

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30th



2013



CITY OF GULFPORT, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2013



PREPARED BY:

Department of Finance

CITY OF GULFPORT, MISSISSIPPI
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	2
Organizational Chart	6
Listing of City Officials	7
Geographic Location	8
Certificate of Achievement for Excellence in Financial Reporting	9
 FINANCIAL SECTION	
Independent Auditors' Report	11
Management Discussion and Analysis	14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Position	30
Statement of Activities	31
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	33
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Position	34
Statement of Revenues, Expenditures, and Changes in Fund Balances	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Proprietary Funds:	
Statement of Net Position	38
Statement of Revenues, Expenses, and Changes in Fund Net Position	39
Statement of Cash Flows	40
Fiduciary Funds:	
Statement of Assets and Liabilities	42
 Notes to the Financial Statements	 45
 Required Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Funds	
General Fund	80
Disaster Relief Fund	82
Community Development Fund	83
Note to Required Supplemental Information:	
Reconciliation of Budget to GAAP – Major Governmental Funds	84
Mississippi Municipal Retirement System (MMRS) Analysis of Funding Progress	85
 Supplemental Information	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	87

CITY OF GULFPORT, MISSISSIPPI
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS

	Page
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
Budget and Actual Comparisons for Other Major and Non-Major Governmental Funds by Fund Type	
Special Revenue Funds:	
Forfeiture and Seizures Fund	90
Police and Fireman’s Fund	91
Capital Projects Funds	93
Debt Service Fund	95
Proprietary Funds:	
Government-type Activities:	
Combining Statement of Net Assets – Internal Service Funds	97
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	98
Combining Statement of Cash Flows – Internal Service Funds	99
Fiduciary Funds:	
Combining Statement of Assets and Liabilities	101
Combining Statement of Changes in Assets and Liabilities	102
 STATISTICAL SECTION	
Net Assets by Component	105
Changes in Net Position	106
Fund Balances, Governmental Funds	108
Changes in Fund Balances, Governmental Funds	109
Assessed Value and Actual Value of Taxable Property	110
Direct and Overlapping Property Tax Rates	111
Principal Property Taxpayers	112
Property Tax Levies and Collections	113
Ratios of Outstanding Debt by Type	114
Ratios of Net General Obligation Bonded Debt Outstanding	115
Direct and Overlapping Governmental Activities Debt	116
Legal Debt Margin Information	117
Pledged Revenue Coverage	118
Demographic and Economic Statistics	119
Principal Employers	120
Full Time Equivalent City Government Employees by Function/Program	121
Operating Indicators by Function/Program	122
Capital Asset Statistics by Function/Program	123
Surety Bonds	124

Introductory Section

The Introductory Section is intended to familiarize the reader with the organizational structure of the city of Gulfport, Mississippi, the nature and scope of the services it provides and the specifics of its legal operation environment.





P.O. Box 1780
Gulfport, MS 39502
Phone: 228-234-8590

May 23, 2014

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

The Department of Finance 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, 2013. 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*. The 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, 2013. 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 three parts. **(I) The Introductory Section** includes this transmittal letter, the City’s organizational chart, a list of principal City officials, and the geographic location of the City. **(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 auditors’ 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.

The City is a member of the Harrison County Utility Authority, 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, 2013, is included in the notes section of this 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 56 square miles and a population around 68,000. 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.

Current Economic Conditions

As all of us are aware of the challenges facing the national, state, and local economies, Governmental entities are not immune to these same issues which affect the private sector and our own personal finances. Issues such as: 1) high unemployment, 2) tightening of credit with lending institutions, 3) decline in consumer spending, 4) high cost of property insurance post Katrina, and 5) the overall uncertainty of what the future holds is a recipe for financial and economic challenges.

The economic downturn experienced over the past several years and its current “slow-growth” continues to have a negative impact on the City’s financial condition. Sales Tax is vital to the City’s well-being with it making up 36% of the City’s General Fund Revenues and 16% of the City’s overall revenue. Sales tax has continued to slowly grow as the economy begins to recover. With such a significant portion of the City’s revenue stream being sensitive to economic conditions, Gulfport continues to implement processes and procedures that allow for delivering essential services to its citizens by becoming more efficient and cost conscience.

Based upon current trends, it appears that the local economy has stabilized but remains in a predominantly slow-growth pattern. Sales Tax Revenue is leveling out and “significant” decreases and unpredictable downward trends are no longer an issue as experienced in prior years.

Future Economic Outlook

- ✚ The City has issued building permits with a total construction value of \$116 million over the past 8 months. These projects consist of a mixture between commercial, residential, and quasi government construction. A significant portion of these construction projects should be recognized on the tax rolls prior to January 2015 and will result in an increase in annual ad valorem taxes.
- ✚ Island View – The Island View Casino is currently renovating the hotel tower south of Highway 90. The cost of the renovations is approximately \$50 million. The renovations will include over 200 additional hotel rooms, several restaurants, and convention space.
- ✚ Anchor Plaza – The developer for Anchor Plaza is currently constructing a multi use development at the City’s main interstate corridor of interstate 10 and highway 49. This development will include 4 hotels with a total of 460 rooms six restaurants, large box and specialty retail, general commercial space, parking accommodations, and various green space. Additional property will also be available for future development within the project area. One hotel is complete and operating fully while two hotels are currently under construction.
- ✚ Downtown Revitalization - Downtown Gulfport recently completed one of the largest façade programs in U.S history. The \$4.4 million program remade nearly 80 building fronts in the downtown district. Another \$7.6 million is being spent on downtown infrastructure such as lighting and boulevard upgrades, new and improved sidewalks, landscaping, paving, utility enhancements and relocations, etc. This project is almost complete and the payback has been significant. Many new restaurants now operate within the downtown district and many more are slated to come. Gulfport is slowly becoming the headquarters for many corporations and nightlife has never been stronger. Centennial Depot has four leases for small businesses, only one of which is a relocation from within Gulfport. The others are expansions or new businesses.

- ✚ Centennial Plaza – The City received a 92 acre beachfront site from a donation from the Department of Veterans Affairs following Hurricane Katrina. This site contains 10 “historic” buildings dating back to 1917. These buildings are enormous in both size and architecture featuring a Spanish theme in a campus style layout. The Gulfport Redevelopment Commission has recently entered into a long term lease with le Triomphe to develop the site.
- ✚ State Port at Gulfport – The Port at Gulfport is currently in the midst of a \$1.6 billion expansion. Once complete, this port is expected to: create 1,200+ direct jobs; generate \$10 billion in added personal incomes; and produce \$1.6 billion in direct revenue to the local economy.
- ✚ Highway 605 Corridor – The City continues to recognize significant commercial growth along the Highway 605 corridor both north and south of Interstate 10. The commercial growth consists of medical, retail, restaurants, and professional offices.

Financial Information

Accounting System

The Department of Finance 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 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 judgments 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, the City manages its capital projects program by establishing project length budgets. Under this method, initial project budgets are established and remaining project funds from the previous year are automatically rolled over at year end to establish revised project budgets. The benefits of this method allows the City to only address project budgets on the initial set-up and any amendments that may be necessary throughout the life of the project.

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.

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.

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, Harvey and Associates, PA to perform the audit for fiscal year ended September 30, 2013. The auditors' 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 fiscal year ended September 30, 2012. In order to be awarded a Certificate of Achievement, a government 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

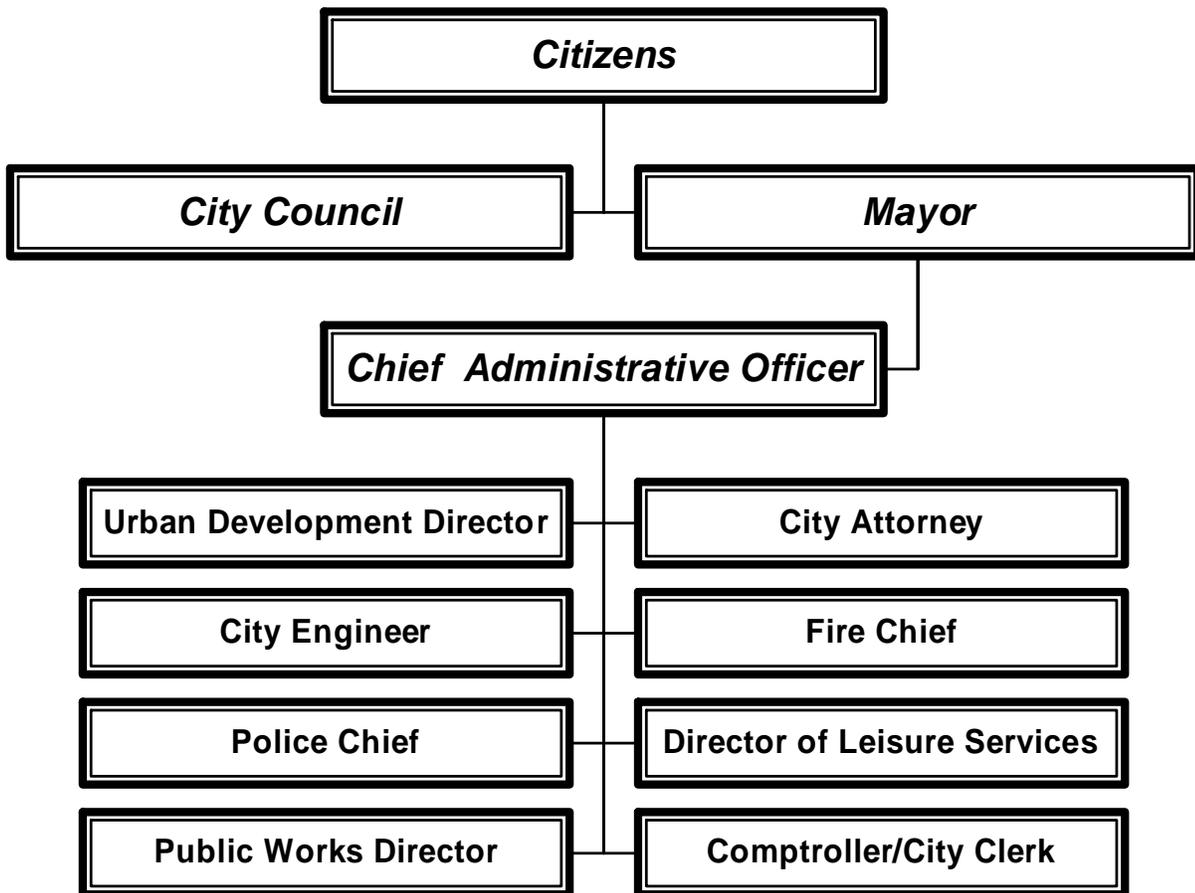
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance. I also wish to express my appreciation for the cooperation of the other City departments in providing information for this report.

Respectfully submitted,



Scott Wilson
Comptroller

CITY OF GULFPORT ORGANIZATIONAL CHART



CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials
As of July, 2013

Elected Officials



Billy Hewes
Mayor



Kenneth L. Casey Sr.
Councilman, Ward 1



Ricky Dombrowski
Councilman, Ward 2



Ella Holmes-Hines
Councilwoman, Ward 3



F.B. "Rusty" Walker, IV
Councilman, Ward 4



Myles Sharp
Councilman, Ward 5



Robert "R.Lee" Flowers
Councilman, Ward 6

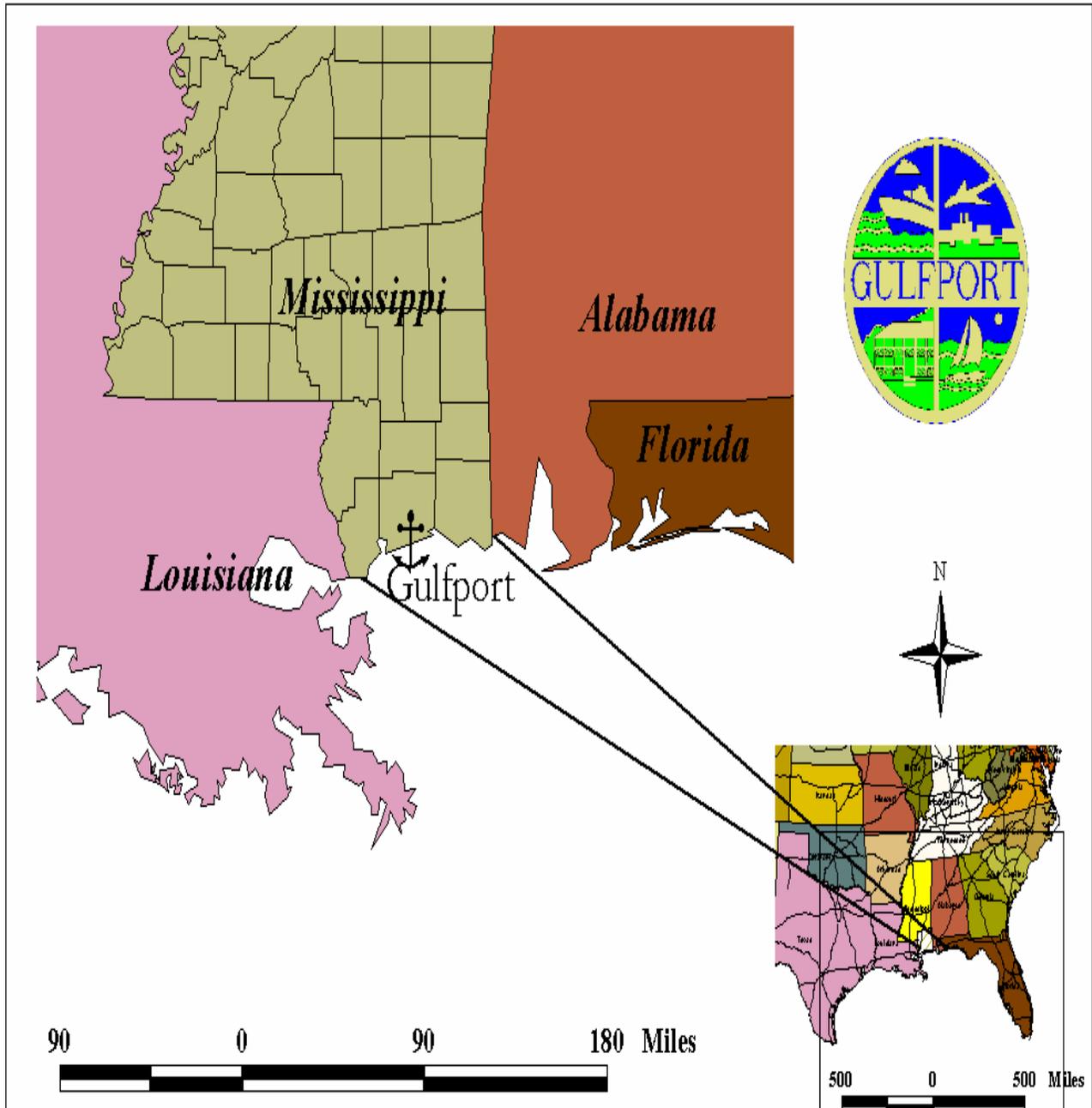


Cara Pucheu
Councilwoman, Ward 7

Appointed Officials

Chief Administrative Officer	John Kelly	General Counsel	Hugh Keating
Police Chief	Leonard Papania	City Attorney	Jeff Bruni
Leisure Services Director	Edmond Salloum	Fire Chief	Michael Beyerstedt
Urban Dev Director	Greg Pietrangelo	City Engineer	Kris Riemann
Comptroller/City Clerk	Scott Wilson	Public Works Director	Wayne Miller

Geographic Location of Gulfport, Mississippi





Government Finance Officers Association

**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, 2012

Executive Director/CEO

Financial Section

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



INDEPENDENT AUDITORS' REPORT

The Members of City Council and
Mayor William G. "Billy" Hewes, III
Gulfport, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi ("City"), as of and for the year ended September 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 28, budgetary comparison information on pages 80 through 84, and the analysis of funding progress on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board,

Page 2 of 2

who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

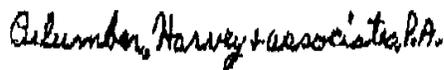
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented in a separate report mentioned below in Other Reporting Required for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued in our separate report dated May 23, 2014 titled *City of Gulfport, Mississippi, Single Audit Report*, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Culumber, Harvey & Associates, PA
Certified Public Accountants
Gulfport, MS

May 23, 2014

Management Discussion and Analysis

City of Gulfport, Mississippi

Management Discussion and Analysis

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, 2013. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant "future" effect on the financial position or results of operations.

Financial Highlights

- ✓ The City's General Fund, the main operating fund, operated in the "black" with operating revenues exceeding operating expenses by \$422,438.
- ✓ The City's General Fund's fund balance, which represents the difference between assets minus liabilities, increased during the year from \$2.5 million in 2012 to \$3.5 million in 2013. This is a positive step as this represents Gulfport's rainy day fund.
- ✓ The City's total capital assets increased by \$3 million or .5%; going from \$561 million in 2012 to \$558 million in 2013. Capital assets consist of land, buildings, infrastructure, machinery & equipment, and vehicles.
- ✓ The City's overall debt outstanding decreased by \$9.3 million, going from \$128.8 million in 2012 to \$119.5 million in 2013. In addition to that decrease FEMA has recently determined that the City will not have to repay \$16.4 million of Community Disaster Loans incurred in 2006, as a result of a recalculated hardship exemption.
- ✓ The Employees' Group Health fund operated in the "red" by \$938,022 with revenues of \$5.5 million and expenses of \$6.4 million. Net position for this fund was \$1.6 million at year end. This consisted mostly of unrestricted cash, while the Claims Contingency fund experienced a drop in its claims paid and operated in the "black" by \$1.1 million, leaving the internal service fund group with a combined \$2.7 million unrestricted net position.

Brief Description of the Financial Statements

This annual report consists of a series of financial statements which are presented in a hierarchal structure. The highest level of reporting and most summarized statements are the Statement of Net Position (i.e. balance sheet) and Statement of Activities (i.e. income statement) contained on pages 30 and 31, 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 Position. These two statements answer the question "Is the City as a whole better off or worse off as a result of the year's activities?"

The second tier of financial reporting is the "Major" Fund Financial Statements. The fund financial statements begin on page 33 and provide detailed information about the City's most significant funds. Funds are accounting entities used to track specific funding sources and uses for particular programs. Individual funds are either established by law or set up for management purposes. Three separate statements are issued: one for activities that are of a governmental nature, a separate set of statements are contained for activities that are of a business like nature, and a separate set of statements are contained for activities that are of a fiduciary 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 33 – 36.

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 is reported on pages 38 - 40 of this report. These financial statements are reported on the full accrual basis – revenues are recognized when earned and measurable. Because both the proprietary fund statements and the government wide statements are reported on the full accrual method of accounting, the total column of the proprietary funds statements are the same contained on the government wide business type activities column of the Statement of Net Position and Statement of Activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The city is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in separate statements in this report beginning on page 42.

Financial Analysis of the City as a Whole

Government-wide Statement of Net Position

	Governmental Type Activities		Business Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	\$ 29,646,926	\$ 38,023,144	\$ 9,330,426	\$ 4,827,352	\$ 38,977,352	\$ 42,850,496
Capital Assets	310,493,110	308,929,194	247,380,185	252,175,333	557,873,295	561,023,290
Total Assets	340,140,036	346,952,338	256,710,611	257,002,685	596,850,647	603,873,786
Deferred Outflows of Resources	75,822	81,237	2,992,629	3,301,813	3,068,451	3,383,050
Liabilities:						
Current and Other Liabilities	8,142,850	5,161,978	9,157,156	3,377,246	17,300,006	8,539,224
Noncurrent Liabilities	45,875,682	59,790,332	69,685,930	81,130,279	115,561,612	140,920,611
Total Liabilities	54,018,532	64,952,310	78,843,086	84,507,525	132,861,618	149,459,835
Deferred Inflows of Resources	401,078	430,855	-	-	401,078	430,855
Net Position:						
Net Investment in Capital Assets	281,117,526	270,930,882	175,793,824	174,576,166	456,911,350	445,507,048
Restricted	16,868,111	16,137,281	952,420	952,325	17,820,531	17,089,606
Unrestricted	(12,189,389)	(5,417,753)	4,113,910	3,570,295	(8,075,479)	(1,847,458)
Total Net Position	\$ 285,796,248	\$ 281,650,410	\$ 180,860,154	\$ 179,098,786	\$ 466,656,402	\$ 460,749,196

Note: The column entitled business type activities includes the City's Water and Sewer and the Joseph T. Jones Memorial Park, and a blended component unit presentation of the Gulfport Redevelopment Commission, an agent of the City.

Analysis of Government Wide Statement of Net Position

Total Primary Government

From an “overall balance sheet perspective”, the net position of the City of Gulfport as compared to the previous year increased from \$460.7 million in 2012 to \$466.6 million in 2013, while total assets decreased \$7 million from \$603.8 million in 2012 to \$596.8 million in 2013. Much of this decrease is a result of retirement of debt. Total liabilities decreased by \$16 million, from \$149.5 million to \$132.9 million. Net Position serves as a useful indicator of a government’s financial position over time. 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., net of related debt is \$456.9 million which represents approximately 98% of the City’s total net position.

The City’s “current assets” decreased by \$3.9 million during the year, from \$42.8 million in 2012 to \$38.9 million in 2013.

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 decreased by \$6.8 million, from \$346.9 million in 2012 to \$340.1 million in 2013; while Current assets (cash, short term receivables, etc.) decreased by \$8.4 million; from \$38.0 million to \$29.6 million. The majority of this decrease is a result of debt retirement. Total governmental activities liabilities decreased from \$10.9 from \$64.9 in 2012 to \$54.0 million

Business Type Activities

The City’s business type activities consist of the Water and Sewer, the Joseph T. Jones Memorial Park Funds, and the assets of the Gulfport Redevelopment Commission. Total assets decreased by \$.3 million; from \$257.0 million in 2012 to \$256.7 million in 2013, with current assets increasing by \$4.5 million, and capital assets decreasing by \$4.8 million.

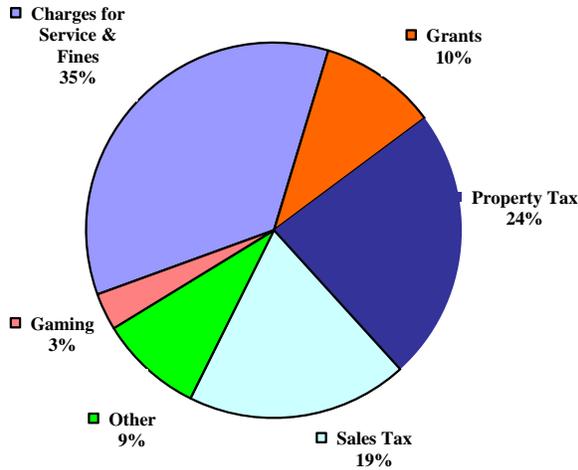
Government Wide Statement of Activities

	Governmental Activities		Business Type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Fees, Fines, and Charges for Service	\$ 4,799,230	\$ 4,883,162	\$ 31,395,886	\$ 30,766,782	\$ 36,195,116	\$ 35,649,944
Operating Grants and Contributions	5,017,529	2,664,936			5,017,529	2,664,936
Capital Grants and Contributions	4,325,695	20,047,920	1,064,897	8,138,942	5,390,592	28,186,862
General Revenues:						
Property Taxes	24,118,018	24,552,998			24,118,018	24,552,998
Sales Taxes	19,576,183	19,002,874			19,576,183	19,002,874
Gaming	3,282,363	3,142,387			3,282,363	3,142,387
Other	9,129,103	7,515,710	38,759	74,245	9,167,862	7,589,955
Total Revenues	70,248,121	81,809,987	32,499,542	38,979,969	102,747,663	120,789,956
Program Expenses						
General Government	15,236,847	18,182,129			15,236,847	18,182,129
Public Safety	26,479,794	29,205,705			26,479,794	29,205,705
Public Works	12,657,384	12,482,311			12,657,384	12,482,311
Economic Development	2,036,416	2,122,547	87,250	87,250	2,123,666	2,209,797
Culture and Recreation	5,212,892	5,793,659			5,212,892	5,793,659
Health and Welfare	2,530,289	796,205			2,530,289	796,205
Interest on Long Term Debt	1,493,792	1,677,536			1,493,792	1,677,536
Water and Sewer			29,368,049	29,943,157	23,546,942	29,943,157
Joseph T. Jones			1,737,744	2,947,134	1,737,744	2,947,134
Total Expenses	65,647,414	70,260,092	31,193,043	32,977,541	96,840,457	103,237,633
Change in Net Position before other transactions	4,600,707	11,549,895	1,306,499	6,002,428	5,907,206	17,552,323
Non-operating change in net assets						
Transfers	(454,869)	(981,225)	454,869	981,225		
Change in Net Position	4,145,838	10,568,670	1,761,368	6,983,653	5,907,206	17,552,323
Net Position at beginning of year	281,650,410	269,336,068	179,098,786	172,371,434	460,749,196	441,707,502
Net Position at end of year	\$ 285,796,248	\$ 281,650,410	\$ 180,860,154	\$ 179,098,786	\$ 466,656,402	\$ 460,749,196

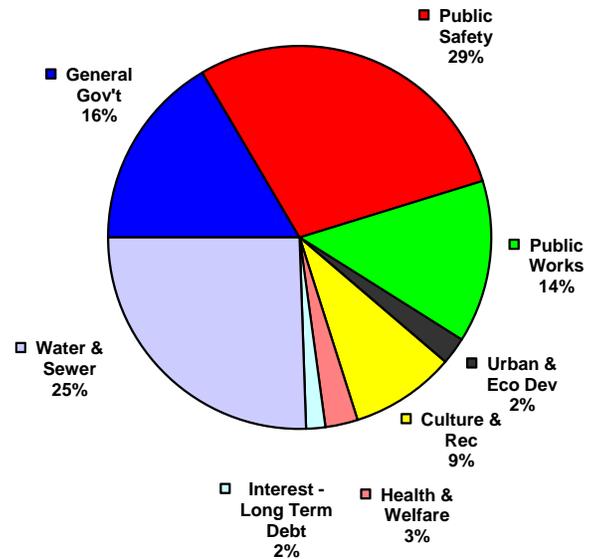
Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones, and a blended component unit presentation of the Gulfport Redevelopment Commission, an agent of the City.

Analysis of Government Wide Statement of Activities

Where does the City's Money Come From?



How is the Money Used?



Revenues

The City's revenues exceeded expenses by \$5.9 million for the 2013 year. With the near completion of hurricane recovery, federal grants are returning to pre-hurricane levels.

Property Tax – Property tax accounts for \$24.1 million or 23.5% of the City's total revenues and is considered the most stable revenue source for the City. The City's property tax revenue remains unchanged as compared to the previous year. This stagnation is reflective of the issues regarding the entire national real estate bust. On top of this, the entire Gulf South Region is experiencing significant insurance cost increases, increased cost of construction due to new elevation requirements, and overall insurability issues.

Sales Tax - Another significant source of revenue for the City is sales tax accounting for \$19.5 million or 18.4% of the City's total revenues. Sales tax essentially remained the same as compared to the prior year.

Grants – The City received a total of \$30.8 million in grants for the 2012 year as compared to \$10.4 million in 2013. The majority of these grants were related to the City's recovery from Hurricane Katrina and the largest granting agency was the Federal Emergency Management Agency (FEMA).

Expenses

The City's total government wide expenses were \$103.2 million in 2012 as compared to \$96.8 million in 2013; representing a decrease of \$6.4 million or 6.2%. This decrease is mainly attributed to a conservative fiscal management plan.

The table below represents the cost of each of the City's major governmental functional areas – Public Works, Public Safety, Culture and Recreation, General Government, Health and Welfare, 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 - Costs

	Total Cost of Service	Net Cost of Service
Governmental Activities:		
General Government	\$ 15,236,847	\$ 9,705,532
Public Safety	26,479,794	25,080,258
Public Works	12,657,384	9,573,207
Health and Welfare	2,530,289	1,632,624
Urban & Economic Development	2,036,416	1,215,985
Culture and Recreation	5,212,892	2,803,562
Interest on long term debt	1,493,792	1,493,792
Total Governmental activities	<u>\$ 65,647,414</u>	<u>\$ 51,504,960</u>

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 1996, 1998, 2001, and 2003), Special Revenue Funds (i.e. Forfeits and Seizures, Community Development, Police and Fire Retirement, and Police Traffic Safety), Disaster Relief and Debt Service Fund.

The General Fund is the primary “governmental operating fund” of the City. Activities that are traditional in nature to governmental entities are reported in this fund: i.e. public safety, public works (operations & maintenance), culture and recreation, health and welfare, economic development, and general government. The General Fund accounts for nearly 68.4% of the City's total revenues and 67.8% of the City's total expenditures.

Overall, the General Fund’s financial condition improved as compared to the previous year.

General Fund – Financial Summary

	2013	2012
Total Revenues	\$ 53,160,729	\$ 51,920,268
Total Expenditures	52,738,291	54,806,860
Excess (Deficit) of Revenues over Expenses	422,438	(2,886,592)
Other Financing Sources (Uses)	570,498	184,059
Fund Balance – Beginning Year	2,501,377	5,203,910
Fund Balance – Ending Year	<u>\$ 3,494,313</u>	<u>\$ 2,501,377</u>

- ✓ The General Fund operated in the “black” by \$422,438 for the 2013 year with revenues of \$53.2 million and expenditures of \$52.7 million. This is significant as cash reserves remain at extremely low levels. New initiatives must take place in upcoming annual budgets to balance ongoing expenditures to recurring revenues. Either additional revenues will have to be identified through economic growth and or tax increases or additional budget reductions will have to take place to balance ongoing city operations.
- ✓ General Fund assets decreased by \$3.5 million; from \$12 million in 2012 to \$8.5 million in 2013.
- ✓ The General Fund’s unassigned fund balance increased from \$2.5 million to \$3.5 million. Unrestricted fund balance is extremely important in that it represents that portion of the City’s assets (mainly cash and receivables) that are not designated for expenditures. The purpose of these funds 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 6.4% for year ending 2013 and 4.5% for year ending 2012. Based upon industry standards, it is recommended that governmental entities maintain approximately 15% in fund reserves.
- ✓ Total General Fund revenues increased by 2.4% in 2013; from \$51.9 million in 2012 to \$53.2 million in 2013.
- ✓ Total General Fund expenditures decreased by 3.8% in 2013; from \$54.8 million in 2012 to \$52.7 million in 2013.

Business-Type Activities

Water and Sewer Fund

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

Condensed Statement of Revenues and Expenses

Water and Sewer Fund Fiscal years Ending September 30, 2013 and 2012

	2013	2012
Operating Revenues	\$ 30,401,949	\$ 30,282,261
Operating Expenses	26,365,919	26,919,694
Operating income	4,036,030	3,362,567
Non Operating Items:		
Interest Expense	(3,000,262)	(3,001,390)
Other	675,567	6,603,961
Change in Net Position	\$ 1,711,335	\$ 6,965,138

The City's water and sewer fund's operating income was \$3.4 million in 2012 as compared to \$4.0 million in 2013. Important to remember is that income from operations does not include interest expense as this is reported in the non-operating items nor does this amount include repayment of principal on borrowed funds. Revenues increased by \$119,688 while expenses decreased by \$553,775 during 2013.

The amount identified above as "Other" includes capital contributions from FEMA for replacement of the City's sanitary sewer and water systems along the coastline and contributions from developers who turned over assets to the City for perpetual maintenance. This amount is expected to begin a downward trend as the City's rebuilding efforts from Hurricane Katrina damages come to an end.

The City intends to issue bonds in the amount of \$20 million in FYE 2014 or early FYE 2015 to pay for Water and Sewer upgrades.

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.

Summary of Budget to Actual Amounts

General Fund Fiscal Year Ending September 30, 2013

	Original Budget	Revised Budget	Actual Amounts (Budget Basis)
Revenues:			
Property Taxes	\$ 17,683,000	\$ 17,683,000	\$ 18,415,985
Sales Tax	19,600,000	19,600,000	19,446,683
Intergovernmental	3,059,000	3,948,253	3,667,804
Fines and forfeits	2,380,000	2,380,000	1,750,807
Gaming	3,270,000	3,270,000	3,190,199
Franchise Taxes	3,726,000	3,726,000	3,705,227
Charges for Services	2,366,607	2,379,199	1,705,495
Licenses and permits	1,250,000	1,250,000	1,246,849
Other	197,000	191,758	601,738
Total Revenues	<u>\$ 53,531,607</u>	<u>\$ 54,428,210</u>	<u>\$ 53,730,787</u>
Expenditures:			
General government	7,646,362	8,968,856	7,882,037
Police	17,876,752	18,850,976	17,297,872
Fire	12,118,901	12,951,579	11,803,881
Public works	8,892,798	8,738,498	8,434,683
Economic development	2,284,996	2,344,996	2,043,490
Culture and recreation	5,380,838	5,423,338	5,241,173
Total Expenditures	<u>54,200,647</u>	<u>57,278,243</u>	<u>52,703,136</u>
Excess (Deficit) of Revenues over expenditures	<u>(669,040)</u>	<u>(2,850,033)</u>	<u>1,027,651</u>

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

- ✓ The revenue budget (original versus revised) was amended upward by \$896,603 or 1.7%; original budget of \$53.5 million as compared to the revised budget of \$54.4 million. A significant amount of this difference is attributed to budget increases in Intergovernmental Revenue which is related to several federal grants, most of which are police department related.
- ✓ The Expenditure Budget was increased by \$3.8 million or 5.7% for the 2013 year. Most of this increase was attributed to rollover capital outlay and grants carried over from previous 2012 year and new grants awarded to the City in the 2013 year.

Overall, the City's General Fund actual revenues for 2013 (budget basis) fell short of the revised budget by only \$697,423 or 1.3% with actual revenues of \$53.7 million and budgeted revenues of \$54.4 million.

- ✓ Actual Intergovernmental Revenue which consist mainly of state and federal grants fell short of its budgeted amount by \$280,449.
- ✓ Franchise fee revenue fell short of budgeted amounts by only \$20,773.
- ✓ Court Fine revenue fell short of budgeted amounts by \$629,193.
- ✓ Property Tax revenue exceeded budgeted amounts by \$732,985.

The City's General Fund actual expenditures fell short of its budgeted expenditures resulting in a favorable variance of \$4.6 million or 8% in 2013. Actual (budget basis) amounts were \$52.7 million while budget amounts were \$57.3 million. A major contributing factor for this difference is discussed below:

- ✓ Employee Vacancies – The City's payroll \ employee benefits budget (General Fund) for the 2013 year was \$37.2 million while actual 2013 expenditures totaled \$35.2 million; leaving a budget surplus of \$2.0 million for payroll \ employee benefits. This amount equates to an average vacancy rate of 4%.

Capital Assets and Debt Administration

Capital Assets

Schedule of Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 32,675,611	\$ 32,379,590	\$ 16,917,841	\$ 16,917,841	\$ 49,593,452	\$ 49,297,431
Construction in Progress	38,555,637	33,079,311	3,330,309	3,569,486	41,885,946	36,648,797
Buildings	55,013,272	55,365,985	5,460,782	5,514,841	60,474,054	60,880,826
Improvements	5,592,983	5,918,226			5,592,983	5,918,226
Infrastructure	172,487,739	175,029,267	219,615,308	224,273,074	392,103,047	399,302,341
Machinery & Eqpt.	2,184,124	2,267,671	1,581,235	1,513,039	3,765,359	3,780,710
Vehicles	3,983,744	4,889,144	474,710	387,052	4,458,454	5,276,196
Totals	\$ 310,493,110	\$ 308,929,194	\$ 247,380,185	\$ 252,175,333	\$ 557,873,295	\$ 561,104,527

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2013 asset values were estimated at \$558 million and included a wide range of assets: land, buildings, parks, roads, bridges, drainage systems, machinery, vehicles, and water and sewer systems. Asset values decreased by \$3.2 million or .6% (after depreciation) as compared to the prior year. See note 7 in the financial section of this report for more detail information on capital assets.

Depreciation expense for the 2013 year totaled \$12.5 million and was allocated to the following classes of assets:

Allocation of Depreciation by Major Asset Class

Buildings	\$ 1,453,429
Improvements other than Buildings	397,305
Machinery and Equipment	772,458
Vehicles	1,044,004
Infrastructure (roads, bridges, drainage, water & sewer system, etc.)	8,868,745
Total Depreciation	\$ 12,535,941

Depreciation is both an extremely useful tool and is often underutilized in the financial planning process. In order to adequately maintain the City's assets, the amounts contained in the above depreciation allocation table should become a recurring expense item in future City budgets.

Significant increases in capital acquisitions and improvements include:

- ✓ Infrastructure - \$ 1.4 million.
- ✓ New Construction in progress - \$6.2 million.

Debt Administration

Schedule of Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Bonds payable	\$ 15,545,000	\$ 18,345,000	\$ -	\$ -	\$ 15,545,000	\$ 18,345,000
Notes payable	26,686,084	28,026,434	-	-	26,686,084	28,026,434
Capital leases payable	517,622	-	-	-	517,622	-
Compensated Absences	2,101,405	2,227,481	44,797	39,147	2,146,202	2,266,628
Claims and Judgments	33,000	36,000	-	-	33,000	36,000
Bonds and Notes backed by Water & Sewer fund	-	-	74,572,051	80,080,206	74,572,051	80,080,206
Totals	\$ 44,883,111	\$ 48,634,915	\$ 74,616,848	\$ 80,119,353	\$ 119,499,959	\$ 128,754,268

Note: The above amounts do not include debt relating to Memorial Hospital or Harrison County Utility Authority which are joint ventures of the City.

At year ending 2013, the City had \$119 million in outstanding debt representing a net decrease of \$9.3 million as compared to the prior year. See note 9 of the note section of this report for further detail relating to the City's debt.

Current Known Facts Effecting Future Financial Issues

1. Payback of Community Disaster Loan

On December 8, 2005 the City applied for and received \$16.4 million in Federal Loans to be used for basic operating cost that was essential in the wake of Hurricane Katrina. These funds accrue interest at a rate of 2.70% per year and were suppose to be repaid five years following the storm.

The City underwent a financial review by FEMA to test for loan forgiveness eligibility. The result of this review was that the City did not meet the requirements for loan forgiveness. On a positive note, the City requested and was granted an additional 5 year deferment on this loan payback. With the 5 year deferment, the due date of this loan was deferred until January 2, 2016.

On November 18, 2013 FEMA determined through a second hardship calculation that the City did meet the requirements for loan forgiveness and will not have to repay the loan or any accrued interest.

2. Unfunded Hurricane Katrina Projects

It has been determined that many Hurricane Katrina related recovery projects which were originally thought to be wholly funded by FEMA may not meet FEMA's eligibility requirements. The total amount unfunded projects is unknown to date. Any shortfall recognized within the Disaster Recovery Fund is ultimately to be funded by the General Fund. The funding source for the potential unfunded projects has not been identified.

3. Asset / Infrastructure deterioration

1. The City's book value of its capital assets exceeds \$558 million with infrastructure comprising 80% of this amount. Capital assets include the following: Land, Buildings, Machinery, Equipment, Vehicles, and infrastructure, (i.e. roads, drainage systems, and water & sewer systems), etc. Relating to this, the City's annual depreciation expense exceeds \$12 million. This amount is significant as the City currently has no policy or financial plan in place regarding a perpetual asset lifecycle replacement program. Depreciation is an important but often underutilized tool in the financial planning process and should become a recurring budgeted expense item in future budgets to ensure that assets are replaced as their useful lives become expired. Unaddressed, this only places a larger burden on future generations.
2. Machinery and Equipment Replacements - Both the City's Public Works Director and Leisure Services Director have expressed their needs for much needed equipment replacements. Most of the equipment in these departments has exceeded their useful lives and the maintenance cost of keeping this equipment operational is significant. The Leisure Services Department has requested \$850,000 in funding for equipment replacements while the Public Works Department has requested \$2,600,000.
3. Perhaps the single most important challenge facing this City will be addressing "serious" water and sewer infrastructure needs. The City Engineer has identified approximately \$117 million in needed water improvements and \$49.2 in needed sewer improvements. These improvements will begin to satisfy EPA standards set forth for which the City must adhere to. The City Engineer has developed a 12 year Water and Sewer Capital Master Plan that details the methods of funding the Water and Sewer improvement and to meet the EPA standards.
4. Technology Replacements and Upgrades needed – The City's Information Systems Manager has identified \$1.7 million in technology needs. The City made a \$517,622 lease purchase loan to begin upgrades to its computer and related technology systems. Another \$500,000 investment is being considered for 2014.

4. General Fund – Low Cash Reserves “Rainy Day Fund”

The General Fund’s “rainy day fund” increased from \$2.5 million in 2012 to \$3.4 million in 2013. This is a relatively low amount as compared to industry standards. The Government Finance Officers’ Association recommends that a Governmental entity maintain at least 15% of its General Fund operating budget as cash reserves. For a City the size of Gulfport in terms of General Fund Budget, Gulfport’s cash reserves should be about \$8 million. Cash reserves are used to: 1) cover unforeseen emergencies such as hurricanes, tropical storms, and other natural disasters, 2) bridge short term funding gaps in the way of economic downturns, 3) and cover any other unforeseen circumstances the City may encounter throughout its normal course of providing services to its citizens. Without a doubt, re-establishing Gulfport’s rainy day fund to pre- Hurricane Katrina levels should be a top priority when formulating future annual budgets.

5. General Fund – Balancing Future Budgets

Another concern relating to the overall financial condition of the General Fund rests with being able to formulate “balanced” budgets for upcoming years. For the 2013 year, the City’s General Fund operated in the “black” by \$1 million and the ending fund balance was only \$3.5 million. Through conservative cost cutting measures the City made good strides in improving its fund balance.

Contacting the City’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Office at 228-868-5705. The City’s web site is www.Gulfport-ms.gov

Government-Wide Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Statement of Net Position
September 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 9,016,941	\$ 2,341,331	\$ 11,358,272
Receivables:			
Taxes receivable	3,452,100	-	3,452,100
Customer accounts receivable	-	3,636,038	3,636,038
Other receivables	79,231	-	79,231
Internal balances	54,250	(54,250)	-
Due from other governments	15,706,216	228,846	15,935,062
Prepaid expenses	1,177,836	-	1,177,836
Restricted assets:			
Cash and equivalents	160,352	2,228,041	2,388,393
Investments	-	950,420	950,420
Capital assets not being depreciated:			
Land and improvements	32,675,611	16,917,841	49,593,452
Construction in progress	38,555,637	3,330,309	41,885,946
Capital assets net of accumulated depreciation:			
Buildings	55,013,272	5,460,782	60,474,054
Improvements other than buildings	5,592,983	-	5,592,983
Infrastructure	172,487,739	219,615,308	392,103,047
Machinery and equipment	2,184,124	1,581,235	3,765,359
Vehicles	3,983,744	474,710	4,458,454
Total Assets	<u>340,140,036</u>	<u>256,710,611</u>	<u>596,850,647</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred bond issuance charges	<u>75,822</u>	<u>2,992,629</u>	<u>3,068,451</u>
LIABILITIES			
Accounts payable and accrued expenses	3,670,762	1,214,444	4,885,206
Due to other governments	6,375	-	6,375
Customer deposits (payable from restricted assets)	-	1,873,761	1,873,761
Noncurrent liabilities:			
Due within one year:			
Accrued interest payable	255,200	549,955	805,155
Bonds and notes payable	3,160,440	5,493,326	8,653,766
Compensated absences	1,080,073	25,670	1,105,743
Due beyond one year:			
Accrued interest payable	2,648,445	588,086	3,236,531
Liability for self insurance claims	2,554,639	-	2,554,639
Compensated absences	1,021,332	19,120	1,040,452
Bonds and notes payable	39,588,266	69,078,724	108,666,990
Death benefit claims	33,000	-	33,000
Total Liabilities	<u>54,018,532</u>	<u>78,843,086</u>	<u>132,861,618</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues-assessments	<u>401,078</u>	<u>-</u>	<u>401,078</u>
NET POSITION			
Net Investment in capital assets	281,117,526	175,793,824	456,911,350
Restricted for:			
Debt service	3,849,656	952,420	4,802,076
Specific grant programs	1,909,605	-	1,909,605
Capital improvements	11,108,850	-	11,108,850
Unrestricted	<u>(12,189,389)</u>	<u>4,113,910</u>	<u>(8,075,479)</u>
Total Net Position	<u>\$ 285,796,248</u>	<u>\$ 180,860,154</u>	<u>\$ 466,656,402</u>

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

CITY OF GULFPORT, MISSISSIPPI
Statement of Activities
For the Fiscal Year Ended September 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (15,236,847)	\$ 3,888,141	\$ 1,643,174	\$ -	(9,705,532)	\$ -	\$ (9,705,532)
Public safety	(26,479,794)	90,097	1,139,412	170,027	(25,080,258)	-	(25,080,258)
Public works	(12,657,384)	7,246	720,009	2,356,922	(9,573,207)	-	(9,573,207)
Health and welfare	(2,530,289)	-	897,665	-	(1,632,624)	-	(1,632,624)
Economic development	(2,036,416)	-	617,269	203,162	(1,215,985)	-	(1,215,985)
Culture and recreation	(5,212,892)	813,746	-	1,595,584	(2,803,562)	-	(2,803,562)
Interest on long-term debt	(1,493,792)	-	-	-	(1,493,792)	-	(1,493,792)
Total governmental activities	(65,647,414)	4,799,230	5,017,529	4,325,695	(51,504,960)	-	(51,504,960)
Business-type activities:							
Water & Sewer	(29,368,049)	30,367,141	-	512,822	-	1,511,914	1,511,914
Joseph T. Jones Park	(1,737,744)	1,028,745	-	552,075	-	(156,924)	(156,924)
Gulfport Redevelopment Commission	(87,250)	-	-	-	-	(87,250)	(87,250)
Total business-type activities	(31,193,043)	31,395,886	-	1,064,897	-	1,267,740	1,267,740
Total primary government	(96,840,457)	36,195,116	5,017,529	5,390,592	(51,504,960)	1,267,740	(50,237,220)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					18,388,705	-	18,388,705
Property taxes, levied for special purposes					5,729,313	-	5,729,313
Sales taxes					19,576,183	-	19,576,183
Franchise taxes					3,779,248	-	3,779,248
Gaming taxes					3,282,363	-	3,282,363
Licenses and permits					1,251,084	-	1,251,084
Grants and contributions not restricted to specific programs					3,559,724	-	3,559,724
Gain on disposal of capital assets					376,346	-	376,346
Investment earnings and miscellaneous					162,701	38,759	201,460
Transfers					(454,869)	454,869	-
Total general revenues and transfers					55,650,798	493,628	56,144,426
Change in net position					4,145,838	1,761,368	5,907,206
Net position - beginning					281,650,410	179,098,786	460,749,196
Net position - ending					\$ 285,796,248	\$ 180,860,154	\$ 466,656,402

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

Governmental Fund Financial Statements

Major Funds:

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

Disaster Relief Fund – This is a special revenue fund (deemed to be a major fund by the requirements set forth in GASB 34 issued by the Governmental Accounting Standards) that is used to account for all federal, state and local grants and contributions that are to be used in the reconstruction, repairs and other disaster related uses for the City of Gulfport, Mississippi.

Community Development Fund – This fund is used to account for Federal revenues received and expended under the Community Development Block and Home grants issued by the Department of Housing and Urban Development.

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 Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Nonmajor governmental funds are presented by fund type in the supplemental section.

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2013

	Major Funds					Non-major Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Community Development Program	Capital Projects Fund	Debt Service Fund		
Assets							
Cash and cash equivalents	\$ 1,086,007	\$ -	\$ 297,275	\$ 2,511,447	\$ 347,631	\$ 2,099,027	\$ 6,341,387
Receivables:							
Property taxes	120,178	-	-	-	32,834	6,375	159,387
Sales taxes	1,602,543	-	-	-	-	-	1,602,543
Franchise taxes	1,110,084	-	-	-	-	-	1,110,084
Gaming fees	240,286	-	-	-	-	-	240,286
Privilege licenses	339,800	-	-	-	-	-	339,800
Other	79,231	-	-	-	-	-	79,231
Due from other funds	3,598,639	-	-	8,000,000	3,515,976	-	15,114,615
Prepaid interest	-	-	-	-	60,770	-	60,770
Cash - restricted	160,352	-	-	-	-	-	160,352
Due from other governments	214,334	14,495,735	786,222	209,925	-	-	15,706,216
Total assets	8,551,454	14,495,735	1,083,497	10,721,372	3,957,211	2,105,402	40,914,671
Liabilities and Fund balance							
Liabilities							
Accounts payable	1,710,750	46,505	170,372	193,631	44,744	5,588	2,171,590
Accrued wages payable	940,995	-	6,756	-	-	-	947,751
Accrued expenses	156,046	-	-	-	-	-	156,046
Due to other funds	1,500,000	14,449,230	609,094	-	2,041	-	16,560,365
Due to other governments	-	-	-	-	-	6,375	6,375
Other liabilities	185,564	-	-	-	-	-	185,564
Performance bonds payable	162,708	-	-	-	-	-	162,708
Total liabilities	4,656,063	14,495,735	786,222	193,631	46,785	11,963	20,190,399
Deferred Inflows of Resources							
Unavailable revenues-assessments	401,078	-	-	-	-	-	401,078
Fund Balance							
Nonspendable for prepaids	-	-	-	-	60,770	-	60,770
Restricted for:							
Drug enforcement	-	-	-	-	-	1,512,330	1,512,330
Senior citizen's program	100,000	-	-	-	-	-	100,000
Debt service	-	-	-	-	3,849,656	-	3,849,656
Urban development	-	-	297,275	-	-	-	297,275
Capital projects	-	-	-	10,527,741	-	581,109	11,108,850
Assigned subsequent year	215,226	-	-	-	-	-	215,226
Unassigned	3,179,087	-	-	-	-	-	3,179,087
Total fund balance	3,494,313	-	297,275	10,527,741	3,910,426	2,093,439	20,323,194
Total liabilities, deferred inflows of resources, and fund balance	\$ 8,551,454	\$ 14,495,735	\$ 1,083,497	\$ 10,721,372	\$ 3,957,211	\$ 2,105,402	\$ 40,914,671

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

CITY OF GULFPORT, MISSISSIPPI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2013

Total fund balances - governmental funds	\$	20,323,194
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds balance sheet		310,493,110
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported in the funds balance sheet		(2,903,645)
Internal Service Funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Position as follows:		
Current assets	5,292,620	
Accounts payable	(47,103)	
Estimated claims payable	(2,554,639)	2,690,878
Some liabilities, (such as Notes Payable, Capital Lease, Claims Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:		
Bonds payable	(15,545,000)	
Notes payable	(26,686,084)	
Capital leases payable	(517,622)	
Deferred bond issue costs, net	75,822	
Death benefit claims	(33,000)	
Compensated absences	(2,101,405)	(44,807,289)
Total net position - governmental activities	\$	285,796,248

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

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For Fiscal Year Ended September 30, 2013

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Community Development Program	Capital Projects Fund	Debt Service Fund		
Revenues:							
Taxes							
Property	\$ 18,388,705	\$ -	\$ -	\$ -	\$ 4,795,837	\$ 933,476	\$ 24,118,018
Sales	19,576,183	-	-	-	-	-	19,576,183
Franchise	3,779,248	-	-	-	-	-	3,779,248
Gaming	3,282,363	-	-	-	-	-	3,282,363
Licenses and permits	1,251,084	-	-	-	-	-	1,251,084
Intergovernmental	3,114,025	538,804	4,841,375	2,123,821	194,547	273,129	11,085,701
Charges for services	1,721,145	-	-	-	-	-	1,721,145
Fines and forfeits	1,956,635	-	-	-	-	-	1,956,635
Miscellaneous	91,341	-	26,468	11,113	752	31,883	161,557
Total revenues	<u>53,160,729</u>	<u>538,804</u>	<u>4,867,843</u>	<u>2,134,934</u>	<u>4,991,136</u>	<u>1,238,488</u>	<u>66,931,934</u>
Expenditures							
Current:							
General government	7,079,355	-	-	-	-	-	7,079,355
Public safety	28,397,034	-	-	-	-	1,036,825	29,433,859
Public works	8,603,251	538,804	-	785,137	-	758	9,927,950
Health and welfare	-	-	2,797,483	-	-	-	2,797,483
Economic development	2,346,013	-	-	-	-	-	2,346,013
Culture and recreation	5,268,671	-	-	-	-	-	5,268,671
Capital outlay:							
General government	517,046	-	-	-	-	-	517,046
Public safety	526,921	-	-	-	-	170,027	696,948
Public works	-	-	365,892	3,326,895	-	33,255	3,726,042
Economic development	-	-	152,720	50,442	-	-	203,162
Culture and recreation	-	-	1,398,712	196,872	-	-	1,595,584
Debt service:							
Principal	-	-	-	-	4,140,350	-	4,140,350
Interest	-	-	-	-	1,128,160	-	1,128,160
Other	-	-	-	-	11,866	-	11,866
Total expenditures	<u>52,738,291</u>	<u>538,804</u>	<u>4,714,807</u>	<u>4,359,346</u>	<u>5,280,376</u>	<u>1,240,865</u>	<u>68,872,489</u>
Excess (deficit) of revenues over expenditures	<u>422,438</u>	<u>-</u>	<u>153,036</u>	<u>(2,224,412)</u>	<u>(289,240)</u>	<u>(2,377)</u>	<u>(1,940,555)</u>
Other financing sources (uses)							
Capital leases	517,622	-	-	-	-	-	517,622
Sale of capital assets	862,597	-	-	-	-	22,325	884,922
Transfers in	9,370	-	-	526,967	-	-	536,337
Transfers out	(819,091)	-	(151,749)	(20,366)	-	-	(991,206)
Total other financing sources (uses)	<u>570,498</u>	<u>-</u>	<u>(151,749)</u>	<u>506,601</u>	<u>-</u>	<u>22,325</u>	<u>947,675</u>
Changes in fund balance	992,936	-	1,287	(1,717,811)	(289,240)	19,948	(992,880)
Fund balance - October 1	2,501,377	-	295,988	12,245,552	4,199,666	2,073,491	21,316,074
Fund balance - September 30	<u>\$ 3,494,313</u>	<u>\$ -</u>	<u>\$ 297,275</u>	<u>\$ 10,527,741</u>	<u>\$ 3,910,426</u>	<u>\$ 2,093,439</u>	<u>\$ 20,323,194</u>

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

CITY OF GULFPORT, MISSISSIPPI
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

		Amount
Net change in fund balances - total governmental funds:	\$	(992,880)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p> <p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
Donated assets		1,817,247
Expenditures for capital assets		6,738,782
Less: Current year depreciation		(6,483,537)
		2,072,492
<p>When assets are sold or retired in the fund statements the entire amount is shown in the fund statements, however, only the difference in book value and income received is shown as income in the government wide statements.</p>		
		(508,576)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while principal payments on long term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Below is the net effect of these differences:</p>		
Capital lease proceeds		(517,622)
Amortization of bond costs		(5,415)
Death claim paid		3,000
Bond principal payments		2,800,000
Note principal payments		1,340,350
		3,620,313
<p>Compensated absences are not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, but current year changes are reported in the Statement of Activities.</p>		
		126,076
<p>Interest on long term debt that is not due and payable in the current year is reported as an expense in the Statement of Activities.</p>		
		(351,351)
<p>Internal service funds are used by management to charge the cost of certain activities such as insurance costs, to individual funds</p>		
		179,764
Change in net position of governmental activities	\$	4,145,838

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

Proprietary Fund Financial Statements

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

Joseph T. Jones Park Fund (non-major 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.

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

Internal Service Funds are presented in the supplemental section.

CITY OF GULFPORT, MISSISSIPPI

**Proprietary Funds
Statement of Net Position
September 30, 2013**

	Business Type Activities			Total Business - Type Activities	Governmental Activities Internal Service Funds
	Non-major Funds				
	Water and Sewer	Joseph T. Jones Park	Gulfport Redevelopment Commission		
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,331,274	\$ 10,057	\$ -	\$ 2,341,331	\$ 2,675,554
Receivables:					
Customer accounts (net of allowance for uncollectibles)	2,072,971	-	-	2,072,971	-
Customer accounts accrued but unbilled	1,563,067	-	-	1,563,067	-
Due from other governments	16,279	212,567	-	228,846	-
Due from other funds	272,139	-	-	272,139	1,500,000
Restricted assets:					
Cash - Customer deposits	2,226,041	-	-	2,226,041	-
Cash - Bond indentures	2,000	-	-	2,000	-
Investments - Bond indenture	950,420	-	-	950,420	-
Prepaid insurance	-	-	-	-	1,117,066
Total current assets	<u>9,434,191</u>	<u>222,624</u>	<u>-</u>	<u>9,656,815</u>	<u>5,292,620</u>
Noncurrent assets:					
Capital assets:					
Land	149,313	18,528	16,750,000	16,917,841	-
Construction in progress	3,330,309	-	-	3,330,309	-
Buildings	-	2,531,949	3,490,000	6,021,949	-
Infrastructure	250,643,211	23,545,711	-	274,188,922	-
Machinery and equipment	2,777,350	212,159	-	2,989,509	-
Vehicles	2,718,918	43,570	-	2,762,488	-
Less accumulated depreciation	(55,768,654)	(2,713,179)	(349,000)	(58,830,833)	-
Total noncurrent assets	<u>203,850,447</u>	<u>23,638,738</u>	<u>19,891,000</u>	<u>247,380,185</u>	<u>-</u>
Total assets	<u>213,284,638</u>	<u>23,861,362</u>	<u>19,891,000</u>	<u>257,037,000</u>	<u>5,292,620</u>
Deferred Outflows of Resources					
Deferred bond issuance charges	<u>2,992,629</u>	<u>-</u>	<u>-</u>	<u>2,992,629</u>	<u>-</u>
Liabilities					
Current liabilities:					
Accounts payable	1,126,735	49,655	-	1,176,390	47,103
Accrued wages payable	29,032	9,022	-	38,054	-
Due to other funds	54,250	272,139	-	326,389	-
Liability for self-insurance claims	-	-	-	-	2,554,639
Current portion of long-term debt:					
Accrued interest payable	549,955	-	-	549,955	-
Compensated absences payable	16,990	8,680	-	25,670	-
Notes payable	1,908,326	-	-	1,908,326	-
Bonds payable	3,585,000	-	-	3,585,000	-
Customer deposits payable, from restricted assets	1,873,761	-	-	1,873,761	-
Total current liabilities	<u>9,144,049</u>	<u>339,496</u>	<u>-</u>	<u>9,483,545</u>	<u>2,601,742</u>
Noncurrent debt:					
Accrued interest payable	588,086	-	-	588,086	-
Compensated absences payable	11,593	7,527	-	19,120	-
Notes payable	26,628,724	-	-	26,628,724	-
Bonds payable	42,450,000	-	-	42,450,000	-
Total noncurrent liabilities	<u>69,678,403</u>	<u>7,527</u>	<u>-</u>	<u>69,685,930</u>	<u>-</u>
Total liabilities	<u>78,822,452</u>	<u>347,023</u>	<u>-</u>	<u>79,169,475</u>	<u>2,601,742</u>
Net Position					
Net investment in capital assets	129,278,397	23,638,738	19,891,000	172,808,135	-
Restricted for revenue bond indentures	952,420	-	-	952,420	-
Unrestricted	<u>7,223,998</u>	<u>(124,399)</u>	<u>-</u>	<u>7,099,599</u>	<u>2,690,878</u>
Total net position	<u>\$ 137,454,815</u>	<u>\$ 23,514,339</u>	<u>\$ 19,891,000</u>	<u>\$ 180,860,154</u>	<u>\$ 2,690,878</u>

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended September 30, 2013

	Business Type Activities			Total Business- Type Activities	Governmental
	Non-major Funds				Internal
	Water and Sewer	Joseph T, Jones Park	Gulfport Redevelopment Commission		Service Funds
Operating Revenues					
Charges for services	\$ 30,367,141	\$ 1,028,745	\$ -	\$ 31,395,886	\$ -
Employee contributions	-	-	-	-	901,415
Retiree contributions	-	-	-	-	220,035
Employer contributions	-	-	-	-	6,644,105
Insurance claim reimbursements	-	-	-	-	738,832
Miscellaneous	34,808	2,080	-	36,888	-
Total operating revenues	<u>30,401,949</u>	<u>1,030,825</u>	<u>-</u>	<u>31,432,774</u>	<u>8,504,387</u>
Operating Expenses					
Personnel services	976,065	284,320	-	1,260,385	-
Contractual services	17,006,973	374,560	-	17,381,533	276,204
Material and supplies	2,686,385	516,920	-	3,203,305	-
Administrative expenses	-	-	-	-	256,904
Premium payments	-	-	-	-	1,160,858
Claims paid and estimate changes	-	-	-	-	6,631,801
Depreciation	5,403,210	561,944	87,250	6,052,404	-
Amortization	293,286	-	-	293,286	-
Total operating expenses	<u>26,365,919</u>	<u>1,737,744</u>	<u>87,250</u>	<u>28,190,913</u>	<u>8,325,767</u>
Operating income (loss)	<u>4,036,030</u>	<u>(706,919)</u>	<u>(87,250)</u>	<u>3,241,861</u>	<u>178,620</u>
Non-operating revenues (expenses)					
Interest income	1,868	3	-	1,871	1,144
Interest expense	(3,002,130)	-	-	(3,002,130)	-
Total nonoperating revenues (net)	<u>(3,000,262)</u>	<u>3</u>	<u>-</u>	<u>(3,000,259)</u>	<u>1,144</u>
Income before transfers	1,035,768	(706,916)	(87,250)	241,602	179,764
Capital contributions	512,822	552,075	-	1,064,897	-
Transfers from other funds	162,745	292,124	-	454,869	-
Change in net position	1,711,335	137,283	(87,250)	1,761,368	179,764
Net position - October 1	135,743,480	23,377,056	19,978,250	179,098,786	2,511,114
Net position - September 30	<u>\$ 137,454,815</u>	<u>\$ 23,514,339</u>	<u>\$ 19,891,000</u>	<u>\$ 180,860,154</u>	<u>\$ 2,690,878</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, 2013

	Business-type Activities			Governmental	
	Non-major Fund			Activities	
	Water and Sewer	Joseph T. Jones Park	Gulfport Redevelopment Commission	Total Business-type Activities	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 30,333,454	\$ 1,036,402	\$ -	\$ 31,369,856	\$ -
Cash received from other operating receipts	34,808	2,080	-	36,888	-
Cash received from employees and others	-	-	-	-	1,121,450
Cash received from insurance claims	-	-	-	-	748,827
Cash received from employer contributions	-	-	-	-	6,644,105
Cash paid to suppliers	(19,914,216)	(928,341)	-	(20,842,557)	(9,501,787)
Cash paid to employees	(972,619)	(281,677)	-	(1,254,296)	-
Cash received from meter deposits, net	89,134	(37,551)	-	51,583	-
Net cash provided by (used in) operating activities	<u>9,570,561</u>	<u>(209,087)</u>	<u>-</u>	<u>9,361,474</u>	<u>(987,405)</u>
Cash flows from non-capital financing activities:					
Cash received from governmental grants	150,612	203,928	-	354,540	-
Loans from (to) other funds	36,384	(36,384)	-	-	-
Cash transferred (to) from other funds	-	292,124	-	292,124	-
Net cash provided by non-operating activities	<u>186,996</u>	<u>459,668</u>	<u>-</u>	<u>646,664</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(414,817)	(281,534)	-	(696,351)	-
Cash transferred (to) from other funds	-	-	-	-	-
Principal paid on revenue bond maturities and notes payable	(5,508,155)	-	-	(5,508,155)	-
Interest paid on bonds and notes payable	(2,859,118)	-	-	(2,859,118)	-
Net cash used in capital and related financing activities	<u>(8,782,090)</u>	<u>(281,534)</u>	<u>-</u>	<u>(9,063,624)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	1,773	3	-	1,776	1,144
Net increase (decrease) in cash and cash equivalents	<u>977,240</u>	<u>(30,950)</u>	<u>-</u>	<u>946,290</u>	<u>(986,261)</u>
Cash and equivalents - October 1	3,582,075	41,007	-	3,623,082	3,661,815
Cash and equivalents - September 30	<u>\$ 4,559,315</u>	<u>\$ 10,057</u>	<u>\$ -</u>	<u>\$ 4,569,372</u>	<u>\$ 2,675,554</u>
Classified as:					
Current assets	\$ 2,331,274	\$ 10,057	\$ -	\$ 2,341,331	\$ 2,675,554
Restricted assets	2,228,041	-	-	2,228,041	-
Totals	<u>\$ 4,559,315</u>	<u>\$ 10,057</u>	<u>\$ -</u>	<u>\$ 4,569,372</u>	<u>\$ 2,675,554</u>
Non cash investing, capital and financing activities:					
Transfer of capital assets from other funds	<u>\$ 162,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,745</u>	<u>\$ -</u>

**Reconciliation of income (loss) from operations
to net cash provided (used) by operating activities**

Operating income (loss)	\$ 4,036,030	\$ (706,919)	\$ (87,250)	\$ 3,241,861	\$ 178,620
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	5,403,210	561,944	87,250	6,052,404	-
Amortization	293,286	-	-	293,286	-
(Increase) decrease in assets:					
Accounts receivable	(33,687)	7,657	-	(26,030)	-
Other receivables	-	-	-	-	9,995
Prepaid assets	-	-	-	-	(145,708)
Increase (decrease) in liabilities:					
Accounts payable	(220,858)	(36,861)	-	(257,719)	18,172
Accrued wages payable	(464)	909	-	445	-
Meter deposit liabilities	89,134	(37,551)	-	51,583	-
Other liabilities	-	-	-	-	(1,048,484)
Compensated absences payable	3,910	1,734	-	5,644	-
Net cash provided by (used in) operating activities	<u>\$ 9,570,561</u>	<u>\$ (209,087)</u>	<u>\$ -</u>	<u>\$ 9,361,474</u>	<u>\$ (987,405)</u>

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

Fiduciary Fund Financial Statements

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

Combining schedule presented in the supplemental section

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Statement of Assets and Liabilities
September 30, 2013

	Totals
Assets	
Cash and cash equivalents	\$ 283,061
Assets held for disposal	54,350
Total assets	337,411
 Liabilities	
Payable to other governments	632
Payable to others	740
Assets held in trust	336,039
Total liabilities	\$ 337,411

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



This page left blank intentionally

Notes to the Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

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.

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 was determined that the City has one component unit, discussed below, which is included in the City's reporting entity because of the significance of its operation and financial relationships with the City.

Component Unit Disclosure

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

The Gulfport Redevelopment Commission is an Urban Renewal Agency of the City of Gulfport formed and existing under the “Urban Renewal Laws” of the State of Mississippi, Title 43, Chapter 35, Article I, Mississippi Code of 1972, and it's entire board is appointed by the mayor and the council of the City of Gulfport. Although it is legally separate from the City, it is reported as part of the primary government because its sole purpose is to finance, develop and manage City owned property. The Gulfport Redevelopment Commission provides services solely to the City of Gulfport and is reported as an enterprise fund using the blended method. It does not issue separate financial statements.

Related Organizations

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures and Jointly Governed Organizations

Additionally, during its evaluation of potential component units, management identified two joint ventures (Harrison County Utility Authority and Memorial Hospital at Gulfport), and two jointly governed organizations (Harrison County Library System and Gulfport-Biloxi Regional Airport Authority).

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

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

See Note 15 for information describing related organizations not included in the City's reporting entity.

C. Basis of Presentation

Governmental-wide Financial Statements –

The City presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government. The financial information for the primary government is distinguished between governmental and business-type activities. For the most part, the effect of interfund activity 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 function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

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

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

Fund Financial Statements -

The 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 the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds –

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

Disaster Relief Fund

This is a special revenue fund (deemed to be a major fund by the requirements set forth in GASB 34 issued by the Governmental Accounting Standards) that is used to account for all federal, state and local grants and contributions that are to be used in the reconstruction, repairs and other hurricane disaster related uses for the City.

Community Development Program Fund

This is a special revenue fund (deemed to be a major fund by the requirements set forth in GASB 34 issued by the Governmental Accounting Standards) that is used to account for all federal, state and local grants and contributions that are to be used in improving low-income housing in the community.

Capital Projects Fund

This is a capital project fund (deemed to be a major fund by the requirements set forth in GASB 34 issued by the Governmental Accounting Standards) that is used to account for all capital projects that are not associated with a specific debt issuance.

Debt Service Fund

This is a fund (elected to be reported as a major fund due to its importance to readers) that is used to account for the payment of principal and interest on the City's outstanding governmental debt.

Proprietary Funds – Business-type activities

Proprietary Funds are accounted for using the economic resources measurement focus; and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds – Governmental-type activities

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 personnel 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.

Fiduciary Funds

The City reports the Fiduciary Funds accounts for resources held by the City in a custodial capacity for other governments, private organizations, or individuals.

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting, pursuant to GASB Statement No. 33. 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The City has electively added the Debt Service fund as a major fund. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal operations. The principal operating revenues of the Water and Sewer fund and the Joseph T. Jones Park fund are charges to customers for sales and services. The City insurance funds bill the other funds to cover insurance premiums and claims. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of the basic financial statements in conformity with GAAP requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

E. Cash and Investments

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

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

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 stated 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables

All trade receivables are shown net of an allowance for doubtful accounts. An allowance in the amount of \$6,558,833 at September 30, 2013 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.

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. Also certain debt issues require contingency deposits be maintained separately for future debt payments.

K. Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated 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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

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

M. Nature and Purpose of Classifications and Restrictions of Fund Equity

The City does not have a formal minimum fund balance policy; however the state of Mississippi Code does not allow deficit fund balances. There were no individual funds reported with deficit fund balances.

Note 10 discusses in more detail the fund balance classification determinations for the governmental funds.

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.

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

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2013. 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 any costs associated with post-employment benefits for retired employees. The City does allow employees to continue in the group health plan after retirement; however, the retired employees pay 100% of the insurance 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 the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. New Accounting Pronouncements

In November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. This Statement addresses how to account for and report service concession arrangements (SCAs). It improves financial reporting by establishing recognition, measurement and SCA disclosure requirements for both transferors and governmental operators. The requirements of Statement 60 are effective for periods beginning after December 15, 2011. A review was made relating to the requirements of this Statement, and as a result, this statement had no significant impact on the City's financial statements.

In November 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. This Statement includes amendments to GASB Statement No. 14 and GASB Statement No. 34 that better address user needs and reporting entity issues that arose after the issuance of those Statements. Statement 61 modifies requirements for inclusion of component units, amends the criteria for reporting components and clarifies the reporting of equity interests in legally separate organizations. The provisions of this Statement are effective for periods beginning after June 15, 2012. A review was made relating to the requirements of this Statement, and as a result, this statement had no significant impact on the City's financial statements.

In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 3D, 1989 FASB and A/CPA Pronouncements. This Statement incorporates generally accepted accounting principles for state and local governments issued from all sources that do not conflict with, or contradict GASB pronouncements into one. This Statement supersedes GASB Statement No. 20 and eliminates the election in paragraph 7 of Statement No. 20 that allowed enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with GASB pronouncements. The requirements of this Statement are effective for periods beginning after December 15, 2011. A review was made relating to the requirements of this Statement, and as a result, this statement had no significant impact on the City's financial statements.

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement calls for deferred outflows of resources to be reported separately from assets and for deferred inflows of resources to be reported separately from liabilities. The net difference between these elements are described as net position rather than as net assets. The requirements of this Statement are effective for periods beginning after December 15, 2011. A review was made relating to the requirements of this Statement, and as a result, this statement had no significant impact on the City's financial statements.

In June 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53. This Statement enhances comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this statement are effective for periods beginning after June 15, 2011. A review was made relating to the requirements of this Statement, and as a result, this statement had no significant impact on the City's financial statements.

In April 2012, GASB issued Statement No. 65, Elements of Financial Statements. This Statement specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for periods beginning after December 15, 2012. The City chose to early implement this statement, which did not have a significant impact on the City's financial statements.

In April 2012, GASB issued Statement No. 66, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. This Statement amends Statement No.10 by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

This Statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The requirements of this Statement are effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans—an amendment of GASB Statement 25. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

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.

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 control purposes and are considered to be "budgetary accounts".
11. Appropriations are encumbered as a result of purchase orders, contracts or other forms of legal commitments. All annual appropriations lapse at each fiscal year-end and outstanding encumbrances at year-end must be reappropriated in the following fiscal year's budget.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 3: PROPERTY, GAMING AND SALES 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, 2013 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 with respect to the school funds were made in accordance with this legal requirement.

(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, 2011 one casino was 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. Gaming revenue of \$3,282,363 was received by the City in fiscal year ended September 30, 2013.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 3: PROPERTY, GAMING, AND SALES TAX REVENUES (Continued)

(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 \$19,576,183 of sales tax revenue.

NOTE 4: CASH AND OTHER DEPOSITS AND INVESTMENTS

(A) Cash and Other Deposits

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

At September 30, 2013, the carrying amount of the City’s deposits was \$14,029,726 and the bank balance was \$14,531,856. The difference represents outstanding checks and other reconciling items.

A summary of Cash and Other Deposits at September 30, 2013 is as follows:

	Cash and Other Deposits Invested in Sweep Account	Non-pooled Cash and Other Deposits	Restricted Cash	Total
Governmental funds:				
Major funds:				
General	\$ 1,082,787	\$ 3,220	\$ 160,352	\$ 1,246,359
Community development	-	297,275	-	297,275
Capital projects	2,511,447	-	-	2,511,447
Debt service	347,631	-	-	347,631
Non-major funds	582,029	1,516,998	-	2,099,027
Total governmental funds	<u>4,523,894</u>	<u>1,817,493</u>	<u>160,352</u>	<u>6,501,739</u>
Proprietary funds:				
Business-type activities:				
Water & sewer	2,330,074	1,200	2,228,041	4,559,315
Joseph T. Jones park	9,657	400	-	10,057
Total business-type	<u>2,339,731</u>	<u>1,600</u>	<u>2,228,041</u>	<u>4,569,372</u>
Governmental-type activities:				
Group health & life	-	227,536	-	227,536
Claims contingency	-	2,448,018	-	2,448,018
Total governmental-type	<u>-</u>	<u>2,675,554</u>	<u>-</u>	<u>2,675,554</u>
Fiduciary funds	<u>-</u>	<u>283,061</u>	<u>-</u>	<u>283,061</u>
Total cash and cash equivalents	<u>\$ 6,863,625</u>	<u>\$ 4,777,708</u>	<u>\$ 2,388,393</u>	<u>\$ 14,029,726</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 4: CASH AND OTHER DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk.

The Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation. At September 30, 2013, none of the City's bank balance of \$14,531,856 was exposed to custodial credit risk.

(B) Investments

At September 30, 2013, 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 Hancock Horizon Government Money Market Mutual funds. A summary of the City's investments is as follows:

	Rate of Interest	Amount
Business-Type Activities:		
Hancock Horizon Government Money Market Mutual	N/A	\$ 950,420

Custodial Credit Risk - Investments The custodial credit for investments is the risk that, in the event of the failures of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis.

Securities are to be held by a third party custodian. The investment in the Hancock Horizon Government Money Market Mutual fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government, however are made up exclusively by short-term U.S. Government Securities.

Credit Risk – Investments - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations (NRSROs). A disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 5: RECEIVABLES

The Statement of Net Position includes the following receivables at September 30, 2013:

Taxes receivable:	
Property taxes	\$ 159,387
Sales taxes	1,602,543
Franchise taxes	1,110,084
Gaming fees	240,286
Privilege licenses	339,800
Total taxes receivable	3,452,100
Customer accounts receivable:	
Water & sewer utility charges (billed)	8,631,804
Customer accounts, earned but unbilled	1,563,067
Less: allowance for doubtful accounts	(6,558,833)
Total customer accounts receivable, net	3,636,038
Due from other governments:	
Federal	15,684,604
State	103,763
Local	146,695
Total due from other governments	15,935,062
Other receivables:	
Leases	35,181
Alarm licenses	17,425
Motor vehicle privilege tax	14,571
ABC licenses	11,925
Parking	129
	\$ 79,231

The City funds reported *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred inflows* reported in the general fund in the amount of \$401,078 was for assessments not yet due.

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

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”. The City transfers funds from the General Fund to pay for capital projects incurred. Capital expenditures made from governmental funds totaling \$162,745 were transferred to the enterprise water and sewer fund for proper allocation of expenditures. The composition of interfund balances at September 30, 2013 is as follows:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General fund:		
Disaster relief fund	\$ 2,949,230	\$ -
Community development fund	609,094	-
Water and sewer fund	38,274	-
Debt service fund	2,041	-

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES (Continued)

Group Life and Health fund	-	1,500,000
Disaster relief fund:		
General fund	-	2,949,230
Capital projects fund	-	8,000,000
Debt Service fund	-	3,500,000
Community development fund:		
General fund	-	609,094
Capital projects fund:		
Disaster relief fund	8,000,000	-
Debt service fund:		
Disaster relief fund	3,500,000	-
Water and sewer fund	15,976	-
General fund	-	2,041
 <i>Enterprise Funds</i>		
Water and sewer fund:		
Joseph T Jones fund	272,139	-
General fund	-	38,274
Debt service fund	-	15,976
Joseph T Jones fund:		
Water and sewer fund	-	272,139
Group life and health fund:		
General fund	1,500,000	-
	<u>\$ 16,886,754</u>	<u>\$ 16,886,754</u>
	<u>Transfer</u>	<u>Transfer</u>
	<u>In</u>	<u>Out</u>
 <i>Governmental Funds</i>		
General fund:		
Group life and health fund	\$ 9,370	\$ -
Capital projects fund	-	526,967
Joseph T Jones fund	-	292,124
Community development fund:		
Water and sewer fund	-	151,749
Capital project fund:		
General fund	526,967	9,370
Water and sewer fund	-	10,996
 <i>Enterprise Funds</i>		
Water and sewer fund:		
Capital projects fund	10,996	-
Community development fund	151,749	-
Joseph T Jones fund:		
General fund	292,124	-
	<u>\$ 991,206</u>	<u>\$ 991,206</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 7: CAPITAL ASSETS

A. Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1	Additions	Deletions	Balance Sept 30
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 32,379,590	\$ 296,021	\$ -	\$ 32,675,611
Construction in progress	33,079,311	6,201,870	(725,544)	38,555,637
Total capital assets not being depreciated	<u>65,458,901</u>	<u>6,497,891</u>	<u>(725,544)</u>	<u>71,231,248</u>
Capital assets being depreciated:				
Buildings	65,285,297	1,008,504	(98,757)	66,195,044
Improvements	8,576,272	72,062	-	8,648,334
Infrastructure	259,728,751	792,445	-	260,521,196
Machinery & Equipment	8,411,460	474,907	(120,164)	8,766,203
Vehicles	17,576,808	435,764	(1,506,604)	16,505,968
Total capital assets being depreciated	<u>359,578,588</u>	<u>2,783,682</u>	<u>(1,725,525)</u>	<u>360,636,745</u>
Less accumulated depreciation:				
Buildings	9,919,312	1,312,869	(50,409)	11,181,772
Improvements	2,658,046	397,305	-	3,055,351
Infrastructure	84,699,484	3,333,973	-	88,033,457
Machinery & Equipment	6,143,789	545,038	(106,748)	6,582,079
Vehicles	12,687,664	894,352	(1,059,792)	12,522,224
Total accumulated depreciation	<u>116,108,295</u>	<u>6,483,537</u>	<u>(1,216,949)</u>	<u>121,374,883</u>
Total capital assets being depreciated, net	<u>243,470,293</u>	<u>(3,699,855)</u>	<u>(508,576)</u>	<u>239,261,862</u>
Governmental activities capital assets, net	<u>\$ 308,929,194</u>	<u>\$ 2,798,036</u>	<u>\$(1,234,120)</u>	<u>\$ 310,493,110</u>

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

Governmental activities:	
General government	\$ 759,496
Public safety	1,067,470
Public works	3,993,844
Culture and recreation	651,549
Health and welfare	1,379
Economic development	<u>9,799</u>
Total depreciation expense – governmental activities	<u>\$ 6,483,537</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 7: CAPITAL ASSETS (Continued)

	Balance October 1	Additions	Deletions	Balance Sept 30
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 16,917,841	\$ -	\$ -	\$ 16,917,841
Construction in progress	3,569,486	10,996	(250,173)	3,330,309
Total capital assets not being depreciated	20,487,327	10,996	(250,173)	20,248,150
Capital assets being depreciated:				
Buildings	5,935,448	86,501	-	6,021,949
Infrastructure	273,311,916	877,006	-	274,188,922
Machinery & Equipment	2,699,905	296,284	(6,680)	2,989,509
Vehicles	2,525,178	237,310	-	2,762,488
Total capital assets being depreciated	284,472,447	1,497,101	(6,680)	285,962,868
Less accumulated depreciation:				
Buildings	420,607	140,560	-	561,167
Infrastructure	49,038,842	5,534,772	-	54,573,614
Machinery & Equipment	1,186,866	227,420	(6,012)	1,408,274
Vehicles	2,138,126	149,652	-	2,287,778
Total accumulated depreciation	52,784,441	6,052,404	(6,012)	58,830,833
Total capital assets being depreciated, net	231,688,006	(4,555,303)	(668)	227,132,035
Business activities capital assets, net	<u>\$252,175,333</u>	<u>\$(4,544,307)</u>	<u>\$ (250,841)</u>	<u>\$247,380,185</u>

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

Business-type activities:	
Water and sewer	\$ 5,403,210
Joseph T. Jones memorial park	561,944
Gulfport Redevelopment Commission	<u>87,250</u>
Total depreciation expense - business-type activities	<u>\$ 6,052,404</u>

B. Net Investment in Capital Assets/ Net Position

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
Land	\$ 32,675,611	\$ 16,917,841
Construction in Progress	38,555,637	3,330,309
Other capital assets, net of accumulated depreciation	239,261,862	227,132,035
Less: related long-term debt outstanding	<u>(29,375,584)</u>	<u>(71,586,361)</u>
Total net investment in capital assets	<u>\$ 281,117,526</u>	<u>\$ 175,793,824</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 8: CAPITAL LEASE & SHORT-TERM DEBT

The City has entered into a capital lease to finance the purchase of computer equipment. The purchase was financed at a fixed, simple interest rate. Title to the assets is held in the name of the City and the bank as lien holder. The City insures the assets and accounts for the lease as financing arrangements. The City will make the following future payments of principal and interest on this lease:

	Principal	Interest	Total
2014	\$ 100,090	\$ 8,277	\$ 108,367
2015	101,778	6,589	108,367
2016	103,495	4,872	108,367
2017	105,242	3,125	108,367
2018	107,017	1,351	108,368
	<u>\$ 517,622</u>	<u>\$ 24,214</u>	<u>\$ 541,836</u>

Capital Assets Acquired Thru Capital Lease:
 Computer equipment

\$ 517,622

Future minimum lease payments and the net present value of the lease payments are:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>
2014	\$ 108,367
2015	108,367
2016	108,367
2017	108,367
2018	108,368
Total minimum lease payments	541,836
Less: amount representing interest	(24,214)
Present value of minimum lease payments	<u>\$ 517,622</u>

Short-Term Debt:

The City obtained a \$10 million line of credit with a local bank for cash flow purposes. It was repaid during fiscal year ending September 30, 2013.

Description	Issue Date	Interest Rate	Outstandin g At 10/1/12	Repaid	Outstanding At 9/30/13
BancorpSouth, \$10M Line of Credit	6/30/2011	Prime	\$5,000,000	\$5,000,000	-

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 9: LONG-TERM DEBT

(A) Governmental Activities

Transactions for the Year Ended September 30, 2013 are summarized as follows:

Governmental Activities	Payable at 10/01/12	Additions	Reductions	Payable at 09/30/13	Due in one year
General obligation bonds	\$ 18,345,000	\$ -	\$(2,800,000)	\$ 15,545,000	\$ 1,690,000
Notes payable	28,026,434	-	(1,340,350)	26,686,084	1,370,350
Capital leases payable	-	517,622	-	517,622	100,090
Compensated absences	2,227,481	861,315	(987,391)	2,101,405	1,080,073
Claims and judgments	36,000	-	(3,000)	33,000	-
	<u>\$ 48,634,915</u>	<u>\$ 1,378,937</u>	<u>\$(5,130,741)</u>	<u>\$ 44,883,111</u>	<u>\$ 4,240,513</u>

(1) General Obligation Bonds

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

General obligation bonds generally are issued as 20 year serial bonds with certain amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one Year
G/O public improvement	\$ 6,000,000	7/1/1998	4.40 - 6.00%	\$ 2,145,000	\$ 385,000
G/O public improvement	5,000,000	4/1/2003	3.50 - 4.25%	3,045,000	250,000
G/O refunding issue	6,160,000	8/5/2004	2.00 - 4.05%	2,060,000	655,000
G/O public improvement	10,000,000	11/1/2007	3.75 - 5.30%	8,295,000	400,000
	<u>\$ 27,160,000</u>			<u>\$ 15,545,000</u>	<u>\$ 1,690,000</u>

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

Year Ended September 30	Principal	Interest	Total
2014	\$ 1,690,000	\$ 621,958	\$ 2,311,958
2015	1,765,000	545,978	2,310,978
2016	1,845,000	466,080	2,311,080
2017	1,185,000	399,568	1,584,568
2018	1,240,000	348,183	1,588,183
2019-2023	4,400,000	1,581,203	5,981,203
2024-2028	3,420,000	331,498	3,751,498
Total	<u>\$ 15,545,000</u>	<u>\$ 4,294,468</u>	<u>\$ 19,839,468</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 9: LONG-TERM DEBT (Continued)

(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	Due in one year
Special Community Disaster Loan, FEMA 5-year note, \$13,373,122, to help offset operating costs due to Hurricane Katrina	various	2.75%	\$ 13,373,122	\$ -
Hancock Bank, Mississippi Development Promissory Note, \$10,000,000 authorized.		1.05% over		
TBMA - The Bond Market Assoc Index	12/1/2000	TBMA	4,182,962	470,350
Bankcorp South, Mississippi Development Promissory Note, \$10,000,000 authorized.				
Public Improvement Projects	12/1/2000	4.00%	9,130,000	900,000
Total general obligation notes			<u>\$ 26,686,084</u>	<u>\$ 1,370,350</u>

The special community disaster loan was deferred for an additional 5 years until January 2, 2016. On November 18, 2013 FEMA determined through a second hardship calculation that the City will not have to repay the loan or any accrued interest. The above notes including the CDL annual debt service requirements to maturity are as follows:

Year Ended September 30	Principal	Interest	Total
2014	\$ 1,370,350	\$ 371,589	\$ 1,741,939
2015	1,395,350	339,478	1,734,828
2016	14,798,472	3,759,432	18,557,904
2017	1,450,350	273,657	1,724,007
2018	1,480,350	230,147	1,710,497
2019-2023	6,138,129	473,314	6,611,443
2024-2028	53,083	1,592	54,675
Total	<u>\$ 26,686,084</u>	<u>\$ 5,449,209</u>	<u>\$ 32,135,293</u>

In February 2013 Moody's Investors Service downgraded the City's underlying general obligation debt rating from Aa3 to A1. The downgrade to A1 reflects the city's large tax base that has experienced fluctuations in recent years, a trend of imbalance in financial operations, and a narrow financial reserve position with minimal liquidity. The A1 rating also incorporates a below average socioeconomic profile as well as a minimal debt burden.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 9: LONG-TERM DEBT (Continued)

(3) 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, 2013, a total of 33 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$33,000 has been included in the General Long-Term Debt at September 30, 2013. None of the liability for these benefits is estimated to be paid within one year.

(4) 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 in the governmental-type activities: \$1,080,073 of the accrued liability of \$2,101,405 and in the business-type activities: \$25,669 of \$44,797 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.

(5) Legal Debt Margin

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded debt during a year can be no greater than 15% of assessed value of the taxable property within the city, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2013 the amount of outstanding general obligation bonded debt was equal to 2.4% of the latest property assessments.

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 \$741,772,329; therefore, the 15% debt limitation equals \$111,265,850. After reduction for GO Bonds outstanding of \$15,545,000, and increased by \$3,849,656 available in the debt service fund, the City's remaining margin for further debt issuance is \$99,570,506.

(6) 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, 2013 the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$76,704,975. 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 15, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

(B) Business-type Activities

The following changes occurred in long-term debt liabilities reported in the Enterprise Funds for the year ended September 30, 2013:

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 9: LONG-TERM DEBT (Continued)

<u>Business-type activities</u>	<u>Payable at 10/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable at 09/30/13</u>	<u>Due in one year</u>
General Obligation Bonds	\$ 49,460,000	\$ -	\$(3,425,000)	\$ 46,035,000	\$ 3,585,000
Notes payable	30,620,206	-	(2,083,156)	28,537,050	1,908,326
Compensated absences	39,147	8,231	(2,581)	44,797	25,670
Total	<u>\$ 80,119,353</u>	<u>\$ 8,231</u>	<u>\$(5,510,737)</u>	<u>\$ 74,616,847</u>	<u>\$ 5,518,996</u>

(1) General Obligation and 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, 2013 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>	<u>Due in one Year</u>
Water and Sewer:					
General Obligation Refunding Bonds	\$ 3,810,000	12/2/2004	3.00 - 3.85 %	\$ 1,810,000	\$ 425,000
General Obligation Revenue Bonds	5,200,000	4/14/2005	4.00 - 4.25 %	3,640,000	235,000
General Obligation Refunding Bonds	47,565,000	4/7/2005	2.63 - 4.34 %	34,515,000	1,995,000
General Obligation Revenue Bonds	9,500,000	6/1/2009	3.34%	6,070,000	930,000
	<u>\$ 66,075,000</u>			<u>\$ 46,035,000</u>	<u>\$ 3,585,000</u>

Bonded debt service requirements to maturity are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,585,000	\$ 2,197,467	\$ 5,782,467
2015	3,935,000	2,036,263	5,971,263
2016	4,130,000	1,856,988	5,986,988
2017	4,310,000	1,668,937	5,978,937
2018	4,010,000	1,481,303	5,491,303
2019-2023	18,730,000	4,607,757	23,337,757
2024-2028	7,335,000	631,913	7,966,913
Total	<u>\$ 46,035,000</u>	<u>\$ 14,480,628</u>	<u>\$ 60,515,628</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 9: LONG-TERM DEBT (Continued)

(3) 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, 2013 is as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in One year
State Revolving Fund					
Loans	\$ 44,534,555	various	3.0 - 4.5	\$ 25,258,490	\$ 1,878,676
Community Disaster Loan	2,985,689	various	2.74%	2,985,689	-
MS Development Bank	598,489	various	% of prime	292,871	29,650
Total	<u>\$ 48,875,360</u>			<u>\$ 28,537,050</u>	<u>\$ 1,908,326</u>

The community disaster loan was deferred an additional 5 years until January 2, 2016. On November 18, 2013 FEMA determined through a second hardship calculation that the City will not have to repay the community disaster loan or any accrued interest.

The notes annual debt service requirements to maturity including the CDL are as follows:

Year Ended September 30	Principal	Interest	Total
2014	\$ 1,908,326	\$ 439,440	\$ 2,347,766
2015	1,731,665	153,863	1,885,528
2016	4,710,825	920,071	5,630,897
2017	1,755,047	342,243	2,097,290
2018	1,785,484	310,882	2,096,366
2019-2023	9,392,154	1,064,872	10,457,026
2024-2028	7,253,548	260,447	7,513,995
Total	<u>\$ 28,537,050</u>	<u>\$ 3,491,818</u>	<u>\$ 32,028,868</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 10: FUND BALANCE DISCLOSURES

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable - amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City currently only has prepaid interest reported as non-spendable fund balance.

Restricted – amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions or enabling legislation.

Committed – amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end. The City has no committed fund balances reported at this time.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Council or by an official or body to which the City Council delegates authority. The City has assigned fund balances, representing funds needed to balance the 2014 general fund budget.

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

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

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

NOTE 11: 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 12: 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 12: RISK MANAGEMENT (Continued)

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

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

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

<u>Workers' Compensation</u>	
Per occurrence deductible (SIR)	\$750,000
Annual aggregate risk of loss through deductibles	\$2,861,030
Specific excess coverage in force	Statutory
<u>Employee Health Insurance</u>	
Per occurrence deductible (SIR)	\$125,000
Annual aggregate risk of loss through deductibles	No Limit
<u>General and Other Liability Coverage</u>	
Per occurrence deductible (SIR)	\$100,000
Annual aggregate risk of loss through deductibles	\$700,000
Specific excess coverage in force	\$1 million/occurrence with \$3 million aggregate on Law, Employee Practice & Benefits
Public Officials	\$2 million/occurrence with \$4 million aggregate
MS Statutory Cap	\$500,000/occurrence
Cyber Liability	\$1 million/occurrence with \$1 million aggregate
<u>Property Coverage</u>	
Named Windstorm	10% per location
All Other Wind	\$100,000
All other perils	\$50,000/Occurrence
Wind on Water Towers	no coverage
Specific excess coverage in force	
Buildings	\$89,478,352
Contents	\$5,044,775
Signs	\$768,400

(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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 12: RISK MANAGEMENT (Continued)

(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, 2011 to September 30, 2013:

	Claims Contingency	Group Life and Health
Liability balance, October 1, 2011	\$ 2,740,000	\$ 744,323
Claims and changes in estimates	2,728,117	3,848,328
Claims payments	<u>(2,098,117)</u>	<u>(4,359,528)</u>
Liability balance, September 30, 2012	3,370,000	233,123
Claims and changes in estimates	133,065	5,450,252
Claims payments	<u>(1,093,065)</u>	<u>(5,538,736)</u>
Liability balance, September 30, 2013	<u>\$ 2,410,000</u>	<u>\$ 144,639</u>
Assets available to pay claims at September 30, 2013	<u>\$ 2,448,018</u>	<u>\$ 1,727,536</u>

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

NOTE 13: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT GRANT PROGRAMS

The City receives annual entitlement grants from the Department of Housing and Urban Development Community Block Grant Program. The following represents the grant status at September 30, 2013:

(A) Community Development Entitlement Grants

Grant Number	Award Amount	Funds Drawn and Expended in FY 2013	Funds Drawn and Expended in prior years	Balance of Awards
B-11-MC-28-0002	\$ 682,026	\$ 537,627	\$ 144,390	\$ 9
B-12-MC-28-0002	549,200	-	-	549,200
B-13-MC-28-0002	512,516	-	-	512,516
	<u>\$ 1,743,742</u>	<u>\$ 537,627</u>	<u>\$ 144,390</u>	<u>\$ 1,061,716</u>

(B) Home Investment Partnership Program

Grant Number	Award Amount	Funds Drawn and Expended in FY 2013	Funds Drawn and Expended in prior years	Balance of Awards
B-08-DC-280200	\$ 729,637	\$ 464,025	\$ 265,612	\$ -
B-09-DC-280200	825,293	467,776	55,568	301,949
B-10-DC-280200	820,532	-	-	820,532
B-11-DC-280200	695,521	-	-	695,521
B-12-DC-280200	406,576	-	-	406,576
B-13-DC-280200	370,759	-	-	370,759
	<u>\$ 3,848,318</u>	<u>\$ 931,801</u>	<u>\$ 321,180</u>	<u>\$ 2,595,337</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 14: 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) 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 \$2,410,000 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 12 for the treatment of claims incurred but not reported and other tort liability information.

(C) Contract Commitments

Construction Contracts - The following significant contracts were outstanding at September 30, 2013.

	Contract Amount	Expended to Date	Remaining Contract
Seaway Road Widening	\$ 7,185,623	\$ 5,487,181	\$ 1,698,442
Road Improvements – Bond Issue	9,739,999	3,509,817	6,230,182
Fire Station #7	2,428,743	2,351,819	76,924
Downtown Streetscape	7,642,750	5,792,844	1,849,906
Municipal Complex Phase II	513,950	307,302	206,648
Ship Island Boat Terminal	528,108	146,841	381,267
West Harbor Expansion	1,585,645	1,430,478	155,167
Dedeaux Road Widening	1,912,164	1,334,403	577,761
Debuys Road Imp (engineering)	75,000	46,333	28,667
Barksdale Pavilion	6,033,654	5,820,723	212,931
Creosote Road/Three Rivers	4,164,712	398,489	3,766,223
Amplitheatre Tensil Pavilion	1,576,232	1,547,701	28,531
Jones Park Improvements	11,668,048	10,381,708	1,286,340
Utility Relocation SR 601	6,790,730	3,330,308	3,460,422
	<u>\$ 61,845,358</u>	<u>\$ 41,885,947</u>	<u>\$ 19,959,411</u>

Funds to be used to pay the above remaining contract commitments will be taken mostly from future FEMA grant obligations, CDBG grant obligations, and from the general and capital projects funds.

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

A. JOINT VENTURES

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

(1) 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 seq. Mississippi Code of 1972, as amended operates it. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District.

The City has no transactions with MHG that are included in the City's financial statements. All general obligation bonds issued by the City on behalf of Memorial Hospital were paid off during prior fiscal years. See Note 9(A)(6) for additional information pertaining to conduit debt issued for Memorial Hospital.

The following is a synopsis of MHG's most recent audited financial statements as of and for the year ended September 30, 2013, a copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

STATEMENT OF NET POSITION

<u>ASSETS</u>	
Current assets	\$ 142,970,309
Non current cash and investments	130,980,914
Capital assets, net	154,188,230
Other assets	<u>3,244,064</u>
Total assets	<u>431,383,517</u>
<u>LIABILITIES</u>	
Current liabilities	40,158,558
Long-term liabilities	<u>73,649,975</u>
Total liabilities	<u>113,808,533</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	77,483,255
Restricted	21,215,648
Unrestricted	<u>218,876,081</u>
Total net position	<u>\$ 317,574,984</u>

**STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION**

Operating revenue	\$ 392,118,657
Operating expenses	363,613,434
Depreciation and amortization	20,745,087
Nonoperating revenues, net	<u>(1,606,280)</u>
Change in net position	<u>\$ 6,153,856</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

(2) Harrison County Utility Authority

The City is a member of the Harrison County Utility Authority (Authority), 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 Authority. 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 Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City and the other members.

The following is a synopsis of the Authority's most recent audited financial statements as of and for the year ended September 30, 2013, a complete copy of which is on file at the administrative offices of the Authority which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

STATEMENT OF NET POSITION

<u>ASSETS</u>	
Current assets	\$ 6,537,044
Restricted assets	29,214,085
Capital assets, net	284,207,835
Other assets	<u>18,828,383</u>
Total assets	<u>338,787,347</u>
 <u>LIABILITIES</u>	
Current liabilities	5,983,296
Current liabilities from restricted assets	15,086,480
Long-term liabilities	<u>126,776,142</u>
Total liabilities	<u>147,845,918</u>
 <u>NET POSITION</u>	
Invested in capital assets, net of related debt	171,307,610
Restricted	20,628,373
Unrestricted	<u>(994,554)</u>
Total net position	<u>\$ 190,941,429</u>

**STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION**

Operating revenue	\$ 20,266,659
Operating expenses	(20,145,146)
Depreciation and amortization	(4,077,123)
Nonoperating revenues, net	<u>18,391,417</u>
Change in net position	<u>\$ 14,435,807</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

The following financial information concerning transactions with the Authority 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 Net Position:

Contractual services (solid waste, wastewater debt, and wastewater treatment charges)	\$ <u>10,354,766</u>
--	----------------------

B. JOINTLY GOVERNED ORGANIZATIONS

Gulfport-Biloxi Regional Airport Authority

The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The authority is comprised of one appointee each from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually, if necessary. During the past fiscal year, the City provided no funds to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility.

Harrison County Library System

On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$303,692 for the year ended September 30, 2013. The amount budgeted for the City for the fiscal year ended September 30, 2014 is \$303,692. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City does not have an ongoing financial responsibility.

NOTE 16: RETIREMENT PLANS

I. Defined Benefit 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. Membership and Benefit Provisions

(1) Public Employee's Retirement System

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-11-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State of Mississippi Legislature.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 16: RETIREMENT PLANS (Continued)

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. Membership in PERS is a condition of employment; eligibility is granted upon hiring for all qualifying employees. If approved, membership a condition of employment. Members who terminate employment and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest.

Participating members who are vested and retire at on after age 60 or those who retire regardless of age with at least 25 years of credited service are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service through 25 years, plus 2 ½ percent each year of credited service over 25 years. For members who entered the system prior to July 1, 2007, benefits vest upon completion of four years of membership service. For members who entered the system on or after July 1, 2007, benefits vest upon completion of eight years of membership service.

A cost of living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55.

PERS issues a publicly available financial report that includes financial statements and required supplemental 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.

(2) Municipal Retirement Systems:

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, 2011, 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. Benefit provisions are established by Section 21-29, Articles 1,3,5,7, Mississippi Code Annotated (1972), and annual local and private legislation and may be amended only by the State of Mississippi Legislature.

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 was fully closed to new members July 1, 1976. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions.

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 the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 16: RETIREMENT PLANS (continued)

B. Actuarial Asset Valuation

By statute, actuarial valuations of PERS must be performed at least once in each two-year period. Likewise, actuarial valuations of MRS is required to be performed at least once in each four-year period. Both plans presently have actuarial valuations performed annually as of June 30. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

C. Funding Policy and Annual Pension Costs

Contribution provisions for PERS are established by state statute. The adequacy of these rates is assessed annually by actuarial valuation. Contribution provisions for MRS are established by state statute, annual local and private legislation and may be amended only by the State Legislature.

The following table provides information concerning funding and actuarial policies (express in thousands):

	<u>PERS</u>	<u>MRS</u>
Contribution rates:		
State	15.75%	N/A
Other employers	N/A	1.44 - 6.16 mills
Plan members	9.00%	7.00% - 10.00%
Annual pension costs	\$881,847	\$19,512
Employer contributions made	\$881,847	\$20,019
Actuarial valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level	Level
	percent open	dollar closed
Remaining amortization period	30 years	21.0 years
Asset valuation method	5-year	5-year
	smoothed market	smoothed market
Actuarial assumptions		
Investment rate of return	8.00%	8.00%
Wage inflation rate	4.25%	4.25%
Projected salary increases	4.25% - 19.50%	4.50% - 6.00%
Increases in benefits after retirement *	3.00%	2.00% - 3.75%
Actual annual employer contribution rates beginning July 1, 2013	15.75%	-

* calculated 3% simple interest to age 55, compounded each year thereafter for PERS and varies depending on municipality for MRS

D. Three-year Trend Information

The following table provides the City's employer contribution to PERS and MRS for the last three fiscal years:

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 16: RETIREMENT PLANS (continued)

Fiscal Years	Employer		Percentage of Annual		
	Contributions		Pension Cost Contributed		
	Ending	PERS	MRS	PERS	MRS
2011	\$ 3,365,904	\$ 1,545,190	100%		135.2%
2012	3,529,220	1,259,233	100%		122.8%
2013	3,817,029	971,252	100%		88.5%

E. Funded Status and Funding Progress

At September 30, 2013, the unfunded actuarial accrued liability for the MRS plan was determined as follows: (In thousands)

Retirees and beneficiaries currently receiving benefits	\$ 20,836
Active members	none
Vested terminated members	<u>none</u>
Total actuarial accrued liability	\$ 20,836
Less: Actuarial value of assets	<u>9,383</u>
Unfunded actuarial accrued liability	<u>\$ 11,453</u>

Ten-year historical trend information showing PERS' and MRS' progress in accumulating sufficient assets to pay benefits when due is presented in the respective financial reports.

Ten-year historical trend information showing MRS' progress in accumulating sufficient assets to pay benefits when due is presented in a table in the required supplemental information section of this report. The most recent actuarial report for MRS is June 30, 2013.

II. 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, 2013 and 2012, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$5,243,705 and \$4,657,940, respectively.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2013

NOTE 17: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City of Gulfport Insurance Committee administers the City's self-insured medical and dental plan. City retirees may obtain health and dental insurance by participating in a group with active employees. The retirees now pay 100% of their health insurance premiums, therefore, the City no longer has a postemployment healthcare benefit reportable under GASB 45 as a single employer defined benefit health care plan.

NOTE 18: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2014, the date on which the financial statements were available to be issued. The following were determined to be reportable subsequent events:

On November 18, 2013 FEMA determined through a second hardship calculation that the City does qualify for the hardship and will not have to repay any of the remaining \$16,358,811 Community Disaster Loans nor will they be liable for any accrued interest on that debt.

On March 27, 2014 the City drew down an additional \$415,679 of previously approved capital lease loans to purchase computer equipment upgrades.

Required Supplemental Information

CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2013

	<i>General Fund</i>			
	Budget		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 17,683,000	\$ 17,683,000	\$ 18,415,985	\$ 732,985
Sales	19,600,000	19,600,000	19,446,683	(153,317)
Franchise	3,726,000	3,726,000	3,705,227	(20,773)
Gaming	3,270,000	3,270,000	3,190,199	(79,801)
Licenses and permits	1,250,000	1,250,000	1,246,849	(3,151)
Intergovernmental	3,059,000	3,948,253	3,667,804	(280,449)
Charges for services	2,366,607	2,379,199	1,705,495	(673,704)
Fines and forfeits	2,380,000	2,380,000	1,750,807	(629,193)
Miscellaneous	197,000	191,758	601,738	409,980
Total revenues	53,531,607	54,428,210	53,730,787	(697,423)
Expenditures:				
General government:				
Personnel services	4,550,332	4,571,475	4,431,665	139,810
Supplies	192,399	200,681	139,817	60,864
Other services	2,878,029	3,149,808	2,793,509	356,299
Capital outlay	25,602	1,046,892	517,046	529,846
Total	7,646,362	8,968,856	7,882,037	1,086,819
Police:				
Personnel services	14,742,927	14,823,428	13,612,751	1,210,677
Supplies	1,174,000	1,313,961	1,287,469	26,492
Other services	1,959,825	2,369,382	2,255,366	114,016
Capital outlay	-	344,205	142,286	201,919
Total	17,876,752	18,850,976	17,297,872	1,553,104
Fire:				
Personnel services	11,122,975	10,817,355	10,393,607	423,748
Supplies	454,851	565,876	503,734	62,142
Other services	541,075	602,283	517,453	84,830
Capital outlay	-	966,065	389,087	576,978
Total	12,118,901	12,951,579	11,803,881	1,147,698
Public works:				
Personnel services	2,299,115	2,260,903	2,230,445	30,458
Supplies	1,381,838	1,410,050	1,231,728	178,322
Other services	5,211,845	5,041,845	4,932,766	109,079
Capital outlay	-	25,700	39,744	(14,044)
Total	8,892,798	8,738,498	8,434,683	303,815
Urban and economic development:				
Personnel services	1,652,913	1,652,913	1,573,010	79,903
Supplies	46,855	46,855	32,174	14,681
Other services	585,228	645,228	438,306	206,922
Capital outlay	-	-	-	-
Total	2,284,996	2,344,996	2,043,490	301,506

(Continued on next page)

**The accompanying notes to the Required Supplemental Information
are an integral part of these financial statements.**

CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (continued)
General Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2013

	<i>General Fund</i>			
	Budget		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Expenditures: (continued)				
Culture and recreation				
Personnel services	3,084,371	3,097,891	2,958,612	139,279
Supplies	735,981	764,961	752,855	12,106
Other services	1,560,486	1,560,486	1,529,706	30,780
Capital outlay	-	-	-	-
Total	<u>5,380,838</u>	<u>5,423,338</u>	<u>5,241,173</u>	<u>182,165</u>
Total expenditures	<u>54,200,647</u>	<u>57,278,243</u>	<u>52,703,136</u>	<u>4,575,107</u>
Excess (deficit) of revenues over expenditures	<u>(669,040)</u>	<u>(2,850,033)</u>	<u>1,027,651</u>	<u>3,877,684</u>
Other financing sources (uses)				
Proceeds of loans	-	1,040,000	517,622	(522,378)
Sale of capital assets	-	349,237	395,340	46,103
Transfers in	-	9,370	9,370	-
Transfers out	-	(819,091)	(819,091)	-
Total other financing sources (uses)	<u>-</u>	<u>579,516</u>	<u>103,241</u>	<u>(476,275)</u>
Changes in fund balance	(669,040)	(2,270,517)	1,130,892	3,401,409
Fund balance - October 1	<u>900,000</u>	<u>2,500,000</u>	<u>2,501,377</u>	
Fund balance - September 30	<u>\$ 230,960</u>	<u>\$ 229,483</u>	<u>\$ 3,632,269</u>	<u>\$ 3,401,409</u>

**The accompanying notes to the Required Supplemental Information
are an integral part of these financial statements.**

CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Disaster Relief Special Revenue Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2013

<i>Disaster Relief Fund</i>				
	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 36,789,360	\$ 36,789,360	\$ 2,668,943	\$ (34,120,417)
Total revenues	36,789,360	36,789,360	2,668,943	(34,120,417)
Expenditures:				
Public works	36,789,360	36,789,360	684,791	36,104,569
Total expenditures	36,789,360	36,789,360	684,791	36,104,569
Excess (deficit) of revenues over expenditures	-	-	1,984,152	1,984,152
Fund balance - October 1	-	-	-	-
Fund balance - September 30	\$ -	\$ -	\$ 1,984,152	\$ 1,984,152

**The accompanying notes to the Required Supplemental Information
are an integral part of these financial statements.**

CITY OF GULFPORT, MISSISSIPPI
Required Supplemental Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Development Special Revenue Fund
Major Governmental Funds
For the Fiscal Year Ended September 30, 2013

<i>Community Development Fund</i>				
	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 10,847,466	\$ 12,331,558	\$ 6,135,602	\$ (6,195,956)
Miscellaneous	-	-	26,468	26,468
Total revenues	10,847,466	12,331,558	6,162,070	(6,169,488)
Expenditures:				
Health and welfare	4,847,991	6,234,676	1,827,406	4,407,270
Capital outlay	6,079,417	6,176,824	4,110,243	2,066,581
Total expenditures	10,927,408	12,411,500	5,937,649	6,473,851
Changes in fund balance	(79,942)	(79,942)	224,421	304,363
Fund balance - October 1	79,942	79,942	295,988	
Fund balance - September 30	\$ -	\$ -	\$ 520,409	\$ 304,363

**The accompanying notes to the Required Supplemental Information
are an integral part of these financial statements.**

CITY OF GULFPORT
Notes to the Required Supplemental Information and
Reconciliation of Budget to GAAP – Major Governmental Funds
For the Fiscal Year Ended September 30, 2013

Note 1: Budgetary Presentation:

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

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

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

Accounting principles applied in preparation of the budget comparison statements differ from the generally accepted accounting principles used in preparation of the fund statements. These differences in the principles used results in timing differences in the recognition of revenue and expenditures. Below is a reconciliation of the Major Funds Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – Budget Basis to the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds (major general and special revenue funds).

Note 2: Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

	<u>General Fund</u>	<u>Disaster Relief Fund</u>	<u>Community Development Fund</u>
Sources of financial resources			
Actual revenues (budgetary basis)	\$ 53,730,787	\$ 2,668,943	\$ 6,162,070
Differences - budget to GAAP.			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial statement purposes including auditor's entries for accounts receivable.	(570,058)	(2,130,139)	(1,294,227)
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	<u>53,160,729</u>	<u>538,804</u>	<u>4,867,843</u>
Uses of financial resources:			
Actual expenditures (budgetary basis)	52,703,136	684,791	5,937,649
Differences - budget to GAAP.			
Encumbrances for supplies, equipment, and construction are reported in the year the order is placed for budgetary purposes, but in the year the goods or services are received for financial reporting purposes.	35,155	(145,987)	(1,222,842)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	<u>\$ 52,738,291</u>	<u>\$ 538,804</u>	<u>\$ 4,714,807</u>

CITY OF GULFPORT, MISSISSIPPI
Mississippi Municipal Retirement System (MMRS)
Required Supplemental Information
Analysis of Funding Progress
(Amounts Express in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll (b-a) /c)
9/30/2004	\$ 10,745	\$ 23,317	\$ 12,572	46.1%	230	5466.1%
9/30/2005	10,212	22,970	12,758	44.5%	207	6163.3%
9/30/2006	10,533	22,720	12,187	46.4%	130	9374.6%
9/30/2007	10,897	22,170	11,273	49.2%	139	8110.1%
9/30/2008	11,242	22,193	10,951	50.7%	156	7019.9%
9/30/2009	10,926	22,696	11,770	48.1%	165	7133.3%
9/30/2010	10,349	22,245	11,896	46.5%	165	7209.7%
9/30/2011	10,337	21,095	10,758	49.0%	164	6559.8%
9/30/2012	9,704	20,927	11,223	46.4%	88	12753.4%
6/30/2013	9,383	20,836	11,453	45.0%	0	n/a

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.

Supplemental Information

Nonmajor Governmental Funds Combining Financial Statements

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes. A description of these funds is found later in this section.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

CITY OF GULFPORT, MISSISSIPPI
Non-major Governmental Funds
Combining Balance Sheet
September 30, 2013

	Special Revenue		Capital Projects			Total Other Governmental Funds
	Forfeitures and Seizures	Police and Fireman's Retirement	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	
Assets						
Cash and cash equivalents	\$ 1,516,998	\$ -	\$ 9,488	\$ 66,030	\$ 227,276	\$ 2,099,027
Receivables	-	6,375	-	-	-	6,375
Property taxes	-	-	-	-	-	-
Total assets	<u>1,516,998</u>	<u>6,375</u>	<u>9,488</u>	<u>66,030</u>	<u>227,276</u>	<u>2,105,402</u>
Liabilities and Fund balance						
Liabilities						
Accounts payable	4,668	-	-	920	-	5,588
Due to other governments	-	6,375	-	-	-	6,375
Total Liabilities	<u>4,668</u>	<u>6,375</u>	<u>-</u>	<u>920</u>	<u>-</u>	<u>11,963</u>
Fund Balance						
Restricted for drug enforcement	1,512,330	-	-	-	-	1,512,330
Restricted for capital projects	-	-	9,488	65,110	227,276	581,109
Total fund balance	<u>1,512,330</u>	<u>-</u>	<u>9,488</u>	<u>65,110</u>	<u>227,276</u>	<u>2,093,439</u>
Total liabilities and fund balance	<u>\$ 1,516,998</u>	<u>\$ 6,375</u>	<u>\$ 9,488</u>	<u>\$ 66,030</u>	<u>\$ 227,276</u>	<u>\$ 2,105,402</u>

See Independent Auditors' Report

CITY OF GULFPORT, MISSISSIPPI
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended September 30, 2013

	Special Revenue		Capital Projects				Total Other Governmental Funds
	Forfeitures and Seizures	Police and Fireman's Retirement	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund	
Revenues							
Taxes:							
Property	\$ -	\$ 933,476	\$ -	\$ -	\$ -	\$ -	\$ 933,476
Intergovernmental	235,353	37,776	-	-	-	-	273,129
Miscellaneous	31,763	-	2	14	45	59	31,883
Total revenues	267,116	971,252	2	14	45	59	1,238,488
Expenditures							
Current:							
Public safety	65,573	971,252	-	-	-	-	1,036,825
Public works	-	-	-	-	758	-	758
Culture and recreation	-	-	-	-	-	-	-
Capital outlay:							
Public safety	170,027	-	-	-	-	-	170,027
Public works	-	-	-	8,280	-	24,975	33,255
Total expenditures	235,600	971,252	-	8,280	758	24,975	1,240,865
Excess of revenues over (under) expenditures	31,516	-	2	(8,266)	(713)	(24,916)	(2,377)
Other financing sources (uses)							
Sale of fixed assets	22,325	-	-	-	-	-	22,325
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	22,325	-	-	-	-	-	22,325
Change in fund balance	53,841	-	2	(8,266)	(713)	(24,916)	19,948
Fund balance - October 1	1,458,489	-	9,486	73,376	227,989	304,151	2,073,491
Fund balance - September 30	\$ 1,512,330	\$ -	\$ 9,488	\$ 65,110	\$ 227,276	\$ 279,235	\$ 2,093,439

See Independent Auditors' Report

Supplemental Information

Individual Fund Schedules of Revenue, Expenditures
and Changes in Fund Balances – Budget to Actual
Nonmajor Governmental Funds
Special Revenue Funds

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 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.

CITY OF GULFPORT, MISSISSIPPI
Forfeitures and Seizures Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013

	<i>Forfeitures and Seizures Fund</i>			
	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 239,737	\$ 235,353	\$ (4,384)
Miscellaneous	-	28,499	31,763	3,264
Total revenues	<u>-</u>	<u>268,236</u>	<u>267,116</u>	<u>(1,120)</u>
Expenditures:				
Public safety	<u>1,426,626</u>	<u>1,704,440</u>	<u>235,600</u>	<u>1,468,840</u>
Total expenditures	<u>1,426,626</u>	<u>1,704,440</u>	<u>235,600</u>	<u>1,468,840</u>
Excess (deficit) of revenues over expenditures	<u>(1,426,626)</u>	<u>(1,436,204)</u>	<u>31,516</u>	<u>1,467,720</u>
Other financing sources (uses)				
Sale of general fixed assets	<u>-</u>	<u>9,578</u>	<u>22,325</u>	<u>12,747</u>
Total other financing sources (uses)	<u>-</u>	<u>9,578</u>	<u>22,325</u>	<u>12,747</u>
Changes in fund balance	(1,426,626)	(1,426,626)	53,841	1,480,467
Fund balance - October 1	<u>1,426,626</u>	<u>1,426,626</u>	<u>1,458,489</u>	<u>-</u>
Fund balance - September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,512,330</u>	<u>\$ 1,480,467</u>

See Independent Auditors' Report

CITY OF GULFPORT, MISSISSIPPI
Police and Fireman's Retirement Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013

	<i>Police and Fireman's Retirement Fund</i>			
	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 943,100	\$ 943,100	\$ 933,476	\$ (9,624)
Intergovernmental	32,000	32,000	37,776	5,776
Total revenues	<u>975,100</u>	<u>975,100</u>	<u>971,252</u>	<u>(3,848)</u>
Expenditures:				
Public safety	975,100	975,100	971,252	3,848
Total expenditures	<u>975,100</u>	<u>975,100</u>	<u>971,252</u>	<u>3,848</u>
Changes in fund balance	-	-	-	-
Fund balance - October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

Supplemental Information

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget to Actual Other Major and Non-major Governmental Funds Capital Projects Funds

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

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

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

2003 Public Improvement Fund – This fund is used to account for various public improvement projects financed by general obligation bonds.

Capital Projects Fund – (Major fund not part of required supplementary information) 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

CITY OF GULFPORT, MISSISSIPPI
Capital Projects Funds
Combining Schedule of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013

	Budget		Non-Major Funds						Major Fund		Total Actual	Variance with Final Budget
	Original	Final	1996 Public Improvement Fund		2001 Public Improvement Fund		2003 Public Improvement Fund		Capital Projects Fund			
Revenues:												
Intergovernmental	\$ 7,384,240	\$ 9,725,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,123,821	\$ 2,123,821	\$ (7,601,745)	
Miscellaneous	240,695	240,695	2	14	45	45	59	59	11,113	11,233	(229,462)	
Total revenues	7,624,935	9,966,261	2	14	45	45	59	59	2,134,934	2,135,054	(7,831,207)	
Expenditures:												
Capital Projects	16,803,325	23,423,968	-	8,280	758	758	24,975	24,975	4,359,346	4,393,359	19,030,609	
Total expenditures	16,803,325	23,423,968	-	8,280	758	758	24,975	24,975	4,359,346	4,393,359	19,030,609	
Excess (deficit) of revenues over expenditures	(9,178,390)	(13,457,707)	2	(8,266)	(713)	(713)	(24,916)	(24,916)	(2,224,412)	(2,258,305)	11,199,402	
Other financing sources (uses)												
Issuance of debt	-	550,000	-	-	-	-	-	-	-	-	(550,000)	
Insurance proceeds	-	240,695	-	-	-	-	-	-	-	-	(240,695)	
Transfers out	-	-	-	-	-	-	-	-	(20,366)	(20,366)	(20,366)	
Transfers in	-	526,967	-	-	-	-	-	-	526,967	526,967	-	
Total other financing sources (uses)	-	1,317,662	-	-	-	-	-	-	506,601	506,601	(811,061)	
Changes in fund balance	(9,178,390)	(12,140,045)	2	(8,266)	(713)	(713)	(24,916)	(24,916)	(1,717,811)	(1,751,704)	10,388,341	
Fund balance - October 1	10,364,192	12,860,554	9,486	73,376	227,989	227,989	304,151	304,151	12,245,552	12,860,554	-	
Fund balance - September 30	\$ 1,185,802	\$ 720,509	\$ 9,488	\$ 65,110	\$ 227,276	\$ 227,276	\$ 279,235	\$ 279,235	\$ 10,527,741	\$ 11,108,850	\$ 10,388,341	

See Independent Auditors' Report

Supplemental Information

Individual Fund Schedules of Revenue, Expenditures
and Changes in Fund Balances – Budget to Actual
Other Major Governmental Funds
Debt Service Fund

Debt Service Fund (major fund not part of required supplementary information) 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
Debt Service Fund
(Major Fund)
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013

	<i>Debt Service Fund</i>			
	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 4,784,000	\$ 4,784,000	\$ 4,795,837	\$ 11,837
Intergovernmental	165,000	165,000	194,547	29,547
Miscellaneous	-	-	752	752
Total revenues	<u>4,949,000</u>	<u>4,949,000</u>	<u>4,991,136</u>	<u>42,136</u>
Expenditures:				
Debt service:				
Principal	4,100,000	4,100,000	4,140,350	(40,350)
Interest	1,210,000	1,210,000	1,128,160	81,840
Other	20,000	20,000	11,866	8,134
Total expenditures	<u>5,330,000</u>	<u>5,330,000</u>	<u>5,280,376</u>	<u>49,624</u>
Excess (deficit) of revenues over expenditures	(381,000)	(381,000)	(289,240)	91,760
Fund balance - October 1	<u>3,500,000</u>	<u>3,500,000</u>	<u>4,199,666</u>	<u>-</u>
Fund balance - September 30	<u>\$ 3,119,000</u>	<u>\$ 3,119,000</u>	<u>\$ 3,910,426</u>	<u>\$ 91,760</u>

See Independent Auditors' Report

Supplemental Information

Proprietary Funds
Governmental-type Activities
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 of Gulfport, Mississippi's employees.

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type Activities
Combining Statement of Net Position
September 30, 2013

	Government-type Activities		
	Group Life and Health	Claims Contingency	Total
Assets			
Cash and cash equivalents	\$ 227,536	\$ 2,448,018	\$ 2,675,554
Due from other funds	1,500,000	-	1,500,000
Prepaid insurance	-	1,117,066	1,117,066
Total assets	1,727,536	3,565,084	5,292,620
Liabilities			
Accounts payable	9,700	37,403	47,103
Liability for self-insurance claims	144,639	2,410,000	2,554,639
Total Liabilities	154,339	2,447,403	2,601,742
Net position			
Unrestricted	\$ 1,573,197	\$ 1,117,681	\$ 2,690,878

See Independent Auditors' Report

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type Activities
Combining Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended September 30, 2013

	Government-type Activities		
	Group Life and Health	Claims Contingency	Total
Operating Revenues			
Employee contributions	\$ 901,415	\$ -	\$ 901,415
Retiree contributions	220,035	-	220,035
Employer contributions	3,899,708	2,744,397	6,644,105
Insurance claim reimbursements	487,885	250,947	738,832
Total operating revenues	<u>5,509,043</u>	<u>2,995,344</u>	<u>8,504,387</u>
Operating Expenses			
Administrative expenses	169,655	87,249	256,904
Contractual services	236,461	39,743	276,204
Premium payments	502,213	658,645	1,160,858
Claims paid	5,538,736	1,093,065	6,631,801
Total operating expenses	<u>6,447,065</u>	<u>1,878,702</u>	<u>8,325,767</u>
Operating income (loss)	(938,022)	1,116,642	178,620
Non-operating revenues (expenses)			
Interest income	105	1,039	1,144
Change in net position	(937,917)	1,117,681	179,764
Net position - October 1	2,511,114	-	2,511,114
Net position - September 30	<u>\$ 1,573,197</u>	<u>\$ 1,117,681</u>	<u>\$ 2,690,878</u>

See Independent Auditors' Report

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type activities
Combining Statement of Cash Flows
For the Fiscal Years ended September 30, 2013

	Government-type Activities		
	Group Life and Health	Claims Contingency	Total
Cash flows from operating activities:			
Cash received from employees and others	\$ 1,121,450	\$ -	\$ 1,121,450
Cash received from insurance claims	497,880	250,947	748,827
Cash received from employer contributions	3,899,708	2,744,397	6,644,105
Cash paid to suppliers	<u>(6,535,549)</u>	<u>(2,966,238)</u>	<u>(9,501,787)</u>
Net cash provided (used) by operating activities	<u>(1,016,511)</u>	<u>29,106</u>	<u>(987,405)</u>
Cash flows from non-capital financing activities:			
Cash transferred to other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by non-operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Investment transactions, net	-	-	-
Interest received	<u>105</u>	<u>1,039</u>	<u>1,144</u>
Net cash from investing activities	<u>105</u>	<u>1,039</u>	<u>1,144</u>
Net increase in cash and cash equivalents	(1,016,406)	30,145	(986,261)
Cash and equivalents - October 1	<u>1,243,942</u>	<u>2,417,873</u>	<u>3,661,815</u>
Cash and equivalents - September 30	<u>\$ 227,536</u>	<u>\$ 2,448,018</u>	<u>\$ 2,675,554</u>

**Reconciliation of income (loss) from operations
to net cash provided (used) by operating activities**

Operating income (loss)	\$ (938,022)	\$ 1,116,642	\$ 178,620
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets			
Receivable - others	9,995	-	9,995
Prepaid insurance	-	(145,708)	(145,708)
Increase (decrease) in liabilities			
Accounts payable	-	18,172	18,172
Other liabilities	<u>(88,484)</u>	<u>(960,000)</u>	<u>(1,048,484)</u>
Net cash provided by (used in) operating activities	<u>\$ (1,016,511)</u>	<u>\$ 29,106</u>	<u>\$ (987,405)</u>

See Independent Auditors' Report

Supplemental Information

Fiduciary Funds Combining Schedule

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

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

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

Flexible Spending Account – This fiduciary fund is for the accumulation of funds provided by employees for IRS approved reimbursable medical expenses.

Payroll Clearing Account – This agency fund is for the collection and disbursement of payroll and related payroll tax liabilities.

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Combining Statement of Assets and Liabilities
September 30, 2013

	Agency Funds				Totals
	Asset Forfeiture	Coastal Narcotics	Flexibile Spending Account	Payroll Clearing	
Assets					
Cash and cash equivalents	\$ 227,166	\$ 35,941	\$ 19,214	\$ 740	\$ 283,061
Assets held for disposal	54,350	-	-	-	54,350
Total assets	<u>281,516</u>	<u>35,941</u>	<u>19,214</u>	<u>740</u>	<u>337,411</u>
Liabilities					
Payable to other governments	632	-	-	-	632
Payable to others	-	-	-	740	740
Assets held in trust	280,884	35,941	19,214	-	336,039
Total liabilities	<u>\$ 281,516</u>	<u>\$ 35,941</u>	<u>\$ 19,214</u>	<u>\$ 740</u>	<u>\$ 337,411</u>

See Independant Auditors' Report

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2013

	Balance at 10/01/12	Additions	Deductions	Balance at 09/30/13
<u>Asset Forfeiture Fund</u>				
Assets				
Cash	\$ 182,213	\$ 149,269	\$ 104,316	\$ 227,166
Assets held for disposal	54,350	-	-	54,350
Total assets	<u>236,563</u>	<u>149,269</u>	<u>104,316</u>	<u>281,516</u>
Liabilities				
Payable to other governments	7,174	97,774	104,316	632
Assets held in trust	229,389	149,852	98,357	280,884
Total liabilities	<u>236,563</u>	<u>247,626</u>	<u>202,673</u>	<u>281,516</u>
<u>Coastal Narcotics Task Force</u>				
Assets				
Cash	31,288	11,708	7,055	35,941
Liabilities				
Assets held in trust	31,288	11,708	7,055	35,941
<u>Flexible Spending Account</u>				
Assets				
Cash	21,035	65,023	66,844	19,214
Liabilities				
Assets held in trust	21,035	65,023	66,844	19,214
<u>Tax Collector Clearing</u>				
Assets				
Cash	-	50,911,589	50,911,589	-
Liabilities				
Payable to other governments	-	50,911,589	50,911,589	-
<u>Payroll Clearing</u>				
Assets				
Cash	93,231	55,922,465	56,014,956	740
Liabilities				
Payable to others	93,231	55,922,465	56,014,956	740
<u>Total Agency Funds</u>				
Assets				
Cash	327,767	107,060,054	107,104,760	283,061
Asset held for disposal	54,350	-	-	54,350
Total assets	<u>382,117</u>	<u>107,060,054</u>	<u>107,104,760</u>	<u>337,411</u>
Liabilities				
Payable to other governments	7,174	51,009,363	51,015,905	632
Payable to others	93,231	55,922,465	56,014,956	740
Assets held in trust	281,712	226,583	172,256	336,039
Total liabilities	<u>\$ 382,117</u>	<u>\$ 107,158,411</u>	<u>\$ 107,203,117</u>	<u>\$ 337,411</u>

See Independent Auditors' Report



This page left blank intentionally

Statistical Section

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

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time. 105

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 110

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 114

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 119

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 121

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

City of Gulfport
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year			
	2013	2012	2011	2010
Governmental activities				
Net investment in capital assets	\$281,117,526	\$270,930,882	\$ 266,185,951	\$249,085,367
Restricted	16,868,111	16,137,281	5,797,855	9,827,643
Unrestricted	<u>(12,189,389)</u>	<u>(5,417,753)</u>	<u>(2,647,738)</u>	<u>(6,373,773)</u>
Total governmental activities net position	<u>\$285,796,248</u>	<u>\$281,650,410</u>	<u>\$ 269,336,068</u>	<u>\$252,539,237</u>
Business-type activities				
Net investment in capital assets	\$175,793,824	\$174,576,166	\$ 166,696,100	\$132,528,012
Restricted	952,420	952,325	952,230	952,121
Unrestricted	<u>4,113,910</u>	<u>3,570,295</u>	<u>4,723,104</u>	<u>2,378,590</u>
Total business-type activities net position	<u>\$180,860,154</u>	<u>\$179,098,786</u>	<u>\$ 172,371,434</u>	<u>\$135,858,723</u>
Primary government				
Net investment in capital assets	\$456,911,350	\$445,507,048	\$ 432,882,051	\$381,613,379
Restricted	17,820,531	17,089,606	6,750,085	10,779,764
Unrestricted	<u>(8,075,479)</u>	<u>(1,847,458)</u>	<u>2,075,366</u>	<u>(3,995,183)</u>
Total primary government net position	<u>\$466,656,402</u>	<u>\$460,749,196</u>	<u>\$ 441,707,502</u>	<u>\$388,397,960</u>

* Restated due to non-capital related debt previously included in Net investment in capital assets

Fiscal Year					
2009	2008*	2007*	2006*	2005	2004
\$241,003,147	\$189,599,451	\$188,696,228	\$174,441,181	\$170,877,765	\$171,665,624
23,399,810	32,297,576	12,457,697	7,293,203	12,838,584	2,780,874
(7,464,868)	831,049	33,437,718	30,408,172	18,707,142	27,052,299
<u>\$256,938,089</u>	<u>\$222,728,076</u>	<u>\$234,591,643</u>	<u>\$212,142,556</u>	<u>\$202,423,491</u>	<u>\$201,498,797</u>
\$ 70,723,443	\$ 54,599,249	\$ 35,870,524	\$ 27,883,405	\$ 9,070,921	\$ 2,679,954
968,050	4,000	4,000	4,000	4,000	4,000
11,971,135	14,425,629	20,910,904	19,295,222	15,774,671	17,583,643
<u>\$ 83,662,628</u>	<u>\$ 69,028,878</u>	<u>\$ 56,785,428</u>	<u>\$ 47,182,627</u>	<u>\$ 24,849,592</u>	<u>\$ 20,267,597</u>
\$311,726,590	\$244,198,700	\$224,566,752	\$202,324,586	\$179,948,686	\$174,345,578
24,367,860	32,301,576	12,461,697	7,297,203	12,842,584	2,784,874
4,506,267	15,256,678	54,348,622	49,703,394	34,481,813	44,635,942
<u>\$340,600,717</u>	<u>\$291,756,954</u>	<u>\$291,377,071</u>	<u>\$259,325,183</u>	<u>\$227,273,083</u>	<u>\$221,766,394</u>

City of Gulfport
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Expenses				
Governmental activities:				
General government	\$ 15,236,847	\$ 18,182,129	\$ 15,002,455	\$ 15,267,846
Public safety	26,479,794	29,205,705	27,707,275	28,908,909
Public works	12,657,384	12,482,311	11,084,442	12,235,926
Health and welfare	2,530,289	796,205	582,936	4,482,187
Economic development	2,036,416	2,122,547	2,081,041	2,289,992
Culture & recreation	5,212,892	5,793,659	5,134,626	4,387,803
Interest on long-term debt	1,493,792	1,677,536	1,413,236	1,564,971
Total governmental activities expense	<u>65,647,414</u>	<u>70,260,092</u>	<u>63,006,011</u>	<u>69,137,634</u>
Business-type activities				
Water and sewer	29,368,049	29,943,157	26,911,222	26,940,884
Joseph T. Jones park	1,737,744	2,947,134	164,346	104,380
Gulfport redevelopment commission	87,250	87,250	-	-
Total business-type activities expense	<u>31,193,043</u>	<u>32,977,541</u>	<u>27,075,568</u>	<u>27,045,264</u>
Total primary government expenses	<u>\$ 96,840,457</u>	<u>\$ 103,237,633</u>	<u>\$ 90,081,579</u>	<u>\$ 96,182,898</u>
Program Revenue				
Governmental activities:				
Charges for services:				
General government	\$ 3,888,141	\$ 4,157,208	\$ 4,614,756	\$ 3,703,025
Public safety	90,097	113,522	150,421	28,761
Public works	7,246	14,161	55,885	-
Health and welfare	-	-	-	-
Economic development	-	-	34,593	63,988
Culture & recreation	813,746	598,271	550,700	771,647
Operating grants and contributions	5,017,529	2,664,936	3,625,390	8,564,497
Capital grants and contributions	4,325,695	20,047,920	18,384,916	14,959,682
Total governmental activities program revenues	<u>14,142,454</u>	<u>27,596,018</u>	<u>27,416,661</u>	<u>28,091,600</u>
Business-type activities:				
Charges for services:				
Water and sewer	30,367,141	30,245,886	28,604,172	24,210,429
Joseph T. Jones park	1,028,745	520,896	11,647	11,647
Operating grants and contributions	-	-	-	-
Capital grants and contributions	1,064,897	8,138,942	29,957,733	52,615,994
Total business-type activities program revenues	<u>32,460,783</u>	<u>38,905,724</u>	<u>58,573,552</u>	<u>76,838,070</u>
Total primary government program revenues	<u>\$ 46,603,237</u>	<u>\$ 66,501,742</u>	<u>\$ 85,990,213</u>	<u>\$ 104,929,670</u>
Net (Expense)/Revenue				
Governmental activities	\$ (51,504,960)	\$ (42,664,074)	\$ (35,589,350)	\$ (41,046,034)
Business-type activities	1,267,740	5,928,183	31,497,984	49,792,806
Total primary government net expense	<u>\$ (50,237,220)</u>	<u>\$ (36,735,891)</u>	<u>\$ (4,091,366)</u>	<u>\$ 8,746,772</u>

(Continued)

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 18,333,058	\$ 16,816,296	\$ 8,539,671	\$ 18,702,277	\$ 13,373,080	\$ 6,226,650
32,637,921	35,181,734	30,122,550	26,943,482	26,852,781	27,833,130
14,365,217	17,911,142	27,428,901	77,057,446	15,162,787	7,839,497
11,783,880	2,607,893	810,198	2,130,531	1,599,378	1,576,615
2,662,668	2,468,356	2,276,098	1,067,096	1,534,449	1,463,038
5,036,165	11,753,574	9,227,708	4,067,029	5,267,209	5,097,842
1,772,771	2,355,672	1,445,005	1,459,237	1,433,310	1,996,914
<u>86,591,680</u>	<u>89,094,667</u>	<u>79,850,131</u>	<u>131,427,098</u>	<u>65,222,994</u>	<u>52,033,686</u>
26,111,077	24,476,747	15,752,495	17,807,885	19,783,292	19,752,358
87,597	110,805	124,458	141,971	297,028	337,477
-	-	-	-	-	-
<u>26,198,674</u>	<u>24,587,552</u>	<u>15,876,953</u>	<u>17,949,856</u>	<u>20,080,320</u>	<u>20,089,835</u>
<u>\$112,790,354</u>	<u>\$113,682,219</u>	<u>\$ 95,727,084</u>	<u>\$149,376,954</u>	<u>\$ 85,303,314</u>	<u>\$ 72,123,521</u>
\$ 3,726,883	\$ 1,770,822	\$ 2,576,853	\$ 3,239,223	\$ 2,938,104	\$ 3,588,145
123,813	161,265	166,858	61,861	125,732	237,099
-	-	-	-	-	-
-	46,647	10,982	52,896	55,076	-
255,731	392,246	50,674	41,839	35,781	1,379,602
494,019	41,809	336,540	469,549	474,025	578,109
15,924,930	856,785	4,756,775	4,147,269	3,597,605	4,681,718
18,696,556	17,270,909	28,536,146	76,682,952	6,100,975	3,370,441
<u>39,221,932</u>	<u>20,540,483</u>	<u>36,434,828</u>	<u>84,695,589</u>	<u>13,327,298</u>	<u>13,835,114</u>
22,892,554	22,196,429	20,571,100	19,320,980	19,986,265	21,169,528
7,817	10,139	5,714	4,618	284,090	347,423
-	-	-	-	(16,529)	-
24,267,954	255,260	806,099	513,514	2,927,791	346,832
<u>47,168,325</u>	<u>22,461,828</u>	<u>21,382,913</u>	<u>19,839,112</u>	<u>23,181,617</u>	<u>21,863,783</u>
<u>\$ 86,390,257</u>	<u>\$ 43,002,311</u>	<u>\$ 57,817,741</u>	<u>\$104,534,701</u>	<u>\$ 36,508,915</u>	<u>\$ 35,698,897</u>
\$ (47,369,748)	\$ (68,554,184)	\$ (43,415,303)	\$ (46,731,509)	\$ (51,895,696)	\$ (38,198,572)
20,969,651	(2,125,724)	5,505,960	1,889,256	3,101,297	1,773,948
<u>\$ (26,400,097)</u>	<u>\$ (70,679,908)</u>	<u>\$ (37,909,343)</u>	<u>\$ (44,842,253)</u>	<u>\$ (48,794,399)</u>	<u>\$ (36,424,624)</u>

City of Gulfport
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 18,388,705	\$ 18,457,067	\$ 18,061,388	\$ 17,410,169
Property taxes, levied for special purposes	5,729,313	6,095,931	6,315,051	7,048,312
Sales tax	19,576,183	19,002,874	19,230,296	18,741,574
Franchise taxes	3,779,248	3,606,682	3,638,352	3,942,293
Gaming taxes	3,282,363	3,142,387	3,198,977	3,221,427
Licenses and permits	1,251,084	1,110,574	1,342,133	1,362,510
Unrestricted grants and contributions	3,559,724	1,980,424	825,581	523,802
Insurance proceeds	-	-	214,664	309,856
Gain (Loss) on Disposal of Capital Assets	376,346	580,963	(126,609)	(20,349,579)
Investment Earnings & Misc	162,701	237,067	141,165	3,737,998
Transfers	(454,869)	(981,225)	(3,882,228)	(1,765,333)
Total governmental activities	<u>55,650,798</u>	<u>53,232,744</u>	<u>48,958,770</u>	<u>34,183,029</u>
Business-type activities				
Insurance Proceeds	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	(2,971)	(81,167)
Investment Earnings & Misc	38,759	74,245	119,166	189,350
Transfers	454,869	981,225	3,882,228	1,765,333
Total business-type activities	<u>493,628</u>	<u>1,055,470</u>	<u>3,998,423</u>	<u>1,873,516</u>
Total primary government	<u>\$ 56,144,426</u>	<u>\$ 54,288,214</u>	<u>\$ 52,957,193</u>	<u>\$ 36,056,545</u>
Change in Net Position				
Governmental activities	\$ 4,145,838	\$ 10,568,670	\$ 13,369,420	\$ (6,863,005)
Business-type activities	1,761,368	6,983,653	35,496,407	51,666,322
Total primary government	<u>\$ 5,907,206</u>	<u>\$ 17,552,323</u>	<u>\$ 48,865,827</u>	<u>\$ 44,803,317</u>

Schedule 2 (Continued)

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 16,609,515	\$ 14,120,511	\$ 12,623,050	\$ 16,144,033	\$ 13,846,552	\$ 13,920,879
6,801,634	6,046,362	6,894,400	6,439,702	5,474,016	5,457,609
20,131,945	21,834,653	24,039,616	26,980,191	18,228,317	17,518,320
3,828,900	3,634,007	3,284,355	3,254,940	2,853,831	2,934,983
3,316,175	3,524,542	2,847,942	289,678	4,591,269	4,806,833
1,695,450	2,228,349	2,803,830	2,822,085	1,974,481	-
968,885	1,049,367	2,937,024	3,104,638	1,423,818	-
3,264,814	11,759,304	3,514,865	2,835,835	-	-
(1,850,914)	-	-	-	1,408,158	-
25,322,512	5,903,789	8,059,656	2,948,584	4,221,948	1,978,321
(3,439,783)	(13,410,267)	(1,140,348)	(5,253,000)	(1,202,000)	-
<u>76,649,133</u>	<u>56,690,617</u>	<u>65,864,390</u>	<u>59,566,686</u>	<u>52,820,390</u>	<u>46,616,945</u>
524,471	-	486,747	-	-	-
(47,347)	-	-	-	(879,460)	-
2,863,010	958,907	2,469,746	15,190,779	1,158,158	171,574
<u>3,439,783</u>	<u>13,410,267</u>	<u>1,140,348</u>	<u>5,253,000</u>	<u>1,202,000</u>	<u>-</u>
<u>6,779,917</u>	<u>14,369,174</u>	<u>4,096,841</u>	<u>20,443,779</u>	<u>1,480,698</u>	<u>171,574</u>
<u>\$ 83,429,050</u>	<u>\$ 71,059,791</u>	<u>\$ 69,961,231</u>	<u>\$ 80,010,465</u>	<u>\$ 54,301,088</u>	<u>\$ 46,788,519</u>
\$ 29,279,385	\$ (11,863,567)	\$ 22,449,087	\$ 12,835,177	\$ 924,694	\$ 8,418,373
27,749,568	12,243,450	9,602,801	22,333,035	4,581,995	1,945,522
<u>\$ 57,028,953</u>	<u>\$ 379,883</u>	<u>\$ 32,051,888</u>	<u>\$ 35,168,212</u>	<u>\$ 5,506,689</u>	<u>\$ 10,363,895</u>

City of Gulfport
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2013	2012	2011	2010
General Fund				
Restricted for:				
Drug enforcement	\$ -	\$ 28,499	\$ 28,499	\$ 28,499
Senior citizens program	100,000	100,000	100,000	100,000
Assigned for:				
Subsequent year appropriations	215,226	-	-	-
Unassigned	3,179,087	2,372,878	5,075,411	5,183,946
Total general fund	<u>\$ 3,494,313</u>	<u>\$ 2,501,377</u>	<u>\$ 5,203,910</u>	<u>\$ 5,312,445</u>
All Other Governmental Funds				
Restricted for:				
Drug enforcement	\$ 1,512,330	\$ 1,458,489	\$ 1,395,365	\$ 2,030,276
Debt service	3,849,656	4,134,783	3,844,021	3,662,817
Urban development	297,275	295,988	295,984	132,398
Capital projects	11,108,850	12,245,552	2,240,691	5,643,041
Hurricane repairs	-	-	-	-
Nonspendable for prepaids	60,770	64,883	69,820	72,582
Total all other governmental funds	<u>\$ 16,828,881</u>	<u>\$ 18,199,695</u>	<u>\$ 7,845,881</u>	<u>\$ 11,541,114</u>

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 28,499	\$ -	\$ -	\$ -	\$ -	\$ -
100,000	100,000	100,000	100,000	100,000	100,000
4,775,590	8,028,176	15,873,704	17,737,034	5,420,268	5,084,858
627,799	4,256,005	13,680,477	20,304,378	11,736,367	12,547,206
<u>\$ 5,531,888</u>	<u>\$ 12,384,181</u>	<u>\$ 29,654,181</u>	<u>\$ 38,141,412</u>	<u>\$ 17,256,635</u>	<u>\$ 17,732,064</u>
\$ 3,114,542	\$ 2,886,966	\$ 2,070,426	\$ 1,601,608	\$ 243,397	\$ 206,733
5,791,001	10,104,287	4,037,526	2,528,093	2,171,371	2,680,874
406,792	51,505	286,358	876,804	1,594,964	854,780
14,239,250	20,313,242	10,446,352	4,375,266	6,027,899	6,245,671
1,152,092	-	8,842,822	1,924,800	127,120	-
76,257	79,757	-	-	-	-
<u>\$ 24,779,934</u>	<u>\$ 33,435,757</u>	<u>\$ 25,683,484</u>	<u>\$ 11,306,571</u>	<u>\$ 10,164,751</u>	<u>\$ 9,988,058</u>

City of Gulfport
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2013	2012	2011	2010
Revenues				
Taxes				
Property	\$ 24,118,018	\$ 24,552,998	\$ 24,376,439	\$ 24,458,481
Sales	19,576,183	19,002,874	19,230,296	18,741,574
Franchise	3,779,248	3,606,682	3,638,352	3,942,293
Gaming	3,282,363	3,142,387	3,197,977	3,221,427
Licenses and permits	1,251,084	1,110,574	1,342,133	1,362,510
Intergovernmental	11,085,701	21,082,548	22,835,887	24,047,981
Charges for service	1,721,145	1,527,177	1,502,856	985,498
Fines & Forfeits	1,956,635	1,931,800	2,548,171	2,202,505
Miscellaneous	161,557	201,646	75,847	459,499
Total revenues	66,931,934	76,158,686	78,747,958	79,421,768
Expenditures				
General government	7,079,355	7,187,596	7,228,142	7,279,026
Public safety	29,433,859	32,448,262	30,667,009	33,477,490
Public works	9,927,950	9,728,428	8,276,579	8,809,717
Health and welfare	2,797,483	892,706	678,278	4,547,682
Economic development	2,346,013	2,428,878	2,370,885	2,551,983
Culture & recreation	5,268,671	5,894,727	4,887,580	4,767,819
Capital Outlay	6,738,782	15,098,742	20,708,636	26,012,668
Debt Service				
Principal	4,140,350	3,497,844	3,748,258	3,725,430
Interest	1,128,160	1,279,711	1,055,136	1,209,078
Other	11,866	7,675	9,165	8,165
Total expenditures	68,872,489	78,464,569	79,629,668	92,389,058
Excess of revenues over (under) expenditures	(1,940,555)	(2,305,883)	(881,710)	(12,967,290)
Other Financing Sources (Uses)				
Capital leases	517,622	10,000,000	-	-
Payment of refunded Debt	-	-	-	-
Insurance Proceeds	-	-	214,664	309,856
Sale of Capital Assets	884,922	1,070,368	106,085	139,929
Transfers in	536,337	1,193,605	773,380	4,323,038
Transfers out	(991,206)	(1,691,807)	(4,017,187)	(5,263,796)
Total other financing sources (uses)	947,675	10,572,166	(2,923,058)	(490,973)
Net change in fund balance	\$ (992,880)	\$ 8,266,283	\$ (3,804,768)	\$ (13,458,263)
Debt service as a percentage of noncapital expenditures	8.48%	7.54%	8.15%	7.43%

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 23,411,149	\$ 20,166,873	\$ 19,517,450	\$ 22,583,735	\$ 19,320,568	\$ 19,378,488
20,131,945	21,834,653	24,039,616	26,980,191	18,228,317	17,518,320
3,828,900	3,634,007	3,284,355	3,254,940	2,853,831	2,934,983
3,316,175	3,524,542	2,847,942	289,678	4,591,269	4,806,833
1,695,450	2,228,349	2,803,830	2,927,373	1,854,996	2,005,366
34,908,729	19,177,061	32,943,601	82,516,606	10,023,777	8,074,082
952,901	953,699	848,659	965,700	951,288	1,171,136
2,673,324	1,888,998	1,393,749	2,077,765	2,811,375	2,606,454
1,054,812	4,406,741	7,097,624	2,947,093	2,584,058	1,978,321
<u>91,973,385</u>	<u>77,814,923</u>	<u>94,776,826</u>	<u>144,543,081</u>	<u>63,219,479</u>	<u>60,473,983</u>
8,706,354	9,284,515	7,445,333	12,420,732	6,768,346	5,990,860
35,626,715	36,821,619	29,929,880	28,835,838	28,776,088	26,395,649
10,923,312	14,597,641	25,713,928	76,660,811	14,753,466	7,673,542
11,817,385	2,654,150	786,880	1,493,555	-	1,581,289
2,954,131	2,687,131	2,238,014	1,513,720	2,492,810	1,441,246
5,181,386	11,838,803	9,210,288	5,153,071	4,919,829	5,079,213
26,364,288	14,125,668	12,690,199	2,497,235	1,028,394	4,748,320
3,572,981	3,394,376	3,028,101	2,707,970	3,344,651	2,820,319
1,391,971	1,311,173	1,286,601	1,472,265	1,633,099	1,951,663
15,453	6,201	9,715	10,376	7,690	180,051
<u>106,553,976</u>	<u>96,721,277</u>	<u>92,338,939</u>	<u>132,765,573</u>	<u>63,724,373</u>	<u>57,862,152</u>
<u>(14,580,591)</u>	<u>(18,906,354)</u>	<u>2,437,887</u>	<u>11,777,508</u>	<u>(504,894)</u>	<u>2,611,831</u>
-	11,209,465	1,790,535	13,373,122	-	8,101,599
-	-	-	-	-	(6,005,168)
3,264,815	767,530	3,239,585	2,835,835	-	-
65,170	441,620	127,023	-	1,408,158	66,876
9,927,865	21,084,020	17,789,011	944,476	4,567,891	283,862
<u>(14,185,375)</u>	<u>(24,114,008)</u>	<u>(19,494,359)</u>	<u>(6,197,476)</u>	<u>(5,769,891)</u>	<u>(283,862)</u>
<u>(927,525)</u>	<u>9,388,627</u>	<u>3,451,795</u>	<u>10,955,957</u>	<u>206,158</u>	<u>2,163,307</u>
<u>\$ (15,508,116)</u>	<u>\$ (9,517,727)</u>	<u>\$ 5,889,682</u>	<u>\$ 22,733,465</u>	<u>\$ (298,736)</u>	<u>\$ 4,775,138</u>
6.19%	5.70%	5.42%	3.21%	7.94%	8.98%

City of Gulfport
Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Real Property (1)(2)(3)		Personal Property		Utilities		Automobiles		Total		Assessed to Actual
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
2013	\$ 460,129	\$ 3,363,516	\$ 81,023	\$ 540,153	\$ 131,213	\$ 874,753	\$ 69,407	\$ 231,357	\$ 741,772	\$ 5,009,779	14.81%
2012	466,503	3,410,110	83,309	555,393	129,334	862,227	69,948	233,160	749,094	5,060,890	14.80%
2011	459,746	3,360,716	80,905	539,367	125,478	836,520	73,952	246,507	740,081	4,983,110	14.85%
2010	438,057	3,202,171	86,117	574,113	122,200	814,667	83,028	276,760	729,402	4,867,711	14.98%
2009	433,240	3,166,959	87,524	583,493	111,864	745,760	86,752	289,173	719,380	4,785,386	15.03%
2008	330,443	2,415,519	73,554	490,360	109,811	732,073	91,125	303,750	604,933	3,941,702	15.35%
2007	307,011	2,244,232	57,473	383,153	109,051	727,007	90,733	302,443	564,268	3,656,836	15.43%
2006	373,202	2,728,085	77,395	515,967	110,104	734,027	77,425	258,083	638,126	4,236,161	15.06%
2005	358,165	2,618,165	69,806	465,373	103,000	686,667	72,356	241,187	603,327	4,011,392	15.04%
2004	351,143	2,566,835	68,437	456,247	103,000	686,667	72,356	241,187	594,936	3,950,935	15.06%

(1) Class 1 - residential, owner occupied is assessed at 10% of true value

Class 2 - commercial is assessed at 15% of true value

Above schedule uses estimated combined assessment ratio of 13.68% for real property

(2) Fiscal Year 2005 and 2009 real property figures reflect completion of real property reappraisal by Harrison County

(3) Fiscal year 2006 reflects a decrease due to damage resulting from Hurricane Katrina

Source: Harrison County Tax Assessor

City of Gulfport
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Gulfport			Harrison County			Overlapping Rates			Grand Total Millage
	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Gulfport School District			
							Operating Millage	Debt Millage	Total Millage	
2013	27.0	7.0	34.0	30.5	5.4	35.9	53.9	7.0	60.9	130.8
2012	27.0	7.0	34.0	30.5	5.4	35.9	53.6	7.3	60.9	130.8
2011	27.0	7.0	34.0	30.5	5.4	35.9	53.0	7.9	60.9	130.8
2010	25.7	8.3	34.0	31.0	4.9	35.9	50.3	7.6	57.9	127.8
2009	25.8	8.2	34.0	31.3	4.4	35.7	50.3	7.6	57.9	127.6
2008	26.0	8.0	34.0	32.9	3.4	36.3	50.3	7.6	57.9	128.2
2007	24.1	9.9	34.0	33.5	3.0	36.5	50.3	7.6	57.9	128.4
2006	27.0	7.0	34.0	33.4	3.1	36.5	50.3	7.6	57.9	128.4
2005	27.0	7.0	34.0	33.4	2.3	35.7	50.3	7.6	57.9	127.6
2004	27.0	7.0	34.0	33.5	2.2	35.7	50.3	7.6	57.9	127.6

Ad valorem on real property are collected in arrears for each calendar year. The tax is levied in September of the tax year on all property on the tax roll as of January 1 of the same year. Consequently, ad valorem tax is collected in the fiscal year ending in the calendar year subsequent to the calendar year for which the tax is assessed.

Source: Harrison County Tax Collector

City of Gulfport
Principal Property Taxpayers
Current Year and Ten Years Ago
(amount expressed in thousands)

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Mississippi Power & Light	\$ 112,681	1	15.19%	\$ 79,690	1	13.21%
Gulfside Casino Partnership	18,648	2	2.51%			
Bell South	9,580	3	1.29%	13,819	3	2.29%
CrossRoads Center	5,896	4	0.79%	4,679	4	0.78%
Hancock Bank	5,267	5	0.71%	2,758	7	0.46%
HCA Realty	4,715	6	0.64%	4,212	5	0.70%
Harrison-Gulfport LLC	2,758	7	0.37%			
Future Pipe Industries, LLC	2,602	8	0.35%			
E.I. Dupont	2,398	9	0.32%	2,004	9	0.33%
Avondale Enterprises Inc	2,333	10	0.31%			
Grand Casino				40,981	2	6.79%
Copa Casino				2,777	6	0.46%
Gulfport Factory Shops				2,093	8	0.35%
Garden Park Hospital				1,948	10	0.32%
Total	<u>\$ 166,878</u>		<u>22.50%</u>	<u>\$ 154,961</u>		<u>25.69%</u>

City of Gulfport
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 45,014	\$ 42,399	94.19%	158	\$ 42,557	94.54%
2012	45,675	42,829	93.77%	200	43,029	94.21%
2011	45,642	42,620	93.38%	233	42,853	93.89%
2010	45,051	43,157	95.80%	193	43,350	96.22%
2009	42,882	40,952	95.50%	393	41,345	96.42%
2008	35,733	33,694	94.29%	452	34,146	95.56%
2007	35,260	30,654	86.94%	634	31,288	88.74%
2006	42,158	37,578	89.14%	658	38,236	90.70%
2005	37,875	36,560	96.53%	205	36,765	97.07%
2004	36,665	36,302	99.01%	318	36,620	99.88%

City of Gulfport
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government Debt	Percentage of Personal Income	Total Debt Per Capita
	General Obligation Bonds	Capital Leases	Other General Obligation Debt	General Obligation Revenue Bonds	State Revolving Loans	Other Debt	General Obligation Revenue Bonds	State Revolving Loans			
2013	\$ 15,545	\$ 518	\$ 26,686	\$ 46,035	\$ 25,258	\$ 2,986	\$ 46,035	\$ 25,258	\$ 117,028	17.81%	\$ 1.73
2012	18,345	-	28,026	49,460	27,312	3,308	49,460	27,312	126,451	16.48%	1.87
2011	21,005	326	23,538	52,735	29,407	3,338	52,735	29,407	130,349	13.78%	1.92
2010	23,535	961	19,122	55,875	31,533	3,368	55,875	31,533	134,394	15.19%	1.90
2009	26,070	1,572	19,701	59,625	33,611	3,397	59,625	33,611	143,976	14.06%	2.04
2008	28,480	2,159	20,277	52,950	35,640	3,427	52,950	35,640	142,933	13.28%	2.03
2007	20,710	2,725	20,875	55,610	34,551	3,456	55,610	34,551	137,927	12.38%	2.00
2006	22,835	-	21,503	58,140	27,772	2,530	58,140	27,772	132,780	12.86%	1.96
2005	24,860	120	8,693	60,195	10,237	530	60,195	10,237	104,635	18.95%	1.43
2004	26,825	490	9,243	55,715	9,549	568	55,715	9,549	102,390	17.95%	1.41

City of Gulfport
Ratios of Net General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross General Obligation Bonds	Less Debt Service Funds	Net GO Bonded Debt	Percentage of Assessed Taxable Value of Property	Net Bonded Debt Per Capita
2013	70.1	\$ 741,772	\$ 15,545	\$ 3,850	\$ 11,695	1.58%	\$ 167
2012	69.2	749,094	18,345	4,135	14,210	1.90%	205
2011	67.8	740,081	21,005	3,914	17,091	2.31%	252
2010	70.8	729,402	23,535	3,735	19,800	2.71%	280
2009	70.7	719,380	26,070	5,867	20,203	2.81%	286
2008	70.4	604,933	28,480	10,184	18,296	3.02%	260
2007	68.9	564,268	20,710	7,926	12,784	2.27%	186
2006	67.6	638,126	22,835	3,525	19,310	3.03%	286
2005	73.3	603,327	24,860	2,171	22,689	3.76%	310
2004	72.7	594,936	26,825	2,681	24,144	4.06%	332

(1) Schedule 5 "Assessed and Actual Value of Property"

City of Gulfport
 Direct and Overlapping Governmental Activities Debt
 As of September 30, 2013
(amounts expressed in thousands)

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Gulfport direct debt	\$ 15,545	100.00%	<u>\$ 15,545</u>
Debt repaid with property taxes:			
Harrison County	150,010	36.58%	54,874
Gulfport School District	6,125	100.00%	<u>6,125</u>
Overlapping debt			<u>60,999</u>
 Total direct and overlapping debt			 <u><u>\$ 76,544</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for prepaying the debt of each overlapping government.

The percentage of overlapping debt applicable is estimated using assessed property values, by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total assessed value.

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

City of Gulfport
 Legal Debt Margin Information
 Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt Limit (15%)	\$ 111,266	\$ 112,364	\$ 111,012	\$ 109,410	\$ 107,907	\$ 90,740	\$ 84,640	\$ 95,719	\$ 90,500	\$ 89,240
Total net GO debt applicable to limit	11,695	14,210	17,091	19,800	20,203	18,296	12,784	19,310	22,689	24,144
Legal debt margin	\$ 99,571	\$ 98,154	\$ 93,921	\$ 89,610	\$ 87,704	\$ 72,444	\$ 71,856	\$ 76,409	\$ 67,811	\$ 65,096
Total net debt applicable to the limit as a percentage of the debt limit	10.51%	12.65%	15.40%	18.10%	18.72%	20.16%	15.10%	20.17%	25.07%	27.06%

Legal Debt Margin Calculated for Fiscal Year 2013

Assessed Value	\$ 741,772
Debt limit (15% of assessed value)	111,266
Debt applicable to limit:	
General obligation bonds	(15,545)
Debt service funds available	<u>3,850</u>
Legal debt margin	<u>\$ 99,571</u>

City of Gulfport
Pledged Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Water and Sewer Gross Revenue	Water and Sewer (2) Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements (1)			Coverage
				Principal	Interest	Total	
2013	\$ 30,402	\$ 20,669	\$ 9,733	\$ 1,895	\$ 1,890	\$ 3,785	257.15%
2012	30,282	21,172	9,110	1,800	1,985	3,785	240.69%
2011	28,700	18,394	10,306	1,710	2,075	3,785	272.29%
2010	24,348	18,879	5,469	1,620	2,160	3,780	144.68%
2009	23,040	18,758	4,282	1,545	2,236	3,781	113.25%
2008	22,347	17,808	4,539	1,470	2,310	3,780	120.08%
2007*	21,853	9,480	12,373	1,395	2,376	3,771	328.11%
2006	19,411	11,914	7,497	975	2,429	3,404	220.24%
2005	23,124	15,961	7,163	1,510	1,877	3,387	211.49%
2004	21,261	14,208	7,053	705	2,601	3,306	213.34%

(1) Does not include GO Revenue Bonds in which the City has the option of using property or sales taxes to repay the debt.

(2) Operating expenses are exclusive of depreciation and amortization

* Operating expenses in 2007 were reduced due to the Harrison County Wastewater District refinancing its debt, resulting in no related charges to the City for that year

City of Gulfport
Demographic and Economic Statistics
Last Ten Calendar Years

Fiscal Year	Estimated Population (1)	Per Capita Personal Income (2)	School (3) Enrollment	Unemployment Rate (4)
2013	70,113	\$ 21,579	5,903	9.90%
2012	69,220	20,845	5,699	9.90%
2011	67,793	17,963	5,659	10.40%
2010	70,794	20,417	5,609	9.40%
2009	70,732	20,243	5,232	7.60%
2008	70,372	18,978	5,341	5.40%
2007	68,959	17,079	5,065	6.20%
2006	67,578	17,079	6,166	16.6% *
2005	73,272	19,832	6,219	6.20%
2004	72,670	18,381	6,018	4.10%

(1) U.S. Census Bureau GCT-T1-R population estimates

(2) US Department of Commerce, Bureau of Economic Analysis "Local Area Personal Income"

(3) Gulfport School District (Pre-K thru 12th Grade)

(4) Mississippi Employment Security Commission

* Hurricane Katrina occurred August 29, 2005

City of Gulfport
Principal Employers
Last Five Fiscal Years

Employer	2013		2012		2011		2010		2009	
	Employees	Rank								
Naval CBC Base	3,304	1	5,400	1	5,800	1	5,950	1	7,000	1
Memorial Hospital	3,290	2	3,290	2	2,894	2	2,894	2	2,894	2
Harrison County Schools	1,788	3	1,703	3	1,649	3	1,795	3	1,795	3
Island View Casino Resort	1,207	4	1,337	4	1,188	5	1,170	6	1,042	6
Hancock Bank	864	5	864	5	864	7	1,213	5	1,213	5
Gulfport Schools	831	6	818	6	900	6	881	7	881	7
Mississippi Power	728	7	728	8	1,253	4	1,295	4	1,299	4
City of Gulfport	617	8	618	9	605	9	605	8	672	8
Gulf Ship, LLC	608	9								
Wal-Mart	585	10	585	10	585	10	585	9	585	9
Huntington Ingalls Industries, Inc.	-	-	730	7	730	8	-	-	-	-
Trinity Yachts	-	-	-	-	-	-	500	10	500	10
Total	13,822		16,073		16,468		16,888		17,881	

The City did not prepare this schedule or accumulate this data prior to 2009.

Information taken from Harrison County Development Commission Listing of Major Employers.

City of Gulfport
 Full-Time Equivalent City Government Employees by Function/Program
 Last Five Fiscal Years

Function/Program	2013		2012		2011		2010		2009	
	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time	Full-Time
	Equivalent	Equivalent	Equivalent	Equivalent	Equivalent	Equivalent	Equivalent	Equivalent	Equivalent	Equivalent
	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees
Mayor's Office	3	3	3	3	3	3	3	3	3	3
Council	9	8	8	8	8	9	9	9	9	9
Municipal Court	23.5	22.5	23.5	23.5	24	24	26	26	26	26
Legal	8.5	10	9	9	9	9	10	10	10	10
General Admin	33.5	31.5	33	33	33	33	34	34	34	34
Police										
Officers	167.5	176	176	185.5	189	189	183	183	183	183
Civilians	56.5	59.5	59.5	61.5	63	63	69	69	69	69
Fire										
Combat	158	154	154	158	150	150	155	155	155	155
Civilians	6	6	6	5	5	5	9	9	9	9
Public Works	35	34	34	33	31	31	45	45	45	45
Leisure Services	69.5	67	67	67.5	55	55	59	59	59	59
Community Development	3	3	3	3	4	4	4	4	4	4
Urban/Economic Development	26	26	26	31	30	30	30	30	30	30
Utility Billing/Water-Sewer	18	17	17	18	-	-	2	2	2	2
Total	617	617.5	617.5	639	605	605	638	638	638	638

The City did not prepare this schedule or accumulate this data prior to 2009.

City of Gulfport
 Operating Indicators by Function/Program
 Last Four Fiscal Years

Function/Program	2013	2012	2011	2010	2009
Police					
Physical arrests	11,072	11,826	12,639	11,129	12,557
Parking violations	911	1,929	2,421	1,341	1,180
Traffic violations	19,766	21,063	25,037	33,900	37,244
Fire					
Emergency responses	10,194	10,534	9,712	9,480	7,862
Fires extinguished	352	380	511	378	542
Inspections	2,220	3,616	1,548	1,699	4,078
Public Works					
Street resurfacing (miles)	34.49	7.20	18.45	3.00	9.89
Potholes repaired	1,041	977	733	1,184	619
Parks and Recreation					
Community center admissions	294,462	253,384	337,268	264,599	139,918
Water					
New connections	326	563	446	1,060	1,393
Water main breaks	36	28	33	24	22
Average daily consumption (gallons)	8,871,332	9,898,706	8,529,219	10,246,575	9,081,585
Wastewater					
Average daily sewage treatment (gallons)	11,044,900	10,910,833	10,078,400	12,885,000	10,470,000

The City did not prepare this schedule or accumulate this data prior to 2009.

City of Gulfport
Capital Asset Statistics by Function/Program
Last Five Fiscal Years

Function/Program	2013	2012	2011	2010	2009
Police					
Stations	2	2	2	2	3
Patrol Units	60	63	72	79	80
Fire Stations	11	12	12	12	12
Public Works					
Streets (miles)	1,021.3	614.0	614.0	614.0	602.3
Street lights	9,383	9,543	9,356	8,030	9,101
Traffic signals	110	110	110	110	100
Parks and Recreations					
Acreage	600	600	600	600	600
Playgrounds	19	19	19	19	19
Ballfields	38	38	38	38	38
Tennis courts	7	7	7	7	7
Parks	31	31	31	31	31
Community centers	10	11	14	14	14
Waterfront piers	6	6	6	6	6
Boat launch ramps	14	14	14	14	14
Small craft harbor slips *	319	319	319	-	-
Water					
Water mains (miles)	418.0	412.0	409.0	401.0	365.5
Fire hydrants	3,614	3,559	3,538	2,793	3,398
Storage capacity (gallons)	6,108,000	6,550,000	5,550,000	5,550,000	5,108,000
Wastewater					
Sanitary sewer (miles)	501.00	500.00	499.00	492.00	307.84
Storm sewer (miles)	501.00	500.00	499.00	492.00	307.84
Treatment capacity (gallons)	27,550,417	30,905,833	20,235,000	21,000,000	23,500,000

The City did not prepare this schedule or accumulate this data prior to 2009.

* During 2009 the City began construction to rebuild 319 boat slips and the harbor master building that were destroyed by Hurricane Katrina. Prior to the hurricane there were 289 boat slips and a harbor master building.

City of Gulfport
 Schedule of Surety Bonds
 September 30, 2013

NAME AND POSITION	AMOUNT	EXPIRES
Kenneth L. Casey, Sr., Councilman, Ward 1	\$ 100,000	6/30/2017
Richard "Ricky" Dombrowski, Councilman, Ward 2	100,000	6/30/2017
Ella Jean Holmes-Hines, Councilwoman Ward 3	100,000	6/30/2017
F.B. "Rusty" Walker, IV, Councilman Ward 4	100,000	6/30/2017
Myles Sharp, Councilman, Ward 5	100,000	6/30/2017
Robert "R. Lee" Flowers, II, Councilman, Ward 6	100,000	6/30/2017
Cara L. Pucheu, Councilwoman Ward 7	100,000	6/30/2017
William G. "Billy" Hewes III, Mayor	100,000	6/30/2017
John R. Kelly, Chief Administrator Officer	50,000	6/28/2014
Scott Wilson, Comptroller/City Clerk	50,000	6/28/2014
Helen Eve Fasler, Deputy City Clerk	50,000	9/8/2014
Ronda Cole, Deputy City Clerk	50,000	3/6/2014
Angela T. Kunn, Court Administrator	50,000	6/11/2014
Leonard Papania, Police Chief	50,000	5/8/2014
Mary C. Collins, Deputy City Clerk	50,000	9/8/2014
Antionette F. White, Deputy City Clerk	50,000	8/8/2014