<u>(1,420,683)</u>	<u>(816,330)</u>	<u>604,353</u>	<u>(2,338,409)</u>	<u>(940,603)</u>	<u>1,397,806</u>
<b>Other financing sources (uses)</b>						
Transfers in	23,862	23,862	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	937,859	937,859
Bond proceeds	808,979	-	(808,979)	-	-	-
Sale of general fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>832,841</u>	<u>23,862</u>	<u>(808,979)</u>	<u>-</u>	<u>937,859</u>	<u>937,859</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(587,842)</u>	<u>(792,468)</u>	<u>(204,626)</u>	<u>(2,338,409)</u>	<u>(2,744)</u>	<u>2,335,665</u>
Fund balance - October 1	<u>621,831</u>	<u>621,831</u>	<u>-</u>	<u>624,575</u>	<u>624,575</u>	<u>-</u>
Fund balance - September 30	<u>\$ 33,989</u>	<u>\$ (170,637)</u>	<u>\$ (204,626)</u>	<u>\$ (1,713,834)</u>	<u>\$ 621,831</u>	<u>\$ 2,335,665</u>

The accompanying notes are an integral part of these financial statements

/

**CITY OF GULFPORT, MISSISSIPPI**  
**2003 Public Improvement Fund**  
**Combining Statements of Revenues, Expenditures and**  
**Changes in Fund Balances -- Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>2003 Public Improvement Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	56,829	56,829	-	31,126	31,126
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>56,829</u>	<u>56,829</u>	<u>-</u>	<u>31,126</u>	<u>31,126</u>
<b>Expenditures</b>						
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	4,410,711	988,281	3,422,430	4,236,650	699,934	3,536,716
Economic development	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-
Total expenditures	<u>4,410,711</u>	<u>988,281</u>	<u>3,422,430</u>	<u>4,236,650</u>	<u>699,934</u>	<u>3,536,716</u>
Excess (deficit) of revenues over expenditures	<u>(4,410,711)</u>	<u>(931,452)</u>	<u>(3,479,259)</u>	<u>(4,236,650)</u>	<u>(668,808)</u>	<u>(3,505,590)</u>
<b>Other financing sources (uses)</b>						
Transfers in	200,000	200,000	-	-	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	-	5,000,000	-
Bond issue costs	-	-	-	-	(89,650)	-
Sale of general fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>4,910,350</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(4,210,711)</u>	<u>(731,452)</u>	<u>(3,479,259)</u>	<u>-</u>	<u>4,241,542</u>	<u>-</u>
Fund balance - October 1	<u>4,241,542</u>	<u>4,241,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - September 30	<u>\$ 30,831</u>	<u>\$ 3,510,090</u>	<u>\$ (3,479,259)</u>	<u>\$ -</u>	<u>\$ 4,241,542</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Capital Projects Fund**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Capital Projects Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Intergovernmental	\$ 2,551,304	\$ 237,747	\$ (2,313,557)	\$ -	\$ 483,141	\$ 483,141
Interest	-	35,541	35,541	-	-	-
Miscellaneous	3,833	-	(3,833)	-	39,400	39,400
Total revenues	<u>2,555,137</u>	<u>273,288</u>	<u>(2,281,849)</u>	<u>-</u>	<u>522,541</u>	<u>522,541</u>
<b>Expenditures</b>						
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	4,810,069	751,783	4,058,286	6,766,982	1,625,849	5,141,133
Economic development	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-
Total expenditures	<u>4,810,069</u>	<u>751,783</u>	<u>4,058,286</u>	<u>6,766,982</u>	<u>1,625,849</u>	<u>5,141,133</u>
Excess (deficit) of revenues over expenditures	<u>(2,254,932)</u>	<u>(478,495)</u>	<u>1,776,437</u>	<u>(6,766,982)</u>	<u>(1,103,308)</u>	<u>5,663,674</u>
<b>Other financing sources (uses)</b>						
Transfers in	60,000	60,000	-	-	158,700	158,700
Transfers out	-	-	-	-	(15,675)	(15,675)
Loan proceeds	-	-	-	-	-	-
Sale of general fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>143,025</u>	<u>143,025</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(2,194,932)</u>	<u>(418,495)</u>	<u>1,776,437</u>	<u>(6,766,982)</u>	<u>(960,283)</u>	<u>5,806,699</u>
Fund balance - October 1	<u>2,351,676</u>	<u>2,351,676</u>	<u>-</u>	<u>3,311,959</u>	<u>3,311,959</u>	<u>-</u>
Fund balance - September 30	<u>\$ 156,744</u>	<u>\$ 1,933,181</u>	<u>\$ 1,776,437</u>	<u>\$ (3,455,023)</u>	<u>\$ 2,351,676</u>	<u>\$ 5,806,699</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Debt Service Fund**  
**Comparative Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ 4,024,221	\$ 3,908,202	\$ (116,019)	\$ 4,024,221	\$ 4,112,729	\$ 88,508
Intergovernmental	94,581	632,827	538,246	94,581	587,879	493,298
Charges for services	-	-	-	-	-	-
Interest	-	45,014	45,014	-	47,608	47,608
Other revenues	141,576	-	(141,576)	141,576	47,323	-
Total revenues	<u>4,260,378</u>	<u>4,586,043</u>	<u>325,665</u>	<u>4,260,378</u>	<u>4,795,539</u>	<u>629,414</u>
<b>Expenditures</b>						
Debt service:						
Principal	2,571,890	2,820,319	(248,429)	2,571,890	2,643,638	(71,748)
Interest	1,950,610	1,951,663	(1,053)	1,950,610	1,442,812	507,798
Other	16,000	5,352	10,648	16,000	43,038	(27,038)
Total expenditures	<u>4,538,500</u>	<u>4,777,334</u>	<u>(238,834)</u>	<u>4,538,500</u>	<u>4,129,488</u>	<u>409,012</u>
Excess (deficit) of revenues over expenditures	<u>(278,122)</u>	<u>(191,291)</u>	<u>86,831</u>	<u>(278,122)</u>	<u>666,051</u>	<u>1,038,426</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Total financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures	<u>(278,122)</u>	<u>(191,291)</u>	<u>86,831</u>	<u>(278,122)</u>	<u>666,051</u>	<u>1,038,426</u>
Fund balance - October 1	<u>2,872,165</u>	<u>2,872,165</u>	<u>-</u>	<u>2,206,114</u>	<u>2,206,114</u>	<u>-</u>
Fund balance - September 30	<u>\$ 2,594,043</u>	<u>\$ 2,680,874</u>	<u>\$ 86,831</u>	<u>\$ 1,927,992</u>	<u>\$ 2,872,165</u>	<u>\$ 1,038,426</u>

The accompanying notes are an integral part of these financial statements

## Internal Service Funds

### ***Internal Service Funds:***

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**September 30, 2004**  
(With Comparative Totals for September 30, 2003)

	Group Life and Health	Claims Contingency	Totals	
			2004	2003
<b>Assets</b>				
Pooled cash and cash equivalents	\$ 1,945,761	\$ 495,889	\$ 2,441,650	\$ 1,963,490
Investments	-	1,070,403	1,070,403	1,053,147
Receivables:				
Other	-	-	-	7,551
Prepaid insurance	-	590,300	590,300	422,129
<b>Total assets</b>	<b>1,945,761</b>	<b>2,156,592</b>	<b>4,102,353</b>	<b>3,446,317</b>
<b>Liabilities</b>				
Accounts Payable	65	2,791	2,856	32,855
Liability for self-insurance claims	337,395	1,733,429	2,070,824	2,056,842
<b>Total liabilities</b>	<b>337,460</b>	<b>1,736,220</b>	<b>2,073,680</b>	<b>2,089,697</b>
<b>Net assets</b>				
Unrestricted	1,608,301	420,372	2,028,673	1,356,620
<b>Total net assets</b>	<b>\$ 1,608,301</b>	<b>\$ 420,372</b>	<b>\$ 2,028,673</b>	<b>\$ 1,356,620</b>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Internal Service Funds**  
**Combining Statements of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**For the Fiscal Year Ended September 30, 2004**  
(With Comparative Totals for the Fiscal Year Ended September 30, 2003)

	Group	Claims	Totals	
	Life and Health	Contingency	2004	2003
<b>Operating Revenues</b>				
Employee contributions	\$ 603,986	\$ -	\$ 603,986	\$ 645,047
Retiree contributions	93,913	-	93,913	65,911
Employer contributions	2,590,382	2,026,646	4,617,028	4,705,185
Insurance claims reimbursement	-	22,397	22,397	90,241
Total operating revenues	<u>3,288,281</u>	<u>2,049,043</u>	<u>5,337,324</u>	<u>5,506,384</u>
<b>Operating Expenses</b>				
Contractual services	-	9,250	9,250	9,250
Administrative expenses	141,141	73,612	214,753	232,128
Death benefit payments	-	2,000	2,000	-
Premium payments	232,423	893,434	1,125,857	1,471,951
Claims paid - worker's compensation	-	502,082	502,082	459,416
Claims paid	2,779,063	65,228	2,844,291	3,063,464
Increase (decrease) in provision for self-insurance losses	(47,999)	61,982	13,983	(82,472)
Total operating expenses	<u>3,104,628</u>	<u>1,607,588</u>	<u>4,712,216</u>	<u>5,153,737</u>
Operating income (loss)	<u>183,653</u>	<u>441,455</u>	<u>625,108</u>	<u>352,647</u>
<b>Non-operating revenues (expenses)</b>				
Interest income	<u>22,402</u>	<u>24,543</u>	<u>46,945</u>	<u>97,744</u>
Total non-operating revenues (expenses)	<u>22,402</u>	<u>24,543</u>	<u>46,945</u>	<u>97,744</u>
Change in net assets	206,055	465,998	672,053	450,391
Net assets - October 1	<u>1,402,246</u>	<u>(45,626)</u>	<u>1,356,620</u>	<u>906,229</u>
Net assets - September 30	<u>\$ 1,608,301</u>	<u>\$ 420,372</u>	<u>\$ 2,028,673</u>	<u>\$ 1,356,620</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Internal Service Funds - Self Insurance**  
**Combining Statements of Cash Flows**  
**For the Fiscal Year Ended September 30, 2004**  
(With Comparative Totals for the Fiscal Year Ended September 30, 2003)

	Group Life and Health	Claims Contingency	Totals	
			2004	2003
<b>Cash flows from operating activities</b>				
Cash received from employees and others	\$ 697,899	\$ -	\$ 697,899	\$ 710,958
Cash received from insurance companies	-	22,947	22,947	82,689
Cash paid to suppliers of services and claimants	(3,145,562)	(1,743,841)	(4,889,403)	(5,169,201)
Cash received from employer - City funds	2,590,382	2,026,646	4,617,028	4,705,185
Net cash provided by (used in) operating activities	142,719	305,752	448,471	329,631
<b>Cash flows from investing activities</b>				
Sale of investments	-	100,000	100,000	-
Purchase of investments	-	(97,744)	(97,744)	-
Interest received on investments	22,402	22,287	44,689	97,744
Net cash provided by (used in) investing activities	22,402	24,543	46,945	97,744
Net increase (decrease) in cash and cash equivalents	165,121	330,295	495,416	427,375
Cash and cash equivalents - October 1	1,780,640	18,250	1,429,528	1,002,153
Cash and cash equivalents - September 30	\$ 1,945,761	\$ 348,545	\$ 1,924,944	\$ 1,429,528
<b>Non-cash and capital related financing activities</b>				
Change in fair value of investments	\$ -	\$ (18,915)	\$ (18,915)	\$ (25,257)
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 183,653	\$ 441,455	\$ 625,108	\$ 352,647
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in assets:				
Prepaid assets	-	(168,171)	(168,171)	134,502
Other receivables	7,001	550	7,551	(7,551)
Increase (decrease) in liabilities:				
Accounts payable	65	(30,064)	(29,999)	32,505
Accrued liabilities	(48,000)	61,982	13,982	(182,472)
Net cash provided by (used in) operating activities	\$ 142,719	\$ 305,752	\$ 448,471	\$ 329,631

The accompanying notes are an integral part of these financial statements



This page left blank intentionally

**CITY OF GULFPORT, MISSISSIPPI**  
**Internal Service Funds - Self Insurance**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Group Life and Health Fund</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Operating Revenues</b>						
Employee contributions	\$ -	\$ 603,986	\$ 603,986	\$ -	\$ 645,047	\$ 645,047
Retiree contributions	-	93,913	93,913	-	65,911	65,911
Employer contributions	3,215,448	2,590,382	(625,066)	3,334,508	2,615,287	(719,221)
Insurance claims reimbursement	-	-	-	-	82,875	82,875
<b>Total operating revenues</b>	<u>3,215,448</u>	<u>3,288,281</u>	<u>72,833</u>	<u>3,334,508</u>	<u>3,409,120</u>	<u>166,906</u>
<b>Operating Expenses</b>						
Contractual services	-	-	-	-	-	-
Administrative expenses	300	141,141	(140,841)	300	137,449	(137,149)
Death benefit payments	-	-	-	-	-	-
Premium payments	-	232,423	(232,423)	-	212,900	(212,900)
Claims paid	3,146,700	2,779,063	367,637	3,204,600	2,819,324	385,276
<b>Total operating expenses</b>	<u>3,147,000</u>	<u>3,152,627</u>	<u>(5,627)</u>	<u>3,204,900</u>	<u>3,169,673</u>	<u>35,227</u>
<b>Operating income (loss)</b>	<u>68,448</u>	<u>135,654</u>	<u>67,206</u>	<u>129,608</u>	<u>239,447</u>	<u>109,839</u>
<b>Non- operating revenues (expenses)</b>						
Interest income	10,000	22,402	12,402	10,000	21,108	11,108
Total non-operating revenues (expenses)	<u>10,000</u>	<u>22,402</u>	<u>12,402</u>	<u>10,000</u>	<u>21,108</u>	<u>11,108</u>
<b>Change in net assets</b>	<u>\$ 78,448</u>	<u>\$ 158,056</u>	<u>\$ 79,608</u>	<u>\$ 139,608</u>	<u>\$ 260,555</u>	<u>\$ 120,947</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Internal Service Funds - Self Insurance**  
**Combining Statements of Revenues, Expenses and**  
**Changes in Fund Net Assets - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

<b>Claims Contingency Fund</b>					
2004			2003		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
2,083,092	2,026,646	(56,446)	2,083,092	2,089,898	6,806
-	22,397	22,397	-	7,366	7,366
<u>2,083,092</u>	<u>2,049,043</u>	<u>(34,049)</u>	<u>2,083,092</u>	<u>2,097,264</u>	<u>14,172</u>
-	9,250	(9,250)	-	9,250	(9,250)
-	73,612	(73,612)	-	94,679	(94,679)
-	2,000	(2,000)	-	-	-
2,122,000	893,434	1,228,566	2,122,000	1,259,051	862,949
-	567,310	(567,310)	-	244,140	(244,140)
<u>2,122,000</u>	<u>1,545,606</u>	<u>576,394</u>	<u>2,122,000</u>	<u>1,607,120</u>	<u>514,880</u>
<u>(38,908)</u>	<u>503,437</u>	<u>542,345</u>	<u>(38,908)</u>	<u>490,144</u>	<u>529,052</u>
<u>50,000</u>	<u>24,543</u>	<u>(25,457)</u>	<u>50,000</u>	<u>33,165</u>	<u>(16,835)</u>
<u>50,000</u>	<u>24,543</u>	<u>(25,457)</u>	<u>50,000</u>	<u>33,165</u>	<u>(16,835)</u>
<u>\$ 11,092</u>	<u>\$ 527,980</u>	<u>\$ 516,888</u>	<u>\$ 11,092</u>	<u>\$ 523,309</u>	<u>\$ 512,217</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Internal Service Funds - Self Insurance**  
**Combining Statements of Revenues, Expenses and**  
**Changes in Fund Net Assets - Budget and Actual**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<b>Total Internal Service Funds</b>					
	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Operating revenues</b>						
Employee contributions	\$ -	\$ 603,986	\$ 603,986	\$ -	\$ 645,047	\$ 645,047
Retiree contributions	-	93,913	93,913	-	65,911	65,911
Employer contributions	5,298,540	4,617,028	(681,512)	5,417,600	4,705,185	(712,415)
Insurance claims reimbursement	-	22,397	22,397	-	90,241	90,241
Total operating revenues	<u>5,298,540</u>	<u>5,337,324</u>	<u>38,784</u>	<u>5,417,600</u>	<u>5,506,384</u>	<u>88,784</u>
<b>Operating expenses</b>						
Contractual services	-	9,250	(9,250)	-	9,250	(9,250)
Administrative expenses	300	214,753	(214,453)	300	232,128	(231,828)
Death benefit payments	-	2,000	(2,000)	-	-	-
Premium payments	2,122,000	1,125,857	996,143	2,122,000	1,471,951	650,049
Claims paid	3,146,700	3,346,373	(199,673)	3,204,600	3,063,464	141,136
Total operating expenses	<u>5,269,000</u>	<u>4,698,233</u>	<u>570,767</u>	<u>5,326,900</u>	<u>4,776,793</u>	<u>550,107</u>
Operating income (loss)	<u>29,540</u>	<u>639,091</u>	<u>609,551</u>	<u>90,700</u>	<u>729,591</u>	<u>638,891</u>
<b>Non-operating revenues</b>						
<b>(expenses)</b>						
Interest income	60,000	46,945	(13,055)	60,000	54,273	(5,727)
Total non-operating revenues (expenses)	<u>60,000</u>	<u>46,945</u>	<u>(13,055)</u>	<u>60,000</u>	<u>54,273</u>	<u>(5,727)</u>
Change in net assets	<u>\$ 89,540</u>	<u>\$ 686,036</u>	<u>\$ 596,496</u>	<u>\$ 150,700</u>	<u>\$ 783,864</u>	<u>\$ 633,164</u>

**Summary of budgetary basis to actual**

Change in net assets above	\$ 686,036
Change in provision for self insurance	<u>(13,983)</u>
Change in net assets actual	<u>\$ 672,053</u>

The accompanying notes are an integral part of these financial statements

## Proprietary Funds

***Proprietary Funds:***

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

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

## CITY OF GULFPORT, MISSISSIPPI

Page 1 of 2

## Statement of Net Assets

## Proprietary Funds

September 30, 2004

(With Comparative Totals for September 30, 2003)

	<b>Business Type Activities - Proprietary Funds</b>			
	Water and Sewer	Non-major Fund	Totals	
		Joseph T. Jones Park	2004	2003
<b>Assets</b>				
<b>Current Assets</b>				
Pooled cash and cash equivalents	\$ 2,853,517	\$ 468,693	\$ 3,322,210	\$ 1,358,101
Non-pooled cash and cash equivalents	1,000	-	1,000	500
Investments	245	-	245	117
Receivables:				
Accounts, net	2,219,149	7,806	2,226,955	1,375,317
Customer accounts accrued but not billed	863,457	-	863,457	2,284,902
Other	988,857	-	988,857	212,911
Due from other governments	93,992	-	93,992	136,948
	<u>7,020,217</u>	<u>476,499</u>	<u>7,496,716</u>	<u>5,368,796</u>
Total unrestricted current assets				
<b>Restricted Assets</b>				
Pooled cash and cash equivalents	661,314	-	661,314	534,613
	<u>661,314</u>	<u>-</u>	<u>661,314</u>	<u>534,613</u>
<b>Noncurrent Assets</b>				
Land	149,313	63,303	212,616	212,616
Buildings	139,619	920,054	1,059,673	1,059,673
Improvements other than buildings	88,580,900	845,782	89,426,682	82,852,639
Machinery and equipment	908,308	-	908,308	828,324
Vehicles	1,229,581	22,864	1,252,445	1,069,846
	<u>91,007,721</u>	<u>1,852,003</u>	<u>92,859,724</u>	<u>86,023,098</u>
Less accumulated depreciation	(23,415,340)	(932,844)	(24,348,184)	(22,749,298)
	<u>67,592,381</u>	<u>919,159</u>	<u>68,511,540</u>	<u>63,273,800</u>
Net property, plant and equipment				
<b>Other Assets</b>				
Cash - Water and Sewer Improvements	10,961,533	-	10,961,533	12,698,461
Deferred charges	2,161,058	-	2,161,058	2,317,555
Total other assets	<u>13,122,591</u>	<u>-</u>	<u>13,122,591</u>	<u>15,016,016</u>
Total assets	<u>\$ 88,396,503</u>	<u>\$ 1,395,658</u>	<u>\$ 89,792,161</u>	<u>\$ 84,193,225</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2004**  
(With Comparative Totals for September 30, 2003)

	<b>Business Type Activities - Proprietary Funds</b>			
	Water and Sewer	Non-major Fund	Totals	
		Joseph T. Jones Park	2004	2003
<b>Liabilities and Fund Net Assets</b>				
<b>Current Liabilities</b>				
(Payable from current assets)				
Accounts payable	\$ 1,164,259	\$ 5,125	\$ 1,169,384	\$ 921,768
Accrued wages payable	2,077	2,874	4,951	3,586
Accrued interest payable	808,796	-	808,796	836,940
Compensated absences payable	4,138	6,535	10,673	9,558
Due to other funds	54,251	-	54,251	54,251
Retainage payable	142,338	-	142,338	57,033
Other liabilities	835,921	5,350	841,271	11,414
Bonds payable - current	1,700,000	-	1,700,000	1,490,000
Notes payable - current	616,913	-	616,913	458,086
Total current liabilities payable from current assets	5,328,693	19,884	5,348,577	3,842,636
<b>Current Liabilities</b>				
(Payable from restricted assets)				
Meter deposits	661,314	-	661,314	534,613
<b>Noncurrent Liabilities</b>				
Bonds payable	54,015,000	-	54,015,000	55,715,000
Notes payable - State of Mississippi	9,499,673	-	9,499,673	5,778,901
Total long-term liabilities	63,514,673	-	63,514,673	61,493,901
Total liabilities	69,504,680	19,884	69,524,564	65,871,150
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,760,795	919,159	2,679,954	(168,187)
Restricted for:				
Revenue bond indentures	4,000	-	4,000	4,000
Unrestricted	17,127,028	456,615	17,583,643	18,486,262
Total net assets	\$ 18,891,823	\$ 1,375,774	\$ 20,267,597	\$ 18,322,075

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2004**  
(With Comparative Totals for September 30, 2003)

	<b>Business Type Activities - Proprietary Funds</b>			
	Water and Sewer	Non-major Fund	Totals	
		Joseph T. Jones Park	2004	2003
<b>Operating revenues</b>				
Intergovernmental	\$ 91,775	\$ -	\$ 91,775	\$ 136,948
Charges for services	21,169,528	347,077	21,516,605	18,123,453
Miscellaneous	-	346	346	168
Total operating revenues	<u>21,261,303</u>	<u>347,423</u>	<u>21,608,726</u>	<u>18,260,569</u>
<b>Operating expenses</b>				
Personal services	91,320	213,919	305,239	271,345
Contractual services	2,746,931	-	2,746,931	3,244,220
Materials and supplies	1,064,339	6,722	1,071,061	973,054
Other services and charges	10,599,972	85,920	10,685,892	10,391,137
Depreciation	1,628,730	18,400	1,647,130	1,608,167
Amortization	117,268	-	117,268	117,268
Bad debts	224,574	12,440	237,014	120,081
Total operating expenses	<u>16,473,134</u>	<u>337,401</u>	<u>16,810,535</u>	<u>16,725,272</u>
Operating income (loss)	<u>4,788,169</u>	<u>10,022</u>	<u>4,798,191</u>	<u>1,535,297</u>
<b>Non-operating revenues</b>				
Interest income	163,763	7,811	171,574	195,204
Interest expense	(3,279,224)	-	(3,279,224)	(3,374,757)
Loss on sale of capital assets	30,539	-	30,539	(376)
Total nonoperating revenues (expenses)	<u>(3,084,922)</u>	<u>7,811</u>	<u>(3,077,111)</u>	<u>(3,179,929)</u>
Income (loss) before contributions and transfers	1,703,247	17,833	1,721,080	(1,644,632)
Capital contributions	224,518	-	224,518	1,493,199
Transfers from other funds	-	-	-	-
Change in net assets	1,927,765	17,833	1,945,598	(151,433)
Net Assets - October 1	16,964,058	1,358,017	18,322,075	17,046,358
Prior Period Adjustment	-	-	-	1,427,150
Net Assets - October 1, as restated	<u>16,964,058</u>	<u>1,358,017</u>	<u>18,322,075</u>	<u>18,473,508</u>
Net Assets - September 30	<u>\$ 18,891,823</u>	<u>\$ 1,375,850</u>	<u>\$ 20,267,673</u>	<u>\$ 18,322,075</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended September 30 , 2004**  
(With Comparative Totals for the Fiscal Year Ended September 30, 2003)

	<b>Business Type Activities - Proprietary Funds</b>			
	Water and Sewer	Non-major Fund	Totals	
		Joseph T. Jones Park	2004	2003
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 21,513,473	\$ 335,922	\$ 21,849,395	\$ 17,903,458
Cash received from other governments	134,731	-	134,731	90,209
Other operating receipts	-	346	346	168
Cash paid to suppliers	(13,244,938)	(96,244)	(13,341,182)	(14,728,390)
Cash paid to employees	(89,842)	(212,917)	(302,759)	(276,486)
Cash received from customer meter deposits, net	126,701	-	126,701	79,613
Other receivables	(775,946)	-	(775,946)	(212,911)
Net cash provided by (used in) operating activities	<u>7,664,179</u>	<u>27,107</u>	<u>7,691,286</u>	<u>2,855,661</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers from other funds	-	-	-	15,976
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(6,660,476)	-	(6,660,476)	(2,470,728)
Disposition of capital assets	-	-	-	-
Proceeds from debt issuance	4,335,035	-	4,335,035	990,685
Bond issue costs	-	-	-	-
Principal paid on revenue bond maturities and notes payable	(1,945,439)	-	(1,945,439)	(1,490,279)
Interest paid on bonds and notes payable	(3,268,139)	-	(3,268,139)	(3,344,217)
Proceeds from sale of assets	30,539	-	30,539	4,185
Net cash used in capital and related financing activities	<u>(7,508,480)</u>	<u>-</u>	<u>(7,508,480)</u>	<u>(6,310,354)</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments	-	-	-	435,818
Interest received	163,763	7,811	171,574	195,204
Net cash used from investing activities	<u>163,763</u>	<u>7,811</u>	<u>171,574</u>	<u>631,022</u>
Net increase (decrease) in cash and cash equivalents	319,462	34,918	354,380	(2,807,695)
Cash and cash equivalents - October 1	<u>14,157,902</u>	<u>433,775</u>	<u>14,591,677</u>	<u>17,399,372</u>
Cash and cash equivalents - September 30	<u>\$ 14,477,364</u>	<u>\$ 468,693</u>	<u>\$ 14,946,057</u>	<u>\$ 14,591,677</u>

The accompanying notes are an integral part of these financial statements

CITY OF GULFPORT, MISSISSIPPI

(Continued)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended September 30, 2004

(With Comparative Totals for the Fiscal Year Ended September 30, 2003)

	<b>Business Type Activities - Proprietary Fund</b>			
	Water and Sewer	Non-major Fund	Totals	
		Joseph T. Jones Park	2004	2003
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 4,788,169	\$ 9,946	\$ 4,798,115	\$ 1,535,297
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,628,730	18,400	1,647,130	1,608,167
Amortization	117,268	-	117,268	117,268
Bad debts	224,574	12,440	237,014	120,081
(Increase) decrease in assets:				
Accounts receivable	343,945	(11,155)	332,790	(219,995)
Other receivables	(775,946)	-	(775,946)	(212,911)
Due from other governments	42,956	-	42,956	(46,739)
Increase (decrease) in liabilities:				
Accounts payable	250,684	(3,068)	247,616	(104,951)
Retainage payable	85,305	-	85,305	-
Other liabilities	830,315	(458)	829,857	(15,028)
Meter deposit liability	126,701	-	126,701	79,613
Accrued wages payable	1,358	7	1,365	(416)
Compensated absences payable	120	995	1,115	(4,725)
 Net cash provided by (used in) operating activities	 <u>\$ 7,664,179</u>	 <u>\$ 27,107</u>	 <u>\$ 7,690,171</u>	 <u>\$ 2,855,661</u>
<b>Non-cash investing, capital and financing activities:</b>				
Contributed capital	<u>\$ 224,518</u>	<u>\$ -</u>	<u>\$ 224,518</u>	<u>\$ 1,493,199</u>

**Reconciliation of cash and cash equivalents  
per statement of cash flows to the statement of  
net assets**

	Other Assets	Restricted Assets	Current Assets	Total	
				2004	2003
Cash and cash equivalents - October 1	\$ 12,698,461	\$ 534,613	\$ 1,358,603	\$ 14,591,677	\$ 17,399,372
Net increase (decrease)	<u>(1,736,928)</u>	<u>126,701</u>	<u>1,964,607</u>	<u>354,380</u>	<u>(2,807,695)</u>
Cash and cash equivalents - September 30	<u>\$ 10,961,533</u>	<u>\$ 661,314</u>	<u>\$ 3,323,210</u>	<u>\$ 14,946,057</u>	<u>\$ 14,591,677</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Water and Sewer Proprietary Fund**  
**Comparative Balance Sheets**  
**September 30, 2004 and 2003**

	2004	2003
<b>Assets</b>		
<b>Current assets</b>		
Pooled cash and cash equivalents	\$ 2,853,517	\$ 924,328
Non-pooled cash and cash equivalents	1,000	500
Investments	245	117
Receivables:		
Accounts (net of allowance for uncollectible accounts of \$4,551,403 and \$4,326,828, respectively)	2,219,149	1,366,224
Customer accounts accrued but not billed	863,457	2,284,902
Other	988,857	212,911
Due from other governments	93,992	136,948
Total unrestricted current assets	7,020,217	4,925,930
<b>Restricted assets</b>		
Customer deposits:		
Pooled cash and cash equivalents	661,314	534,613
Total Restricted Assets	661,314	534,613
<b>Property, plant and equipment</b>		
Land	149,313	149,313
Buildings	139,619	139,619
Improvements other than buildings	88,580,900	82,006,857
Machinery and equipment	908,308	828,324
Vehicles	1,229,581	1,046,982
	91,007,721	84,171,095
Less accumulated depreciation	(23,415,340)	(21,834,854)
Net property, plant and equipment	67,592,381	62,336,241
<b>Other assets</b>		
Cash-Water and Sewer improvement	10,961,533	12,698,461
Deferred charges:		
Capitalized interest	36,696	40,673
Deferred interest	211,511	246,763
Unamortized SRF loan fees	183,025	202,634
Unamortized bond issuance costs	1,729,826	1,827,485
Total deferred charges	13,122,591	15,016,016
Total assets	\$ 88,396,503	\$ 82,812,800

The accompanying notes are an integral part of these financial statements

(Continued)

**CITY OF GULFPORT, MISSISSIPPI**  
**Water and Sewer Proprietary Fund**  
**Comparative Balance Sheets**  
**September 30, 2004 and 2003**

	2004	2003
<b>Liabilities and fund equity</b>		
<b>Current liabilities</b>		
(Payable from current assets)		
Accounts payable	\$ 1,164,259	\$ 913,575
Accrued wages payable	2,077	719
Accrued interest payable	808,796	836,940
Compensated absences payable	4,138	4,018
Due to other funds	54,251	54,251
Retainage payable	142,338	57,033
Other liabilities	835,921	5,606
Bonds payable - current	1,700,000	1,490,000
Notes payable - current	616,913	458,086
Total current liabilities payable from current assets	5,328,693	3,820,228
<b>Current liabilities</b>		
(Payable from restricted assets)		
Meter deposits	661,314	534,613
<b>Long-term liabilities</b>		
Bonds payable	54,015,000	55,715,000
Notes payable - State of Mississippi	9,499,673	5,778,901
Total long-term liabilities	63,514,673	61,493,901
Total liabilities	69,504,680	65,848,742
<b>Net assets</b>		
Invested in capital assets, net of related debt	1,760,795	(1,105,746)
Restricted for debt service	4,000	4,000
Unrestricted	17,127,028	18,065,804
Total net assets	\$ 18,891,823	\$ 16,964,058

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Water and Sewer Proprietary Fund**  
**Comparative Statement of Revenues, Expenses and**  
**Changes in Retained Earnings**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	2004	2003
<b>Operating revenues</b>		
Intergovernmental	\$ 91,775	\$ 136,948
Charges for services		
Water and sewer billings	10,279,355	8,474,693
Sewer treatment billings	2,763,677	2,228,710
Wastewater debt billings	4,209,972	3,217,063
Garbage collections	3,184,255	3,016,566
Connection charges	138,841	193,395
Fire hydrant rental charges	17,773	15,575
Other services and charges	575,655	605,753
Total charges for services	21,169,528	17,751,755
Total operating revenues	21,261,303	17,888,703
<b>Operating expenses</b>		
Personal services	91,320	55,406
Contractual services	2,746,931	3,244,220
Materials and supplies	1,064,339	960,947
Other services and charges		
Solid Waste	3,017,152	2,936,965
Wastewater	6,082,508	6,002,388
Other	1,500,312	1,372,693
Depreciation	1,628,730	1,589,771
Amortization	117,268	117,268
Bad debts expense	224,574	106,359
Total operating expenses	16,473,134	16,386,017
Operating income (loss)	4,788,169	1,502,686
<b>Non-operating revenues (expenses)</b>		
Interest income	163,763	189,555
Interest expense	(3,279,224)	(3,374,757)
(Gain) loss on sale of capital assets	30,539	(376)
Total nonoperating revenues (expenses)	(3,084,922)	(3,185,578)
Income (loss) before contributions and transfers	1,703,247	(1,682,892)
Capital contributions	224,518	1,493,199
Change in net assets	1,927,765	(189,693)
Net assets - October 1	16,964,058	15,698,894
Prior period adjustment	-	1,454,857
Net assets - October 1, as restated	16,964,058	17,153,751
Net assets - September 30	\$ 18,891,823	\$ 16,964,058

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Water and Sewer Proprietary Fund**  
**Comparative Statement of Cash Flows**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	2004	2003
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 21,513,473	\$ 17,543,751
Cash received from other governments	134,731	90,209
Cash paid to suppliers	(13,244,938)	(14,635,865)
Cash paid to employees	(89,842)	(58,421)
Cash received from customer meter deposits, net	126,701	79,613
Other receivables	(775,946)	(212,911)
Net cash provided by operating activities	7,664,179	2,806,376
<b>Cash flows from non-operating activities</b>		
Transfers from other funds	-	15,976
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(6,660,476)	(2,470,728)
Proceeds from debt issuance	4,335,035	990,685
Principal paid on revenue bond maturities and notes payable	(1,945,439)	(1,490,279)
Interest paid on bonds and notes payable	(3,268,139)	(3,344,217)
Proceeds from sale of assets	30,539	4,185
Net cash used in capital and related financing activities	(7,508,480)	(6,310,354)
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	-	435,818
Interest received	163,763	189,555
Net cash used from investing activities	163,763	625,373
Net increase (decrease) in cash and cash equivalents	319,462	(2,862,629)
Cash and cash equivalents - October 1	14,157,902	17,020,531
Cash and cash equivalents - September 30	\$ 14,477,364	\$ 14,157,902

The accompanying notes are an integral part of these financial statements

(Continued)

**CITY OF GULFPORT, MISSISSIPPI**  
**Water and Sewer Proprietary Fund**  
**Comparative Statement of Cash Flows**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	2004	2003
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 4,788,169	\$ 1,502,686
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,628,730	1,589,771
Bad debts	224,574	106,359
Amortization	117,268	117,268
(Increase) decrease in assets:		
Accounts receivable	343,945	(208,004)
Other receivables	(775,946)	(212,911)
Due from other governments	42,956	(46,739)
Increase (decrease) in liabilities:		
Accounts payable	250,684	(104,992)
Retainage payable	85,305	-
Other liabilities	830,315	(13,660)
Meter deposit liability	126,701	79,613
Accrued wages payable	1,358	(468)
Compensated absences	120	(2,547)
Net cash provided by operating activities	\$ 7,664,179	\$ 2,806,376
<b>Non-cash capital and related financing activities</b>		
Contributed capital	\$ 224,518	\$ 1,493,199

**Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet**

	Other Assets	Restricted Assets	Current Assets	Total	
	2004	2003	2004	2003	
Cash and cash equivalents - October 1	\$ 12,698,461	\$ 534,613	\$ 924,828	\$ 14,157,902	\$ 17,020,531
Net increase (decrease)	(1,736,928)	126,701	1,929,689	319,462	(2,862,629)
Cash and cash equivalents - September 30	\$ 10,961,533	\$ 661,314	\$ 2,854,517	\$ 14,477,364	\$ 14,157,902

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Water and Sewer Proprietary Fund**  
**Comparative Schedules of Revenues, Expenses and**  
**Changes in Retained Earnings - Budget and Actual**  
**For the Years Ended September 30, 2004 and 2003**

	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Operating revenues</b>						
Intergovernmental	\$ 1,074,775	\$ 91,775	\$ (983,000)	\$ -	\$ 136,948	\$ -
Charges for services:						
Water and sewer billings	10,713,000	10,279,355	(433,645)	9,079,290	8,474,693	(604,597)
Sewer treatment billings	2,490,000	2,763,677	273,677	2,355,000	2,228,710	(126,290)
Wastewater debt billings	3,970,000	4,209,972	239,972	3,555,000	3,217,063	(337,937)
Garbage collections	3,000,000	3,184,255	184,255	2,920,000	3,016,566	96,566
Connection charges	135,000	138,841	3,841	595,000	193,395	(401,605)
Fire hydrant rental charges	14,000	17,773	3,773	14,000	15,575	1,575
Other services and charges	445,000	575,655	130,655	201,610	605,753	404,143
Total charges for services	<u>20,767,000</u>	<u>21,169,528</u>	<u>402,528</u>	<u>18,719,900</u>	<u>17,751,755</u>	<u>(968,145)</u>
Total operating revenues	<u>21,841,775</u>	<u>21,261,303</u>	<u>(580,472)</u>	<u>18,719,900</u>	<u>17,888,703</u>	<u>(968,145)</u>
<b>Operating expenses</b>						
Personal services	90,059	91,320	(1,261)	61,238	55,406	5,832
Contractual services	3,065,695	2,746,931	318,764	3,092,172	3,244,220	(152,048)
Materials and supplies	1,149,011	1,064,339	84,672	951,580	960,947	(9,367)
Other services and charges	36,199,447	10,599,972	25,599,475	14,197,103	10,312,046	3,885,057
Capital outlay	13,539,348	6,881,933	6,657,415	3,326,061	2,470,728	855,333
Total operating expenses	<u>54,043,560</u>	<u>21,384,495</u>	<u>32,659,065</u>	<u>21,628,154</u>	<u>17,043,347</u>	<u>4,584,807</u>
Income (loss) from operations	<u>(32,201,785)</u>	<u>(123,192)</u>	<u>32,078,593</u>	<u>(2,908,254)</u>	<u>845,356</u>	<u>3,616,662</u>
<b>Non-operating revenues</b>						
<b>(expenses)</b>						
Interest income	50,000	163,763	113,763	30,000	189,555	159,555
Transfers in	-	-	-	-	-	-
Capital assets provided by developers	-	224,518	224,518	-	1,493,199	1,493,199
Loan Proceeds	(113,658)	4,335,035	4,448,693	-	-	-
Gain (loss) on sale of equipment	28,823	30,539	1,716	4,162	(376)	(4,538)
Debt service:						
Principal	(2,145,374)	(1,945,439)	199,935	(1,855,255)	(1,490,279)	364,976
Interest and service charges	(3,402,474)	(3,279,224)	123,250	(3,130,065)	(3,374,757)	(244,692)
Total non-operating revenues (expenses)	<u>(5,582,683)</u>	<u>(470,808)</u>	<u>5,111,875</u>	<u>(4,951,158)</u>	<u>(3,182,658)</u>	<u>1,768,500</u>
Change in net assets	<u><u>\$(37,784,468)</u></u>	<u><u>\$ (594,000)</u></u>	<u><u>\$37,190,468</u></u>	<u><u>\$ (7,859,412)</u></u>	<u><u>\$(2,337,302)</u></u>	<u><u>\$ 5,385,162</u></u>
<b>Reconciliation of change in net assets</b>						
Change in net assets budgetary basis		\$ (594,000)				
Depreciation - amortization - bad debt		(1,970,572)				
Add capital outlay		6,881,933				
Less: loan proceeds		(4,335,035)				
Add: principal payments on long term debt		<u>1,945,439</u>				
Change in net assets per financial statements		<u><u>\$ 1,927,765</u></u>				

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Joseph T. Jones Memorial Park Proprietary Fund**  
**Comparative Statements of Net Assets**  
**September 30, 2004**

	2004	2003
<b>Assets</b>		
<b>Current Assets</b>		
Pooled cash and cash equivalents	\$ 468,693	\$ 433,773
Receivables:		
Accounts receivable (net of allowance for uncollectible accounts of \$74,793 and \$62,353 respectively)	7,806	9,093
Total current assets	476,499	442,866
 <b>Property, Plant and Equipment</b>		
Land	63,303	63,303
Buildings	920,054	920,054
Improvements other than buildings	845,782	845,782
Machinery and equipment	-	-
Vehicles	22,864	22,864
	1,852,003	1,852,003
Less accumulated depreciation	(932,844)	(914,444)
Net property, plant and equipment	919,159	937,559
Total assets	\$ 1,395,658	\$ 1,380,425
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 5,125	\$ 8,193
Accrued wages payable	2,874	2,867
Compensated absences payable	6,535	5,540
Retainage payable	-	-
Other liabilities	5,350	5,808
Total current liabilities	19,884	22,408
 <b>Net Assets</b>		
Invested in capital assets, net of related debt	919,159	937,559
Unrestricted	456,615	420,458
Total net assets	\$ 1,375,774	\$ 1,358,017

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Joseph T. Jones Memorial Park Proprietary Fund**  
**Comparative Statements of Revenues, Expenses**  
**Changes in Fund Net Assets**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Charges for services		
Rentals - dockage	\$ 292,148	\$ 317,587
Rentals - buildings	54,929	54,111
Total charges for services	<u>347,077</u>	<u>371,698</u>
Miscellaneous	346	168
Total operating revenues	<u>347,423</u>	<u>371,866</u>
<b>Operating Expenses</b>		
Personal services	213,919	215,939
Materials and supplies	6,722	12,107
Other services and charges	85,920	79,091
Capital outlay	76	-
Depreciation	18,400	18,396
Bad debts	12,440	13,722
Total operating expenses	<u>337,477</u>	<u>339,255</u>
Operating income (loss)	<u>9,946</u>	<u>32,611</u>
<b>Non-operating Revenues (Expenses)</b>		
Interest income	7,811	5,649
Change in net assets	17,757	38,260
Net Assets - October 1	1,358,017	1,347,464
Prior period adjustment	<u>-</u>	<u>(27,707)</u>
Net Assets - October 1, as restated	1,358,017	1,319,757
Net Assets - September 30	<u>\$ 1,375,774</u>	<u>\$ 1,358,017</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Joseph T. Jones Memorial Park Proprietary Fund**  
**Comparative Statements of Cash Flows**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	2004	2003
<b>Cash flows from financing activities</b>		
Cash received from customers	\$ 335,922	\$ 359,707
Other operating receipts	346	168
Cash paid to suppliers	(96,244)	(92,525)
Cash paid to employees	(212,917)	(218,065)
	27,107	49,285
 <b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	-	-
Disposition of capital assets	-	-
	-	-
Net cash from financing activities	-	-
 <b>Cash flows from investing activities</b>		
Interest received	7,811	5,649
	34,918	54,934
Net increase (decrease) in cash and cash equivalents	34,918	54,934
Cash and cash equivalents - October 1	433,775	378,841
	\$ 468,693	\$ 433,775
Cash and cash equivalents - September 30	\$ 468,693	\$ 433,775
 <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ 9,946	\$ 32,611
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	18,400	18,396
Bad debts	12,440	13,722
(Increase) decrease in assets:		
Accounts receivable	(11,155)	(11,991)
Increase (decrease) in liabilities:		
Accounts payable	(3,068)	41
Other liabilities	(458)	(1,368)
Compensated absences payable	995	(2,178)
Accrued wages payable	7	52
	\$ 27,107	\$ 49,285
Net cash provided by (used in) operating activities	\$ 27,107	\$ 49,285

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Joseph T. Jones Memorial Park Proprietary Fund**  
**Comparative Statements of Revenues, Expenses and**  
**Changes in Fund Net Assets - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Years Ended September 30, 2004 and 2003**

	2004			2003		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Operating Revenues</b>						
Charges for services:						
Rentals - dockage	\$ 200,000	\$ 292,148	\$ 92,148	\$ 355,000	\$ 317,587	\$ (37,413)
Rentals - building	55,000	54,929	(71)	70,000	54,111	(15,889)
Other	-	-	-	-	-	-
Total charges for services	255,000	347,077	92,077	425,000	371,698	(53,302)
Miscellaneous revenues	-	346	346	-	168	168
 Total operating revenues	 255,000	 347,423	 92,423	 425,000	 371,866	 (53,134)
 <b>Operating Expenses</b>						
Personal services	219,763	213,919	5,844	317,964	215,939	102,025
Contractual services	-	-	-	-	-	-
Materials and supplies	17,388	6,722	10,666	15,650	12,107	3,543
Other services and charges	106,353	85,920	20,433	110,603	79,091	31,512
Capital outlay	181,000	76	180,924	-	-	-
Depreciation expense	-	18,400	18,400	-	18,396	18,396
Bad debt expense	-	12,440	12,440	-	13,722	13,722
Total operating expenses	524,504	337,477	248,707	444,217	339,255	169,198
 Income (loss) from operations	 (269,504)	 9,946	 341,130	 (19,217)	 32,611	 116,064
 <b>Non-operating Revenues (Expenses)</b>						
Interest income	15,000	7,811	(7,189)	15,000	5,649	(9,351)
 Change in net assets	 \$ (254,504)	 \$ 17,757	 \$ 333,941	 \$ (4,217)	 \$ 38,260	 \$ 106,713

The accompanying notes are an integral part of these financial statements

## Fiduciary Funds

### *Fiduciary Funds:*

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

Coastal Narcotics Task Force Fund – This is a fiduciary fund used for collecting and settling assets jointly by the City and other coastal agencies.

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**September 30, 2004**  
(With Comparative Totals for September 30, 2003)

	Agency Funds	
	Totals	
	2004	2003
<b>Assets</b>		
Non-pooled cash and cash equivalents	\$ 164,531	\$ 90,210
Assets held for disposal	35,590	35,590
Total assets	200,121	125,800
 <b>Liabilities</b>		
Due to other governments	\$ 200,121	\$ 125,800

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Schedule of Changes in Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended September 30, 2004**

	Balance at 10/1/03	Additions	Deductions	Balance at 9/30/04
<b><u>Asset Forfeiture Fund</u></b>				
<b>Assets</b>				
Cash	\$ 82,543	\$ 56,940	\$ -	\$ 139,483
Assets held for disposal	35,590	-	-	35,590
	<u>\$ 118,133</u>	<u>\$ 56,940</u>	<u>\$ -</u>	<u>\$ 175,073</u>
<b>Liabilities</b>				
Due to other governments	\$ 118,133	\$ 56,940	\$ -	\$ 175,073
	<u>\$ 118,133</u>	<u>\$ 56,940</u>	<u>\$ -</u>	<u>\$ 175,073</u>
<b><u>Coastal Narcotics Task Force</u></b>				
<b>Assets</b>				
Cash	\$ 7,667	\$ 17,381	\$ -	\$ 25,048
	<u>\$ 7,667</u>	<u>\$ 17,381</u>	<u>\$ -</u>	<u>\$ 25,048</u>
<b>Liabilities</b>				
Due to other governments	\$ 7,667	\$ 17,381	\$ -	\$ 25,048
	<u>\$ 7,667</u>	<u>\$ 17,381</u>	<u>\$ -</u>	<u>\$ 25,048</u>
<b><u>Total Agency Funds</u></b>				
<b>Assets</b>				
Cash	\$ 90,210	\$ 74,321	\$ -	\$ 164,531
Assets held for disposal	35,590	-	-	35,590
Total assets	<u>\$ 125,800</u>	<u>\$ 74,321</u>	<u>\$ -</u>	<u>\$ 200,121</u>
<b>Liabilities</b>				
Due to other governments	\$ 125,800	\$ 74,321	\$ -	\$ 200,121
	<u>\$ 125,800</u>	<u>\$ 74,321</u>	<u>\$ -</u>	<u>\$ 200,121</u>

The accompanying notes are an integral part of these financial statements



This page left blank intentionally

TABLE I  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	General Government	Public Safety	Public Works	Economic Development	Health & Welfare	Culture and Recreation	Capital Outlay	Debt Service	Total
1995	3,463	16,008	6,354	79	281	2,478	8,138	3,501	40,302
1996	3,906	17,962	7,413	115	431	2,665	11,054	3,662	47,208
1997	4,613	21,019	9,427	106	170	2,864	6,667	4,099	48,965
1998	4,445	20,552	7,213	80	173	3,414	5,245	4,268	45,390
1999	7,216	21,318	6,789	100	30	3,783	10,062	4,241	53,539
2000	5,624	23,369	7,017	1,662	86	4,330	7,735	3,836	53,659
2001	6,309	27,574	6,517	92	366	4,647	12,911	3,598	62,014
2002	7,251	25,666	7,027	86	750	4,732	9,662	4,027	59,201
2003(2)	6,743	26,996	7,905	1,453	639	4,877	9,293	4,086	61,992
2004	5,991	26,396	7,674	1,441	1,581	5,079	4,748	4,772	57,682

(1) Includes all Governmental Fund types.

(2) Presented on modified accrual basis.

SOURCE: Prior audit reports.

**CITY OF GULFPORT, MISSISSIPPI**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Gaming Taxes	Fines and Forfeits		Licenses and Permits	Inter-Governmental	(3) Charges for Services	Interest and Miscellaneous	Total
1995(2)	14,955	10,625	1,902	2,661	1,942	909	3,774	776	1,140	38,684	
1996	15,128	11,746	2,010	3,372	2,249	859	4,968	765	949	42,046	
1997	16,081	12,478	2,053	3,446	1,924	821	5,808	656	1,190	44,457	
1998	16,232	13,111	2,150	3,422	1,539	1,117	5,205	698	1,178	44,652	
1999	16,515	15,583	2,260	3,718	2,377	1,454	9,230	710	1,286	53,133	
2000	17,190	16,147	2,487	4,217	2,232	1,331	7,182	833	1,289	52,908	
2001	15,852	16,241	2,792	4,241	2,251	1,187	9,354	998	1,391	54,307	
2002	16,247	16,477	2,771	4,398	1,938	1,092	9,113	1,021	956	54,013	
2003(4)	19,309	17,002	2,833	4,478	1,965	1,784	9,093	1,204	1,136	58,804	
2004	19,378	17,518	2,935	4,807	2,606	2,005	8,074	1,171	1,978	60,472	

(1) Includes all Governmental Fund types.

(2) Begin initial collections of realty, personal, and public taxes of the annexed area.

(3) Includes garbage collection fee for 1992 through 1993.

(4) Presented on modified accrual basis.

SOURCE: Prior audit reports.

**CITY OF GULFPORT, MISSISSIPPI**  
**PROPERTY TAX LEVIES AND COLLECTIONS (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	Revenue from Total Levy (2)	Current Collections	Percent Current Collected	Delinquent Collections	Total Tax Collections (3)	Ratio Total Collected to Levy	Outstanding Delinquent Taxes	Ratio Delinquent to Total Levy
1995	26,572	25,853	97.3%	120	25,973	97.7%	719	2.7%
1996	26,797	26,543	99.1%	197	26,740	99.8%	254	0.9%
1997	30,048	29,802	99.2%	325	30,127	100.3%	246	0.8%
1998	30,354	30,058	99.0%	170	30,228	99.6%	296	1.0%
1999	31,353	31,040	99.0%	208	31,248	99.7%	313	1.0%
2000	32,157	31,907	99.2%	389	32,296	100.4%	250	0.8%
2001	32,263	31,928	99.0%	187	32,115	99.5%	335	1.0%
2002	33,053	32,451	98.2%	466	32,917	99.6%	326	1.0%
2003	34,039	33,702	99.0%	370	34,072	100.1%	337	1.0%
2004	36,665	36,302	99.0%	318	36,620	99.9%	363	1.0%

(1) Levy is established January 1 of year preceding that in which taxes are collected.

(2) Mississippi law requires vehicles to be included in assessed valuation.

(3) Includes City and School District amounts.

SOURCE: Prior audit reports.

TABLE IV  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**ASSESSED AND ACTUAL VALUE OF PROPERTY (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Utilities		Vehicles		Totals		% Assessed Increase (Decrease)
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
1995(2)	188,233	1,375,972	53,388	355,920	96,915	646,100	45,534	151,780	384,070	2,529,772	15.2%
1996	195,412	1,428,450	43,524	290,160	103,576	690,507	50,440	168,133	392,952	2,577,250	2.3%
1997	205,576	1,502,749	72,754	485,027	94,122	627,480	52,050	173,500	424,502	2,788,756	8.0%
1998	211,456	1,545,731	50,105	334,033	92,646	617,640	59,662	198,873	413,869	2,696,277	-2.5%
1999	215,135	1,572,624	56,063	373,753	93,052	620,347	63,700	212,333	427,950	2,779,058	3.4%
2000	218,333	1,596,001	55,753	371,687	97,460	649,733	67,663	225,543	439,209	2,842,965	2.6%
2001(3)	331,352	2,422,164	69,630	464,200	98,258	655,053	71,847	239,490	571,087	3,780,907	30.0%
2002	338,110	2,471,564	72,083	480,553	100,695	671,300	71,199	237,330	582,087	3,860,748	1.9%
2003	345,892	2,528,450	70,049	466,993	99,520	663,467	82,392	274,640	597,853	3,933,550	2.7%
2004	351,143	2,566,835	68,437	456,247	103,000	686,667	72,356	241,187	594,936	3,950,935	-0.5%

(1) Assessment rates are as follows:

REAL PROPERTY - Assessed at 10% of actual value for homeowner-occupied, 15% for all others. (Average of 13.68% used in this table.)

PERSONAL PROPERTY - Assessed at 15% of actual value.

UTILITIES - Assessed at 15% of actual value.

VEHICLES - Assessed at 30% of actual value. State law requires inclusion in assessed value.

(2) Increase due to annexed area initial billings for realty, personal and public utilities taxes for the annexed area.

(3) Real property reappraisal completed prior to this fiscal year.

SOURCE: Prior audit reports.

TABLE V  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	City of Gulfport			Harrison County			Gulfport School District			Grand Total Millage
	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
1995	32.0	9.0	41.0	38.9	4.5	43.4	46.1	5.0	51.1	135.5
1996	32.0	9.0	41.0	40.4	3.0	43.4	44.5	8.3	52.8	137.2
1997	32.6	8.4	41.0	40.4	3.0	43.4	46.0	15.8	61.8	146.2
1998	34.9	6.1	41.0	41.4	2.0	43.4	48.1	13.7	61.8	146.2
1999	33.5	7.5	41.0	41.3	2.1	43.4	49.6	12.2	61.8	146.2
2000	33.5	7.5	41.0	40.0	3.4	43.4	50.0	11.8	61.8	146.2
2001*	22.2	7.5	29.7	32.8	3.4	36.2	43.6	9.1	52.7	118.6
2002	22.6	7.1	29.7	32.4	3.3	35.7	45.6	9.1	53.7	119.1
2003	23.8	7.4	34.0	32.9	2.8	35.7	35.7	7.6	54.9	124.6
2004	24.2	7.0	34.0	33.5	2.2	35.7	50.3	7.6	57.9	127.6

\* Decrease in millage due to countywide property reappraisal completed in 2000

SOURCE: Harrison County Chancery Clerk's Office.

TABLE VI  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**PRINCIPAL TAXPAYERS**  
**2003 TAX ROLL**  
(Amounts Expressed in Thousands)

Taxpayer	Type of Business	(1) 2003 Assessed Valuation	Percentage of Total Assessed Valuation
Mississippi Power & Light	Electrical Utility	\$ 79,690	13.21%
Grand Casino, Inc.	Gaming Industry	40,981	6.79%
Bell South	Communications Utility	13,819	2.29%
Cross Roads Mall / Gulfport Factory Outlet Shops	Retail Industry	4,678	0.78%
HCA Realty Inc.	Real Estate Industry	4,212	0.70%
Copa Casino	Gaming Industry	2,777	0.46%
Hancock Bank	Financial Institution	2,758	0.46%
Prime Outlets - Gulfport Factory Outlet Shops	Retail Industry	2,093	0.35%
E.I. Dupont	Chemicals Industry	2,004	0.33%
Garden Park Hospital	Health Care Industry	1,948	0.32%
 Total		 154,960	 25.68%
All other taxpayers		448,368	74.32%
Total all assessments		\$ 603,328	100.0%

(1) Assessed valuation taken from 2003 Realty, Personal Property, and Public Utility tax rolls collected in fiscal year 2004.

TABLE VII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED**  
**VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**  
 (Amounts Expressed in Thousands)

Fiscal Year	Estimated Population	Assessed Value (1)	Gross Bonded Debt (2)	(3) Less: Debt Service Fund	Net Bonded Debt	Ratio of Net	
						Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	69	384,070	17,185	356	16,829	4.38%	244
1996	70	392,952	24,900	485	24,415	6.21%	349
1997	71	424,502	24,065	296	23,769	5.60%	335
1998	71	413,869	35,445	274	35,171	8.50%	495
1999	71	427,950	27,725	424	27,301	6.38%	385
2000	71	439,209	27,375	766	26,609	6.06%	375
2001	71	571,087	26,060	1,666	24,394	4.27%	344
2002	71	582,087	24,722	2,208	22,514	3.87%	317
2003	74	597,853	28,180	2,905	25,275	4.23%	342
2004	77	594,936	26,825	2,683	24,142	4.06%	314

(1) From Table 4.

(2) Does not include revenue bonds or school district bonds which are not paid with General Government revenues.

(3) Amount available for repayment of general obligation bonds.

SOURCE: Prior audit reports.

TABLE VIII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL OBLIGATION BONDED DEBT TO TOTAL**  
**GOVERNMENTAL EXPENDITURES**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	General Obligation Bonds (1)		Total Debt Service	Total Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest			
1995	720	998	1,718	40,302	4.26%
1996	785	887	1,672	47,208	3.54%
1997	835	1,328	2,163	48,965	4.42%
1998	1,060	1,270	2,330	45,390	5.13%
1999	1,280	1,734	3,014	53,487	5.64%
2000	1,350	1,419	2,769	52,687	5.26%
2001	1,315	1,394	2,709	62,014	4.37%
2002	1,338	1,319	2,657	59,201	4.49%
2003	960	1,069	2,029	61,992	3.27%
2004	7,515	1,260	8,775	57,682	15.21%

(1) School District General Obligation bonds are not included. Does not include refinancing

(2) From Table 1.

SOURCE: Prior audit reports.

**CITY OF GULFPORT, MISSISSIPPI**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**GENERAL OBLIGATION BONDS**  
**SEPTEMBER 30, 2004**  
(Amounts Expressed in Thousands)

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Amount Applicable to Government</u>	<u>Percentage Applicable to Government</u>
Direct:			
City of Gulfport (1)	<u>\$ 26,825</u>	<u>\$ 26,825</u>	100.00%
Overlapping:			
Harrison County	64,050	23,325	36.42%
Gulfport School District (2)	<u>21,200</u>	<u>21,200</u>	100.00%
Total overlapping	<u>85,250</u>	<u>44,525</u>	
 Total all	 <u><u>\$ 112,075</u></u>	 <u><u>\$ 71,350</u></u>	

- (1) Excludes School District bonds, capital leases, negotiable bank notes and amount available for repayment in the debt service fund.  
(2) Includes \$1,540,000 bonds reported on City's debt schedule and paid by the School District.

SOURCE: Debt schedules for City of Gulfport, Harrison County and Gulfport School Districts.

TABLE X  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for		Debt Service Requirements (2)		Coverage
			Debt Service	Debt Service	Principal	Interest	
1995	8,398	5,971	2,427	592	742	1,334	1.82
1996	9,653	6,561	3,092	658	771	1,429	2.16
1997	10,830	7,429	3,401	688	737	1,425	2.39
1998	11,194	9,564	1,630	351	291	642	2.54
1999	14,477	11,199	3,278	365	277	642	5.11
2000	15,396	13,778	1,618	379	1,257	1,636	0.99
2001	15,750	14,193	1,557	389	2,131	2,520	0.62
2002	18,309	15,344	2,965	719	2,831	3,550	1.12
2003	17,558	15,199	2,359	1,163	2,810	3,973	0.59
2004	21,261	14,208	7,053	1,141	2,810	3,951	1.79

(1) Total operating expenses exclusive of depreciation and amortization.

(2) Includes revenue bonds and state revolving loans paid from the Water and Sewer Fund. It does not include general obligation revenue bonds recorded in the water and sewer fund.

SOURCE: Prior audit reports.

TABLE XI  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>
1995	69,120	18,328	6,147	7.80%
1996	70,310	19,644	6,127	6.00%
1997	71,363	20,285	6,287	4.00%
1998	71,363	21,828	6,400	3.90%
1999	71,127	19,007	6,339	3.30%
2000	71,127	19,166	6,263	3.60%
2001	71,500	17,899	6,281	4.40%
2002	72,000	18,155	6,202	4.20%
2003	74,000	25,074	6,018	4.00%
2004	77,000	18,381	6,219	4.10%

(1) City Planning Department estimates.

(2) Mississippi Employment Security Commission, information not available for all years.  
1999 and 2000 information provided by U.S. Census Bureau by Metropolitan  
area of Biloxi-Gulfport-Pascagoula, MS

(3) Gulfport School District.

TABLE XII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**  
 (Amounts Expressed in Thousands)

Fiscal Year	Actual Property Value (1)	Non-Residential Construction		Residential Construction		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
1995	1,375,972 (3)	109	44,010	235	36,475	823,950
1996	1,428,450	114	48,344	229	29,197	877,617
1997	1,502,749	86	65,018	279	103,771	954,806
1998	1,545,731	127	136,862	302	30,725	925,428
1999	1,572,624	144	67,754	431	45,163	979,193
2000	1,596,001	100	37,519	471	83,868	1,031,526
2001	2,422,164	109	29,080	278	41,054	1,012,830
2002	2,471,564	30	39,723	320	29,475	2,005,708
2003	2,528,450	37	17,871	297	33,867	2,128,681
2004	2,566,835	56	73,259	396	50,466	2,188,000

- (1) Total real property value from Table 4.
- (2) Includes: Banks, Credit Unions and Savings and Loan Institutions.
- (3) Increase due to annexation.

SOURCE: City Planning Department monthly reports and Federal Deposit Insurance Corporation

TABLE XIII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI  
MISCELLANEOUS STATISTICS  
SEPTEMBER 30, 2004**

<b>GENERAL:</b>	
Date of incorporation	1898
Form of government	Mayor/Council
Population estimate	77,000
Area in square miles	62
Number of employees (excluding Police and Fire)	305
<b>FACILITIES AND SERVICES:</b>	
Miles of streets	569
Number of street lights	10,323
<b>RECREATION:</b>	
Community centers	6
Fitness centers	1
Recreation centers	3
Senior citizen center	1
Parks	31
Sportsplex	3
Park acreage	600
Ball fields	34
Tennis courts	8
Lighted walking tracks	10
Water front piers	5
Small craft harbor (40 acres)	289 slips
Public boat launch ramps	12
<b>FIRE PROTECTION:</b>	
Number of stations	12
Number of fire personnel and officers	173
Number of calls answered	8,923
Number of inspections conducted	1,232
Current fire insurance rating	4
<b>POLICE PROTECTION:</b>	
Number of stations	4
Number of full time sworn officers	200
Number of non sworn officers	92
Number of residents per sworn officer	385
Arrests	11,924
Traffic violations	24,095
<b>WATER SYSTEM:</b>	
Miles of water mains	888
Number of service connections	24,700
Number of fire hydrants	3,094
Daily average consumption in gallons	11,900,000
Average gallons pumped per day	11,379,313
Storage capacity in gallons	4,171,000
<b>OTHER STATISTICS:</b>	
Education (served by city school system):	
Enrollment 03-04 school year	6,219
Elementary schools	7
Middle schools	2
High schools	1
Alternative school (The Learning Center)	1
Community College	1
Median age of City population	35.1
Harrison County unemployment rate	4.00%
City of Gulfport unemployment rate	4.10%
State of Mississippi unemployment rate	5.90%



This page left blank intentionally

**CITY OF GULFPORT, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2004**

Department	Effective Date	Position	Number of Employees in each Position	Amount of Coverage on each Employee
General Finance	10/1/03	Mayor	1	\$ 10,000
	10/1/03	Council	7	100,000
	10/1/03	Chief Administrative Officer	1	50,000
	10/1/03	City Clerk	1	50,000
	10/1/03	Deputy Clerk and Court Clerk	1	10,000
	10/1/03	Comptroller	1	50,000
	10/1/03	Senior Accountant	1	50,000
	10/1/03	Accounting Clerk	1	10,000
	10/1/03	Payroll Specialist	1	10,000
	10/1/03	General Finance Manager	1	10,000
	10/1/03	General Finance Clerks	4	10,000
	10/1/03	Records Clerk	2	10,000
	10/1/03	Court Administrator	1	50,000
	10/1/03	Security, Runner	1	50,000
	10/1/03	Notary Public	5	5,000
	Urban Development	10/1/03	Planning Director	1
10/1/03		Secretary	3	10,000
10/1/03		Inspector	3	10,000
10/1/03		Clerk	7	10,000
Police Department	10/1/03	Notary Public	3	5,000
	10/1/03	Chief of Police	1	50,000
	10/1/03	Deputy Court Clerks	3	10,000
	10/1/03	Admin. Officers	1	10,000
	10/1/03	Court Bailiff Clerk	2	10,000
	10/1/03	Records Clerk	1	10,000
	10/1/03	Special Agent	1	10,000
	10/1/03	K-9 Officer	1	10,000
	10/1/03	Notary Public	42	5,000
	10/1/03	Detectives	6	10,000
Department of Leisure Services	10/1/03	Director	1	10,000
	10/1/03	Center Coordinators	9	10,000
	10/1/03	Secretary	2	10,000
	10/1/03	Joseph T. Jones, Harbormaster	1	10,000
	10/1/03	Assistant Harbormasters	4	10,000
	10/1/03	Accounting Clerk	1	10,000
	10/1/03	Clerk	1	10,000
Water Department	10/1/03	Collector	1	10,000
Engineering	10/1/03	Notary Public	1	5,000
	10/1/03	Secretary	1	10,000

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Schedule of General Long-term Debt**  
**September 30, 2004**

	Date of Original Issue	Interest Rate	Bonds-Notes Outstanding 10/1/03	New Issues FYE 2004
<b>General obligation bonds</b>				
Public Improvement Refunding 1995	9/12/95	3.9-5.55%	1,035,000	-
Public Improvement 1996	8/1/96	4.75-6.6%	6,895,000	-
Public Improvement 1998	7/1/98	4.4-6.6%	5,045,000	-
Airport 2000	5/1/00	5.20%	760,000	-
Public Improvement 02 Refunding	12/1/02	2.0-5.0%	9,445,000	-
Public Improvement 2003	4/1/03	3.94%	5,000,000	-
Public Improvement 2004 Refunding	08/5/2004	2.0-4.05%	-	6,160,000
Total General Obligation Bonds			<u>28,180,000</u>	<u>6,160,000</u>
<b>School District G.O. bonds</b>				
Gulfport School District '85	9/10/85	8.0-11.0%	<u>845,000</u>	-
<b>Bank and agency notes</b>				
MS CAP Loans	8/4/97	3.70%	604,238	-
MS CAP Loans	8/4/97	3.70%	278,244	-
Whitney Bank	11/6/98	4.10%	73,900	-
MS Development Bank	12/1/00	% of prime	6,587,532	-
MS Development Bank	3/6/01	% of prime	<u>348,491</u>	1,921,732
Total Bank and Agency Notes			<u>7,892,405</u>	<u>1,921,732</u>
<b>Obligations under capital leases</b>				
Coast Community Bank - Signage	9/4/01	3.596%	360,000	-
Hancock Bank - computer	5/22/00	5.29%	<u>500,000</u>	-
Total Capital Leases			<u>860,000</u>	-
Total General Long-term Debt			<u>\$ 37,777,405</u>	<u>\$ 8,081,732</u>

The accompanying notes are an integral part of these financial statements

Paid in FYE 2004	Bonds-Notes Outstanding 9/30/04	Interest Paid FYE 2004	Original Bonded Debt	Maturities FYE 9/30/05		
				Principal	Interest	Total
190,000	845,000	54,793	1,895,000	195,000	45,293	240,293
6,080,000	815,000	362,721	8,500,000	395,000	39,238	434,238
240,000	4,805,000	246,765	6,000,000	240,000	232,365	472,365
90,000	670,000	39,520	1,000,000	95,000	34,840	129,840
755,000	8,690,000	364,563	9,580,000	785,000	341,463	1,126,463
160,000	4,840,000	192,255	5,000,000	165,000	185,855	350,855
-	6,160,000	-	6,160,000	90,000	178,492	268,492
<u>7,515,000</u>	<u>26,825,000</u>	<u>1,260,617</u>	<u>38,135,000</u>	<u>1,965,000</u>	<u>1,057,546</u>	<u>3,022,546</u>
<u>445,000</u>	<u>400,000</u>	<u>73,938</u>	<u>4,380,000</u>	<u>400,000</u>	<u>38,938</u>	<u>438,938</u>
59,586	544,652	21,045	922,903	62,822	17,442	80,264
27,430	250,814	9,701	425,000	28,930	36,962	65,892
73,900	-	2,853	336,000	-	-	-
358,165	6,229,367	133,061	7,500,000	337,768	121,966	459,734
51,238	2,218,985	22,951	2,500,000	113,561	43,512	157,073
<u>570,319</u>	<u>9,243,818</u>	<u>189,611</u>	<u>11,683,903</u>	<u>543,081</u>	<u>219,882</u>	<u>762,963</u>
120,000	240,000	12,945	600,000	120,000	8,360	128,360
250,000	250,000	-	1,100,000	250,000	187,279	437,279
<u>370,000</u>	<u>490,000</u>	<u>12,945</u>	<u>1,700,000</u>	<u>370,000</u>	<u>195,639</u>	<u>565,639</u>
<u>\$ 8,900,319</u>	<u>\$ 36,958,818</u>	<u>\$ 1,537,111</u>	<u>\$ 55,898,903</u>	<u>\$ 3,278,081</u>	<u>\$ 1,512,005</u>	<u>\$ 4,790,086</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Schedule of Enterprise Bonds and Notes**  
**September 30, 2004**

	Date of Original Issue	Interest Rate	Bonds-Notes Outstanding 10/1/03	New Issues FYE 2004
<b>Enterprise bonds</b>				
Water & Sewer G.O. Series 1996 Bonds	12/1/96	4.875-6.25%	4,860,000	-
Water & Sewer G.O. Refunding Bonds Series 1998	8/1/98	4.75%	4,545,000	-
Water & Sewer Revenue Series 1999 Bonds	12/1/99	4.4-6.0%	32,800,000	-
Water & Sewer Revenue Series 2002 Bonds	4/23/02	3.0-5.25%	<u>15,000,000</u>	<u>-</u>
Total Bonds			<u>57,205,000</u>	<u>-</u>
<b>Enterprise notes</b>				
State Revolving Loan #1	4/1/92	3.00%	695,393	-
State Revolving Loan #2	10/1/91	4.00%	1,780,732	-
State Revolving Loan #3	10/15/93	4.00%	1,807,126	-
State Revolving Loan #4	4/2/94	4.50%	964,297	-
State Revolving Loan #5	5/30/02	1.75%	197,950	2,843,821
State Revolving Loan #6	5/30/03	1.75%	5,000	-
State Revolving Loan #7	7/1/02	1.75%	352,552	1,312,946
State Revolving Loan #8	9/10/03	1.75%	19,962	-
State Revolving Loan #9	5/5/03	1.75%	5,000	-
MS Development Bank	5/27/99	% of prime	360,801	-
MS Development Bank	3/6/01	% of prime	48,175	178,268
Total Notes			<u>6,236,988</u>	<u>4,335,035</u>
Total Bonds and Notes			<u>63,441,988</u>	<u>4,335,035</u>

The accompanying notes are an integral part of these financial statements

Paid in FYE 2004	Bonds-Notes Outstanding 9/30/04	Interest Paid FYE 2004	Original Bonded Debt	Maturities FYE 9/30/05		
				Principal	Interest	Total
240,000	4,620,000	252,078	6,000,000	250,000	236,765	486,765
545,000	4,000,000	215,010	6,440,000	580,000	187,760	767,760
350,000	32,450,000	1,860,869	33,300,000	500,000	1,844,769	2,344,769
355,000	14,645,000	740,356	15,000,000	370,000	729,706	1,099,706
<u>1,490,000</u>	<u>55,715,000</u>	<u>3,068,313</u>	<u>60,740,000</u>	<u>1,700,000</u>	<u>2,999,000</u>	<u>4,699,000</u>
76,294	619,099	19,818	1,422,072	78,615	17,498	96,113
153,995	1,626,737	68,426	3,016,717	160,268	62,152	222,420
138,640	1,668,486	69,762	2,818,618	144,288	64,113	208,401
66,747	897,550	42,028	1,417,932	69,812	38,962	108,774
-	3,041,771	-	3,229,424	86,900	35,045	121,945
-	5,000	-	5,349,920	-	-	-
-	1,665,498	-	3,173,339	47,344	19,190	66,534
-	19,962	-	10,040,400	-	-	-
-	5,000	-	3,400,000	35	15	50
16,835	343,966	6,725	371,641	18,450	6,662	25,112
2,928	223,515	1,172	226,848	11,200	4,291	15,491
<u>455,439</u>	<u>10,116,584</u>	<u>207,931</u>	<u>34,466,911</u>	<u>616,912</u>	<u>247,928</u>	<u>864,840</u>
<u>\$ 1,945,439</u>	<u>\$ 65,831,584</u>	<u>\$ 3,276,244</u>	<u>\$ 95,206,911</u>	<u>\$ 2,316,912</u>	<u>\$ 3,246,928</u>	<u>\$ 5,563,840</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GULFPORT, MISSISSIPPI**  
**Computation of Legal Debt Margin**  
**September 30, 2004**

Authorized Debt Limit 15 Percent Rule

2003 Tax roll	\$ 594,936,280	@ 15%	\$ 89,240,442
Bonded indebtedness			82,940,000
Less: Assets available in debt service fund available for principal payment			(2,680,874)
Less: Authorized exemptions			
School District General Obligation Bonds	400,000		
Water & Sewer G.O. Bonds	8,620,000		
Water & Sewer Revenue Bonds	<u>47,095,000</u>		<u>(56,115,000)</u>
Present debt subject to 15% limit			<u>24,144,126</u>
Margin for further debt under 15% limit			<u><u>\$ 65,096,316</u></u>

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated-Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1996.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1994, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes or to contract obligations in any form heretofore or hereafter incurred by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

The accompanying notes are an integral part of these financial statements

(Continued)

**CITY OF GULFPORT, MISSISSIPPI**  
**Computation of Legal Debt Margin**  
**September 30, 2004**

Authorized Debt Limit 20 Percent Rule

2003 Tax roll	\$ 594,936,280	@ 20%	\$ 118,987,256
Bonded indebtedness (floating debt - \$19,850,402)			102,790,402
Less: Assets available in debt service fund available for principal payment			(2,680,874)
Less: Authorized exemptions			
School District General Obligation Bonds	400,000		
Water & Sewer G.O. Bonds	8,620,000		
Water & Sewer Revenue Bonds	47,095,000	(56,115,000)	
Present debt subject to 20% limit			<u>43,994,528</u>
Margin for further debt under 20% limit			<u>\$ 74,992,728</u>

The accompanying notes are an integral part of these financial statements



This page left blank intentionally