

# CITY OF GULFPORT, MISSISSIPPI

Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2009



Submitted by the  
Department of Finance & Administration

---

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

---

|  | Page |
|--|------|
| <b>INTRODUCTORY SECTION</b>  |      |
| Letter of Transmittal  | 2    |
| Organizational Chart   | 6    |
| Listing of City Officials  | 7    |
| Geographic Location  | 8    |
| <br>   |      |
| <b>FINANCIAL SECTION</b>   |      |
| Independent Auditor’s Report   | 10   |
| Management Discussion and Analysis   | 13   |
| Basic Financial Statements:  |      |
| Government-wide Financial Statements:  |      |
| Statement of Net Assets  | 30   |
| Statement of Activities  | 31   |
| Fund Financial Statements:   |      |
| Governmental Funds:  |      |
| Balance Sheet  | 33   |
| Reconciliation of the Balance Sheet of Governmental Funds<br>to the Statement of Net Assets  | 34   |
| Statement of Revenues, Expenditures, and Changes in Fund Balances  | 35   |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances of Governmental Funds to<br>the Statement of Activities | 36   |
| Proprietary Funds:   |      |
| Statement of Net Assets  | 38   |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets  | 39   |
| Statement of Cash Flows  | 40   |
| Fiduciary Funds:   |      |
| Statement of Net Assets  | 42   |
| Statement of Changes in Fiduciary Net Assets   | 43   |
| <br>   |      |
| Notes to the Financial Statements  | 45   |
| <br>   |      |
| Required Supplementary Information:  |      |
| Schedule of Revenues, Expenditures, and Changes in Fund<br>Balances – Budget and Actual – Major Funds  |      |
| General Fund   | 77   |
| Disaster Relief Fund   | 79   |
| Community Development Fund   | 80   |
| Note to Required Supplementary Information:  |      |
| Reconciliation of Budget to GAAP – Major Governmental Funds  | 81   |
| Mississippi Municipal Retirement System (MMRS) Analysis of Funding<br>Progress   | 82   |
| <br>   |      |
| Supplementary Information  |      |
| Combining and Individual Fund Statements and Schedules:  |      |
| Nonmajor Governmental Funds:   |      |
| Combining Balance Sheet  | 84   |

---

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

---

|  | Page |
|--|------|
| Combining Statement of Revenues, Expenditures and Changes<br>in Fund Balances                    | 85   |
| Budget and Actual Comparisons for Other Major and Non-Major<br>Governmental Funds by Fund Type   |      |
| Special Revenue Funds:   |      |
| Forfeiture and Seizures Fund   | 87   |
| Police Traffic Safety Fund   | 88   |
| Police and Fireman’s Fund  | 89   |
| Capital Projects Funds:  |      |
| 1996 Public Improvement Fund   | 91   |
| 1998 Public Improvement Fund   | 92   |
| 2001 Public Improvement Fund   | 93   |
| 2003 Public Improvement Fund   | 94   |
| Capital Projects Fund  | 95   |
| Debt Service Fund  | 97   |
| Proprietary Funds:   |      |
| Business-type Activities:  |      |
| Combining Statement of Net Assets – Enterprise Funds   | 99   |
| Combining Statement of Revenues, Expenses and Changes in<br>Net Assets – Enterprise Funds        | 100  |
| Combining Statement of Cash Flows – Enterprise Funds   | 101  |
| Government-type Activities:  |      |
| Combining Statement of Net Assets – Internal Service Funds                                       | 103  |
| Combining Statement of Revenues, Expenses, and Changes in<br>Net Assets – Internal Service Funds | 104  |
| Combining Statement of Cash Flows – Internal Service Funds                                       | 105  |

STATISTICAL SECTION

|  |     |
|--|-----|
| Net Assets by Component  | 107 |
| Changes in Net Assets  | 108 |
| Fund Balances, Governmental Funds                                  | 110 |
| Changes in Fund Balances, Governmental Funds                       | 111 |
| Assessed Value and Actual Value of Taxable Property                | 112 |
| Direct and Overlapping Property Tax Rates                          | 113 |
| Principal Property Taxpayers                                       | 114 |
| Property Tax Levies and Collections                                | 115 |
| Ratios of Outstanding Debt by Type                                 | 116 |
| Ratios of Net General Obligation Bonded Debt Outstanding           | 117 |
| Direct and Overlapping Governmental Activities Debt                | 118 |
| Legal Debt Margin Information                                      | 119 |
| Pledged Revenue Coverage   | 100 |
| Demographic and Economic Statistics                                | 121 |
| Principal Employers  | 122 |
| Full Time Equivalent City Government Employees by Function/Program | 123 |
| Operating Indicators by Function/Program                           | 124 |
| Capital Asset Statistics by Function/Program                       | 125 |

# 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 operating environment.





Department of Finance &  
Administration

P.O. Box 1780  
Gulfport, MS 39502  
Phone: 228-868-5727  
Fax: 228-868-0323

June 15, 2010

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

The Department of Administration and 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, 2009. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (a dramatic change in governmental financial reporting.) The new format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the report is accurate in all material respects and is designed to present fairly the financial position and results of operations of the City for Fiscal Year ending September 30, 2009. 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 auditor’s report on the financial statement schedules. **(III) The Statistical Section** includes several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, generally presented on a multi-year basis

The City is a member of the Harrison County Wastewater and Solid Waste Management District, a joint venture with other local cities to provide adequate wastewater treatment and solid waste disposal services. The city is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center. A synopsis of the two joint ventures’ financial statements for the fiscal year ended September 30, 2009, is included in 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 62.37 square miles and a population around 80,000. 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 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 serious financial and economic challenges.

The recent economic downturn is having a major negative impact on the City's financial condition. Sales Tax has been adversely effected as consumers "tighten their belts" in an effort to save dollars. This has a ripple effect with our local merchants with less retail sales going through their cash registers. Sales Tax is vital to the City's well-being with it making up 39% of the City's General Fund Revenues and 10% of the City's overall revenue. With such a significant portion of the City's revenue stream being sensitive to economic conditions, Gulfport is re-tooling the way it is delivering essential services to its citizens by becoming more efficient and cost conscience.

### *Future Economic Outlook*

As I am writing this report, the entire Gulf South Region is being threatened by the British Petroleum oil spill. The coastlines of Louisiana, Mississippi, Alabama, and Florida are in "serious" jeopardy. This is having a ripple down affect on our tourism and seafood industries as well as those who rely on these industries as a livelihood. Experts are predicting that this spill will be greater than 15 times larger than the Valdez oil spill of the past decade. Although British Petroleum has pledged to cover all related losses, it is uncertain as to how this will actually play out. If the financial losses for those who have been adversely effected by this are taken care of, then our local economy would be impacted little to none; however, if these losses are not covered, then the future economic impact could be great.

Gulfport has several projects in the works which will certainly have a future positive economic impact on the local economy: Centennial Plaza, The State Port of Gulfport, and Downtown revitalization.

Centennial Plaza – The City recently received a 92 acre beachfront site from a donation from the Department of Veterans Affairs. This site also contains 10 "historic" buildings dating back to the late 1850's. These buildings are enormous in both size and architecture featuring a Spanish theme in a campus style layout. The City is currently seeking a developer to transform this into a major attraction featuring restaurants, hotels, office space, convention center space, etc. Without a doubt, this is considered one of Gulfport's greatest assets.

State Port of Gulfport – The Port of Gulfport is currently in the midst of a \$1.6 billion expansion. Once complete, this port is expected to: create 6,500 direct jobs; generate \$10 billion in added personal incomes; and produce \$1.6 billion in direct revenue to the local economy.

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, and etc. This project is nearly complete and many of our merchants have been pleased with the increase business associated with this transformation.

## **Financial Information**

### **Accounting System**

The Department of Administration and 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 Administration and 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 judgements by management.

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

### **Budgetary Controls**

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

### **Debt Administration**

The City maintains the Municipal Debt Service Fund to administer the debt associated with its general obligation bonds. A separate ad valorem tax is levied and collected to provide funds to retire such debt.

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 719,379,654; therefore, the 15% limitation equals \$107,906,948. After reduction for GO Bonds outstanding of \$ 26,070,000, and increase by \$5,867,258 available in the debt service fund, the City's remaining margin for further debt issuance is \$87,704,206.

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

For more detailed information on the City's debt, please refer to the note section of this report.

### **Cash Management**

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

### **Risk Management**

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

### **Independent Auditors**

The City of Gulfport is required by Section 21-35-31 of the Mississippi Code of 1972 to have an annual audit by independent certified public accountants. In compliance with these requirements, the City selected the firm of Culumber, Fletcher, Harvey and Associates to perform the audit for fiscal year ended September 30, 2009. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' rendered an unqualified opinion.

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

### **Acknowledgements**

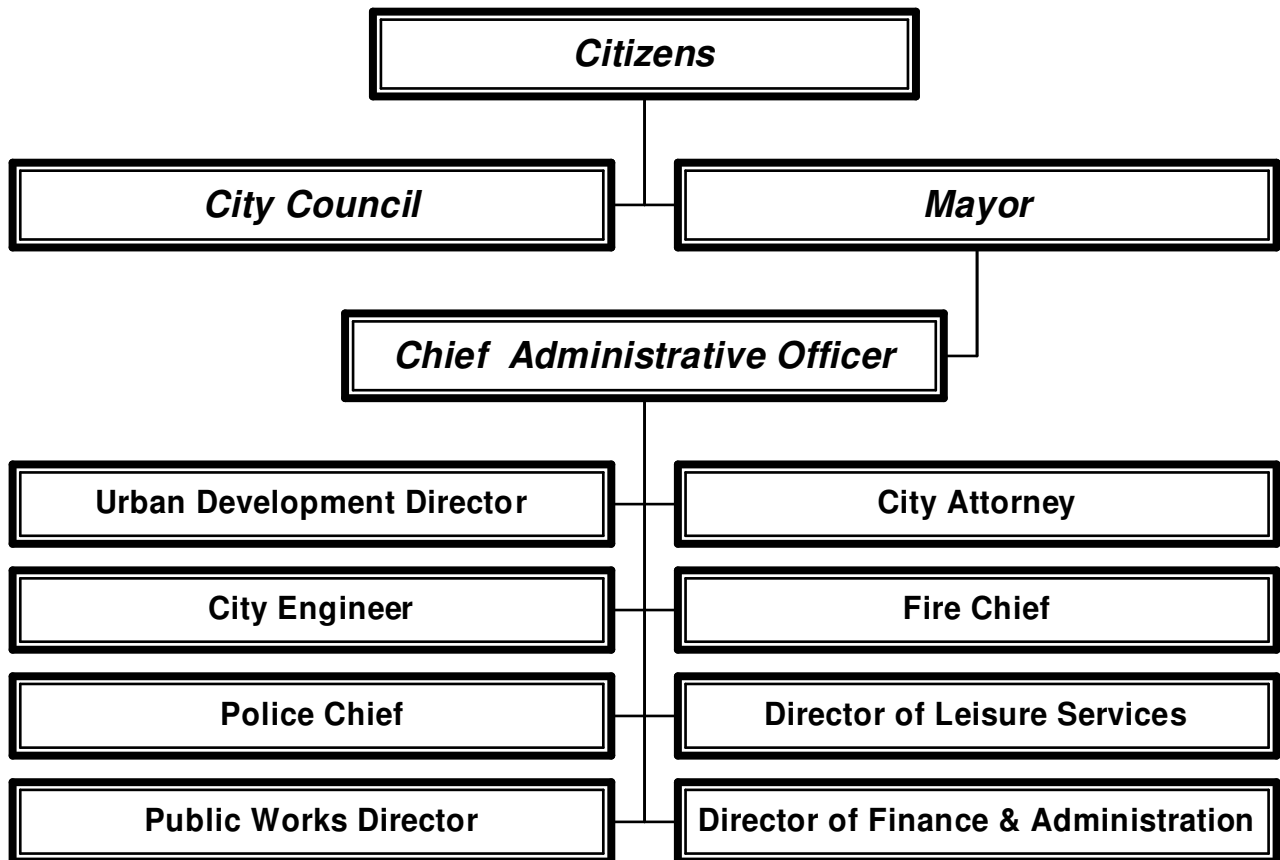
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance and Administration. I also wish to express my appreciation for the cooperation of the other City departments in providing information for this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

Respectfully submitted,

Mike Necaise  
Director of Administration and Finance



# CITY OF GULFPORT ORGANIZATIONAL CHART



# CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials  
As of September 30, 2009

## Elected Officials



**George Schloegel**  
Mayor



**Kenneth L. Casey Sr.**  
Councilman, Ward 1



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



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



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



**Ricky Dombrowski**  
Councilman, Ward 5



**Robert "R. Lee" Flowers**  
Councilman, Ward 6

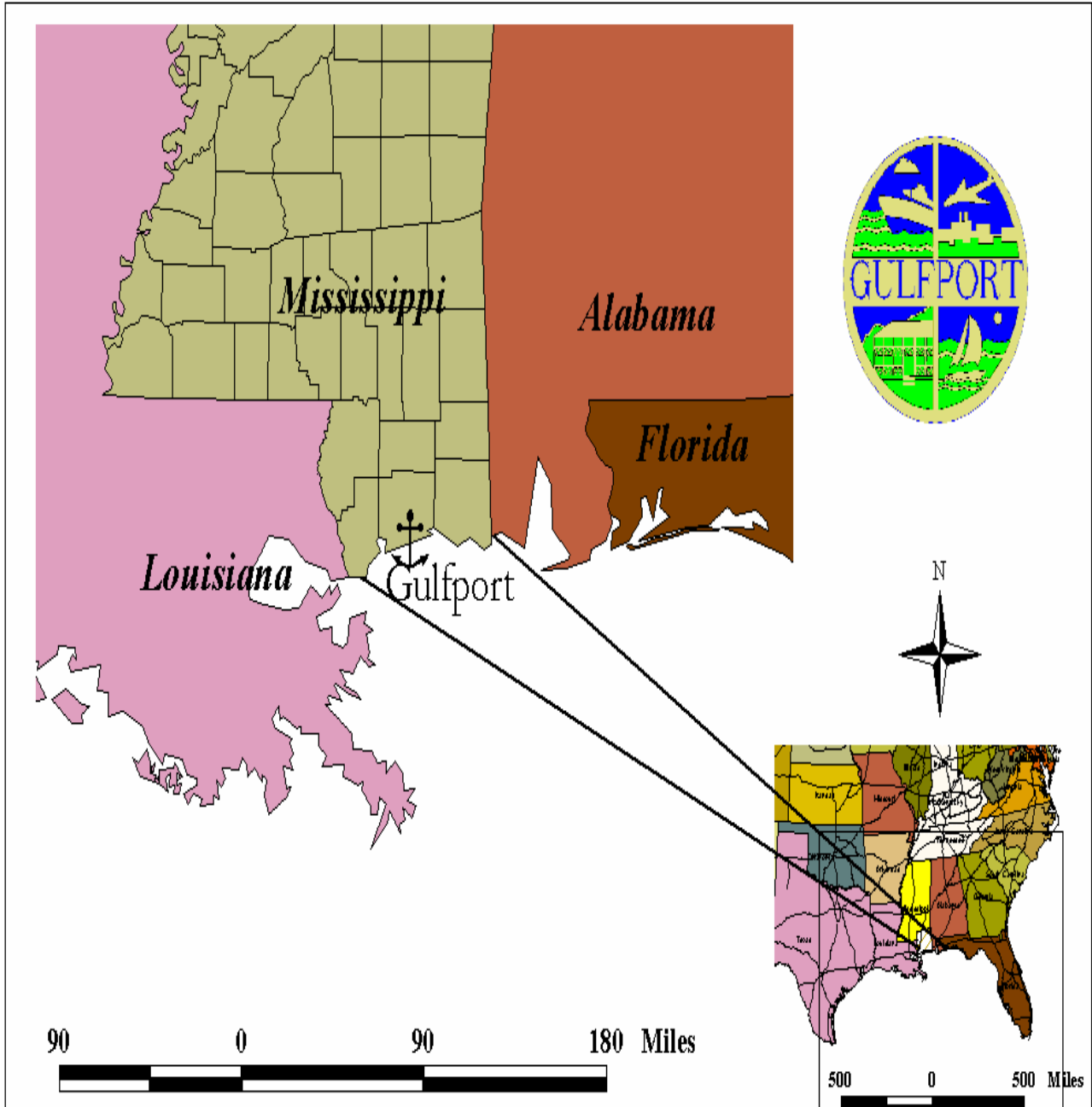


**Cara Pucheu**  
Councilwoman, Ward 7

## Appointed Officials

|                              |                  |                       |                               |
|------------------------------|------------------|-----------------------|-------------------------------|
| Chief Administrative Officer | John Kelly       | City Attorney         | Jeff Bruni                    |
| Police Chief                 | Alan Weatherford | Fire Chief (Acting)   | Billy Bragg &<br>Jimmy Donlin |
| Leisure Services Director    | Edmond Salloum   | City Engineer         | Kris Riemann                  |
| Urban Dev Director (Acting)  | Gary Joffrion    | Public Works Director | Benny Wolfe                   |
| Director of Finance & Admin  | Mike Necaize     |                       |                               |

# Geographic Location of Gulfport, Mississippi



## 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 statements and schedules.



## INDEPENDENT AUDITORS' REPORT

The Members of City Council and  
the Honorable George Schloegel, Mayor  
Gulfport, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gulfport's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 13 through 28, the Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual on pages 77 through 80, and the Analysis of Funding Progress on page 82 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulfport's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Governmental Auditing Standards*, our report dated June 15, 2010, on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover in the *City of Gulfport, Mississippi, Single Audit Report*. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

As part of that report, the accompanying schedule of expenditures of federal awards is presented 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*, and is also not a required part of the basic financial statements of City of Gulfport. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

June 15, 2010

---

# 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, 2009. 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 overall financial status of the City of Gulfport weakened from 2008 to 2009.

- ✓ The City's General Fund unreserved fund balance was only \$402,000 in 2009 as compared to \$3.6 million in 2008. This is a significant drop as these funds are best described as the City's "rainy day fund" and are used to: 1) cover unforeseen emergencies, i.e. a natural disaster; 2) bridge short-term funding gaps; 3) stabilize tax rates in an economic downturn, etc. The City's unreserved portion of fund balance as a percentage of general fund expenditures was 1% for the year ending 2009. Based upon industry standards, it is recommended that governmental entities maintain approximately 15% in fund reserves.
- ✓ The City's Water and Sewer Fund essentially operated at break-even with operating revenues of \$23 million and operating expenses of \$22.4 million.
- ✓ The City expended approximately \$90 million for capital outlay and infrastructure in 2009 which includes Infrastructure, Buildings, machinery and equipment, and vehicles.
- ✓ The overall condition of the local economy worsened from 2008 to 2009. To evidence this, the City's sales tax for 2008 was \$21.8 million while the 2009 amount was \$20.1 million, representing a \$1.7 million or 8% decrease as compared to prior year.



## Brief Description of the Financial Statements

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

The second tier of financial reporting is the "Major" Fund Financial Statements. The fund financial statements begin on page 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 Assets 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 Assets

|   | Governmental Type Activities |                       | Business Type Activities |                       | Total Primary Government |                       |
|---|------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
|   | 2008<br>Restated             | 2009                  | 2008                     | 2009                  | 2008<br>Restated         | 2009                  |
| <b>Assets:</b>                                    |                              |                       |                          |                       |                          |                       |
| Current Assets                                    | \$ 8,623,766                 | \$ 47,019,236         | \$ 11,472,543            | \$ 9,973,591          | \$ 70,096,309            | \$ 56,992,827         |
| Capital Assets                                    | 227,142,277                  | 274,972,992           | 146,616,190              | 167,356,112           | 373,758,467              | 442,329,104           |
| Noncurrent Assets                                 | 138,761                      | 124,380               | 10,395,610               | 9,058,572             | 10,534,371               | 9,182,952             |
| Total Assets                                      | <u>\$ 285,904,804</u>        | <u>\$ 322,116,608</u> | <u>\$ 168,484,343</u>    | <u>\$ 186,388,275</u> | <u>\$ 454,389,147</u>    | <u>\$ 508,504,883</u> |
| <b>Liabilities:</b>                               |                              |                       |                          |                       |                          |                       |
| Current and Other Liabilities                     | \$ 12,517,162                | \$ 16,570,728         | \$ 12,316,539            | \$ 11,940,779         | \$ 24,833,701            | \$ 28,511,507         |
| Noncurrent Liabilities                            | 50,659,566                   | 48,607,791            | 87,138,926               | 90,784,868            | 137,798,492              | 139,392,659           |
| Total Liabilities                                 | <u>\$ 63,176,728</u>         | <u>\$ 65,178,519</u>  | <u>\$ 99,455,465</u>     | <u>\$ 102,725,647</u> | <u>\$ 162,632,193</u>    | <u>\$ 167,904,166</u> |
| <b>Net Assets:</b>                                |                              |                       |                          |                       |                          |                       |
| Invested in Capital Assets<br>net of related debt | \$ 189,599,451               | \$ 241,003,147        | \$ 54,599,249            | \$ 70,723,443         | \$ 244,198,700           | \$ 311,726,590        |
| Restricted  | 32,297,576                   | 24,908,433            | 4,000                    | 968,050               | 32,301,576               | 25,876,483            |
| Unrestricted                                      | 831,049                      | (8,973,491)           | 14,425,629               | 11,971,135            | 15,256,678               | 2,997,644             |
| Total Net Assets                                  | <u>\$ 222,728,076</u>        | <u>\$ 256,938,089</u> | <u>\$ 69,028,878</u>     | <u>\$ 83,662,628</u>  | <u>\$ 291,756,954</u>    | <u>\$ 340,600,717</u> |

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

## **Analysis of Government Wide Statement of Net Assets**

### **Total Primary Government**

From an “overall balance sheet perspective”, the financial condition of the City of Gulfport as compared to the previous year has improved. Total assets have increased from \$454 million in 2008 to \$509 million in 2009, representing an increase of \$55 million. Most of this increase represented the City’s rebuilding from Hurricane Katrina damages. Total liabilities remained essentially unchanged as compared to the previous year, increasing from \$162 million to \$167 million. Net Assets serve 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 \$312 million which represents approximately 92% of the City’s total net assets.

On the other hand, the “liquidity” of the City has decreased significantly as evidenced in the section entitled “current assets.” Current assets in 2008 were \$70 million while 2009 amounts were \$57 million. Most of this decrease was attributed to a 2009 operating deficit mainly in the General Fund and use of one-time cash to fund ongoing operations.

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

### **Governmental Activities**

Total assets for Governmental type activities increased by \$36 million, from \$286 million in 2008 to \$322 million in 2009. The majority of this increase is attributed mainly to an increase in capital assets (net of accumulated depreciation) of \$72 million which is related to infrastructure and building reconstruction from Hurricane Katrina.

Current assets (cash, short term receivables, etc.) decreased from \$58.6 million in 2008 to \$47 million in 2009, representing a decrease of \$11.6 million or 20%. Again, this is due mainly to an operating deficit in the General Fund for 2009.

### **Business Type Activities**

The City’s business type activities consist of the Water and Sewer and Joseph T. Jones Memorial Park Funds. Total assets increased by \$18 million or 11%; from \$168 million in 2008 to \$186 million in 2009 with current assets decreasing by \$1.5 million and capital assets increasing \$20 million. This increase in capital assets is mainly a result of the City replacing a large portion of its water and sewer system damaged by Hurricane Katrina.

Current assets decreased slightly in the City’s water and sewer / Joseph T. Jones funds. Current assets for 2008 were \$11.5 million while 2009 amounts were \$10 million.

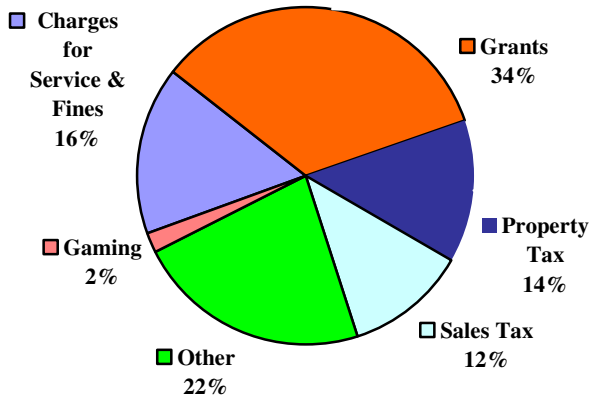
## Government Wide Statement of Activities

|   | Governmental Activities |                       | Business Type Activities |                      | Total Government      |                       |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|   | 2008                    | 2009                  | 2008                     | 2009                 | 2008                  | 2009                  |
| <b>Program Revenues:</b>                              |                         |                       |                          |                      |                       |                       |
| Fees, Fines, and Charges for Service                  | \$ 2,412,789            | \$ 4,600,446          | \$ 22,206,568            | \$ 22,900,371        | \$ 24,619,357         | \$ 27,500,817         |
| Operating Grants and Contributions                    | 856,785                 | 15,924,930            | -                        | -                    | 856,785               | 15,924,930            |
| Capital Grants and Contributions                      | 17,270,909              | 18,696,556            | 255,260                  | 24,267,954           | 17,526,169            | 42,964,510            |
| <b>General Revenues:</b>                              |                         |                       |                          |                      |                       |                       |
| Property Taxes  | 20,166,873              | 23,411,149            | -                        | -                    | 20,166,873            | 23,411,149            |
| Sales Taxes   | 21,834,653              | 20,131,945            | -                        | -                    | 21,834,653            | 20,131,945            |
| Gaming  | 3,524,542               | 3,316,175             | -                        | -                    | 3,524,542             | 3,316,175             |
| Other   | 24,574,816              | 35,080,561            | 958,907                  | 3,387,481            | 25,533,723            | 38,468,042            |
| <b>Total Revenues</b>                                 | <b>\$ 90,641,367</b>    | <b>\$ 121,161,762</b> | <b>\$ 23,420,735</b>     | <b>\$ 50,555,806</b> | <b>\$ 114,062,102</b> | <b>\$ 171,717,568</b> |
| <b>Program Expenses</b>                               |                         |                       |                          |                      |                       |                       |
| General Government                                    | \$ 16,816,296           | \$ 18,333,058         | -                        | -                    | \$ 16,816,296         | \$ 18,333,058         |
| Public Safety   | 35,181,734              | 32,637,921            | -                        | -                    | 35,181,734            | 32,637,921            |
| Public Works  | 17,911,142              | 14,365,217            | -                        | -                    | 17,911,142            | 14,365,217            |
| Economic Development                                  | 2,468,356               | 2,662,668             | -                        | -                    | 2,468,356             | 2,662,668             |
| Culture and Recreation                                | 11,753,574              | 5,036,165             | -                        | -                    | 11,753,574            | 5,036,165             |
| Health and Welfare                                    | 2,607,893               | 11,783,880            | -                        | -                    | 2,607,893             | 11,783,880            |
| Interest on Long Term Debt                            | 2,355,672               | 1,772,771             | 3,424,425                | 3,730,167            | 5,780,097             | 5,502,938             |
| Water and Sewer                                       | -                       | -                     | 21,052,322               | 22,380,910           | 21,052,322            | 22,380,910            |
| Joseph T. Jones                                       | -                       | -                     | 110,805                  | 87,597               | 110,805               | 87,597                |
| <b>Total Expenses</b>                                 | <b>\$ 89,094,667</b>    | <b>\$ 86,591,680</b>  | <b>\$ 24,587,552</b>     | <b>\$ 26,198,674</b> | <b>\$ 113,682,219</b> | <b>\$ 112,790,354</b> |
| <b>Change in Net Assets before other transactions</b> |                         |                       |                          |                      |                       |                       |
|   | \$ 1,546,700            | \$ 34,570,082         | \$(1,166,817)            | \$ 24,357,132        | \$ 379,883            | \$ 58,927,204         |
| Non-operating change in net assets                    | -                       | (1,850,914)           | -                        | (47,347)             | -                     | (1,898,261)           |
| Transfers   | (13,410,267)            | (3,439,783)           | 13,410,267               | 3,439,783            | -                     | -                     |
| <b>Change in Net Assets</b>                           | <b>\$ (11,863,567)</b>  | <b>\$ 29,279,385</b>  | <b>\$ 12,243,450</b>     | <b>\$ 27,749,568</b> | <b>\$ 379,883</b>     | <b>\$ 57,028,953</b>  |
| <b>Net Assets at beginning of year - Adjusted</b>     |                         |                       |                          |                      |                       |                       |
|   | \$ 234,591,643          | \$ 222,728,076        | \$ 56,785,428            | \$ 69,028,878        | \$ 291,377,071        | \$ 291,756,954        |
| <b>Prior Period Adjustment</b>                        | <b>-</b>                | <b>4,930,628</b>      | <b>-</b>                 | <b>(13,115,818)</b>  | <b>-</b>              | <b>(8,185,190)</b>    |
| <b>Net Assets at end of year</b>                      | <b>\$ 222,728,076</b>   | <b>\$ 256,938,089</b> | <b>\$ 69,028,878</b>     | <b>\$ 83,662,628</b> | <b>\$ 291,756,954</b> | <b>\$ 340,600,717</b> |

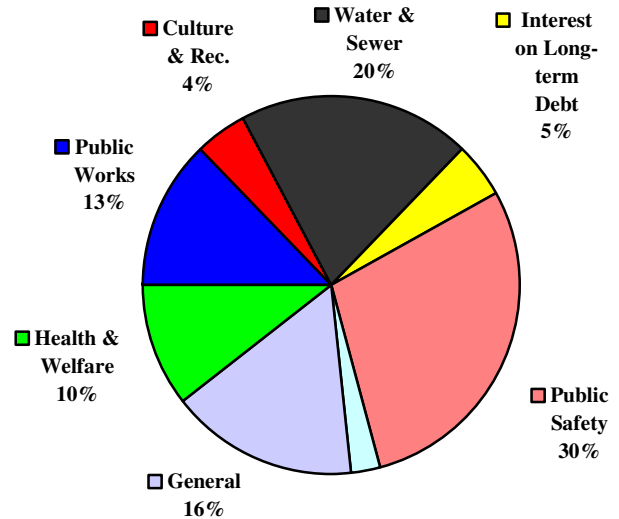
Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones operations.

## Analysis of Government Wide Statement of Activities

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



**How is the Money Used?**



### Revenues

The City's revenues exceeded expenses by \$59 million for the 2009 year. This is largely due to Federal Grants received from FEMA for Katrina Recovery in the amount of \$36 million and donations of property from the Veteran Affairs and donated subdivision assets from developers for City perpetual maintenance. Combined, these two items account for \$25 million.

*Property Tax* – Property tax accounts for 14% of the City's total revenues and is considered the most stable revenue source for the City. The City had an increase of \$3.2 million or 16% in property taxes for the 2009 year. This increase was mainly attributed to a reappraisal of property values by the County Tax Assessor.

*Sales Tax* - Another significant source of revenue for the City is sales tax accounting for 12% of the City's total revenues. Sales tax decreased \$1.7 million or 8% from the prior year (from \$21.8 to \$20.1 million). This decrease is due mainly to two factors: Homeowner's rebuilding and replacement of Katrina damaged assets is coming to an end and the economic downturn of the overall economy.

*Grants* – The City received a total of \$58.9 million in grants for the 2009 year as compared to \$18.4 million in the previous 2008 year. The majority of these grants were as follows: \$32 million from FEMA for Hurricane Katrina recovery and \$11 million from the Mississippi Development Authority which were federal funds entitled "Katrina recovery supplemental funds." These recovery funds were used economic development, downtown revitalization, and down payment assistance for work force housing.

## Expenses

The City's total government wide expenses were \$112.8 million in 2009 as compared to \$113.8 million in 2008; representing a slight decrease of \$1million.

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<br>Service | Net Cost<br>of Service |
|-------------------------------|--------------------------|------------------------|
| Governmental Activities:      |                          |                        |
| General Government            | \$ 18,333,058            | \$ 10,340,208          |
| Public Safety                 | 32,637,921               | 29,990,715             |
| Public Works                  | 14,365,217               | 8,910,287              |
| Health and Welfare            | 11,783,880               | (2,963,438)            |
| Economic Development          | 2,662,668                | 1,812,648              |
| Culture and Recreation        | 5,036,165                | (2,493,443)            |
| Interest on long term debt    | 1,772,771                | 1,772,771)             |
| Total Governmental activities | <u>\$ 86,591,680</u>     | <u>\$ 47,369,748</u>   |

Note: The negative amounts representing net cost of service for health and welfare and culture and recreation were created by the elimination of capital outlay expenditures from the government wide statements, whereas these amounts were reported as expenditures on the fund level statements.

## 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 30% of the City's total revenues and 54% of the City's total expenditures.

Overall, the General Fund’s financial condition decreased slightly as evidenced by the numbers below.

***General Fund – Financial Summary***

|   | 2008                 | 2009                |
|---|----------------------|---------------------|
| Total Revenues                                | \$ 52,927,865        | \$ 52,108,889       |
| Total Expenditures                            | 73,246,137           | 59,991,876          |
| Excess (Deficit) of Revenues<br>over Expenses | (20,318,272)         | (7,882,987)         |
| Other Financing Sources (Uses)                | 3,048,272            | 1,030,694           |
| Fund Balance – Beginning Year                 | 29,654,181           | 12,384,181          |
| Fund Balance – Ending Year                    | <u>\$ 12,384,181</u> | <u>\$ 5,531,888</u> |

- ✓ The General Fund’s deficiency of revenues over expenditures was \$7.8 million in 2009 as compared to a deficiency of revenues over expenditures in 2008 of \$20.3 million.
- ✓ General Fund assets decreased by \$7.2 million from \$15.3 million in 2008 to \$8.1 million in 2009. The majority of this decrease was in cash and cash equivalents, from \$10 million in 2008 to \$500,000 in 2009. It shall be noted that \$4.1 million was identified as an asset in the General Fund as due from other funds. Most of this is related to the City advancing funds for Hurricane Katrina recovery until reimbursements are received.
- ✓ The General Fund’s unreserved fund balance significantly decreased in 2009 to a dangerously low level, from \$3.6 million in 2008 to \$401,918 in 2009. Unreserved fund balance is extremely important in that it represents that portion of the City’s assets (mainly cash and receivables) that are not designated for expenditures. The purpose of these funds are to 1) stabilize tax rates in an economic downturn, 2) provide the city with resources in the event of a natural disaster, and 3) provide the city with resources for other unforeseen events and or circumstances. The City’s unreserved portion of fund balance as a percentage of general fund expenditures was 1% for year ending 2009. Based upon industry standards, it is recommended that governmental entities maintain approximately 15% in fund reserves.
- ✓ Total General Fund revenues decreased slightly (by 2%) in 2009 as compared to 2008 with 2009 revenues at \$52.1 million and 2008 revenues at 52.9 million.
- ✓ Total General Fund expenditures decreased by \$13.3 million; from \$73.2 million in 2008 to \$59.9 million in 2009. The majority of this decrease was due to the City expending significant insurance proceeds from Hurricane Katrina to rebuild its damaged facilities in 2008. The year 2009 represents a more normal level of spending for the General Fund.

## 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 year Ending September 30, 2009

|                           | 2008          | 2009          |
|---------------------------|---------------|---------------|
| Operating Revenues        | \$ 22,346,786 | \$ 23,039,524 |
| Operating Expenses        | 21,035,059    | 22,380,910    |
| Operating income / (loss) | 1,311,727     | 658,614       |
| Non Operating Items:      |               |               |
| Interest Expense          | (3,424,425)   | (3,730,167)   |
| Other                     | 13,472,073    | 27,024,583    |
| Change in Net Assets      | \$ 11,359,375 | \$ 23,953,030 |

The City's water and sewer income from operations generated a profit of \$658,000 million in 2009 as compared to \$1.3 million profit in the previous 2008 year. 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. The City experienced a slight 3% increase in operating revenues in 2008, from \$22.3 million to \$23 million.

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 increase again for the upcoming 2010 year and then decrease as the City's rebuilding efforts come to an end.



## 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, 2009

|   | Original<br>Budget    | Revised<br>Budget      | Actual Amounts<br>(Budget Basis) |
|---|-----------------------|------------------------|----------------------------------|
| Revenues:   |                       |                        |                                  |
| Property Taxes                                    | \$ 15,350,000         | \$ 15,350,000          | \$ 16,046,503                    |
| Sales Tax   | 22,780,000            | 20,700,000             | 20,293,702                       |
| Intergovernmental                                 | 2,185,078             | 5,390,058              | 3,415,620                        |
| Fines and forfeits                                | 2,150,000             | 2,150,000              | 2,673,324                        |
| Gaming  | 3,800,000             | 3,800,000              | 3,383,766                        |
| Franchise Taxes                                   | 3,300,000             | 3,300,000              | 3,727,313                        |
| Licenses and permits                              | 2,385,000             | 2,385,000              | 1,686,856                        |
| Other   | 635,340               | 764,585                | 100,458                          |
| Total Revenues                                    | <u>\$ 53,540,716</u>  | <u>\$ 54,823,559</u>   | <u>\$ 52,293,251</u>             |
| Expenditures:                                     |                       |                        |                                  |
| General government                                | \$ 8,616,848          | \$ 10,091,293          | \$ 9,256,083                     |
| Police  | 20,569,642            | 23,429,216             | 20,321,521                       |
| Fire  | 12,651,644            | 13,458,402             | 12,615,307                       |
| Public works                                      | 10,861,228            | 11,283,196             | 10,207,930                       |
| Economic development                              | 3,210,828             | 3,330,067              | 2,577,867                        |
| Culture and recreation                            | 5,652,461             | 6,058,877              | 5,225,669                        |
| Total Expenditures                                | <u>\$ 61,562,651</u>  | <u>\$ 67,651,051</u>   | <u>\$ 60,204,377</u>             |
| Excess (Deficit) of Revenues<br>over expenditures | <u>\$ (8,021,935)</u> | <u>\$ (12,827,492)</u> | <u>\$ (7,911,126)</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 by only \$1.3 million or 2%; original budget of \$53.5 million as compared to the revised budget of \$54.8 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 \$6 million or 10% for the 2009 year. Most of this increase was attributed to rollover capital outlay and grants carried over from previous 2008 year and new grants awarded to the City in the current 2009 year.

Overall, the City's General Fund actual revenues for 2009 (budget basis) fell short of the revised budget by \$2.5 million or 5%.

- ✓ Actual property tax revenue exceeded its budget by \$700,000 or 5%, however, sales tax revenue fell short of its budget by \$400,000 million; budget of \$20.7 million and actual collections of \$20.3 million.
- ✓ Budgeted amounts for intergovernmental grants were not realized by \$2 million.

The City's General Fund actual expenditures fell short of its budgeted expenditures resulting in a favorable variance of \$7.4 million or 11% in 2009. Actual (budget basis) amounts were \$60.2 million while budget amounts were \$67.6 million. Major contributing factors for this difference are discussed below:

- ✓ Employee Vacancies – The City's payroll budget (General Fund) for the 2009 year was \$45.6 million while actual 2009 expenditures totaled \$41.4 million; leaving a budget surplus of \$4.2 million for payroll. This amount equates to an average vacancy rate of 9%. The City had a "hiring freeze" in place during the 2009 year whereby all vacant positions were frozen and retiring employees were not replaced.

## Capital Assets and Debt Administration

### Capital Assets

#### Schedule of Capital Assets (Net of Depreciation)

|                          | Governmental Activities |                       | Business-Type Activities |                       | Totals                |                       |
|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                          | <u>2008</u>             | <u>2009</u>           | <u>2008</u>              | <u>2009</u>           | <u>2008</u>           | <u>2009</u>           |
| Land                     | \$ 27,711,865           | \$ 45,739,763         | \$ 212,617               | \$ 201,832            | \$ 27,924,482         | \$ 45,941,595         |
| Construction in Progress | 3,410,236               | 18,403,969            | 16,290,386               | 11,563,525            | 19,700,622            | 29,967,494            |
| Buildings                | 9,642,940               | 23,305,692            | 20,102                   | -                     | 9,663,042             | 23,305,692            |
| Improvements             | 4,943,265               | 4,442,544             | -                        | -                     | 4,943,265             | 4,442,544             |
| Infrastructure           | 171,731,743             | 173,644,205           | 128,972,822              | 153,940,057           | 300,704,565           | 327,584,262           |
| Machinery & Eqpt.        | 2,820,312               | 3,188,301             | 371,906                  | 953,058               | 3,192,218             | 4,141,359             |
| Vehicles                 | 6,881,916               | 6,248,518             | 748,357                  | 697,640               | 7,630,273             | 6,946,158             |
| <b>Totals</b>            | <b>\$ 227,142,277</b>   | <b>\$ 274,972,992</b> | <b>\$ 146,616,190</b>    | <b>\$ 167,356,112</b> | <b>\$ 368,815,202</b> | <b>\$ 442,329,104</b> |

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2009 asset values were estimated at \$442 million and included a wide range of assets: land, buildings, parks, roads, bridges, drainage systems, machinery, vehicles, and water and sewer systems. Asset values increased by \$74 million or 20% (after depreciation) as compared to the prior year. It shall be noted that the majority of this increase was a result of FEMA Katrina monies spent on rebuilding damaged City assets. See note 7 in the financial section of this report for more detail information on capital assets.

Depreciation expense for the 2009 year totaled \$10.8 million and was allocated to the following classes of assets:

#### *Allocation of Depreciation by Major Asset Class*

|   |                      |
|---|----------------------|
| Buildings   | \$ 1,451,597         |
| Improvements other than Buildings                                     | 209,126              |
| Machinery and Equipment   | 1,845,931            |
| Vehicles  | 1,336,673            |
| Infrastructure (roads, bridges, drainage, water & sewer system, etc.) | 6,043,056            |
| <b>Total Depreciation</b>   | <b>\$ 10,886,383</b> |

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 - \$26.8 million.
- ✓ New Construction in progress - \$10.2 million.
- ✓ Machinery, equipment, and vehicles purchased - \$1 million

## Debt Administration

### Schedule of Long Term Debt

|   | Governmental Activities |               | Business-type Activities |               | Totals         |                |
|---|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
|   | <u>2008</u>             | <u>2009</u>   | <u>2008</u>              | <u>2009</u>   | <u>2008</u>    | <u>2009</u>    |
| Bonds payable                                   | \$ 28,480,000           | \$ 26,070,000 | \$ -                     | \$ -          | \$ 28,480,000  | \$ 26,070,000  |
| Notes payable                                   | 22,435,945              | 21,272,967    | -                        | -             | 22,435,948     | 21,272,967     |
| Compensated Absences                            | 1,808,139               | 2,237,493     | 12,871                   | 16,025        | 1,821,010      | 2,253,518      |
| Claims and Judgments                            | 40,000                  | 40,000        | -                        | -             | 40,000         | 40,000         |
| Bonds and Notes backed<br>by Water & Sewer fund | -                       | -             | 92,016,941               | 96,632,669    | 92,016,941     | 96,632,669     |
| Totals  | \$ 52,764,087           | \$ 49,620,460 | \$ 92,029,812            | \$ 96,648,694 | \$ 144,793,899 | \$ 146,269,154 |

Note: The above amounts do not include debt relating to Memorial Hospital or Harrison County Wastewater Management District.

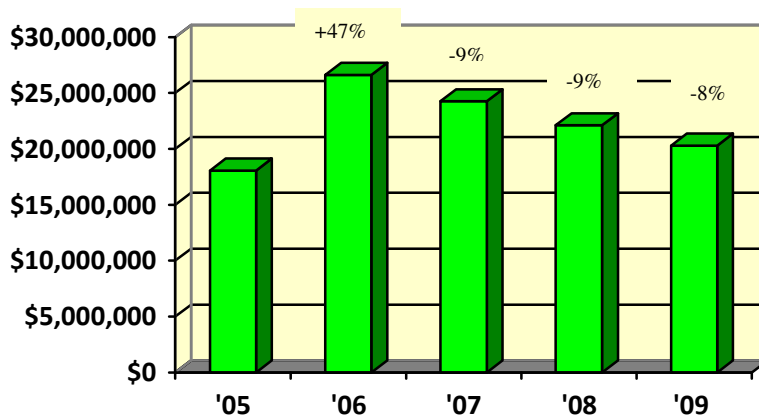
At year ending 2009, the City had \$146 million in outstanding debt representing a net increase of \$1 million as compared to the prior year. See note 8 of the note section of this report for further detail relating to the City's debt.

## Current Known Facts Effecting Future Financial Issues

### Weakening Financial Condition (Three Year of Operating Deficits in General Fund)

For the 2009 year and the previous 2008 year, the City began experiencing significant operating deficits in its General Fund. The 2008 deficit of revenue over expenditures was \$8.9 million while the 2009 deficit of revenues over expenditures was \$7.9 million. The percent deficit as compared to revenues was 17% and 15% respectively for these two years. For the 2010 year, the deficit is projected to be much less with expenditures falling short of revenues by \$3 million which represents 6% of revenues. Although the City has taken steps to cut its deficit by 60% in the current year, continued progress must be made to address this operating deficit. Without a doubt, the City will have to address this during its upcoming 2011 budget process. Expenses will have to be cut, revenues will have to be increased, or a combination of the two will have to be accomplished in order to put the City's financial condition at an acceptable level.

## Future uncertainty of the Local Economy - Sales Tax History



As evidenced by the above chart, the City experienced a significant boom in sales tax revenue post Hurricane Katrina with sales tax increasing from \$18.1 million in 2005 to \$26.6 million or 47% in 2006. It was anticipated that this level would not remain as most of this increase was due to our citizens replacing Katrina damaged assets such as homes, vehicles, personal belongings, etc. Years 2007 and 2008 each experienced 9% decreases and this was anticipated; however, the decrease which occurred in 2009 was not anticipated. The best explanation of the 2009 downturn revolves around the national recession, of which, is being experienced by individuals, governmental entities, and private sector businesses throughout the United States.

## Traffic and Transportation

Balancing development with transportation needs continues to be a top priority of the City. With the growth experienced in the north central section of the City post Katrina, many roads need to be improved to handle an increased traffic flow. Many retail developments are currently underway and the City will continue to seek out federal and state grants to address this ongoing issue.

## Payback of the Community Disaster Loan

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 2.75% per year and are suppose to be repaid five years following the storm.

The City recently 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. As I understand the program, applicants will have the ability to ask for another 5 year deferment on repayment and I suggest doing so; while at the same time, seeking changes at the federal level to change the criteria currently in place for loan forgiveness.

### **Unfunded Hurricane Katrina Recovery Projects – FEMA disallowed - \$5 Million**

It has been determined that several Katrina related recovery projects which were originally thought to be wholly funded by FEMA may not meet FEMA's eligibility requirements. In total, these items are estimated at \$5 million which represents about 2% of all FEMA funded Katrina Recovery projects which, in total, are estimated in excess of \$300 million. Of the \$5 million deemed ineligible, \$2.4 million has been funded while the remaining \$2.7 million remains unfunded. Some of these "disallowed" projects are as follows:

- Overtime Appeal \$700,000 – This related to the manner in which the City paid its employees overtime for a short time following the storm. The City paid its employees an overtime rate of 2 times rather than the usual rate of 1.5 times. The City felt this was necessary in order to maintain an adequate workforce to provide critical services to its Citizens. FEMA denied this by stating that this manner of payment was not contained in the City's permanent policies.
- Upgrade of Water system along Beach Drive (hwy 90) Appeal - \$2.4 million– The City is in the process of replacing its entire water and sewer system between Beach Drive north to the railroad tracks. The system which was in place pre-Katrina was not adequate to handle the future growth that is certain to come once the economy stabilizes. Given this, the City took the approach to upsize the capacity due to codes and standards and hoped that FEMA would deem this to be an eligible project. FEMA denied this project and the City is currently appealing FEMA's position.
- Water and Sewer re-engineering and rights of way along Beach Drive Appeal - \$2 million – Due to a change in standards from the Mississippi Department of Transportation (MDOT) the City could no longer place its utilities along Beach Drive; thus, requiring the City to re-engineer its utilities several blocks up. Also, the City was forced to purchase easements and rights of ways to accomplish this.

### **Increasing Debt – City's share of Harrison County Utility Authority**

At September 30, 2009, Harrison County Utility Authority had in excess of \$125 million in outstanding long term debt. Of this amount, the City of Gulfport is responsible for approximately 43% or \$54 million. It is projected that the City's annual payment to the District for its share of annual debt repayment will increase by \$1 million for the upcoming 2011 fiscal year, from \$5.6 million to \$6.6 million. Also, it shall be noted that this debt is currently at a variable "fluctuating" rate which has proven to be unstable and could expose the City to even further increases in the future.

### **Uncertainty of long term affects caused by British Petroleum Oil Spill**

As this report is being written, the entire Gulf South Region is being threatened by the British Petroleum oil spill. The coastlines of Louisiana, Mississippi, Alabama, and Florida are in “serious” jeopardy. This is having a ripple down affect on our tourism and seafood industries as well as those who rely on these industries as a livelihood. Experts are predicting that this spill will be more than 15 times greater than the Valdez oil spill of the past decade. Although British Petroleum has pledged to cover all related losses, it is uncertain as to how this will actually play out. If the financial losses for those who have been adversely affected by this are taken care of, then our local economy would be impacted little to none; however, if these losses are not covered, then the future economic impact could be great.

### **Contacting the City’s Financial Management**

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

---

# Government-Wide Financial Statements

---



**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Net Assets**  
**September 30, 2009**

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| <b>ASSETS</b>   |                                    |                                     |                       |
| Current Assets  |                                    |                                     |                       |
| Cash and equivalents                                  | \$ 12,290,039                      | \$ 5,478,984                        | \$ 17,769,023         |
| Cash with fiscal agents                               | 19,356                             | -                                   | 19,356                |
| Investments   | 1,686,790                          | -                                   | 1,686,790             |
| Receivables:  |                                    |                                     |                       |
| Taxes receivable                                      | 3,021,878                          | -                                   | 3,021,878             |
| Customer accounts receivable                          | -                                  | 2,365,232                           | 2,365,232             |
| Other receivables                                     | 152,406                            | -                                   | 152,406               |
| Internal balances                                     | 54,250                             | (54,250)                            | -                     |
| Due from other governments                            | 28,852,273                         | -                                   | 28,852,273            |
| Prepaid expenses                                      | 757,111                            | -                                   | 757,111               |
| Restricted assets:                                    |                                    |                                     |                       |
| Cash and equivalents                                  | 185,133                            | 1,217,575                           | 1,402,708             |
| Investments   | -                                  | 966,050                             | 966,050               |
| Total current assets                                  | <u>47,019,236</u>                  | <u>9,973,591</u>                    | <u>56,992,827</u>     |
| Noncurrent Assets                                     |                                    |                                     |                       |
| Capital assets  |                                    |                                     |                       |
| Land and improvements                                 | 45,739,763                         | 201,832                             | 45,941,595            |
| Construction in progress                              | 18,403,969                         | 11,563,525                          | 29,967,494            |
| Buildings   | 28,764,586                         | -                                   | 28,764,586            |
| Improvements other than buildings                     | 5,696,560                          | -                                   | 5,696,560             |
| Infrastructure  | 248,649,772                        | 187,574,860                         | 436,224,632           |
| Machinery and equipment                               | 7,891,566                          | 1,884,083                           | 9,775,649             |
| Vehicles  | 16,789,221                         | 2,084,137                           | 18,873,358            |
| Less: Accumulated depreciation                        | <u>(96,962,445)</u>                | <u>(35,952,325)</u>                 | <u>(132,914,770)</u>  |
| Total capital assets, net of accumulated depreciation | <u>274,972,992</u>                 | <u>167,356,112</u>                  | <u>442,329,104</u>    |
| Other Noncurrent Assets                               |                                    |                                     |                       |
| Cash - water and sewer improvements                   | -                                  | 5,298,956                           | 5,298,956             |
| Deferred charges                                      | 124,380                            | 3,759,616                           | 3,883,996             |
| Total noncurrent assets                               | <u>124,380</u>                     | <u>9,058,572</u>                    | <u>9,182,952</u>      |
| Total Assets  | <u>322,116,608</u>                 | <u>186,388,275</u>                  | <u>508,504,883</u>    |
| <b>LIABILITIES</b>                                    |                                    |                                     |                       |
| Current Liabilities (payable from current assets)     |                                    |                                     |                       |
| Accounts payable and accrued expenses                 | 10,488,226                         | 2,605,977                           | 13,094,203            |
| Retainage payable                                     | 737,981                            | 1,301,758                           | 2,039,739             |
| Deferred revenues                                     | 334,523                            | -                                   | 334,523               |
| Due to other governments                              | 11,950                             | -                                   | 11,950                |
| Current portion of long-term liabilities:             |                                    |                                     |                       |
| Accrued interest                                      | 288,427                            | 953,643                             | 1,242,070             |
| Compensated absences                                  | 984,787                            | 6,999                               | 991,786               |
| Notes payable   | 1,189,834                          | 2,106,827                           | 3,296,661             |
| Bonds payable   | 2,535,000                          | 3,750,000                           | 6,285,000             |
| Current Liabilities (payable from restricted assets)  |                                    |                                     |                       |
| Meter deposits  | -                                  | 1,215,575                           | 1,215,575             |
| Total current liabilities                             | <u>16,570,728</u>                  | <u>11,940,779</u>                   | <u>28,511,507</u>     |
| Noncurrent liabilities                                |                                    |                                     |                       |
| Accrued interest payable                              | 1,220,196                          | -                                   | 1,220,196             |
| Liability for self insurance claims                   | 2,476,756                          | -                                   | 2,476,756             |
| Compensated absences                                  | 1,252,706                          | 9,026                               | 1,261,732             |
| Notes payable   | 20,083,133                         | 34,900,842                          | 54,983,975            |
| Bonds payable   | 23,535,000                         | 55,875,000                          | 79,410,000            |
| Claims  | 40,000                             | -                                   | 40,000                |
| Total noncurrent liabilities                          | <u>48,607,791</u>                  | <u>90,784,868</u>                   | <u>139,392,659</u>    |
| Total Liabilities                                     | <u>65,178,519</u>                  | <u>102,725,647</u>                  | <u>167,904,166</u>    |
| <b>NET ASSETS</b>                                     |                                    |                                     |                       |
| Invested in capital assets, net of related debt       | 241,003,147                        | 70,723,443                          | 311,726,590           |
| Restricted for:                                       |                                    |                                     |                       |
| Debt service  | 4,358,635                          | 968,050                             | 5,326,685             |
| Specific grant programs                               | 4,702,729                          | -                                   | 4,702,729             |
| Capital improvements                                  | 14,238,446                         | -                                   | 14,238,446            |
| Permanently restricted (non-expendable)               | 100,000                            | -                                   | 100,000               |
| Unrestricted  | <u>(7,464,868)</u>                 | <u>11,971,135</u>                   | <u>4,506,267</u>      |
| Total Net Assets                                      | <u>\$ 256,938,089</u>              | <u>\$ 83,662,628</u>                | <u>\$ 340,600,717</u> |

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Net Activities**  
**For the Fiscal Year Ended September 30, 2009**

| Functions/Programs   | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |                          |                 |
|--|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|-----------------|
|  | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Governmental Activities | Business-type Activities | Total           |
| Governmental activities:                                     |                  |                      |                                    |   |                         |                          |                 |
| General government   | \$ (18,333,058)  | \$ 3,726,883         | \$ 135,492                         | \$ 4,130,475                                    | \$ (10,340,208)         | \$ -                     | \$ (10,340,208) |
| Public safety  | (32,637,921)     | 123,813              | 2,523,393                          | -   | (29,990,715)            | -                        | (29,990,715)    |
| Public works   | (14,365,217)     | -                    | 426,933                            | 5,027,977                                       | (8,910,287)             | -                        | (8,910,287)     |
| Health and welfare   | (11,783,880)     | -                    | 12,244,803                         | 2,502,515                                       | 2,963,438               | -                        | 2,963,438       |
| Economic development   | (2,662,668)      | 255,731              | 594,289                            | -   | (1,812,648)             | -                        | (1,812,648)     |
| Culture and recreation                                       | (5,036,165)      | 494,019              | -                                  | 7,035,589                                       | 2,493,443               | -                        | 2,493,443       |
| Interest on long-term debt                                   | (1,772,771)      | -                    | -                                  | -   | (1,772,771)             | -                        | (1,772,771)     |
| Total governmental activities                                | (86,591,680)     | 4,600,446            | 15,924,930                         | 18,696,556                                      | (47,369,748)            | -                        | (47,369,748)    |
| Business-type activities:                                    |                  |                      |                                    |   |                         |                          |                 |
| Water & Sewer  | (22,380,910)     | 22,892,554           | -                                  | 20,561,618                                      | -                       | 21,073,262               | 21,073,262      |
| Port   | (87,597)         | 7,817                | -                                  | 3,706,336                                       | -                       | 3,626,556                | 3,626,556       |
| Interest on long-term debt                                   | (3,730,167)      | -                    | -                                  | -   | -                       | (3,730,167)              | (3,730,167)     |
| Total business-type activities                               | (26,198,674)     | 22,900,371           | -                                  | 24,267,954                                      | -                       | 20,969,651               | 20,969,651      |
| Total primary government                                     | (112,790,354)    | 27,500,817           | 15,924,930                         | 42,964,510                                      | (47,369,748)            | 20,969,651               | (26,400,097)    |
| General revenues:  |                  |                      |                                    |   |                         |                          |                 |
| Taxes:   |                  |                      |                                    |   |                         |                          |                 |
| Property taxes, levied for general purposes                  |                  |                      |                                    |   | 16,609,515              | -                        | 16,609,515      |
| Property taxes, levied for special purposes                  |                  |                      |                                    |   | 6,801,634               | -                        | 6,801,634       |
| Sales taxes  |                  |                      |                                    |   | 20,131,945              | -                        | 20,131,945      |
| Franchise taxes  |                  |                      |                                    |   | 3,828,900               | -                        | 3,828,900       |
| Gaming taxes   |                  |                      |                                    |   | 3,316,175               | -                        | 3,316,175       |
| Licenses and permits   |                  |                      |                                    |   | 1,695,450               | -                        | 1,695,450       |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |   | 968,885                 | -                        | 968,885         |
| Insurance proceeds   |                  |                      |                                    |   | 3,264,814               | 524,471                  | 3,789,285       |
| Loss on disposal of capital assets                           |                  |                      |                                    |   | (1,850,914)             | (47,347)                 | (1,898,261)     |
| Investment earnings and miscellaneous                        |                  |                      |                                    |   | 25,322,512              | 2,863,010                | 28,185,522      |
| Transfers  |                  |                      |                                    |   | (3,439,783)             | 3,439,783                | -               |
| Total general revenues and transfers                         |                  |                      |                                    |   | 76,649,133              | 6,779,917                | 83,429,050      |
| Change in net assets   |                  |                      |                                    |   | 29,279,385              | 27,749,568               | 57,028,953      |
| Net assets - beginning                                       |                  |                      |                                    |   | 222,728,076             | 69,028,878               | 291,756,954     |
| Prior period adjustment                                      |                  |                      |                                    |   | 4,930,628               | (13,115,818)             | (8,185,190)     |
| Net assets - ending  |                  |                      |                                    |   | \$ 256,938,089          | \$ 83,662,628            | \$ 340,600,717  |

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 Funds - Debt Service Funds are 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 supplementary section.

**CITY OF GULFPORT, MISSISSIPPI**  
**Governmental Funds**  
**Balance Sheet**  
**September 30, 2009**

|  | Major Funds         |                            |                                     |                             |                         | Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------------|-------------------------------------|-----------------------------|-------------------------|------------------------------------|--------------------------------|
|  | General<br>Fund     | Disaster<br>Relief<br>Fund | Community<br>Development<br>Program | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund |                                    |                                |
| <b>Assets</b>                                    |                     |                            |                                     |                             |                         |                                    |                                |
| Cash and cash equivalents                        | \$ 333,900          | \$ -                       | \$ 291,155                          | \$ 2,823,856                | \$ 1,266,240            | \$ 4,394,016                       | \$ 9,109,167                   |
| Receivables:                                     |                     |                            |                                     |                             |                         |                                    |                                |
| Property taxes                                   | 129,661             | -                          | -                                   | -                           | 44,123                  | 11,950                             | 185,734                        |
| Sales taxes                                      | 1,388,261           | -                          | -                                   | -                           | -                       | -                                  | 1,388,261                      |
| Franchise taxes                                  | 1,006,334           | -                          | -                                   | -                           | -                       | -                                  | 1,006,334                      |
| Gaming fees                                      | 221,772             | -                          | -                                   | -                           | -                       | -                                  | 221,772                        |
| Privilege licenses                               | 219,777             | -                          | -                                   | -                           | -                       | -                                  | 219,777                        |
| Other  | 152,406             | -                          | -                                   | -                           | -                       | -                                  | 152,406                        |
| Due from other funds                             | 4,078,479           | -                          | -                                   | 9,528,348                   | 4,529,442               | -                                  | 18,136,269                     |
| Prepaid interest                                 | -                   | -                          | -                                   | -                           | 76,257                  | -                                  | 76,257                         |
| Cash - restricted                                | 185,133             | -                          | -                                   | -                           | -                       | -                                  | 185,133                        |
| Due from other governments                       | 432,688             | 22,455,230                 | 3,592,320                           | 2,372,035                   | -                       | -                                  | 28,852,273                     |
| <b>Total assets</b>                              | <b>\$ 8,148,411</b> | <b>\$ 22,455,230</b>       | <b>\$ 3,883,475</b>                 | <b>\$ 14,724,239</b>        | <b>\$ 5,916,062</b>     | <b>\$ 4,405,966</b>                | <b>\$ 59,533,383</b>           |
| <b>Liabilities and Fund balance</b>              |                     |                            |                                     |                             |                         |                                    |                                |
| <b>Liabilities</b>                               |                     |                            |                                     |                             |                         |                                    |                                |
| Accounts payable                                 | \$ 1,437,448        | \$ 5,165,786               | \$ 1,477,443                        | \$ 971,498                  | \$ 46,763               | \$ 93,440                          | \$ 9,192,378                   |
| Accrued wages payable                            | 341,672             | -                          | 3,889                               | -                           | -                       | -                                  | 345,561                        |
| Accrued expenses                                 | 162,294             | -                          | 14,269                              | -                           | -                       | -                                  | 176,563                        |
| Due to other funds                               | -                   | 16,137,352                 | 1,942,626                           | -                           | 2,041                   | -                                  | 18,082,019                     |
| Due to other governments                         | -                   | -                          | -                                   | -                           | -                       | 11,950                             | 11,950                         |
| Retainage payable                                | -                   | -                          | 38,456                              | 699,525                     | -                       | -                                  | 737,981                        |
| Other liabilities                                | 180,305             | -                          | -                                   | -                           | -                       | -                                  | 180,305                        |
| Deferred revenue                                 | 334,523             | -                          | -                                   | -                           | -                       | -                                  | 334,523                        |
| Performance bonds payable                        | 160,281             | -                          | -                                   | -                           | -                       | -                                  | 160,281                        |
| <b>Total liabilities</b>                         | <b>\$ 2,616,523</b> | <b>\$ 21,303,138</b>       | <b>\$ 3,476,683</b>                 | <b>\$ 1,671,023</b>         | <b>\$ 48,804</b>        | <b>\$ 105,390</b>                  | <b>\$ 29,221,561</b>           |
| <b>Fund Balance</b>                              |                     |                            |                                     |                             |                         |                                    |                                |
| <b>Reserved for:</b>                             |                     |                            |                                     |                             |                         |                                    |                                |
| Encumbrances                                     | \$ 225,881          | \$ -                       | \$ 22,500                           | \$ 7,806,961                | \$ -                    | \$ 344,743                         | \$ 8,400,085                   |
| Drug enforcement                                 | 28,499              | -                          | -                                   | -                           | -                       | -                                  | 28,499                         |
| Senior citizens program<br>(non-expendable)      | 100,000             | -                          | -                                   | -                           | -                       | -                                  | 100,000                        |
| Debt service                                     | -                   | -                          | -                                   | -                           | 5,867,258               | -                                  | 5,867,258                      |
| Special revenue                                  | -                   | 1,152,092                  | 384,292                             | -                           | -                       | 2,770,603                          | 4,306,987                      |
| Capital Projects                                 | -                   | -                          | -                                   | 5,246,255                   | -                       | 1,185,230                          | 6,431,485                      |
| <b>Unreserved reported in:</b>                   |                     |                            |                                     |                             |                         |                                    |                                |
| General fund                                     | 401,918             | -                          | -                                   | -                           | -                       | -                                  | 401,918                        |
| Designated for subsequent<br>year appropriations | 4,775,590           | -                          | -                                   | -                           | -                       | -                                  | 4,775,590                      |
| <b>Total fund balance</b>                        | <b>\$ 5,531,888</b> | <b>\$ 1,152,092</b>        | <b>\$ 406,792</b>                   | <b>\$ 13,053,216</b>        | <b>\$ 5,867,258</b>     | <b>\$ 4,300,576</b>                | <b>\$ 30,311,822</b>           |
| <b>Total liabilities and fund balance</b>        | <b>\$ 8,148,411</b> | <b>\$ 22,455,230</b>       | <b>\$ 3,883,475</b>                 | <b>\$ 14,724,239</b>        | <b>\$ 5,916,062</b>     | <b>\$ 4,405,966</b>                | <b>\$ 59,533,383</b>           |

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2009**

Total fund balances - governmental funds \$ 30,311,822

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not current financial resources  
and, therefore, are not reported in the funds balance sheet 274,972,992

Bond issue costs on long-term debt (net of amortizations) does not require current  
financial resources and, therefore, is not reported in the funds balance sheet 124,380

Interest payable on long-term debt does not require current financial resources, and,  
therefore, is not reported in the funds balance sheet (1,508,623)

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 the governmental activities in the Statement of Net Assets as follows:

|                                 |             |           |
|---------------------------------|-------------|-----------|
| Current assets                  | 5,567,872   |           |
| Accounts payable                | (433,138)   |           |
| Estimated health claims payable | (2,476,756) | 2,657,978 |
|                                 |             |           |

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 Assets.

|                      |              |              |
|----------------------|--------------|--------------|
| Notes payable        | (21,272,967) |              |
| Bonds payable        | (26,070,000) |              |
| Death benefit claims | (40,000)     |              |
| Compensated absences | (2,237,493)  | (49,620,460) |
|                      |              |              |

Net assets of governmental activities \$ 256,938,089

**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 Balance**  
**For Fiscal Year Ended September 30, 2009**

|  | Major Funds         |                            |                                     |                             |                         | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------------|-------------------------------------|-----------------------------|-------------------------|------------------------------------|--------------------------------|
|  | General<br>Fund     | Disaster<br>Relief<br>Fund | Community<br>Development<br>Program | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund |                                    |                                |
| Revenues:                                      |                     |                            |                                     |                             |                         |                                    |                                |
| Taxes:   |                     |                            |                                     |                             |                         |                                    |                                |
| Property                                       | \$ 16,609,515       | \$ -                       | \$ -                                | \$ -                        | \$ 5,328,633            | \$ 1,473,001                       | \$ 23,411,149                  |
| Sales  | 20,131,945          | -                          | -                                   | -                           | -                       | -                                  | 20,131,945                     |
| Franchise                                      | 3,828,900           | -                          | -                                   | -                           | -                       | -                                  | 3,828,900                      |
| Gaming   | 3,316,175           | -                          | -                                   | -                           | -                       | -                                  | 3,316,175                      |
| Licenses and permits                           | 1,695,450           | -                          | -                                   | -                           | -                       | -                                  | 1,695,450                      |
| Intergovernmental                              | 2,804,514           | 11,870,422                 | 14,747,318                          | 3,835,928                   | 187,782                 | 1,462,765                          | 34,908,729                     |
| Charges for services                           | 952,901             | -                          | -                                   | -                           | -                       | -                                  | 952,901                        |
| Fines and forfeits                             | 2,673,324           | -                          | -                                   | -                           | -                       | -                                  | 2,673,324                      |
| Miscellaneous                                  | 96,165              | -                          | 10,248                              | 822,826                     | 81,680                  | 43,893                             | 1,054,812                      |
| Total revenues                                 | <u>52,108,889</u>   | <u>11,870,422</u>          | <u>14,757,566</u>                   | <u>4,658,754</u>            | <u>5,598,095</u>        | <u>2,979,659</u>                   | <u>91,973,385</u>              |
| Expenditures:                                  |                     |                            |                                     |                             |                         |                                    |                                |
| Current:                                       |                     |                            |                                     |                             |                         |                                    |                                |
| General government                             | 8,706,354           | -                          | -                                   | -                           | -                       | -                                  | 8,706,354                      |
| Public safety                                  | 32,942,606          | -                          | -                                   | -                           | -                       | 2,684,109                          | 35,626,715                     |
| Public works                                   | 10,207,399          | 272,733                    | -                                   | 356,598                     | -                       | 86,582                             | 10,923,312                     |
| Health and welfare                             | -                   | -                          | 11,817,385                          | -                           | -                       | -                                  | 11,817,385                     |
| Economic development                           | 2,954,131           | -                          | -                                   | -                           | -                       | -                                  | 2,954,131                      |
| Culture and recreation                         | 5,181,386           | -                          | -                                   | -                           | -                       | -                                  | 5,181,386                      |
| Capital outlay                                 | -                   | 8,444,090                  | 2,502,515                           | 15,087,212                  | -                       | 330,471                            | 26,364,288                     |
| Debt service:                                  |                     |                            |                                     |                             |                         |                                    |                                |
| Principal                                      | -                   | -                          | -                                   | -                           | 3,572,981               | -                                  | 3,572,981                      |
| Interest                                       | -                   | -                          | -                                   | -                           | 1,391,971               | -                                  | 1,391,971                      |
| Other  | -                   | -                          | -                                   | -                           | 15,453                  | -                                  | 15,453                         |
| Total expenditures                             | <u>59,991,876</u>   | <u>8,716,823</u>           | <u>14,319,900</u>                   | <u>15,443,810</u>           | <u>4,980,405</u>        | <u>3,101,162</u>                   | <u>106,553,976</u>             |
| Excess (deficit) of revenues over expenditures | <u>(7,882,987)</u>  | <u>3,153,599</u>           | <u>437,666</u>                      | <u>(10,785,056)</u>         | <u>617,690</u>          | <u>(121,503)</u>                   | <u>(14,580,591)</u>            |
| Other financing sources (uses):                |                     |                            |                                     |                             |                         |                                    |                                |
| Insurance proceeds                             | -                   | -                          | -                                   | 3,264,815                   | -                       | -                                  | 3,264,815                      |
| Sale of capital assets                         | 43,815              | -                          | -                                   | -                           | -                       | 21,355                             | 65,170                         |
| Transfers in                                   | 5,319,753           | 595,353                    | -                                   | 4,012,759                   | -                       | -                                  | 9,927,865                      |
| Transfers out                                  | (4,332,874)         | (2,596,860)                | (82,379)                            | (2,163,409)                 | (4,934,476)             | (75,377)                           | (14,185,375)                   |
| Total other financing sources (uses)           | <u>1,030,694</u>    | <u>(2,001,507)</u>         | <u>(82,379)</u>                     | <u>5,114,165</u>            | <u>(4,934,476)</u>      | <u>(54,022)</u>                    | <u>(927,525)</u>               |
| Changes in fund balance                        | <u>(6,852,293)</u>  | <u>1,152,092</u>           | <u>355,287</u>                      | <u>(5,670,891)</u>          | <u>(4,316,786)</u>      | <u>(175,525)</u>                   | <u>(15,508,116)</u>            |
| Fund balance - October 1                       | <u>12,384,181</u>   | <u>-</u>                   | <u>51,505</u>                       | <u>18,724,107</u>           | <u>10,184,044</u>       | <u>4,476,101</u>                   | <u>45,819,938</u>              |
| Fund balance - September 30                    | <u>\$ 5,531,888</u> | <u>\$ 1,152,092</u>        | <u>\$ 406,792</u>                   | <u>\$ 13,053,216</u>        | <u>\$ 5,867,258</u>     | <u>\$ 4,300,576</u>                | <u>\$ 30,311,822</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, 2009**

|  | Amount          |
|--|-----------------|
| Net change in fund balances - total governmental funds:  | \$ (15,508,116) |
| Amounts reported for Governmental Activities in the Statement of Activities are different because:   |                 |
| 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. |                 |
| Expenditures for capital assets  | 27,569,847      |
| Less: Current year depreciation  | (7,578,786)     |
|  | 19,991,061      |
| 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/or the amount shown as income in the government wide statements.  | (1,916,084)     |
| Donated capital assets do not provide current financial resources and are not reported in the fund level statements but are shown on the government wide statements as both a revenue and as a capital asset   | 24,825,110      |
| Principal payments on long term debt are expensed in the current period in the fund financial statements, but are shown as a reduction in the outstanding principal balance on the government wide statements.   | 3,572,981       |
| Compensated absences are not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, but current year increases are reported as an expense in the Statement of Activities.  | (429,354)       |
| 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.   | (350,966)       |
| Bond issue costs which are shown as amortization expense in the government-wide statements and are not reflected in the fund statement   | (14,381)        |
| Internal service funds are used by management to charge the cost of certain activities such as insurance costs, to individual funds  | (890,866)       |
| Change in net assets of governmental activities  | \$ 29,279,385   |

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

---

# Proprietary Fund Financial Statements

---

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

Joseph T. Jones Park Fund (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.

Internal Service Funds are presented in the supplementary section.



**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds**  
**Statement of Net Assets**  
**September 30, 2009**

|   | Business Type Activities |   |                                      | Governmental                              |
|---|--------------------------|---|--------------------------------------|---|
|   | Water and<br>Sewer       | Non-major Fund<br>Joseph T.<br>Jones Park | Total<br>Business-Type<br>Activities | Activities -<br>Internal Service<br>Funds |
| <b>Assets</b>   |                          |   |                                      |   |
| <b>Current assets:</b>  |                          |   |                                      |   |
| Cash and cash equivalents   | \$ 5,286,717             | \$ 192,267                                | \$ 5,478,984                         | \$ 3,180,872                              |
| Cash with fiscal agents   | -                        | -   | -                                    | 19,356                                    |
| Investments   | -                        | -   | -                                    | 1,686,790                                 |
| <b>Receivables:</b>   |                          |   |                                      |   |
| Customer accounts ( net of allowance for<br>uncollectible accounts) | 1,665,804                | 869                                       | 1,666,673                            | -   |
| Customer accounts accrued but not billed                            | 698,559                  | -   | 698,559                              | -   |
| Prepaid insurance   | -                        | -   | -                                    | 680,854                                   |
| Total current assets  | <u>7,651,080</u>         | <u>193,136</u>                            | <u>7,844,216</u>                     | <u>5,567,872</u>                          |
| <b>Current restricted assets</b>                                    |                          |   |                                      |   |
| Cash - Water and Sewer Trust  | 1,215,575                | -   | 1,215,575                            | -   |
| Cash - Bond indentures  | 2,000                    | -   | 2,000                                | -   |
| Investments - Bond indenture  | 966,050                  | -   | 966,050                              | -   |
| Total current restricted assets                                     | <u>2,183,625</u>         | <u>-</u>                                  | <u>2,183,625</u>                     | <u>-</u>                                  |
| <b>Noncurrent assets</b>  |                          |   |                                      |   |
| <b>Capital assets:</b>  |                          |   |                                      |   |
| Land  | 149,313                  | 52,519                                    | 201,832                              | -   |
| Construction in progress  | 6,977,990                | 4,585,535                                 | 11,563,525                           | -   |
| Infrastructure  | 187,418,091              | 156,769                                   | 187,574,860                          | -   |
| Machinery and equipment   | 1,884,083                | -   | 1,884,083                            | -   |
| Vehicles  | 2,051,137                | 33,000                                    | 2,084,137                            | -   |
| Less accumulated depreciation                                       | (35,925,375)             | (26,950)                                  | (35,952,325)                         | -   |
| Total capital assets  | <u>162,555,239</u>       | <u>4,800,873</u>                          | <u>167,356,112</u>                   | <u>-</u>                                  |
| <b>Other noncurrent assets</b>                                      |                          |   |                                      |   |
| Cash - Water and Sewer Improvements                                 | 5,298,956                | -   | 5,298,956                            | -   |
| Deferred charges  | 3,759,616                | -   | 3,759,616                            | -   |
| Total other noncurrent assets                                       | <u>9,058,572</u>         | <u>-</u>                                  | <u>9,058,572</u>                     | <u>-</u>                                  |
| Total assets  | <u>181,448,516</u>       | <u>4,994,009</u>                          | <u>186,442,525</u>                   | <u>5,567,872</u>                          |
| <b>Liabilities</b>  |                          |   |                                      |   |
| <b>Current liabilities (payable from current assets)</b>            |                          |   |                                      |   |
| Accounts payable  | 2,597,599                | 402                                       | 2,598,001                            | 433,138                                   |
| Accrued wages payable   | 1,183                    | -   | 1,183                                | -   |
| Accrued interest payable  | 953,643                  | -   | 953,643                              | -   |
| Due to other funds  | 54,250                   | -   | 54,250                               | -   |
| Liability for self-insurance claims                                 | -                        | -   | -                                    | 2,476,756                                 |
| Retainage payable   | 1,223,254                | 78,504                                    | 1,301,758                            | -   |
| Other liabilities   | 6,764                    | 29  | 6,793                                | -   |
| <b>Current portion of long-term debt</b>                            |                          |   |                                      |   |
| Compensated absences payable  | 3,850                    | 3,149                                     | 6,999                                | -   |
| Notes payable   | 2,106,827                | -   | 2,106,827                            | -   |
| Bonds payable   | 3,750,000                | -   | 3,750,000                            | -   |
| Total current liabilities payable<br>from current assets            | <u>10,697,370</u>        | <u>82,084</u>                             | <u>10,779,454</u>                    | <u>2,909,894</u>                          |
| <b>Current liabilities (payable from restricted assets)</b>         |                          |   |                                      |   |
| Meter deposits  | 1,215,575                | -   | 1,215,575                            | -   |
| Total current liabilities   | <u>11,912,945</u>        | <u>82,084</u>                             | <u>11,995,029</u>                    | <u>2,909,894</u>                          |
| <b>Long-term debt</b>   |                          |   |                                      |   |
| Compensated absences payable  | 4,677                    | 4,349                                     | 9,026                                | -   |
| Notes payable   | 34,900,842               | -   | 34,900,842                           | -   |
| Bonds payable   | 55,875,000               | -   | 55,875,000                           | -   |
| Total noncurrent liabilities  | <u>90,780,519</u>        | <u>4,349</u>                              | <u>90,784,868</u>                    | <u>-</u>                                  |
| Total liabilities   | <u>102,693,464</u>       | <u>86,433</u>                             | <u>102,779,897</u>                   | <u>2,909,894</u>                          |
| <b>Net Assets</b>   |                          |   |                                      |   |
| Invested in capital assets, net of related debt                     | 65,922,570               | 4,800,873                                 | 70,723,443                           | -   |
| Restricted for revenue bond indentures                              | 968,050                  | -   | 968,050                              | -   |
| Unrestricted  | 11,864,432               | 106,703                                   | 11,971,135                           | 2,657,978                                 |
| Total net assets  | <u>\$ 78,755,052</u>     | <u>\$ 4,907,576</u>                       | <u>\$ 83,662,628</u>                 | <u>\$ 2,657,978</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 Assets**  
**For the Fiscal Year Ended September 30, 2009**

|  | <b>Business Type Activities</b> |  |   | <b>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</b> |
|--|---------------------------------|--|---|---|
|  | <b>Water and<br/>Sewer</b>      | <b>Non-major Fund<br/>Joseph T,<br/>Jones Park</b> | <b>Total<br/>Business-Type<br/>Activities</b> |   |
| Operating Revenues                               |                                 |  |   |   |
| Charges for services                             | \$ 22,892,554                   | \$ 7,817   | \$ 22,900,371                                 | \$ -  |
| Employee contributions                           | -                               | -  | -   | 845,433   |
| Retiree contributions                            | -                               | -  | -   | 116,226   |
| Employer contributions                           | -                               | -  | -   | 6,549,736   |
| Insurance claim reimbursements                   | -                               | -  | -   | 12,562  |
| Miscellaneous                                    | 146,970                         | -  | 146,970                                       | -   |
| Total operating revenues                         | <u>23,039,524</u>               | <u>7,817</u>                                       | <u>23,047,341</u>                             | <u>7,523,957</u>  |
| Operating Expenses                               |                                 |  |   |   |
| Personnel services                               | 123,841                         | 80,970   | 204,811                                       | -   |
| Contractual services                             | 17,199,589                      | 1,339  | 17,200,928                                    | 288,222   |
| Material and supplies                            | 1,434,475                       | 4,923  | 1,439,398                                     | -   |
| Administrative expenses                          | -                               | -  | -   | 322,093   |
| Premium payments                                 | -                               | -  | -   | 2,139,993   |
| Claims paid and changes in estimates             | -                               | -  | -   | 6,606,473   |
| Depreciation                                     | 3,307,597                       | -  | 3,307,597                                     | -   |
| Amortization                                     | 296,123                         | -  | 296,123                                       | -   |
| Bad debts  | 19,285                          | 365  | 19,650  | -   |
| Total operating expenses                         | <u>22,380,910</u>               | <u>87,597</u>                                      | <u>22,468,507</u>                             | <u>9,356,781</u>  |
| Operating income (loss)                          | <u>658,614</u>                  | <u>(79,780)</u>                                    | <u>578,834</u>                                | <u>(1,832,824)</u>  |
| Non-operating revenues                           |                                 |  |   |   |
| Intergovernmental                                | 20,561,618                      | 3,706,336  | 24,267,954                                    | -   |
| Insurance proceeds                               | 524,471                         | -  | 524,471                                       | -   |
| Refund from previous buyout                      | 1,980,000                       | -  | 1,980,000                                     | -   |
| Loss on sale of assets (net of auction sales)    | (47,347)                        | -  | (47,347)                                      | -   |
| Interest income                                  | 163,415                         | 2,325  | 165,740                                       | 124,231   |
| Interest expense                                 | (3,730,167)                     | -  | (3,730,167)                                   | -   |
| Total nonoperating revenues (expenses)           | <u>19,451,990</u>               | <u>3,708,661</u>                                   | <u>23,160,651</u>                             | <u>124,231</u>  |
| Income (loss) before contributions and transfers | 20,110,604                      | 3,628,881  | 23,739,485                                    | (1,708,593)   |
| Capital contributions                            | 570,300                         | -  | 570,300                                       | -   |
| Transfers from other funds                       | 3,272,126                       | 167,657  | 3,439,783                                     | 3,211,435   |
| Transfers to other funds                         | -                               | -  | -   | (2,393,708)   |
| Change in net assets                             | 23,953,030                      | 3,796,538  | 27,749,568                                    | (890,866)   |
| Net assets - October 1                           | 67,586,159                      | 1,442,719  | 69,028,878                                    | 3,548,844   |
| Prior Period Adjustment                          | (12,784,137)                    | (331,681)  | (13,115,818)                                  | -   |
| Net assets - September 30                        | <u>\$ 78,755,052</u>            | <u>\$ 4,907,576</u>                                | <u>\$ 83,662,628</u>                          | <u>\$ 2,657,978</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, 2009**

|  | <b>Business-type Activities</b> |  |   | <b>Governmental</b>                                    |
|--|---------------------------------|--|---|--|
|  | <b>Water and<br/>Sewer</b>      | <b>Non-major Fund<br/>Joseph T.<br/>Jones Park</b> | <b>Total<br/>Business-type<br/>Activities</b> | <b>Activities -<br/>Internal<br/>Service<br/>Funds</b> |
| <b>Cash flows from operating activities</b>  |                                 |  |   |  |
| Cash received from customers   | \$ 22,731,368                   | \$ 6,948   | \$ 22,738,316                                 | \$ -   |
| Cash received from other operating receipts  | 146,970                         | (6,337)  | 140,633                                       | -  |
| Cash received from employees and others  | -                               | -  | -   | 961,659  |
| Cash received from insurance claims  | -                               | -  | -   | 25,493   |
| Cash received from employer contributions  | -                               | -  | -   | 6,549,736  |
| Cash paid to suppliers   | (21,126,797)                    | -  | (21,126,797)                                  | (9,077,622)  |
| Cash paid to employees   | (121,638)                       | (80,860)   | (202,498)                                     | -  |
| Cash received from meter deposits, net   | (75,967)                        | -  | (75,967)                                      | -  |
| Net cash provided by operating activities  | <u>1,553,936</u>                | <u>(80,249)</u>                                    | <u>1,473,687</u>                              | <u>(1,540,734)</u>                                     |
| <b>Cash from non-operating activities</b>  |                                 |  |   |  |
| Cash received from insurance proceeds  | 524,471                         | -  | 524,471                                       | -  |
| Cash received from previous buyout   | 1,980,000                       | -  | 1,980,000                                     | -  |
| Cash received from governmental grants   | 20,565,055                      | 3,706,336  | 24,271,391                                    | -  |
| Cash transferred from governmental funds   | 3,000,000                       | -  | 3,000,000                                     | 3,211,435  |
| Net cash provided by non-operating activities  | <u>26,069,526</u>               | <u>3,706,336</u>                                   | <u>29,775,862</u>                             | <u>3,211,435</u>                                       |
| <b>Cash flows from capital and related financing activities</b>  |                                 |  |   |  |
| Acquisition and construction of capital assets   | (31,540,421)                    | (3,706,336)  | (35,246,757)                                  | (2,393,708)  |
| Disposition of capital assets  | 3,060                           | -  | 3,060   | -  |
| Net proceeds from debt issuance  | 9,385,500                       | -  | 9,385,500                                     | -  |
| Principal paid on revenue bond maturities and notes payable  | (4,884,272)                     | -  | (4,884,272)                                   | -  |
| Interest paid on bonds and notes payable   | (3,365,975)                     | -  | (3,365,975)                                   | -  |
| Net cash used in capital and related financing activities  | <u>(30,402,108)</u>             | <u>(3,706,336)</u>                                 | <u>(34,108,444)</u>                           | <u>(2,393,708)</u>                                     |
| <b>Cash flows from investing activities</b>  |                                 |  |   |  |
| Investment transactions, net   | (965,500)                       | -  | (965,500)                                     | (84,033)   |
| Interest received  | 163,415                         | 2,325  | 165,740                                       | 124,231  |
| Net cash from investing activities   | <u>(802,085)</u>                | <u>2,325</u>                                       | <u>(799,760)</u>                              | <u>40,198</u>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | (3,580,731)                     | (77,924)   | (3,658,655)                                   | (682,809)  |
| <b>Cash and equivalents - October 1</b>  | 15,383,979                      | 270,191  | 15,654,170                                    | 3,863,681  |
| <b>Cash and equivalents - September 30</b>   | <u>\$ 11,803,248</u>            | <u>\$ 192,267</u>                                  | <u>\$ 11,995,515</u>                          | <u>\$ 3,180,872</u>                                    |
| <b>Reconciliation of income (loss) from operations<br/>to net cash provided (used) by operating activities</b> |                                 |  |   |  |
| Operating income (loss)  | \$ 658,614                      | \$ (79,780)  | \$ 578,834                                    | \$ (1,832,824)   |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities                      |                                 |  |   |  |
| Depreciation   | 3,307,597                       | -  | 3,307,597                                     | -  |
| Amortization   | 296,123                         | -  | 296,123                                       | -  |
| Bad debts  | 19,285                          | -  | 19,285  | -  |
| (Increase) decrease in assets  |                                 |  |   |  |
| Accounts receivable  | (161,186)                       | (868)  | (162,054)                                     | -  |
| Other receivables  | -                               | -  | -   | 12,931   |
| Prepaid assets   | 228,467                         | -  | 228,467                                       | 306,441  |
| Due from other governments   | 3,437                           | -  | 3,437   | -  |
| Increase (decrease) in liabilities   |                                 |  |   |  |
| Accounts payable   | (2,632,819)                     | 263  | (2,632,556)                                   | (1,089,790)  |
| Accrued wages payable  | 7                               | (848)  | (841)   | -  |
| Other liabilities  | (319,330)                       | 26   | (319,304)                                     | 1,062,508  |
| Meter deposit liabilities  | 151,545                         | -  | 151,545                                       | -  |
| Compensated absences payable   | 2,196                           | 958  | 3,154   | -  |
| Net cash provided by (used in) operating activities  | <u>\$ 1,553,936</u>             | <u>\$ (80,249)</u>                                 | <u>\$ 1,473,687</u>                           | <u>\$ (1,540,734)</u>                                  |
| <b>Non cash investing, capital and financing activities:</b>   |                                 |  |   |  |
| Changes in fair value of investments   | \$ -                            | \$ -   | \$ -  | \$ 56,338  |
| Transfer of capital assets from other funds  | 272,126                         | 167,657  | 439,783                                       | -  |
| Contributed capital  | 570,300                         | -  | 570,300                                       | -  |
|  | <u>\$ 842,426</u>               | <u>\$ 167,657</u>                                  | <u>\$ 1,010,083</u>                           | <u>\$ 56,338</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.

*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.

*Tax Collector Clearing Account* – This agency fund is for the collection and disbursement of tax revenues received from Harrison County and disbursed to other governments.

*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**  
**Statement of Assets and Liabilities**  
**For the Fiscal Year Ended September 30, 2009**

|                              | Agency Funds        |                      |                                 |                              |                     | Totals            |
|------------------------------|---------------------|----------------------|---------------------------------|------------------------------|---------------------|-------------------|
|                              | Asset<br>Forfeiture | Coastal<br>Narcotics | Flexible<br>Spending<br>Account | Tax<br>Collector<br>Clearing | Payroll<br>Clearing |                   |
| Assets                       |                     |                      |                                 |                              |                     |                   |
| Cash and cash equivalents    | \$ 169,110          | \$ 30,987            | \$ 10,235                       | \$ 50,324                    | \$ 57,559           | \$ 318,215        |
| Assets held for disposal     | 54,350              | -                    | -                               | -                            | -                   | 54,350            |
| Total assets                 | <u>223,460</u>      | <u>30,987</u>        | <u>10,235</u>                   | <u>50,324</u>                | <u>57,559</u>       | <u>372,565</u>    |
| Liabilities                  |                     |                      |                                 |                              |                     |                   |
| Accounts payable             | -                   | -                    | -                               | -                            | 57,559              | 57,559            |
| Payable to other governments | -                   | -                    | -                               | 50,324                       | -                   | 50,324            |
| Assets held in trust         | 223,460             | 30,987               | 10,235                          | -                            | -                   | 264,682           |
| Total liabilities            | <u>\$ 223,460</u>   | <u>\$ 30,987</u>     | <u>\$ 10,235</u>                | <u>\$ 50,324</u>             | <u>\$ 57,559</u>    | <u>\$ 372,565</u> |

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Fiduciary Funds**  
**Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended September 30, 2009**

|  | Balance at<br>10/01/08 | Additions            | Deductions           | Balance at<br>09/30/09 |
|--|------------------------|----------------------|----------------------|------------------------|
| <b><u>Asset Forfeiture Fund</u></b>        |                        |                      |                      |                        |
| Assets                                     |                        |                      |                      |                        |
| Cash                                       | \$ 149,846             | \$ 111,175           | \$ 91,911            | \$ 169,110             |
| Assets held for disposal                   | 70,621                 | -                    | 16,271               | 54,350                 |
| Total assets                               | <u>\$ 220,467</u>      | <u>\$ 111,175</u>    | <u>\$ 108,182</u>    | <u>\$ 223,460</u>      |
| Liabilities                                |                        |                      |                      |                        |
| Assets held in trust                       | <u>\$ 220,467</u>      | <u>\$ 111,175</u>    | <u>\$ 108,182</u>    | <u>\$ 223,460</u>      |
| <b><u>Coastal Narcotics Task Force</u></b> |                        |                      |                      |                        |
| Assets                                     |                        |                      |                      |                        |
| Cash                                       | <u>\$ 70,904</u>       | <u>\$ 6,555</u>      | <u>\$ 46,472</u>     | <u>\$ 30,987</u>       |
| Liabilities                                |                        |                      |                      |                        |
| Accounts payable                           | 385                    | -                    | 385                  | -                      |
| Assets held in trust                       | 70,519                 | 6,555                | 46,087               | 30,987                 |
| Total liabilities                          | <u>\$ 70,904</u>       | <u>\$ 6,555</u>      | <u>\$ 46,472</u>     | <u>\$ 30,987</u>       |
| <b><u>Flexible Spending Account</u></b>    |                        |                      |                      |                        |
| Assets                                     |                        |                      |                      |                        |
| Cash                                       | <u>\$ 11,044</u>       | <u>\$ 23,070</u>     | <u>\$ 23,879</u>     | <u>\$ 10,235</u>       |
| Liabilities                                |                        |                      |                      |                        |
| Assets held in trust                       | <u>\$ 11,044</u>       | <u>\$ 23,070</u>     | <u>\$ 23,879</u>     | <u>\$ 10,235</u>       |
| <b><u>Tax Collector Clearing</u></b>       |                        |                      |                      |                        |
| Assets                                     |                        |                      |                      |                        |
| Cash                                       | <u>\$ 75,932</u>       | <u>\$ 48,188,921</u> | <u>\$ 48,214,529</u> | <u>\$ 50,324</u>       |
| Liabilities                                |                        |                      |                      |                        |
| Payable to other governments               | <u>\$ 75,932</u>       | <u>\$ 48,188,921</u> | <u>\$ 48,214,529</u> | <u>\$ 50,324</u>       |
| <b><u>Payroll Clearing</u></b>             |                        |                      |                      |                        |
| Assets                                     |                        |                      |                      |                        |
| Cash                                       | <u>\$ -</u>            | <u>\$ 41,666,690</u> | <u>\$ 41,609,131</u> | <u>\$ 57,559</u>       |
| Liabilities                                |                        |                      |                      |                        |
| Accounts Payable                           | <u>\$ -</u>            | <u>\$ 41,666,690</u> | <u>\$ 41,609,131</u> | <u>\$ 57,559</u>       |
| <b><u>Total Agency Funds</u></b>           |                        |                      |                      |                        |
| Assets                                     |                        |                      |                      |                        |
| Cash                                       | \$ 307,726             | \$ 89,996,411        | \$ 89,985,922        | \$ 318,215             |
| Asset held for disposal                    | 70,621                 | -                    | 16,271               | 54,350                 |
| Total assets                               | <u>\$ 378,347</u>      | <u>\$ 89,996,411</u> | <u>\$ 90,002,193</u> | <u>\$ 372,565</u>      |
| Liabilities                                |                        |                      |                      |                        |
| Accounts Payable                           | \$ 385                 | \$ 41,666,690        | \$ 41,609,516        | \$ 57,559              |
| Payable to other governments               | 86,976                 | 48,188,921           | 48,214,529           | 61,368                 |
| Assets held in trust                       | 290,986                | 140,800              | 178,148              | 253,638                |
| Total liabilities                          | <u>\$ 378,347</u>      | <u>\$ 89,996,411</u> | <u>\$ 90,002,193</u> | <u>\$ 372,565</u>      |

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

---

# Notes to the Financial Statements

---

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

**A. General Statement**

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

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainders of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2009.

**B. Financial Reporting Entity**

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

See Note 14 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 Assets 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*.



**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

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.

***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 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.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

*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 Assets. The City has presented the following major proprietary fund:

*Water and Sewer Fund –*

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

*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 personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*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.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

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

**E. Cash, Cash with fiscal agents and Investments**

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

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

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

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

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

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

**F. Receivables**

All trade receivables are shown net of an allowance for uncollectibles. An allowance in the amount of \$5,574,130 at September 30, 2009 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.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

An allowance for estimated uncollectible rental fees has been established in the Joseph T. Jones Fund based upon historical collection experience and other relevant circumstances. The allowance for estimated uncollectible receivables at September 30, 2009 is \$57,882.

**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, 2009**

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

**L. Net Assets**

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

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

The fund equity reserves for donor-imposed restrictions, debt service, encumbrances, are discussed in Note 9. The fund equity designation for subsequent year's expenditures primarily represents amount of cash used in the next year's budget to offset amounts in which expenditures are budgeted in excess of budgeted revenues.

**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, 2008. 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 accrue costs associated with post-employment benefits for retired employees. The City does allow employees to continue in the group plan after retirement; however, the retired employees pay half of all premiums.

**P. Estimates**

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**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 integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and are reappropriated in the next year's budget.
11. Unexpended appropriations lapse at year-end in all funds.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**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, 2009 was 34.00 mills or \$34.00 per \$1,000 of assessed valuation.

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

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

**(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, 2009 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 OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

City and County annually receive licensing fees and permits from each casino for each gaming device. Gaming revenue of \$3,316,175 was received by the City in fiscal year ended September 30, 2009.

**(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 \$20,131,945 of sales tax revenue.

**NOTE 4: CASH AND OTHER DEPOSITS, CASH WITH FISCAL AGENTS, 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, 2009, the carrying amount of the City's deposits was \$24,788,902 and the bank balance was \$25,701,729. The difference represents outstanding checks and other reconciling items.

A summary of Cash and Cash Equivalents at September 30, 2009 is as follows:

|   | <u>Cash and Cash<br/>Equivalents<br/>Invested in<br/>Sweep Account</u> | <u>Non-pooled<br/>Cash and Cash<br/>Equivalents</u> | <u>Restricted<br/>Cash</u> | <u>Total</u>      |
|---|--|---|----------------------------|-------------------|
| Governmental funds:                                   |  |   |                            |                   |
| Major funds:  |  |   |                            |                   |
| General fund  | \$ 331,200   | 2,700   | 185,133                    | 519,033           |
| Community development fund                            | -  | 291,155   | -                          | 291,155           |
| Capital projects fund                                 | 2,823,856  | -   | -                          | 2,823,856         |
| Debt service fund                                     | 1,266,240  | -   | -                          | 1,266,240         |
| Non-major funds                                       | <u>1,273,417</u>   | <u>3,120,599</u>                                    | -                          | <u>4,394,016</u>  |
| Total governmental funds                              | <u>5,694,713</u>   | <u>3,414,454</u>                                    | <u>185,133</u>             | <u>9,294,300</u>  |
| Proprietary funds –<br>business-type activities:      |  |   |                            |                   |
| Water & sewer fund                                    | 7,938,147  | 2,647,526   | 1,217,575                  | 11,803,248        |
| Port fund   | <u>192,267</u>   | -   | -                          | <u>192,267</u>    |
| Total proprietary funds –<br>business-type activities | <u>8,130,414</u>   | <u>2,647,526</u>                                    | <u>1,217,575</u>           | <u>11,995,515</u> |
| Proprietary funds –<br>governmental-type activities   | -  | 3,180,872   | -                          | 3,180,872         |
| Fiduciary funds                                       | <u>107,882</u>   | <u>210,333</u>                                      | -                          | <u>318,215</u>    |
| Total cash and cash equivalents                       | <u>\$ 13,933,009</u>   | <u>9,453,185</u>                                    | <u>1,402,708</u>           | <u>24,788,902</u> |



**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

Unspent cash in water and sewer improvement accounts in the proprietary funds statements totaling \$5,298,956 is classified as Other Noncurrent Assets as to not distort working capital.

*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, 2009, none of the City's bank balance of \$25,701,729 was exposed to custodial credit risk.

**(B) Cash with fiscal agents**

The carrying amount of the city's cash with fiscal agents held by financial institutions was \$19,356. The entire amount was insured or collateralized with securities held by the financial institution in the city's name.

**(C) Investments**

At September 30, 2009, 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 U. S. Treasury Notes, Hancock Horizon Government Mutual funds, and Federal Agency Securities. A summary of the City's investments at September 30, 2009 is as follows:

|                                     | <u>Rate of Interest</u> | <u>Amount</u>       |
|-------------------------------------|-------------------------|---------------------|
| Governmental Activities:            |                         |                     |
| Government National Mortgage Assoc. | 4.5% - 5.5%             | \$ 370,772          |
| U.S. Treasury Notes                 | 3.0% - 5.75%            | 1,316,018           |
| Business-Type Activities:           |                         |                     |
| Hancock Horizon Government Mutual   | N/A                     | <u>966,050</u>      |
| Total investments                   |                         | <u>\$ 2,652,840</u> |

*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 Mutual fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

*Interest Rate Risk* – The interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The following table summarizes the City’s interest rate risk, based on maturity dates of various investments:

|                    | <b>U.S. Treasury<br/>Notes</b> | <b>Federal Agency<br/>Securities</b> | <b>Total</b>        |
|--------------------|--------------------------------|--------------------------------------|---------------------|
| Less than one year | \$ 381,532                     | \$ -                                 | \$ 381,532          |
| 1 - 5 years        | 718,251                        | -                                    | 718,251             |
| 6 - 10 years       | 216,235                        | -                                    | 216,235             |
| over 10 years      | -                              | 370,772                              | 370,772             |
| <b>Total</b>       | <b>\$ 1,316,018</b>            | <b>\$ 370,772</b>                    | <b>\$ 1,686,790</b> |

*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). Disclosures 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.

**NOTE 5: RECEIVABLES**

The combined balance sheet of the City includes the following receivables at September 30, 2009:

|  | <b>Major<br/>Governmental<br/>Funds</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total</b>         |
|--|---|---|----------------------|
| <b><u>Governmental Activities:</u></b> |   |   |                      |
| <b>Accounts receivable</b>             |   |   |                      |
| Taxes receivable:                      |   |   |                      |
| Property taxes                         | \$ 173,784                              | \$ 11,950                                   | \$ 185,734           |
| Sales taxes                            | 1,388,261                               | -   | 1,388,261            |
| Franchise taxes                        | 1,006,334                               | -   | 1,006,334            |
| Gaming fees                            | 221,772                                 | -   | 221,772              |
| Other receivables:                     |   |   |                      |
| Privilege licenses                     | 219,777                                 | -   | 219,777              |
| Other                                  | 152,406                                 | -   | 152,406              |
| Total accounts receivable              | <u>\$ 3,162,334</u>                     | <u>\$ 11,950</u>                            | <u>\$ 3,174,284</u>  |
| <b>Due from other governments</b>      |   |   |                      |
| Federal                                | \$ 27,241,773                           | \$ -  | \$ 27,241,773        |
| State                                  | 996,689                                 | -   | 996,689              |
| Local                                  | 613,811                                 | -   | 613,811              |
| Total due from other governments       | <u>\$ 28,852,273</u>                    | <u>\$ -</u>                                 | <u>\$ 28,852,273</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 5: RECEIVABLES (Continued)**

**Business Type Activities**

Accounts receivable:

|                                    |    |             |
|------------------------------------|----|-------------|
| Water & sewer utility charges      | \$ | 7,938,492   |
| Harbor berth rentals               |    | 58,752      |
| Total gross receivables            |    | 7,997,244   |
| Less: allowance for uncollectibles |    | (5,632,012) |
| Net total accounts receivable      | \$ | 2,365,232   |

The City funds reported *deferred revenue* 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 revenue* reported in the general fund in the amount of \$334,523 for assessments not yet due.

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at September 30, 2009 is as follows:

|  | Due<br>From   | Due<br>To  |
|--|---------------|------------|
| <b><i>Government-type activities</i></b> |               |            |
| General fund                             | \$ 4,078,479  | -          |
| Capital Projects fund                    | 9,528,348     | -          |
| Disaster Relief fund                     | -             | 16,137,352 |
| Community Development                    | -             | 1,942,626  |
| Debt service fund                        | 4,529,442     | 2,041      |
| <b><i>Business-type activities</i></b>   |               |            |
| Water and sewer fund                     | -             | 54,250     |
|  | \$ 18,136,269 | 18,136,269 |

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 insurance revenues in the amount of \$2,393,708 were transferred from the internal service fund to the capital projects fund for proper allocation of expenditures.

In addition to the above interfund loans, the following transfers were made between funds during the year ended September 30, 2009:

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES (Continued)**

|                                   | Transfer<br>In       | Transfer<br>Out   |
|-----------------------------------|----------------------|-------------------|
| <i>Government-type activities</i> |                      |                   |
| General fund                      | \$ 5,319,753         | 4,332,874         |
| Disaster relief fund              | 595,353              | 2,596,860         |
| Community Development             | -                    | 82,379            |
| Capital project fund              | 4,012,759            | 2,163,409         |
| Debt service fund                 | -                    | 4,934,476         |
| <i>Business-type activities</i>   |                      |                   |
| Water and sewer fund              | 3,272,126            | -                 |
| Harbor fund                       | 167,657              | -                 |
| <i>Non-major funds</i>            |                      |                   |
|                                   | -                    | 75,377            |
| <i>Internal service fund</i>      | 3,211,435            | 2,393,708         |
|                                   | <u>\$ 16,579,083</u> | <u>16,579,083</u> |

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

|   | Balance<br>October 1  | Additions         | Deletions          | Adjustments        | Balance<br>Sept 30 |
|---|-----------------------|-------------------|--------------------|--------------------|--------------------|
| <i>Governmental activities:</i>             |                       |                   |                    |                    |                    |
| Capital assets not being depreciated        |                       |                   |                    |                    |                    |
| Land and improvements                       | \$ 27,711,865         | 17,829,702        | -                  | 198,196            | 45,739,763         |
| Construction in progress                    | 3,410,236             | 16,372,870        | -                  | (1,379,137)        | 18,403,969         |
| Total capital assets not being depreciated  | <u>31,122,101</u>     | <u>34,202,572</u> | <u>-</u>           | <u>(1,180,941)</u> | <u>64,143,732</u>  |
| Capital assets being depreciated            |                       |                   |                    |                    |                    |
| Buildings                                   | 14,331,309            | 11,495,523        | (2,383,963)        | 5,321,717          | 28,764,586         |
| Improvements                                | 6,327,720             | 416,037           | -                  | (1,047,197)        | 5,696,560          |
| Infrastructure                              | 243,750,365           | 5,075,266         | -                  | (175,859)          | 248,649,772        |
| Machinery & Equipment                       | 8,472,586             | 432,789           | (432,941)          | (580,868)          | 7,891,566          |
| Vehicles                                    | 15,708,429            | 772,770           | (519,954)          | 827,976            | 16,789,221         |
| Total capital assets being depreciated      | <u>288,590,409</u>    | <u>18,192,385</u> | <u>(3,336,858)</u> | <u>4,345,769</u>   | <u>307,791,705</u> |
| Less accumulated depreciation for:          |                       |                   |                    |                    |                    |
| Buildings                                   | 4,688,369             | 1,451,597         | (681,072)          | -                  | 5,458,894          |
| Improvements                                | 1,384,455             | 209,126           | -                  | (339,565)          | 1,254,016          |
| Infrastructure                              | 72,018,622            | 3,059,146         | -                  | (72,201)           | 75,005,567         |
| Machinery & Equipment                       | 5,652,274             | 1,639,689         | (384,975)          | (2,203,723)        | 4,703,265          |
| Vehicles                                    | 8,826,513             | 1,219,228         | (354,727)          | 849,689            | 10,540,703         |
| Total accumulated depreciation              | <u>92,570,233</u>     | <u>7,578,786</u>  | <u>(1,420,774)</u> | <u>(1,765,800)</u> | <u>96,962,445</u>  |
| Total capital assets being depreciated, net | <u>196,020,176</u>    | <u>10,613,599</u> | <u>(1,916,084)</u> | <u>6,111,569</u>   | <u>210,829,260</u> |
| Governmental activities capital assets, net | <u>\$ 227,142,277</u> | <u>44,816,171</u> | <u>(1,916,084)</u> | <u>4,930,628</u>   | <u>274,972,992</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

|   | Balance<br>October 1 | Additions  | Deletions | Adjustments  | Balance<br>Sept 30 |
|---|----------------------|------------|-----------|--------------|--------------------|
| <b><i>Business-type activities</i></b>      |                      |            |           |              |                    |
| Capital assets not being depreciated        |                      |            |           |              |                    |
| Land  | \$ 212,617           | -          | -         | (10,785)     | 201,832            |
| Construction in progress                    | 16,290,386           | 10,872,725 | -         | (15,599,586) | 11,563,525         |
| Total capital assets not being depreciated  | 16,503,003           | 10,872,725 | -         | (15,610,371) | 11,765,357         |
| Capital assets being depreciated            |                      |            |           |              |                    |
| Buildings                                   | 20,400               | -          | -         | (20,400)     | -                  |
| Infrastructure                              | 159,662,289          | 26,021,047 | -         | 1,891,524    | 187,574,860        |
| Machinery & Equipment                       | 930,761              | 81,344     | (125,629) | 997,607      | 1,884,083          |
| Vehicles                                    | 1,682,404            | 238,628    | (23,680)  | 186,785      | 2,084,137          |
| Total capital assets being depreciated      | 162,295,854          | 26,341,019 | (149,309) | 3,055,516    | 191,543,080        |
| Less accumulated depreciation for:          |                      |            |           |              |                    |
| Buildings                                   | 298                  | -          | -         | (298)        | -                  |
| Infrastructure                              | 30,689,467           | 2,983,910  | -         | (38,574)     | 33,634,803         |
| Machinery & Equipment                       | 558,855              | 206,242    | (77,590)  | 243,518      | 931,025            |
| Vehicles                                    | 934,047              | 117,445    | (21,312)  | 356,317      | 1,386,497          |
| Total accumulated depreciation              | 32,182,667           | 3,307,597  | (98,902)  | 560,963      | 35,952,325         |
| Total capital assets being depreciated, net | 130,113,187          | 23,033,422 | (50,407)  | 2,494,553    | 155,590,755        |
| Governmental activities capital assets, net | \$ 146,616,190       | 33,906,147 | (50,407)  | (13,115,818) | 167,356,112        |

Adjustments made are relative to physical inventory taken by the City in addition to a prior period adjustment regarding construction in progress as described in Note 17.

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

|  |                     |
|--|---------------------|
| Governmental activities:                             |                     |
| General government                                   | \$ 1,103,887        |
| Public safety  | 1,849,069           |
| Public works   | 4,114,839           |
| Culture and recreation                               | 436,536             |
| Health and welfare                                   | 5,097               |
| Economic development                                 | 69,358              |
| Total depreciation expense – governmental activities | <u>\$ 7,578,786</u> |
| Business-type activities                             |                     |
| Water and sewer                                      | \$ 3,307,597        |
| Joseph T. Jones memorial park                        | -0-                 |
| Total depreciation expense-business-type activities  | <u>\$ 3,307,597</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 8: LONG-TERM DEBT**

**(A) Governmental Activities**

Transactions for the Year Ended September 30, 2009 are summarized as follows:

| Governmental Activities  | Payable<br>at 10/01/08 | Additions         | Reductions          | Payable<br>at 09/30/09 | Due in one<br>year  |
|--------------------------|------------------------|-------------------|---------------------|------------------------|---------------------|
| General obligation bonds | \$ 28,480,000          | \$ -              | \$ 2,410,000        | \$ 26,070,000          | \$ 2,535,000        |
| Notes payable            | 22,435,948             | -                 | 1,162,981           | 21,272,967             | 1,189,834           |
| Compensated absences     | 1,808,139              | 429,354           | -                   | 2,237,493              | 984,787             |
| Claims and judgments     | 40,000                 | -                 | -                   | 40,000                 | -                   |
| Total                    | <u>\$ 52,764,087</u>   | <u>\$ 429,354</u> | <u>\$ 3,572,981</u> | <u>\$ 49,620,460</u>   | <u>\$ 4,709,621</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 City and activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

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

| Purpose                | Original<br>Amount   | Issue<br>Date | Interest<br>Rate | Outstanding<br>Amount | Due<br>in one<br>Year |
|------------------------|----------------------|---------------|------------------|-----------------------|-----------------------|
| G/O public improvement | \$ 6,000,000         | 7/1/1998      | 4.40 - 6.00%     | \$ 3,490,000          | \$ 310,000            |
| G/O public improvement | 1,000,000            | 5/1/2000      | 5.20%            | 130,000               | 130,000               |
| G/O refunding issue    | 9,580,000            | 12/1/2002     | 2.00 - 5.00%     | 4,385,000             | 1,000,000             |
| G/O public improvement | 5,000,000            | 4/1/2003      | 3.50 - 4.25%     | 3,930,000             | 210,000               |
| G/O refunding issue    | 6,160,000            | 8/5/2004      | 2.00 - 4.05%     | 4,445,000             | 560,000               |
| G/O public improvement | 10,000,000           | 11/1/2007     | 3.75 - 5.30%     | 9,690,000             | 325,000               |
|                        | <u>\$ 37,740,000</u> |               |                  | <u>\$ 26,070,000</u>  | <u>\$ 2,535,000</u>   |

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

| Year Ended<br>September 30 | Principal            | Interest            | Total                |
|----------------------------|----------------------|---------------------|----------------------|
| 2010                       | \$ 2,535,000         | \$ 1,069,663        | \$ 3,604,663         |
| 2011                       | 2,530,000            | 953,018             | 3,483,018            |
| 2012                       | 2,660,000            | 841,707             | 3,501,707            |
| 2013                       | 2,800,000            | 723,028             | 3,523,028            |
| 2014                       | 1,690,000            | 621,958             | 2,311,958            |
| 2015-2019                  | 6,840,000            | 2,052,060           | 8,892,060            |
| 2020-2024                  | 4,220,000            | 1,354,281           | 5,574,281            |
| 2025-2028                  | 2,795,000            | 1,107,673           | 3,902,673            |
| Total                      | <u>\$ 26,070,000</u> | <u>\$ 8,723,388</u> | <u>\$ 34,793,388</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 8: 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     |
|--|------------|--------------------|----------------------|---------------------|
| State of Mississippi CAP Revolving Fund<br>15-year note, \$992,903 to construct fire Stations in the annexed area                      | 8/4/1997   | 3.70%              | \$ 180,658           | \$ 74,493           |
| State of Mississippi CAP Revolving Fund<br>15-year note, \$425,000, to construct fire Stations in the annexed area                     | 8/4/1997   | 3.70%              | 83,193               | 34,304              |
| Special Community Disaster Loan, FEMA<br>5-year note, \$13,373,122, to help offset additional operating costs due to Hurricane Katrina | various    | 2.75%              | 13,373,122           | -                   |
| Hancock Bank, Mississippi Development<br>Promissory Note, \$10,000,000 authorized.<br>TBMA - The Bond Market Assoc Index               | 12/1/2000  | 1.05% over<br>TBMA | 6,064,362            | 470,350             |
| Hancock Bank, Lease Purchase Agreement<br>5-year note, \$3,000,000, for equipment & vehicles for public works & fire dept              | 12/20/2006 | 3.86%              | <u>1,571,632</u>     | <u>610,687</u>      |
| Total general obligation notes   |            |                    | <u>\$ 21,272,967</u> | <u>\$ 1,189,834</u> |

The City issued general obligation notes to provide funding for various capital improvement projects. The notes annual debt service requirements to maturity are as follows:

| Year Ended<br>September 30 | Principal            | Interest            | Total                |
|----------------------------|----------------------|---------------------|----------------------|
| 2010                       | \$ 1,189,834         | \$ 602,250          | \$ 1,792,084         |
| 2011                       | 14,590,850           | 293,182             | 14,884,032           |
| 2012                       | 838,970              | 160,595             | 999,565              |
| 2013                       | 470,350              | 139,599             | 609,949              |
| 2014                       | 470,350              | 125,489             | 595,839              |
| 2015-2019                  | 2,351,750            | 415,787             | 2,767,537            |
| 2020-2024                  | <u>1,360,863</u>     | <u>88,020</u>       | <u>1,448,883</u>     |
| Total                      | <u>\$ 21,272,967</u> | <u>\$ 1,824,922</u> | <u>\$ 23,097,889</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

(3) 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: \$984,787 of the accrued liability of \$2,237,493 and in the business-type activities: \$6,999 of \$16,025 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.

(4) 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, 2009, a total of 40 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$40,000 has been included in the General Long-Term Debt at September 30, 2009. None of the liability for these benefits is estimated to be paid within one year.

(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, 2009 the amount of outstanding general obligation bonded debt was equal to 3.6% 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 \$719,379,654; therefore, the 15% debt limitation equals \$107,906,948. After reduction for GO Bonds outstanding of \$26,070,000, and increase by \$5,867,258 available in the debt service fund, the City's remaining margin for further debt issuance is \$87,704,206.

(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, 2009 the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$84,670,551. 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 14, 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, 2009



**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

| Business-type activities | Payable<br>at 10/01/08 | Additions           | Reductions          | Payable<br>at 09/30/09 | Due in one<br>year  |
|--------------------------|------------------------|---------------------|---------------------|------------------------|---------------------|
| General Obligation Bonds | \$ 52,950,000          | \$ 9,500,000        | \$ 2,825,000        | \$ 59,625,000          | \$ 3,750,000        |
| Notes payable            | 39,066,941             | -                   | 2,059,272           | 37,007,669             | 2,106,827           |
| Compensated absences     | 12,871                 | 3,154               | -                   | 16,025                 | 6,999               |
| Total                    | <u>\$ 92,029,812</u>   | <u>\$ 9,503,154</u> | <u>\$ 4,884,272</u> | <u>\$ 96,648,694</u>   | <u>\$ 5,863,826</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, 2009 are as follows:

| Purpose                            | Original<br>Amount   | Issue<br>Date | Interest<br>Rate | Outstanding<br>Amount | Due in one<br>Year  |
|------------------------------------|----------------------|---------------|------------------|-----------------------|---------------------|
| Water and Sewer -                  |                      |               |                  |                       |                     |
| General Obligation Refunding Bonds | \$ 6,440,000         | 8/1/1998      | 4.75 - 6.60 %    | \$ 755,000            | \$ 755,000          |
| General Obligation Refunding Bonds | 3,810,000            | 12/2/2004     | 3.00 - 3.85 %    | 3,340,000             | 360,000             |
| General Obligation Revenue Bonds   | 5,200,000            | 4/14/2005     | 4.00 - 4.25 %    | 4,490,000             | 200,000             |
| General Obligation Refunding Bonds | 47,565,000           | 4/7/2005      | 2.63 - 4.34 %    | 41,540,000            | 1,620,000           |
| General Obligation Revenue Bonds   | <u>9,500,000</u>     | 6/1/2009      | 3.34%            | <u>9,500,000</u>      | <u>815,000</u>      |
|                                    | <u>\$ 72,515,000</u> |               |                  | <u>\$ 59,625,000</u>  | <u>\$ 3,750,000</u> |

Bonded debt service requirements to maturity are as follows:

| Year Ended<br>September 30 | Principal            | Interest             | Total                |
|----------------------------|----------------------|----------------------|----------------------|
| 2010                       | \$ 3,750,000         | \$ 2,792,908         | \$ 6,542,908         |
| 2011                       | 3,140,000            | 2,634,806            | 5,774,806            |
| 2012                       | 3,275,000            | 2,498,113            | 5,773,113            |
| 2013                       | 3,425,000            | 2,348,037            | 5,773,037            |
| 2014                       | 3,585,000            | 2,194,882            | 5,779,882            |
| 2015-2019                  | 20,585,000           | 9,017,385            | 29,602,385           |
| 2020-2024                  | 18,645,000           | 3,669,872            | 22,314,872           |
| 2025-2029                  | <u>3,220,000</u>     | <u>275,575</u>       | <u>3,495,575</u>     |
| Total                      | <u>\$ 59,625,000</u> | <u>\$ 25,431,578</u> | <u>\$ 85,056,578</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

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

Prior year defeased bonds:

In July 2005, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2009 \$41,050,000 of bonds outstanding is considered defeased.

(2) Business Activities Note Obligations

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

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

A summary of note obligations outstanding at September 30, 2009 is as follows:

| <u>Purpose</u>          | <u>Original<br/>Amount</u> | <u>Issue<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Outstanding<br/>Amount</u> | <u>Due in<br/>One year</u> |
|-------------------------|----------------------------|-----------------------|--------------------------|-------------------------------|----------------------------|
| State Revolving Loans   | \$ 45,291,182              | various               | 3.0 - 4.5                | \$ 33,610,509                 | \$ 2,077,177               |
| Community Disaster Loan | 2,985,689                  | various               | 2.74%                    | 2,985,689                     | -                          |
| MS Development Bank     | 598,489                    | various               | % of prime               | 411,471                       | 29,650                     |
| Total                   | <u>\$ 48,875,360</u>       |                       |                          | <u>\$ 37,007,669</u>          | <u>\$ 2,106,827</u>        |

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

| <u>Year Ended<br/>September 30</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|------------------------------------|----------------------|---------------------|----------------------|
| 2010                               | \$ 2,106,827         | \$ 381,071          | \$ 2,487,898         |
| 2011                               | 5,141,390            | 293,157             | 5,434,547            |
| 2012                               | 2,124,935            | 231,744             | 2,356,679            |
| 2013                               | 2,083,155            | 199,137             | 2,282,292            |
| 2014                               | 1,908,326            | 172,285             | 2,080,611            |
| 2015-2019                          | 8,813,792            | 693,389             | 9,507,181            |
| 2020-2024                          | 9,533,104            | 299,102             | 9,832,206            |
| 2025-2028                          | 5,296,140            | 34,417              | 5,330,557            |
| Total                              | <u>\$ 37,007,669</u> | <u>\$ 2,304,302</u> | <u>\$ 39,311,971</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 9: FUND RESERVES**

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

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

Reserved for drug enforcement – An account that represents a portion of the fund balance for commitments related to drug enforcement activities.

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

Reserved for special revenue – An account that represents the fund balance of special revenue funds that are designated either by legal obligations or by federal required separation of assets to be used for specific purposes.

Reserved for capital projects – An account that represents the fund balance of the bond revenues received for capital improvements.

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

Unreserved – Designated for subsequent year appropriation – An account which represents the amount of cash reserves designated for budgetary purposes to cover budgeted expenditures in excess of budgeted revenues for the next fiscal year.

**NOTE 10: 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 11: RISK MANAGEMENT**

**(A) Description**

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 11: RISK MANAGEMENT (Continued)**

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)                                | \$500,000              |
| Annual aggregate risk of loss through deductibles              | \$2,348,913            |
| Specific excess coverage in force                              | Statutory              |
| <br>   |                        |
| <u>Employee Health Insurance</u>                               |                        |
| Per occurrence deductible (SIR)                                | \$125,000              |
| Annual aggregate risk of loss through deductibles              | \$478,513              |
| <br>   |                        |
| <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<br>(no aggregate limitation) | \$1,000,000/Occurrence |
| <br>   |                        |
| <u>Property Coverage</u>                                       |                        |
| Named Windstorm  | 5% per location        |
| All Other Wind   | \$100,000              |
| All other perils   | \$100,000/Occurrence   |
| Wind on Water Towers   | no coverage            |
| Specific excess coverage in force                              |                        |
| Buildings  | \$44,640,201           |
| Contents   | \$4,877,261            |
| Signs  | \$803,250              |

**(B) Claims Liability**

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

**(C) Unpaid Claims Liabilities**

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2007 to September 30, 2009:

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 11: RISK MANAGEMENT (Continued)**

|   | Claims<br>Contingency<br>Fund (Worker's<br>Compensation<br>and Tort Claims) | Group Life<br>and Health Fund<br>(Health Care<br>Claims) |
|---|---|--|
| Liability balance, October 1, 2007                      | \$ 1,080,000  | \$ 610,000   |
| Claims and changes in estimates                         | 1,044,824   | 4,266,878  |
| Claims payments   | (1,051,079)   | (4,536,375)  |
| Liability balance, September 30, 2008                   | 1,073,745   | 340,503  |
| Claims and changes in estimates                         | 2,589,072   | 5,079,908  |
| Claims payments   | (1,712,817)   | (4,893,655)  |
| Liability balance, September 30, 2009                   | <u>\$ 1,950,000</u>   | <u>\$ 526,756</u>  |
| Assets available to pay claims at<br>September 30, 2009 | <u>\$ 1,990,266</u>   | <u>\$ 667,712</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 12: 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 status of grant awards at September 30, 2009

**(A) Community Development Entitlement Grants**

| Grant Number    | Award<br>Amount     | Funds Drawn<br>and Expended<br>in FY 2009 | Funds Drawn<br>and Expended<br>in prior years | Balance of<br>Awards |
|-----------------|---------------------|---|---|----------------------|
| B-07-MC-28-0002 | \$ 783,598          | 247,741                                   | 470,295                                       | 65,562               |
| B-08-MC-28-0002 | 736,370             | 248,800                                   | -   | 487,570              |
| B-09-MC-28-0002 | 748,224             | -   | -   | 748,224              |
|                 | <u>\$ 2,268,192</u> | <u>496,541</u>                            | <u>470,295</u>                                | <u>1,301,356</u>     |

**(B) Home Investment Partnership Program**

| Grant Number    | Award<br>Amount     | Funds Drawn<br>and Expended<br>in FY 2009 | Funds Drawn<br>and Expended<br>in prior years | Balance of<br>Awards |
|-----------------|---------------------|---|---|----------------------|
| B-06-MC-28-0002 | \$ 774,398          | 636,319                                   | 8,287   | 129,792              |
| B-07-MC-28-0002 | 768,297             | 105,420                                   | 12,642  | 650,235              |
| B-08-MC-28-0002 | 729,600             | 39,922                                    | -   | 689,678              |
| B-09-MC-28-0002 | 825,293             | -   | -   | 825,293              |
|                 | <u>\$ 3,097,588</u> | <u>781,661</u>                            | <u>20,929</u>                                 | <u>2,294,998</u>     |

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 13: OTHER COMMITMENTS AND CONTINGENCIES**

**(A) Federal Grants**

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

**(B) Contract Commitments**

*Construction Contracts* - The following significant contracts were outstanding at September 30, 2009.

|   | Contract<br>Amount    | Expended<br>to Date | Remaining<br>Contract |
|---|-----------------------|---------------------|-----------------------|
| Charles Walker Community Center               | \$ 5,125,000          | 935,898             | 4,189,102             |
| City Hall Interiors                           | 847,446               | 789,870             | 57,576                |
| Gaston Point Gym & Recreation                 | 648,819               | 602,505             | 46,314                |
| Historic Grasslawn Rebuilding                 | 1,498,328             | 1,392,931           | 105,397               |
| Forrest Heights Levee Restoration             | 686,340               | 628,098             | 58,242                |
| Elevated Tank Repairs                         | 1,831,817             | 1,807,792           | 24,025                |
| Water Meter Replacement                       | 2,225,094             | 41,548              | 2,183,546             |
| Central Bayou View Sewer Phase I              | 605,928               | 524,549             | 81,379                |
| Area 2 Water, Sewer & Drainage                | 19,534,621            | 5,793,357           | 13,741,264            |
| Area 2 Geosciences Testing                    | 565,200               | 156,686             | 408,514               |
| Area 3a Water & Sewer                         | 8,805,845             | 4,796,800           | 4,009,045             |
| Area 3a Geosciences Testing                   | 261,484               | 155,006             | 106,478               |
| Area 3b Water & Sewer Repair/Replace          | 22,346,007            | 14,720,016          | 7,625,991             |
| Municipal Complex                             | 21,426,947            | 6,823,388           | 14,603,559            |
| Katie Patterson Booth Community Center        | 231,232               | 223,232             | 8,000                 |
| Courthouse Road Building                      | 1,296,733             | 977,661             | 319,072               |
| Orange Grove Community Center                 | 1,910,000             | 654,598             | 1,255,402             |
| Downtown Streetscape                          | 4,180,435             | 483,721             | 3,696,714             |
| Jones Park Improvements                       | 1,065,777             | 45,141              | 1,020,636             |
| Bert Jones Harbor Dredging & Pier Replacement | 17,542,872            | 1,570,079           | 15,972,793            |
|   | <u>\$ 112,635,925</u> | <u>43,122,876</u>   | <u>69,513,049</u>     |

**(C) Litigation**

The City is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$1,990,266 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 11 for the treatment of claims incurred but not reported and other tort liability information.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

**I. JOINT VENTURES**

**(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 following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2009, 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 ASSETS**  
**(amounts expressed in millions of dollars)**

|                                    |                 |
|------------------------------------|-----------------|
| <u>ASSETS</u>                      |                 |
| Current assets                     | \$ 137.8        |
| Non current cash and investments   | 127.5           |
| Capital assets                     | 146.5           |
| Other assets                       | 2.6             |
| Total assets                       | <u>\$ 414.4</u> |
| <u>LIABILITIES AND FUND EQUITY</u> |                 |
| <u>LIABILITIES</u>                 |                 |
| Current liabilities                | \$ 37.7         |
| Long-term liabilities              | 84.7            |
| Total liabilities                  | <u>122.4</u>    |
| <u>NET ASSETS</u>                  |                 |
| Net assets                         | 268.9           |
| Restricted net assets              | 23.1            |
| Total net assets                   | <u>292.0</u>    |
| Total liabilities and net assets   | <u>\$ 414.4</u> |

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

(amounts expressed in millions of dollars)

|                               |                |
|-------------------------------|----------------|
| Operating revenue             | \$ 323.6       |
| Operating expenses            | 293.7          |
| Depreciation and amortization | 18.8           |
| Nonoperating revenues, net    | <u>(0.8)</u>   |
| Change in net assets          | <u>\$ 10.3</u> |

The City has no transactions with MHG that are included in the City's financial statements. All general obligation bonds issued on behalf of Memorial Hospital were paid off during prior fiscal year. See Note 8(A)(6) for additional information pertaining to conduit debt issued for Memorial Hospital.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 14: 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 financial statements as of and for the year ended September 30, 2009, 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 ASSETS**  
(amounts expressed in millions of dollars)

| <u>ASSETS</u>                              |          |
|--|----------|
| Current assets                             | \$ 19.2  |
| Restricted assets                          | 20.6     |
| Capital assets                             | 134.9    |
| Other assets                               | 1.7      |
| Total assets                               | \$ 176.4 |
| <u>LIABILITIES AND FUND EQUITY</u>         |          |
| <u>LIABILITIES</u>                         |          |
| Current liabilities                        | \$ 6.1   |
| Current liabilities from restricted assets | 18.6     |
| Long-term liabilities                      | 125.2    |
| Total liabilities                          | 149.9    |
| <u>NET ASSETS</u>                          |          |
| Net assets                                 | 6.8      |
| Restricted net assets                      | 19.7     |
| Total net assets                           | 26.5     |
| Total liabilities and net assets           | \$ 176.4 |

**STATEMENT OF REVENUES AND EXPENSES**  
**AND CHANGES IN NET ASSETS**  
(amounts expressed in millions of dollars)

|                               |         |
|-------------------------------|---------|
| Operating revenue             | \$ 17.9 |
| Operating expenses            | 18.0    |
| Depreciation and amortization | 4.5     |
| Nonoperating revenues, net    | 51.6    |
| Change in net assets          | \$ 47.0 |



**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 14: 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<br>Changes in Net Assets<br>Contractual services (solid waste,<br>wastewater debt, and wastewater<br>treatment charges) | <u>\$ 11,060,066</u> |
|---|----------------------|

**II. JOINTLY GOVERNED ORGANIZATIONS**

**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 \$347,435 for the year ended September 30, 2009. The amount budgeted for the City for the fiscal year ended September 30, 2010 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.

**Gulfport-Biloxi Regional Airport Authority**

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

**NOTE 15: 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, 2009**

**NOTE 15: 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 supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

**(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, 2008, 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, 2009**

**NOTE 15: RETIREMENT PLANS (continued)**

**B. Actuarial Asset Valuation**

By statute, actuarial valuations of PERS must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2009. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2009. All plans presently have actuarial valuations performed annually. 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  | 11.85%          | N/A              |
| Other employers  | N/A             | .71 - 8.79 mills |
| Plan members   | 7.25%           | 7.00% - 10.00%   |
| Annual pension costs   | \$713,569       | \$15,219         |
| Employer contributions made                                      | \$713,569       | \$16,132         |
| Actuarial valuation date   | June 30, 2009   | Sept. 30, 2008   |
| Actuarial cost method  | Entry Age       | Entry Age        |
| Amortization method  | Level           | Level            |
|  | percent open    | dollar closed    |
| Remaining amortization period                                    | 30 years        | 26.0 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%           | 4.00%            |
| Projected salary increases                                       | 4.50% - 15.00%  | 4.50% - 6.00%    |
| Increases in benefits after retirement *                         | 3.00%           | 2.00% - 3.75%    |
| Proposed annual employer contribution rates for fiscal year 2010 | 12.00%          | -                |

\* 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 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, 2009**

**NOTE 15: RETIREMENT PLANS (continued)**

| Fiscal Years | Contributions |              |
|--------------|---------------|--------------|
| Ending       | PERS          | MRS          |
| 2007         | \$ 2,785,677  | \$ 1,137,920 |
| 2008         | 3,358,530     | 1,418,886    |
| 2009         | 3,447,179     | 1,523,859    |

**E. Funded Status and Funding Progress**

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2009 financial report.

Ten-year historical trend information showing MRS' progress in accumulating sufficient assets to pay benefits when due is presented a table in the required supplemental information section of this report. The most recent actuarial report for MRS is September 30, 2009.

**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, 2009 and 2008, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$3,277,602 and \$2,922,595, respectively.

**NOTE 16: OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The City of Gulfport Insurance Committee administers the City's self-insured medical and dental plan. Since retirees may obtain health and dental insurance by participating in a group active employees and consequently receive health insurance premium rate differential, the City has a postemployment healthcare benefit reportable under GASB 45 as a single employer defined benefit health care plan. Effective June 1, 2008, the City implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The City does not issue a publicly available financial report for the Plan.

**Funding Policy**

No contributions towards other postemployment benefits (OPEB) are made. Employee's premiums are funded by the City with additional funding provided by the retired employees and by active employees for spouse and dependent medical and dental coverage. The Plan is financed on a pay-as-you-go basis. The City Insurance Committee makes recommendations to the City Council who have the sole authority for setting health and dental insurance premiums for the Plan.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 16: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Valuation**

The insurance actuarial report on the City of Gulfport's Postemployment Benefits Other than Pensions was prepared as of October 1, 2008. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund OPEB liability on a pay-as-you-go basis. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$340,503 is less than 1% of the annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for the fiscal years 2009 and 2010:

|  | 2009       | 2010       |
|--|------------|------------|
| Annual required contribution               | \$ 340,503 | \$ 343,135 |
| Interest on prior year net OPEB obligation | -          | 1,888      |
| Adjustment to annual required contribution | -          | (1,749)    |
| Annual OPEB cost                           | 340,503    | 343,274    |
| Contributions made                         | 298,551    | 322,005    |
| Increase in net OPEB obligation            | 41,952     | 21,269     |
| Net OPEB obligation - Beginning of year    | -          | 41,952     |
| Net OPEB obligation - End of year          | \$ 41,952  | \$ 63,221  |

**Funding Status and Funding Progress**

The following table provides funding information for the most recent actuarial valuation date:

|  |                 |
|--|-----------------|
| Actuarial Valuation Date                           | October 1, 2008 |
| Actuarial Value of Assets                          | \$0             |
| Actuarial Accrued Liability (AAL) Entry Age Normal | \$6,086,919     |
| Unfunded AAL (UAAL)                                | \$6,086,919     |
| Funded Ratio                                       | \$0             |
| Annual Covered Payroll                             | \$22,142,652    |
| UAAL as a Percentage of Annual Covered Payroll     | 27.49%          |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are designed to present multiyear trend information about whether the actuarial value of plan assets is increasing and decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2009**

**NOTE 16: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

|                               |                    |
|-------------------------------|--------------------|
| Actuarial valuation date      | October 1, 2008    |
| Actuarial cost method         | Entry Age Level    |
| Amortization method           | Level percent open |
| Remaining amortization period | 30 years           |
| Asset valuation method        | N/A                |
| Actuarial assumptions         |                    |
| Projected salary increases    | 3.00%              |
| Healthcare cost trends        | 5.00%              |
| Discount rate                 | 4.50%              |

**NOTE 17: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments reflected on Exhibits B and D are mostly the result of the City performing a physical inventory. The adjustments also include a correction of a duplicate reporting of proprietary assets in construction in progress as contributed capital.

**NOTE 18: SUBSEQUENT EVENTS**

The Deepwater Horizon was an offshore oil rig, operated by BP, drilling in 5,000 feet of water about 40 miles off the coast of Louisiana. On April 20, 2010, it exploded, killing at least eleven crew members and leaving 5,000 barrels of oil a day spewing from the blown-out well underneath it. The rig sank after two days in flames, and the future economic and environmental impact has yet to be estimated for the City of Gulfport.

---

# Required Supplementary Information

---

**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplementary Information**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Major Governmental Funds**  
**For the Fiscal Years Ended September 30, 2009**

|                      | <i>General Fund</i> |                   |                           |   |
|----------------------|---------------------|-------------------|---------------------------|---|
|                      | Budget              |                   | Actual<br>Budget<br>Basis | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|                      | Original            | Final             |                           |   |
| Revenues:            |                     |                   |                           |   |
| Taxes                |                     |                   |                           |   |
| Property             | \$ 15,350,000       | \$ 15,350,000     | \$ 16,046,503             | \$ 696,503  |
| Sales                | 22,780,000          | 20,700,000        | 20,293,702                | (406,298)   |
| Franchise            | 3,300,000           | 3,300,000         | 3,727,313                 | 427,313   |
| Public service       | -                   | -                 | -                         | -   |
| Gaming               | 3,800,000           | 3,800,000         | 3,383,766                 | (416,234)   |
| Licenses and permits | 2,385,000           | 2,385,000         | 1,686,856                 | (698,144)   |
| Intergovernmental    | 2,185,078           | 5,390,058         | 3,415,620                 | (1,974,438)   |
| Charges for services | 955,298             | 983,916           | 965,709                   | (18,207)  |
| Fines and forfeits   | 2,150,000           | 2,150,000         | 2,673,324                 | 523,324   |
| Interest             | 400,000             | 400,000           | (58,397)                  | (458,397)   |
| Miscellaneous        | 235,340             | 364,585           | 158,855                   | (205,730)   |
| Total revenues       | <u>53,540,716</u>   | <u>54,823,559</u> | <u>52,293,251</u>         | <u>(2,530,308)</u>  |
| Expenditures:        |                     |                   |                           |   |
| General government   |                     |                   |                           |   |
| Personnel services   | 5,429,921           | 5,652,618         | 5,308,506                 | 344,112   |
| Supplies             | 315,065             | 316,828           | 238,903                   | 77,925  |
| Other services       | 2,614,229           | 3,069,642         | 2,886,699                 | 182,943   |
| Capital outlay       | 257,633             | 1,052,205         | 821,975                   | 230,230   |
| Total                | <u>8,616,848</u>    | <u>10,091,293</u> | <u>9,256,083</u>          | <u>835,210</u>  |
| Police               |                     |                   |                           |   |
| Personnel services   | 17,021,822          | 18,330,425        | 16,093,852                | 2,236,573   |
| Supplies             | 1,569,304           | 1,643,502         | 1,507,791                 | 135,711   |
| Other services       | 1,648,516           | 2,719,544         | 2,083,847                 | 635,697   |
| Capital outlay       | 330,000             | 735,745           | 636,031                   | 99,714  |
| Total                | <u>20,569,642</u>   | <u>23,429,216</u> | <u>20,321,521</u>         | <u>3,107,695</u>  |
| Fire                 |                     |                   |                           |   |
| Personnel services   | 11,834,548          | 12,129,292        | 11,564,563                | 564,729   |
| Supplies             | 411,513             | 466,028           | 321,049                   | 144,979   |
| Other services       | 331,049             | 423,140           | 340,092                   | 83,048  |
| Capital outlay       | 74,534              | 439,942           | 389,603                   | 50,339  |
| Total                | <u>12,651,644</u>   | <u>13,458,402</u> | <u>12,615,307</u>         | <u>843,095</u>  |
| Public works         |                     |                   |                           |   |
| Personnel services   | 2,990,311           | 3,115,001         | 2,952,604                 | 162,397   |
| Supplies             | 2,158,433           | 2,347,448         | 1,700,531                 | 646,917   |
| Other services       | 5,467,484           | 5,472,484         | 5,232,483                 | 240,001   |
| Capital outlay       | 245,000             | 348,263           | 322,312                   | 25,951  |
| Total                | <u>10,861,228</u>   | <u>11,283,196</u> | <u>10,207,930</u>         | <u>1,075,266</u>  |
| Economic development |                     |                   |                           |   |
| Personnel services   | 2,500,175           | 2,584,613         | 2,263,037                 | 321,576   |
| Supplies             | 78,818              | 78,818            | 25,185                    | 53,633  |
| Other services       | 621,835             | 647,335           | 287,402                   | 359,933   |
| Capital outlay       | 10,000              | 19,301            | 2,243                     | 17,058  |
| Total                | <u>3,210,828</u>    | <u>3,330,067</u>  | <u>2,577,867</u>          | <u>752,200</u>  |

(Continued on next page)

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



**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplementary Information**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (continued)**  
**General Fund**  
**Major Governmental Funds**  
**For the Fiscal Years Ended September 30, 2009**

|   | <i>General Fund</i>  |                     |                                    | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|----------------------|---------------------|------------------------------------|---|
|   | <b>Budget</b>        |                     | <b>Actual<br/>Budget<br/>Basis</b> |   |
|   | <b>Original</b>      | <b>Final</b>        |                                    |   |
| Culture and recreation                            |                      |                     |                                    |   |
| Personnel services                                | 3,704,801            | 3,839,818           | 3,238,579                          | 601,239   |
| Supplies  | 726,994              | 726,994             | 622,914                            | 104,080   |
| Other services                                    | 1,120,666            | 1,092,352           | 1,071,016                          | 21,336  |
| Capital outlay                                    | 100,000              | 399,713             | 293,160                            | 106,553   |
| Total   | <u>5,652,461</u>     | <u>6,058,877</u>    | <u>5,225,669</u>                   | <u>833,208</u>  |
| Total expenditures                                | <u>61,562,651</u>    | <u>67,651,051</u>   | <u>60,204,377</u>                  | <u>7,446,674</u>  |
| Excess (deficit) of revenues<br>over expenditures | <u>(8,021,935)</u>   | <u>(12,827,492)</u> | <u>(7,911,126)</u>                 | <u>4,916,366</u>  |
| Other financing sources (uses)                    |                      |                     |                                    |   |
| Proceeds of loans                                 | 1,000,000            | 1,000,000           | -                                  | 1,000,000   |
| Sale of capital assets                            | 28,000               | 65,006              | 43,815                             | (21,191)  |
| Transfers in                                      | 5,228,176            | 5,289,661           | 5,289,661                          | -   |
| Transfers out                                     | <u>(40,000)</u>      | <u>(4,372,874)</u>  | <u>(4,332,874)</u>                 | <u>40,000</u>   |
| Total other financing<br>sources (uses)           | <u>6,216,176</u>     | <u>1,981,793</u>    | <u>1,000,602</u>                   | <u>1,018,809</u>  |
| Changes in fund balance                           | (1,805,759)          | (10,845,699)        | (6,910,524)                        | 3,935,175   |
| Fund balance - October 1                          | 12,384,181           | 12,384,181          | 12,384,181                         |   |
| Fund balance - September 30                       | <u>\$ 10,578,422</u> | <u>\$ 1,538,482</u> | <u>\$ 5,473,657</u>                | <u>\$ 3,935,175</u>   |

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplementary Information**  
**Statement 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, 2009**

|   | <i>Disaster Relief Fund</i> |                     |                      | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|-----------------------------|---------------------|----------------------|---|
|   | <b>Budget</b>               |                     | <b>Actual</b>        |   |
|   | <b>Original</b>             | <b>Final</b>        |                      |   |
| Revenues:   |                             |                     |                      |   |
| Intergovernmental                                 | \$ 40,422,226               | \$ 60,822,520       | \$ 29,063,476        | \$ (31,759,044)   |
| Total revenues                                    | <u>40,422,226</u>           | <u>60,822,520</u>   | <u>29,063,476</u>    | <u>(31,759,044)</u>   |
| Expenditures:                                     |                             |                     |                      |   |
| General government                                |                             |                     |                      |   |
| Personnel services                                | -                           | 520                 | 520                  | -   |
| Supplies  | 23,314                      | 36,421              | -                    | 36,421  |
| Other services                                    | 7,809,520                   | 26,937,447          | 5,228,755            | 21,708,692  |
| Capital outlay                                    | 801,862                     | 1,506,023           | 383,573              | 1,122,450   |
| Total   | <u>8,634,696</u>            | <u>28,480,411</u>   | <u>5,612,848</u>     | <u>22,867,563</u>   |
| Public safety                                     |                             |                     |                      |   |
| Personnel services                                | -                           | -                   | -                    | -   |
| Supplies  | 384,722                     | 384,722             | 162,585              | 222,137   |
| Other services                                    | 2,129,710                   | 2,088,940           | 1,377,334            | 711,606   |
| Capital outlay                                    | 56,801                      | 56,801              | -                    | 56,801  |
| Total   | <u>2,571,233</u>            | <u>2,530,463</u>    | <u>1,539,919</u>     | <u>990,544</u>  |
| Public works                                      |                             |                     |                      |   |
| Personnel services                                | -                           | -                   | 9,911                | (9,911)   |
| Supplies  | 18,256                      | 18,256              | 47,567               | (29,311)  |
| Other services                                    | 1,532,666                   | 2,720,301           | 713,003              | 2,007,298   |
| Capital outlay                                    | 26,150                      | 26,150              | -                    | 26,150  |
| Total   | <u>1,577,072</u>            | <u>2,764,707</u>    | <u>770,481</u>       | <u>1,994,226</u>  |
| Economic development                              |                             |                     |                      |   |
| Personnel services                                | -                           | -                   | -                    | -   |
| Supplies  | -                           | -                   | -                    | -   |
| Other services                                    | 3,469                       | 3,469               | -                    | 3,469   |
| Capital outlay                                    | -                           | -                   | -                    | -   |
| Total   | <u>3,469</u>                | <u>3,469</u>        | <u>-</u>             | <u>3,469</u>  |
| Culture and recreation                            |                             |                     |                      |   |
| Personnel services                                | -                           | -                   | -                    | -   |
| Supplies  | 108,025                     | 121,754             | 12,882               | 108,872   |
| Other services                                    | 17,555,141                  | 17,611,640          | 8,183,129            | 9,428,511   |
| Capital outlay                                    | -                           | -                   | -                    | -   |
| Total   | <u>17,663,166</u>           | <u>17,733,394</u>   | <u>8,196,011</u>     | <u>9,537,383</u>  |
| Total expenditures                                | <u>30,449,636</u>           | <u>51,512,444</u>   | <u>16,119,259</u>    | <u>35,393,185</u>   |
| Excess (deficit) of revenues<br>over expenditures | <u>9,972,590</u>            | <u>9,310,076</u>    | <u>12,944,217</u>    | <u>3,634,141</u>  |
| Other financing sources (uses)                    |                             |                     |                      |   |
| Transfers in                                      | -                           | 595,353             | 595,353              | -   |
| Total other financing<br>sources (uses)           | <u>-</u>                    | <u>595,353</u>      | <u>595,353</u>       | <u>-</u>  |
| Changes in fund balance                           | 9,972,590                   | 9,905,429           | 13,539,570           | 3,634,141   |
| Fund balance - October 1                          | -                           | -                   | -                    | -   |
| Fund balance - September 30                       | <u>\$ 9,972,590</u>         | <u>\$ 9,905,429</u> | <u>\$ 13,539,570</u> | <u>\$ 3,634,141</u>   |

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplementary 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, 2009**

|   | <i>Community Development Fund</i> |                     |                       | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|-----------------------------------|---------------------|-----------------------|---|
|   | <b>Budget</b>                     |                     | <b>Actual</b>         |   |
|   | <b>Original</b>                   | <b>Final</b>        |                       |   |
| Revenues:   |                                   |                     |                       |   |
| Intergovernmental                                 | \$ 38,542,352                     | \$ 44,120,729       | \$ 12,225,972         | \$ (31,894,757)   |
| Interest  | -                                 | -                   | 6,176                 | 6,176   |
| Total revenues                                    | <u>38,542,352</u>                 | <u>44,120,729</u>   | <u>12,232,148</u>     | <u>(31,888,581)</u>   |
| Expenditures:                                     |                                   |                     |                       |   |
| Health and welfare                                |                                   |                     |                       |   |
| Personnel services                                | 464,216                           | 646,616             | 357,357               | 289,259   |
| Supplies  | 69,968                            | 62,956              | 10,077                | 52,879  |
| Other services                                    | 2,448,600                         | 3,137,893           | 1,200,853             | 1,937,040   |
| Capital outlay                                    | 33,293,101                        | 38,006,797          | 12,418,747            | 25,588,050  |
| Total expenditures                                | <u>36,275,885</u>                 | <u>41,854,262</u>   | <u>13,987,034</u>     | <u>27,867,228</u>   |
| Excess (deficit) of revenues<br>over expenditures | <u>2,266,467</u>                  | <u>2,266,467</u>    | <u>(1,754,886)</u>    | <u>(4,021,353)</u>  |
| Other financing sources (uses)                    |                                   |                     |                       |   |
| Transfers in                                      | 40,400                            | 40,400              | -                     | (40,400)  |
| Total other financing<br>sources (uses)           | <u>40,400</u>                     | <u>40,400</u>       | <u>-</u>              | <u>(40,400)</u>   |
| Changes in fund balance                           | 2,306,867                         | 2,306,867           | (1,754,886)           | (4,061,753)   |
| Fund balance - October 1                          | 51,505                            | 51,505              | 51,505                |   |
| Fund balance - September 30                       | <u>\$ 2,358,372</u>               | <u>\$ 2,358,372</u> | <u>\$ (1,703,381)</u> | <u>\$ (4,061,753)</u>   |

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

**CITY OF GULFPORT**  
**Notes to the Required Supplementary Information and**  
**Reconciliation of Budget to GAAP – Major Governmental Funds**  
**For the Fiscal Year Ended September 30, 2009**

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:

|  | <b>General<br/>Fund</b> | <b>Disaster<br/>Relief<br/>Fund</b> | <b>Community<br/>Development<br/>Fund</b> |
|--|-------------------------|-------------------------------------|---|
| <b>Sources of financial resources</b>  |                         |                                     |   |
| Actual amounts (budgetary basis)   | \$ 52,293,251           | \$ 29,063,476                       | \$ 12,232,148                             |
| 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.                    | (184,362)               | (17,193,054)                        | 2,525,418                                 |
| Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds   | 52,108,889              | 11,870,422                          | 14,757,566                                |
| <b>Uses of financial resources</b>   |                         |                                     |   |
| Actual amounts (budgetary basis)   | 60,204,377              | 16,119,259                          | 13,987,034                                |
| 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. | (212,501)               | (7,402,436)                         | 332,866                                   |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  | \$ 59,991,876           | \$ 8,716,823                        | \$ 14,319,900                             |

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

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>( a )</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>Entry Age<br/>( b )</b> | <b>Unfunded<br/>AAL<br/>(UAAAL)<br/>( b-a )</b> | <b>Funded<br/>Ratio<br/>( a/b )</b> | <b>Annual<br/>Covered<br/>Payroll<br/>( c )</b> | <b>Unfunded AAL<br/>as a Percentage<br/>of Covered Payroll<br/>((b-a) /c)</b> |
|---|--|--|---|-------------------------------------|---|---|
| 09/30/2000                              | 9,893  | 17,425   | 7,532   | 56.8%                               | 740   | 1017.8%   |
| 09/30/2001                              | 10,627   | 18,601   | 7,974   | 57.1%                               | 694   | 1149.0%   |
| 09/30/2002                              | 10,986   | 18,904   | 7,918   | 58.1%                               | 588   | 1346.6%   |
| 09/30/2003                              | 11,136   | 23,527   | 12,391  | 47.3%                               | 408   | 3037.0%   |
| 09/30/2004                              | 10,745   | 23,317   | 12,572  | 46.1%                               | 230   | 5466.1%   |
| 09/30/2005                              | 10,212   | 22,970   | 12,758  | 44.5%                               | 207   | 6163.3%   |
| 09/30/2006                              | 10,533   | 22,720   | 12,187  | 46.4%                               | 130   | 9374.6%   |
| 09/30/2007                              | 10,897   | 22,170   | 11,273  | 49.2%                               | 139   | 8110.1%   |
| 09/30/2008                              | 11,242   | 22,193   | 10,951  | 50.7%                               | 156   | 7019.9%   |
| 09/30/2009                              | 10,926   | 22,696   | 11,770  | 48.1%                               | 165   | 7133.3%   |

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.

---

# Supplementary 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, 2009**

|                                    | Special Revenue                |                             |                                       | Capital Projects                   |                                    |                                    | Total<br>Other<br>Governmental<br>Funds |
|------------------------------------|--------------------------------|-----------------------------|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
|                                    | Forfeitures<br>and<br>Seizures | Police<br>Traffic<br>Safety | Police and<br>Fireman's<br>Retirement | 1996 Public<br>Improvement<br>Fund | 1998 Public<br>Improvement<br>Fund | 2001 Public<br>Improvement<br>Fund |   |
| Assets                             |                                |                             |                                       |                                    |                                    |                                    |   |
| Cash and cash equivalents          | \$ 3,120,599                   | \$ -                        | \$ -                                  | \$ 69,233                          | \$ 151,303                         | \$ 339,219                         | \$ 713,662                              |
| Receivables                        | -                              | -                           | 11,950                                | -                                  | -                                  | -                                  | -                                       |
| Property taxes                     | -                              | -                           | -                                     | -                                  | -                                  | -                                  | -                                       |
| Total assets                       | <u>3,120,599</u>               | <u>-</u>                    | <u>11,950</u>                         | <u>69,233</u>                      | <u>151,303</u>                     | <u>339,219</u>                     | <u>713,662</u>                          |
|                                    |                                |                             |                                       |                                    |                                    |                                    |   |
| Liabilities and Fund balance       |                                |                             |                                       |                                    |                                    |                                    |   |
| Liabilities                        |                                |                             |                                       |                                    |                                    |                                    |   |
| Accounts payable                   | 6,057                          | -                           | -                                     | 55,275                             | -                                  | 1,822                              | 30,286                                  |
| Due to other governments           | -                              | -                           | 11,950                                | -                                  | -                                  | -                                  | -                                       |
| Total Liabilities                  | <u>6,057</u>                   | <u>-</u>                    | <u>11,950</u>                         | <u>55,275</u>                      | <u>-</u>                           | <u>1,822</u>                       | <u>30,286</u>                           |
|                                    |                                |                             |                                       |                                    |                                    |                                    |   |
| Fund Balance                       |                                |                             |                                       |                                    |                                    |                                    |   |
| Reserved for encumbrances          | 343,939                        | -                           | -                                     | -                                  | -                                  | -                                  | 804                                     |
| Reserved for special revenue       | 2,770,603                      | -                           | -                                     | -                                  | -                                  | -                                  | -                                       |
| Reserved for capital projects      | -                              | -                           | -                                     | 13,958                             | 151,303                            | 337,397                            | 682,572                                 |
| Total fund balance                 | <u>3,114,542</u>               | <u>-</u>                    | <u>-</u>                              | <u>13,958</u>                      | <u>151,303</u>                     | <u>337,397</u>                     | <u>683,376</u>                          |
| Total liabilities and fund balance | \$ <u>3,120,599</u>            | \$ <u>-</u>                 | \$ <u>11,950</u>                      | \$ <u>69,233</u>                   | \$ <u>151,303</u>                  | \$ <u>339,219</u>                  | \$ <u>713,662</u>                       |

**CITY OF GULFPORT, MISSISSIPPI**  
**Non-major Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Fiscal Year Ended September 30, 2009**

|   | Special Revenue                |                             |                                       | Capital Projects                   |                                    |                                    | Total<br>Other<br>Governmental<br>Funds |
|---|--------------------------------|-----------------------------|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
|   | Forfeitures<br>and<br>Seizures | Police<br>Traffic<br>Safety | Police and<br>Fireman's<br>Retirement | 1996 Public<br>Improvement<br>Fund | 1998 Public<br>Improvement<br>Fund | 2001 Public<br>Improvement<br>Fund |   |
| Revenues                                |                                |                             |                                       |                                    |                                    |                                    |   |
| Taxes:                                  |                                |                             |                                       |                                    |                                    |                                    |   |
| Property                                | \$ -                           | \$ -                        | \$ 1,473,001                          | \$ -                               | \$ -                               | \$ -                               | \$ -                                    |
| Intergovernmental                       | 1,411,907                      | -                           | 50,858                                | -                                  | -                                  | -                                  | -                                       |
| Miscellaneous                           | 29,219                         | 722                         | -                                     | 756                                | 1,448                              | 3,601                              | 8,147                                   |
| Total revenues                          | <u>1,441,126</u>               | <u>722</u>                  | <u>1,523,859</u>                      | <u>756</u>                         | <u>1,448</u>                       | <u>3,601</u>                       | <u>8,147</u>                            |
| Expenditures                            |                                |                             |                                       |                                    |                                    |                                    |   |
| Current:                                |                                |                             |                                       |                                    |                                    |                                    |   |
| Public safety                           | 1,160,250                      | -                           | 1,523,859                             | -                                  | -                                  | -                                  | -                                       |
| Public works                            | -                              | -                           | -                                     | 72,600                             | -                                  | 13,982                             | -                                       |
| Capital outlay                          | -                              | -                           | -                                     | -                                  | -                                  | 67,281                             | 263,190                                 |
| Total expenditures                      | <u>1,160,250</u>               | <u>-</u>                    | <u>1,523,859</u>                      | <u>72,600</u>                      | <u>-</u>                           | <u>81,263</u>                      | <u>263,190</u>                          |
| Excess of revenues over expenditures    | 280,876                        | 722                         | -                                     | (71,844)                           | 1,448                              | (77,662)                           | (255,043)                               |
| Other financing sources (uses)          |                                |                             |                                       |                                    |                                    |                                    |   |
| Sale of fixed assets                    | 21,355                         | -                           | -                                     | -                                  | -                                  | -                                  | -                                       |
| Transfers out                           | -                              | (75,377)                    | -                                     | -                                  | -                                  | -                                  | -                                       |
| Total other financing<br>sources (uses) | <u>21,355</u>                  | <u>(75,377)</u>             | <u>-</u>                              | <u>-</u>                           | <u>-</u>                           | <u>-</u>                           | <u>-</u>                                |
| Change in fund balance                  | 302,231                        | (74,655)                    | -                                     | (71,844)                           | 1,448                              | (77,662)                           | (255,043)                               |
| Fund balance - October 1                | 2,812,311                      | 74,655                      | -                                     | 85,802                             | 149,855                            | 415,059                            | 938,419                                 |
| Fund balance - September 30             | <u>\$ 3,114,542</u>            | <u>\$ -</u>                 | <u>\$ -</u>                           | <u>\$ 13,958</u>                   | <u>\$ 151,303</u>                  | <u>\$ 337,397</u>                  | <u>\$ 683,376</u>                       |
|   |                                |                             |                                       |                                    |                                    |                                    | <u>\$ 4,300,576</u>                     |



---

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

*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, 2009**

|   | <i>Forfeitures and Seizures Fund</i> |              |               | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|--------------------------------------|--------------|---------------|---|
|   | <b>Budget</b>                        |              | <b>Actual</b> |   |
|   | <b>Original</b>                      | <b>Final</b> |               |   |
| Revenues:   |                                      |              |               |   |
| Intergovernmental                                 | \$ -                                 | \$ 2,985,657 | \$ 1,411,907  | \$ (1,573,750)  |
| Interest  | -                                    | -            | 27,480        | 27,480  |
| Total revenues                                    | -                                    | 2,985,657    | 1,439,387     | (1,546,270)   |
| Expenditures:                                     |                                      |              |               |   |
| Public safety                                     | 2,481,107                            | 4,117,252    | 1,161,727     | 2,955,525   |
| Total expenditures                                | 2,481,107                            | 4,117,252    | 1,161,727     | 2,955,525   |
| Excess (deficit) of revenues<br>over expenditures | (2,481,107)                          | (1,131,595)  | 277,660       | 1,409,255   |
| Other financing sources (uses)                    |                                      |              |               |   |
| Sale of general fixed assets                      | -                                    | 33,600       | 21,355        | (12,245)  |
| Total other financing<br>sources (uses)           | -                                    | 33,600       | 21,355        | (12,245)  |
| Changes in fund balance                           | (2,481,107)                          | (1,097,995)  | 299,015       | 1,397,010   |
| Fund balance - October 1                          | 2,812,311                            | 2,812,311    | 2,812,311     | -   |
| Fund balance - September 30                       | \$ 331,204                           | \$ 1,714,316 | \$ 3,111,326  | \$ 1,397,010  |

**CITY OF GULFPORT, MISSISSIPPI**  
**Public Traffic Safety Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2009**

|   | <i>Public Traffic Safety</i> |              |               | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|------------------------------|--------------|---------------|---|
|   | <b>Budget</b>                |              | <b>Actual</b> |   |
|   | <b>Original</b>              | <b>Final</b> |               |   |
| Revenues:   |                              |              |               |   |
| Interest  | \$ 1,916                     | \$ 1,916     | \$ 679        | \$ (1,237)  |
| Total revenues                                    | 1,916                        | 1,916        | 679           | (1,237)   |
| Expenditures:                                     |                              |              |               |   |
| Public safety                                     | 2,036                        | 2,036        | -             | 2,036   |
| Total expenditures                                | 2,036                        | 2,036        | -             | 2,036   |
| Excess (deficit) of revenues<br>over expenditures | (120)                        | (120)        | 679           | 799   |
| Other financing sources (uses)                    |                              |              |               |   |
| Transfers out                                     | -                            | (74,535)     | (75,334)      | -   |
| Total other financing<br>sources (uses)           | -                            | (74,535)     | (75,334)      | -   |
| Changes in fund balance                           | (120)                        | (74,655)     | (74,655)      | -   |
| Fund balance - October 1                          | 74,655                       | 74,655       | 74,655        | -   |
| Fund balance - September 30                       | \$ 74,535                    | \$ -         | \$ -          | \$ -  |

**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, 2009**

| <i>Police and Fireman's Retirement Fund</i> |                 |              |               | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|-----------------|--------------|---------------|---|
|   | <b>Budget</b>   |              | <b>Actual</b> |   |
|   | <b>Original</b> | <b>Final</b> |               |   |
| Revenues:                                   |                 |              |               |   |
| Taxes                                       | \$ 1,439,431    | \$ 1,534,431 | \$ 1,523,859  | \$ (10,572)   |
| Total revenues                              | 1,439,431       | 1,534,431    | 1,523,859     | (10,572)  |
| <br>  |                 |              |               |   |
| Expenditures:                               |                 |              |               |   |
| Public safety                               | 1,439,431       | 1,534,431    | 1,523,859     | 10,572  |
| Total expenditures                          | 1,439,431       | 1,534,431    | 1,523,859     | 10,572  |
| <br>  |                 |              |               |   |
| Changes in fund balance                     | -               | -            | -             | -   |
| <br>  |                 |              |               |   |
| Fund balance - October 1                    | -               | -            | -             | -   |
| Fund balance - September 30                 | \$ -            | \$ -         | \$ -          | \$ -  |

---

# Supplementary Information

---

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

---

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

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

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

2003 Public Improvements 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**  
**1996 Public Improvement Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2009**

|                             | <i>1996 Public Improvement Fund</i> |              |               | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|-----------------------------|-------------------------------------|--------------|---------------|---|
|                             | <b>Budget</b>                       |              | <b>Actual</b> |   |
|                             | <b>Original</b>                     | <b>Final</b> |               |   |
| Revenues:                   |                                     |              |               |   |
| Interest                    | \$ -                                | \$ -         | \$ 756        | \$ 756  |
| Total revenues              | -                                   | -            | 756           | 756   |
| Expenditures:               |                                     |              |               |   |
| Public works                | 90,949                              | 117,580      | 38,314        | 77,211  |
| Total expenditures          | 90,949                              | 117,580      | 38,314        | 77,211  |
| Changes in fund balance     | (90,949)                            | (117,580)    | (37,558)      | 77,967  |
| Fund balance - October 1    | 85,802                              | 85,802       | 85,802        | -   |
| Fund balance - September 30 | \$ (5,147)                          | \$ (31,778)  | \$ 48,244     | \$ 77,967   |

**CITY OF GULFPORT, MISSISSIPPI**  
**1998 Public Improvement Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2009**

|                             | <i>1998 Public Improvement Fund</i> |              |               | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|-----------------------------|-------------------------------------|--------------|---------------|---|
|                             | <b>Budget</b>                       |              | <b>Actual</b> |   |
|                             | <b>Original</b>                     | <b>Final</b> |               |   |
| Revenues:                   |                                     |              |               |   |
| Interest                    | \$ -                                | \$ -         | \$ 1,448      | \$ 1,448  |
| Total revenues              | -                                   | -            | 1,448         | 1,448   |
| Expenditures:               |                                     |              |               |   |
| Public works                | -                                   | -            | -             | -   |
| Total expenditures          | -                                   | -            | -             | -   |
| Changes in fund balance     | -                                   | -            | 1,448         | 1,448   |
| Fund balance - October 1    | 149,855                             | 149,855      | 149,855       | -   |
| Fund balance - September 30 | \$ 149,855                          | \$ 149,855   | \$ 151,303    | \$ 1,448  |

**CITY OF GULFPORT, MISSISSIPPI**  
**2001 Public Improvement Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2009**

|                              | <i>2001 Public Improvement Fund</i> |                   |                   | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|------------------------------|-------------------------------------|-------------------|-------------------|---|
|                              | <b>Budget</b>                       |                   | <b>Actual</b>     |   |
|                              | <b>Original</b>                     | <b>Final</b>      |                   |   |
| Revenues:                    |                                     |                   |                   |   |
| Interest                     | \$ -                                | \$ -              | \$ 3,601          | \$ 3,601  |
| Total revenues               | <u>-</u>                            | <u>-</u>          | <u>3,601</u>      | <u>3,601</u>  |
| <br>Expenditures:            |                                     |                   |                   |   |
| Public works                 | 341,085                             | 314,673           | 81,263            | 233,410   |
| Total expenditures           | <u>341,085</u>                      | <u>314,673</u>    | <u>81,263</u>     | <u>233,410</u>  |
| <br>Changes in fund balance  | (341,085)                           | (314,673)         | (77,662)          | 237,011   |
| <br>Fund balance - October 1 | 415,059                             | 415,059           | 415,059           | -   |
| Fund balance - September 30  | <u>\$ 73,974</u>                    | <u>\$ 100,386</u> | <u>\$ 337,397</u> | <u>\$ 237,011</u>   |



**CITY OF GULFPORT, MISSISSIPPI**  
**2003 Public Improvement Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2009**

|   | <i>2003 Public Improvement Fund</i> |                     |                   | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|-------------------------------------|---------------------|-------------------|---|
|   | <b>Budget</b>                       |                     | <b>Actual</b>     |   |
|   | <b>Original</b>                     | <b>Final</b>        |                   |   |
| Revenues:   |                                     |                     |                   |   |
| Interest  | \$ -                                | \$ -                | \$ 8,147          | \$ 8,147  |
| Total revenues                                    | <u>-</u>                            | <u>-</u>            | <u>8,147</u>      | <u>8,147</u>  |
| Expenditures:                                     |                                     |                     |                   |   |
| Public works                                      | 1,329,071                           | 1,072,371           | 307,609           | 764,762   |
| Total expenditures                                | <u>1,329,071</u>                    | <u>1,072,371</u>    | <u>307,609</u>    | <u>764,762</u>  |
| Excess (deficit) of revenues<br>over expenditures | <u>(1,329,071)</u>                  | <u>(1,072,371)</u>  | <u>(299,462)</u>  | <u>772,909</u>  |
| Other financing sources (uses)                    |                                     |                     |                   |   |
| Transfers out                                     | -                                   | -                   | -                 | -   |
| Total other financing<br>sources (uses)           | <u>-</u>                            | <u>-</u>            | <u>-</u>          | <u>-</u>  |
| Changes in fund balance                           | (1,329,071)                         | (1,072,371)         | (299,462)         | 772,909   |
| Fund balance - October 1                          | 938,419                             | 938,419             | 938,419           | -   |
| Fund balance - September 30                       | <u>\$ (390,652)</u>                 | <u>\$ (133,952)</u> | <u>\$ 638,957</u> | <u>\$ 772,909</u>   |

**CITY OF GULFPORT, MISSISSIPPI**  
**Capital Project Fund**  
**(Major Fund)**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2009**

|   | <i>Capital Project Fund</i> |               |               | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|-----------------------------|---------------|---------------|---|
|   | Budget                      |               | Actual        |   |
|   | Original                    | Final         |               |   |
| Revenues:   |                             |               |               |   |
| Intergovernmental                                 | \$ 23,839,317               | \$ 25,681,296 | \$ 3,153,548  | \$ (22,527,748)   |
| Interest  | -                           | -             | 134,439       | 134,439   |
| Miscellaneous                                     | -                           | 651,159       | 681,659       | 30,500  |
| Total revenues                                    | 23,839,317                  | 26,332,455    | 3,969,646     | (22,362,809)  |
| Expenditures:                                     |                             |               |               |   |
| Public works                                      | 2,414,585                   | 2,574,770     | 634,184       | 1,940,586   |
| Capital outlay                                    | 42,327,046                  | 42,430,871    | 8,767,208     | 33,663,663  |
| Total expenditures                                | 44,741,631                  | 45,005,641    | 9,401,392     | 35,604,249  |
| Excess (deficit) of revenues<br>over expenditures | (20,902,314)                | (18,673,186)  | (5,431,746)   | 13,241,440  |
| Other financing sources (uses)                    |                             |               |               |   |
| Transfers in                                      | 7,810,000                   | 8,465,201     | 1,235,445     | (7,229,756)   |
| Transfers out                                     | (896,000)                   | (1,812,399)   | (1,812,399)   | -   |
| Total other financing<br>sources (uses)           | 6,914,000                   | 6,652,802     | (576,954)     | (7,229,756)   |
| Changes in fund balance                           | (13,988,314)                | (12,020,384)  | (6,008,700)   | 6,011,684   |
| Fund balance - October 1                          | 18,724,107                  | 18,724,107    | 18,724,107    | -   |
| Fund balance - September 30                       | \$ 4,735,793                | \$ 6,703,723  | \$ 12,715,407 | \$ 6,011,684  |

---

# Supplementary Information

---

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

---

*The 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, 2009**

|   | <i>Debt Service Fund</i> |                     |                     | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|--------------------------|---------------------|---------------------|---|
|   | <b>Budget</b>            |                     | <b>Actual</b>       |   |
|   | <b>Original</b>          | <b>Final</b>        |                     |   |
| Revenues:   |                          |                     |                     |   |
| Property taxes                                    | \$ 5,283,505             | \$ 5,283,505        | \$ 5,520,069        | \$ 236,564  |
| Interest  | -                        | -                   | 81,680              | 81,680  |
| Total revenues                                    | <u>5,283,505</u>         | <u>5,283,505</u>    | <u>5,601,749</u>    | <u>318,244</u>  |
| Expenditures:                                     |                          |                     |                     |   |
| Debt service:                                     |                          |                     |                     |   |
| Principal   | 3,760,000                | 3,760,000           | 3,585,355           | 174,645   |
| Interest  | 1,614,000                | 1,614,000           | 1,376,097           | 237,903   |
| Other   | 16,000                   | 16,000              | 15,453              | 547   |
| Total expenditures                                | <u>5,390,000</u>         | <u>5,390,000</u>    | <u>4,976,905</u>    | <u>413,095</u>  |
| Excess (deficit) of revenues<br>over expenditures | <u>(106,495)</u>         | <u>(106,495)</u>    | <u>624,844</u>      | <u>731,339</u>  |
| Other financing sources (uses)                    |                          |                     |                     |   |
| Transfers out                                     | <u>(4,934,476)</u>       | <u>(4,934,476)</u>  | <u>(4,934,476)</u>  | <u>-</u>  |
| Total other financing<br>sources (uses)           | <u>(4,934,476)</u>       | <u>(4,934,476)</u>  | <u>(4,934,476)</u>  | <u>-</u>  |
| Changes in fund balance                           | (5,040,971)              | (5,040,971)         | (4,309,632)         | 731,339   |
| Fund balance - October 1                          | 10,184,044               | 10,184,044          | 10,184,044          | -   |
| Fund balance - September 30                       | <u>\$ 5,143,073</u>      | <u>\$ 5,143,073</u> | <u>\$ 5,874,412</u> | <u>\$ 731,339</u>   |

---

# Supplementary Information

---

Proprietary Funds  
Business-type Activities  
Enterprise Funds

---

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds - Business-Type Activities**  
**Combining Statement of Net Assets**  
**September 30, 2009**

|  | <b>Business-type Activities</b> |                                 |                      |
|--|---------------------------------|---------------------------------|----------------------|
|  | <b>Water and<br/>Sewer</b>      | <b>Joseph T.<br/>Jones Park</b> | <b>Totals</b>        |
| <b>ASSETS</b>  |                                 |                                 |                      |
| Current assets:  |                                 |                                 |                      |
| Cash and cash equivalents  | \$ 5,286,717                    | \$ 192,267                      | \$ 5,478,984         |
| Receivables:   |                                 |                                 |                      |
| Customer accounts ( net of allowance for uncollectible accounts) | 1,665,804                       | 869                             | 1,666,673            |
| Customer accounts accrued but not billed                         | 698,559                         | -                               | 698,559              |
| Total current assets   | <u>7,651,080</u>                | <u>193,136</u>                  | <u>7,844,216</u>     |
| Current restricted assets  |                                 |                                 |                      |
| Cash - Water and sewer trust                                     | 1,215,575                       | -                               | 1,215,575            |
| Cash - Bond indentures   | 2,000                           | -                               | 2,000                |
| Investments - Bond indenture                                     | 966,050                         | -                               | 966,050              |
| Total current restricted assets                                  | <u>2,183,625</u>                | <u>-</u>                        | <u>2,183,625</u>     |
| Noncurrent assets  |                                 |                                 |                      |
| Capital assets:  |                                 |                                 |                      |
| Land   | 149,313                         | 52,519                          | 201,832              |
| Construction in progress   | 6,977,990                       | 4,585,535                       | 11,563,525           |
| Infrastructure   | 187,418,091                     | 156,769                         | 187,574,860          |
| Machinery and equipment  | 1,884,083                       | -                               | 1,884,083            |
| Vehicles   | 2,051,137                       | 33,000                          | 2,084,137            |
| Less accumulated depreciation                                    | <u>(35,925,375)</u>             | <u>(26,950)</u>                 | <u>(35,952,325)</u>  |
| Total capital assets, net of accumulated depreciation            | <u>162,555,239</u>              | <u>4,800,873</u>                | <u>167,356,112</u>   |
| Other noncurrent assets  |                                 |                                 |                      |
| Cash - Water and Sewer Improvements                              | 5,298,956                       | -                               | 5,298,956            |
| Deferred charges   | 3,759,616                       | -                               | 3,759,616            |
| Total other noncurrent assets                                    | <u>9,058,572</u>                | <u>-</u>                        | <u>9,058,572</u>     |
| Total assets   | <u>181,448,516</u>              | <u>4,994,009</u>                | <u>186,442,525</u>   |
| <b>LIABILITIES</b>   |                                 |                                 |                      |
| Current liabilities (payable from current assets)                |                                 |                                 |                      |
| Accounts payable   | 2,597,599                       | 402                             | 2,598,001            |
| Accrued wages payable  | 1,183                           | -                               | 1,183                |
| Accrued interest payable   | 953,643                         | -                               | 953,643              |
| Due to other funds   | 54,250                          | -                               | 54,250               |
| Retainage payable  | 1,223,254                       | 78,504                          | 1,301,758            |
| Other liabilities  | 6,764                           | 29                              | 6,793                |
| Current portion of long-term debt                                | -                               | -                               | -                    |
| Compensated absences payable                                     | 3,850                           | 3,149                           | 6,999                |
| Notes payable  | 2,106,827                       | -                               | 2,106,827            |
| Bonds payable  | <u>3,750,000</u>                | <u>-</u>                        | <u>3,750,000</u>     |
| Total current liabilities payable from current assets            | <u>10,697,370</u>               | <u>82,084</u>                   | <u>10,779,454</u>    |
| Current liabilities (payable from restricted assets)             |                                 |                                 |                      |
| Meter deposits   | 1,215,575                       | -                               | 1,215,575            |
| Total current liabilities  | <u>11,912,945</u>               | <u>82,084</u>                   | <u>11,995,029</u>    |
| Long-term debt   |                                 |                                 |                      |
| Compensated absences payable                                     | 4,677                           | 4,349                           | 9,026                |
| Notes payable  | 34,900,842                      | -                               | 34,900,842           |
| Bonds payable  | <u>55,875,000</u>               | <u>-</u>                        | <u>55,875,000</u>    |
| Total noncurrent liabilities                                     | <u>90,780,519</u>               | <u>4,349</u>                    | <u>90,784,868</u>    |
| Total liabilities  | <u>102,693,464</u>              | <u>86,433</u>                   | <u>102,779,897</u>   |
| <b>NET ASSETS</b>  |                                 |                                 |                      |
| Invested in capital assets, net of related debt                  | 65,922,570                      | 4,800,873                       | 70,723,443           |
| Restricted for revenue bond indentures                           | 968,050                         | -                               | 968,050              |
| Unrestricted   | <u>11,864,432</u>               | <u>106,703</u>                  | <u>11,971,135</u>    |
| Total net assets   | <u>\$ 78,755,052</u>            | <u>\$ 4,907,576</u>             | <u>\$ 83,662,628</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds - Business-Type Activities**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**For the Fiscal Year Ended September 30, 2009**

|  | <b>Business-type Activities</b> |                                 |                      |
|--|---------------------------------|---------------------------------|----------------------|
|  | <b>Water and<br/>Sewer</b>      | <b>Joseph T.<br/>Jones Park</b> | <b>Totals</b>        |
| Operating Revenues                               |                                 |                                 |                      |
| Charges for services                             | \$ 22,892,554                   | \$ 7,817                        | \$ 22,900,371        |
| Miscellaneous                                    | 146,970                         | -                               | 146,970              |
| Total operating revenues                         | <u>23,039,524</u>               | <u>7,817</u>                    | <u>23,047,341</u>    |
| Operating Expenses                               |                                 |                                 |                      |
| Personnel services                               | 123,841                         | 80,970                          | 204,811              |
| Contractual services                             | 17,199,589                      | 1,339                           | 17,200,928           |
| Material and supplies                            | 1,434,475                       | 4,923                           | 1,439,398            |
| Depreciation                                     | 3,307,597                       | -                               | 3,307,597            |
| Amortization                                     | 296,123                         | -                               | 296,123              |
| Bad debts  | 19,285                          | 365                             | 19,650               |
| Total operating expenses                         | <u>22,380,910</u>               | <u>87,597</u>                   | <u>22,468,507</u>    |
| Operating income (loss)                          | <u>658,614</u>                  | <u>(79,780)</u>                 | <u>578,834</u>       |
| Non-operating revenues                           |                                 |                                 |                      |
| Intergovernmental grants                         | 20,561,618                      | 3,706,336                       | 24,267,954           |
| Insurance proceeds                               | 524,471                         | -                               | 524,471              |
| Refund from previous buyout                      | 1,980,000                       | -                               | 1,980,000            |
| Loss on sale of disposal of assets               | (47,347)                        | -                               | (47,347)             |
| Interest income                                  | 163,415                         | 2,325                           | 165,740              |
| Interest expense                                 | (3,730,167)                     | -                               | (3,730,167)          |
| Total nonoperating revenues (expenses)           | <u>19,451,990</u>               | <u>3,708,661</u>                | <u>23,160,651</u>    |
| Income (loss) before contributions and transfers | 20,110,604                      | 3,628,881                       | 23,739,485           |
| Capital contributions                            | 570,300                         | -                               | 570,300              |
| Transfers from other funds                       | <u>3,272,126</u>                | <u>167,657</u>                  | <u>3,439,783</u>     |
| Change in net assets                             | 23,953,030                      | 3,796,538                       | 27,749,568           |
| Net assets - October 1                           | 67,586,159                      | 1,442,719                       | 69,028,878           |
| Prior Period Adjustment                          | (12,784,137)                    | (331,681)                       | (13,115,818)         |
| Net assets - September 30                        | <u>\$ 78,755,052</u>            | <u>\$ 4,907,576</u>             | <u>\$ 83,662,628</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Fund - Business-type Activities**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended September 30, 2009**

|   | <b>Business-type Activities</b> |                                 |                             |
|---|---------------------------------|---------------------------------|-----------------------------|
|   | <b>Water and<br/>Sewer</b>      | <b>Joseph T.<br/>Jones Park</b> | <b>Totals</b>               |
| <b>Cash flows from operating activities</b>                     |                                 |                                 |                             |
| Cash received from customers                                    | \$ 22,731,368                   | \$ 6,948                        | \$ 22,738,316               |
| Cash received from other operating receipts                     | 146,970                         | (6,337)                         | 140,633                     |
| Cash paid to suppliers  | (21,126,797)                    | -                               | (21,126,797)                |
| Cash paid to employees  | (121,638)                       | (80,860)                        | (202,498)                   |
| Cash received from meter deposits, net                          | (75,967)                        | -                               | (75,967)                    |
| Net cash provided by operating activities                       | <u>1,553,936</u>                | <u>(80,249)</u>                 | <u>1,473,687</u>            |
| <b>Cash from non-operating activities</b>                       |                                 |                                 |                             |
| Cash received from previous buyout                              | 1,980,000                       |                                 | 1,980,000                   |
| Cash received from insurance proceeds                           | 524,471                         |                                 | 524,471                     |
| Cash received from governmental grants                          | 20,565,055                      | 3,706,336                       | 24,271,391                  |
| Cash transferred from governmental funds                        | 3,000,000                       |                                 | 3,000,000                   |
| Net cash provided by non-operating activities                   | <u>26,069,526</u>               | <u>3,706,336</u>                | <u>29,775,862</u>           |
| <b>Cash flows from capital and related financing activities</b> |                                 |                                 |                             |
| Acquisition and construction of capital assets                  | (31,540,421)                    | (3,706,336)                     | (35,246,757)                |
| Disposition of capital assets                                   | 3,060                           | -                               | 3,060                       |
| Proceeds from debt issuance                                     | 9,385,500                       | -                               | 9,385,500                   |
| Principal paid on revenue bond maturities and notes payable     | (4,884,272)                     | -                               | (4,884,272)                 |
| Interest paid on bonds and notes payable                        | (3,365,975)                     | -                               | (3,365,975)                 |
| Net cash used in capital and related financing activities       | <u>(30,402,108)</u>             | <u>(3,706,336)</u>              | <u>(34,108,444)</u>         |
| <b>Cash flows from investing activities</b>                     |                                 |                                 |                             |
| Purchase of investments   | (965,500)                       |                                 | (965,500)                   |
| Interest received   | 163,415                         | 2,325                           | 165,740                     |
| Net cash from investing activities                              | <u>(802,085)</u>                | <u>2,325</u>                    | <u>(799,760)</u>            |
| <b>Net increase (decrease) in cash and cash equivalents</b>     | <b>(3,580,731)</b>              | <b>(77,924)</b>                 | <b>(3,658,655)</b>          |
| <b>Cash and equivalents - October 1</b>                         | <b>15,383,979</b>               | <b>270,191</b>                  | <b>15,654,170</b>           |
| <b>Cash and equivalents - September 30</b>                      | <b><u>\$ 11,803,248</u></b>     | <b><u>\$ 192,267</u></b>        | <b><u>\$ 11,995,515</u></b> |

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

|  |                     |                    |                     |
|--|---------------------|--------------------|---------------------|
| Operating income (loss)  | \$ 658,614          | \$ (79,780)        | \$ 578,834          |
| Adjustments to reconcile operating income to net cash provided by operating activities |                     |                    |                     |
| Depreciation   | 3,307,597           | -                  | 3,307,597           |
| Amortization   | 296,123             | -                  | 296,123             |
| Bad debts  | 19,285              | -                  | 19,285              |
| (Increase) decrease in assets  |                     |                    |                     |
| Accounts receivable  | (161,186)           | (868)              | (162,054)           |
| Prepaid assets   | 228,467             | -                  | 228,467             |
| Due from other governments   | 3,437               | -                  | 3,437               |
| Increase (decrease) in liabilities   |                     |                    |                     |
| Accounts payable   | (2,632,819)         | 263                | (2,632,556)         |
| Accrued wages payable  | 7                   | (848)              | (841)               |
| Other liabilities  | (319,330)           | 26                 | (319,304)           |
| Meter deposit liabilities  | 151,545             | -                  | 151,545             |
| Compensated absences payable   | 2,196               | 958                | 3,154               |
| Net cash provided by (used in) operating activities                                    | <u>\$ 1,553,936</u> | <u>\$ (80,249)</u> | <u>\$ 1,473,687</u> |
| <b>Non cash investing, capital and financing activities:</b>                           |                     |                    |                     |
| Transfers of capital expenditures from other funds                                     | \$ 272,126          | \$ 167,657         | \$ 439,783          |
| Contributed capital  | 570,300             | -                  | 570,300             |
|  | <u>\$ 842,426</u>   | <u>\$ 167,657</u>  | <u>\$ 1,010,083</u> |

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

|  | <u>Other<br/>Assets</u> | <u>Restricted<br/>Assets</u> | <u>Current<br/>Assets</u> | <u>Total</u>         |
|--|-------------------------|------------------------------|---------------------------|----------------------|
| Cash and cash equivalents - October 1    | \$ 6,407,526            | \$ 1,048,080                 | \$ 8,198,564              | \$ 15,654,170        |
| Net increase (decrease)                  | (1,108,570)             | 169,495                      | (2,719,580)               | (3,658,655)          |
| Cash and cash equivalents - September 30 | <u>\$ 5,298,956</u>     | <u>\$ 1,217,575</u>          | <u>\$ 5,478,984</u>       | <u>\$ 11,995,515</u> |



---

# Supplementary 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 Assets**  
**September 30, 2009**

|                                     | <b>Government-type Activities</b>    |                               |                     |
|-------------------------------------|--------------------------------------|-------------------------------|---------------------|
|                                     | <b>Group<br/>Life and<br/>Health</b> | <b>Claims<br/>Contingency</b> | <b>Total</b>        |
| <b>Assets</b>                       |                                      |                               |                     |
| Cash and cash equivalents           | \$ 1,241,837                         | \$ 1,939,035                  | \$ 3,180,872        |
| Cash with fiscal agents             | -                                    | 19,356                        | 19,356              |
| Investments                         | -                                    | 1,686,790                     | 1,686,790           |
| Accounts receivable                 | -                                    | -                             | -                   |
| Prepaid insurance                   | -                                    | 680,854                       | 680,854             |
| Total assets                        | <u>1,241,837</u>                     | <u>4,326,035</u>              | <u>5,567,872</u>    |
| <b>Liabilities</b>                  |                                      |                               |                     |
| Accounts payable                    | 47,369                               | 385,769                       | 433,138             |
| Liability for self-insurance claims | 526,756                              | 1,950,000                     | 2,476,756           |
| Total Liabilities                   | <u>574,125</u>                       | <u>2,335,769</u>              | <u>2,909,894</u>    |
| <b>Net assets</b>                   |                                      |                               |                     |
| Unrestricted                        | <u>\$ 667,712</u>                    | <u>\$ 1,990,266</u>           | <u>\$ 2,657,978</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds - Government-type Activities**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**For the Fiscal Year Ended September 30, 2009**

|                                      | <b>Government-type Activities</b>    |                               |                     |
|--------------------------------------|--------------------------------------|-------------------------------|---------------------|
|                                      | <b>Group<br/>Life and<br/>Health</b> | <b>Claims<br/>Contingency</b> | <b>Total</b>        |
| Operating Revenues                   |                                      |                               |                     |
| Employee contributions               | \$ 845,433                           | \$ -                          | \$ 845,433          |
| Retiree contributions                | 116,226                              | -                             | 116,226             |
| Employer contributions               | 4,313,995                            | 2,235,741                     | 6,549,736           |
| Insurance claim reimbursements       | 9,141                                | 3,421                         | 12,562              |
| Total operating revenues             | <u>5,284,795</u>                     | <u>2,239,162</u>              | <u>7,523,957</u>    |
| Operating Expenses                   |                                      |                               |                     |
| Administrative expenses              | 229,668                              | 92,425                        | 322,093             |
| Contractual services                 | 288,222                              | -                             | 288,222             |
| Death benefits paid                  | -                                    | -                             | -                   |
| Premium payments                     | 439,832                              | 1,700,161                     | 2,139,993           |
| Claims paid                          | 4,893,656                            | 1,712,817                     | 6,606,473           |
| Total operating expenses             | <u>5,851,378</u>                     | <u>3,505,403</u>              | <u>9,356,781</u>    |
| Operating income (loss)              | <u>(566,583)</u>                     | <u>(1,266,241)</u>            | <u>(1,832,824)</u>  |
| Non-operating revenues (expenses)    |                                      |                               |                     |
| Tranfers in                          | 614,575                              | 2,596,860                     | 3,211,435           |
| Tranfers out                         | -                                    | (2,393,708)                   | (2,393,708)         |
| Interest income                      | 11,271                               | 112,960                       | 124,231             |
| Total non-operating<br>income (loss) | <u>625,846</u>                       | <u>316,112</u>                | <u>941,958</u>      |
| Change in net assets                 | 59,263                               | (950,129)                     | (890,866)           |
| Net assets - October 1               | <u>608,449</u>                       | <u>2,940,395</u>              | <u>3,548,844</u>    |
| Net assets - September 30            | <u>\$ 667,712</u>                    | <u>\$ 1,990,266</u>           | <u>\$ 2,657,978</u> |

**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds - Government-type activities**  
**Combining Statement of Cash Flows**  
**For the Fiscal Years ended September 30, 2009**

|   | <b>Government-type Activities</b>    |                               |                     |
|---|--------------------------------------|-------------------------------|---------------------|
|   | <b>Group<br/>Life and<br/>Health</b> | <b>Claims<br/>Contingency</b> | <b>Total</b>        |
| <b>Cash flows from operating activities</b>                     |                                      |                               |                     |
| Cash received from employees and others                         | \$ 961,659                           | \$ -                          | \$ 961,659          |
| Cash received from insurance claims                             | 9,141                                | 16,352                        | 25,493              |
| Cash received from employer contributions                       | 4,313,995                            | 2,235,741                     | 6,549,736           |
| Cash paid to suppliers  | (5,640,951)                          | (3,436,671)                   | (9,077,622)         |
| Net cash provided by operating activities                       | <u>(356,156)</u>                     | <u>(1,184,578)</u>            | <u>(1,540,734)</u>  |
| <b>Cash flows from non-operating activities</b>                 |                                      |                               |                     |
| Cash transferred from other governmental funds                  | 614,575                              | 2,596,860                     | 3,211,435           |
| Net cash provided by non-operating activities                   | <u>614,575</u>                       | <u>2,596,860</u>              | <u>3,211,435</u>    |
| <b>Cash flows from capital and related financing activities</b> |                                      |                               |                     |
| Acquisition of capital assets transferred to other funds        | -                                    | (2,393,708)                   | (2,393,708)         |
| Net cash from capital and related financing activities          | <u>-</u>                             | <u>(2,393,708)</u>            | <u>(2,393,708)</u>  |
| <b>Cash flows from investing activities</b>                     |                                      |                               |                     |
| Investment transactions, net                                    | -                                    | (84,033)                      | (84,033)            |
| Interest received   | 11,271                               | 112,960                       | 124,231             |
| Net cash from investing activities                              | <u>11,271</u>                        | <u>28,927</u>                 | <u>40,198</u>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>     | 269,690                              | (952,499)                     | (682,809)           |
| <b>Cash and equivalents - October 1</b>                         | 972,147                              | 2,891,534                     | 3,863,681           |
| <b>Cash and equivalents - September 30</b>                      | <u>\$ 1,241,837</u>                  | <u>\$ 1,939,035</u>           | <u>\$ 3,180,872</u> |
| <b>Non-cash and capital related financing activities</b>        |                                      |                               |                     |
| Changes in fair value of investments                            | \$ -                                 | \$ 56,338                     | \$ 56,338           |

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

|   |                     |                       |                       |
|---|---------------------|-----------------------|-----------------------|
| Operating income (loss)   | \$ (566,583)        | \$ (1,266,241)        | \$ (1,832,824)        |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities |                     |                       |                       |
| (Increase) decrease in assets   |                     |                       |                       |
| Other receivables   | -                   | 12,931                | 12,931                |
| Prepaid assets  | -                   | 306,441               | 306,441               |
| Increase (decrease) in liabilities  |                     |                       |                       |
| Accounts payable  | 24,174              | (1,113,964)           | (1,089,790)           |
| Other liabilities   | 186,253             | 876,255               | 1,062,508             |
| Net cash provided by (used in)<br>operating activities                                    | <u>\$ (356,156)</u> | <u>\$ (1,184,578)</u> | <u>\$ (1,540,734)</u> |

---

# 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 supplementary 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. 107

### Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 112

### 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. 116

### 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. 121

### 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. 123

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 Assets by Component  
Last Seven Fiscal Years

|   | Fiscal Year           |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 2009                  | 2008*                 | 2007*                 |
| Governmental activities                         |                       |                       |                       |
| Invested in capital assets, net of related debt | \$ 241,003,147        | \$ 189,599,451        | \$ 188,696,228        |
| Restricted                                      | 23,399,810            | 32,297,576            | 12,457,697            |
| Unrestricted                                    | <u>(7,464,868)</u>    | <u>831,049</u>        | <u>33,437,718</u>     |
| Total governmental activities net assets        | <u>\$ 256,938,089</u> | <u>\$ 222,728,076</u> | <u>\$ 234,591,643</u> |
| Business-type activities                        |                       |                       |                       |
| Invested in capital assets, net of related debt | \$ 70,723,443         | \$ 54,599,249         | \$ 35,870,524         |
| Restricted                                      | 968,050               | 4,000                 | 4,000                 |
| Unrestricted                                    | <u>11,971,135</u>     | <u>14,425,629</u>     | <u>20,910,904</u>     |
| Total business-type activities net assets       | <u>\$ 83,662,628</u>  | <u>\$ 69,028,878</u>  | <u>\$ 56,785,428</u>  |
| Primary government                              |                       |                       |                       |
| Invested in capital assets, net of related debt | \$ 311,726,590        | \$ 244,198,700        | \$ 224,566,752        |
| Restricted                                      | 24,367,860            | 32,301,576            | 12,461,697            |
| Unrestricted                                    | <u>4,506,267</u>      | <u>15,256,678</u>     | <u>54,348,622</u>     |
| Total primary government net assets             | <u>\$ 340,600,717</u> | <u>\$ 291,756,954</u> | <u>\$ 291,377,071</u> |

\* Restated due to non-capital related debt previously included in invested in capital assets, net of related debt

## Schedule 1

| Fiscal Year           |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2006*                 | 2005                  | 2004                  | 2003                  |
| \$ 174,441,181        | \$ 170,877,765        | \$ 171,665,624        | \$ 168,887,356        |
| 7,293,203             | 12,838,584            | 2,780,874             | 4,288,017             |
| 30,408,172            | 18,707,142            | 27,052,299            | 19,905,051            |
| <u>\$ 212,142,556</u> | <u>\$ 202,423,491</u> | <u>\$ 201,498,797</u> | <u>\$ 193,080,424</u> |
| \$ 27,883,405         | \$ 9,070,921          | \$ 2,679,954          | \$ (168,187)          |
| 4,000                 | 4,000                 | 4,000                 | 4,000                 |
| 19,295,222            | 15,774,671            | 17,583,643            | 17,966,708            |
| <u>\$ 47,182,627</u>  | <u>\$ 24,849,592</u>  | <u>\$ 20,267,597</u>  | <u>\$ 17,802,521</u>  |
| \$ 202,324,586        | \$ 179,948,686        | \$ 174,345,578        | \$ 168,719,169        |
| 7,297,203             | 12,842,584            | 2,784,874             | 4,292,017             |
| 49,703,394            | 34,481,813            | 44,635,942            | 37,871,759            |
| <u>\$ 259,325,183</u> | <u>\$ 227,273,083</u> | <u>\$ 221,766,394</u> | <u>\$ 210,882,945</u> |

City of Gulfport  
Changes in Net Assets  
Last Seven Fiscal Years  
*(accrual basis of accounting)*

|   | Fiscal Year            |                        |                        |
|---|------------------------|------------------------|------------------------|
|   | 2009                   | 2008                   | 2007                   |
| Expenses  |                        |                        |                        |
| Governmental activities:                        |                        |                        |                        |
| General government                              | \$ 18,333,058          | \$ 16,816,296          | \$ 8,539,671           |
| Public safety                                   | 32,637,921             | 35,181,734             | 30,122,550             |
| Public works                                    | 14,365,217             | 17,911,142             | 27,428,901             |
| Health and welfare                              | 11,783,880             | 2,607,893              | 810,198                |
| Economic development                            | 2,662,668              | 2,468,356              | 2,276,098              |
| Culture & recreation                            | 5,036,165              | 11,753,574             | 9,227,708              |
| Interest on long-term debt                      | 1,772,771              | 2,355,672              | 1,445,005              |
| Total governmental activities expense           | <u>86,591,680</u>      | <u>89,094,667</u>      | <u>79,850,131</u>      |
| Business-type activities                        |                        |                        |                        |
| Water and sewer                                 | 22,380,910             | 21,052,322             | 13,116,774             |
| Joseph T. Jones park                            | 87,597                 | 110,805                | 124,458                |
| Interest on long-term debt                      | 3,730,167              | 3,424,425              | 2,635,721              |
| Total business-type activities expense          | <u>26,198,674</u>      | <u>24,587,552</u>      | <u>15,876,953</u>      |
| Total primary government expenses               | <u>\$ 112,790,354</u>  | <u>\$ 113,682,219</u>  | <u>\$ 95,727,084</u>   |
| Program Revenue                                 |                        |                        |                        |
| Governmental activities:                        |                        |                        |                        |
| Charges for services:                           |                        |                        |                        |
| General government                              | \$ 3,726,883           | \$ 1,770,822           | \$ 2,576,853           |
| Public safety                                   | 123,813                | 161,265                | 166,858                |
| Public works                                    | -                      | -                      | -                      |
| Health and welfare                              | -                      | 46,647                 | 10,982                 |
| Economic development                            | 255,731                | 392,246                | 50,674                 |
| Culture & recreation                            | 494,019                | 41,809                 | 336,540                |
| Operating grants and contributions              | 15,924,930             | 856,785                | 4,756,775              |
| Capital grants and contributions                | 18,696,556             | 17,270,909             | 28,536,146             |
| Total governmental activities program revenues  | <u>39,221,932</u>      | <u>20,540,483</u>      | <u>36,434,828</u>      |
| Business-type activities:                       |                        |                        |                        |
| Charges for services:                           |                        |                        |                        |
| Water and sewer                                 | 22,892,554             | 22,196,429             | 20,571,100             |
| Joseph T. Jones park                            | 7,817                  | 10,139                 | 5,714                  |
| Operating grants and contributions              | -                      | -                      | -                      |
| Capital grants and contributions                | 24,267,954             | 255,260                | 806,099                |
| Total business-type activities program revenues | <u>47,168,325</u>      | <u>22,461,828</u>      | <u>21,382,913</u>      |
| Total primary government program revenues       | <u>\$ 86,390,257</u>   | <u>\$ 43,002,311</u>   | <u>\$ 57,817,741</u>   |
| Net (Expense)/Revenue                           |                        |                        |                        |
| Governmental activities                         | \$ (47,369,748)        | \$ (68,554,184)        | \$ (43,415,303)        |
| Business-type activities                        | 20,969,651             | (2,125,724)            | 5,505,960              |
| Total primary government net expense            | <u>\$ (26,400,097)</u> | <u>\$ (70,679,908)</u> | <u>\$ (37,909,343)</u> |

(Continued)



Schedule 2

| Fiscal Year            |                        |                        |                        |
|------------------------|------------------------|------------------------|------------------------|
| 2006                   | 2005                   | 2004                   | 2003                   |
| \$ 18,702,277          | \$ 13,373,080          | \$ 6,226,650           | \$ 6,860,506           |
| 26,943,482             | 26,852,781             | 27,833,130             | 27,739,871             |
| 77,057,446             | 15,162,787             | 7,839,497              | 17,725,458             |
| 2,130,531              | 1,599,378              | 1,576,615              | 641,419                |
| 1,067,096              | 1,534,449              | 1,463,038              | 1,390,045              |
| 4,067,029              | 5,267,209              | 5,097,842              | 4,890,495              |
| 1,459,237              | 1,433,310              | 1,996,914              | 1,542,641              |
| <u>131,427,098</u>     | <u>65,222,994</u>      | <u>52,033,686</u>      | <u>60,790,435</u>      |
| 14,744,671             | 17,462,970             | 16,473,134             | 16,905,947             |
| 141,971                | 297,028                | 337,477                | 339,255                |
| 3,063,214              | 2,320,322              | 3,279,224              | 3,374,757              |
| <u>17,949,856</u>      | <u>20,080,320</u>      | <u>20,089,835</u>      | <u>20,619,959</u>      |
| <u>\$ 149,376,954</u>  | <u>\$ 85,303,314</u>   | <u>\$ 72,123,521</u>   | <u>\$ 81,410,394</u>   |
| \$ 3,239,223           | \$ 2,938,104           | \$ 3,588,145           | \$ 2,948,605           |
| 61,861                 | 125,732                | 237,099                | 253,935                |
| -                      | -                      | -                      | 4,675                  |
| 52,896                 | 55,076                 | -                      | -                      |
| 41,839                 | 35,781                 | 1,379,602              | 1,180,199              |
| 469,549                | 474,025                | 578,109                | 565,701                |
| 4,147,269              | 3,597,605              | 4,681,718              | 3,827,898              |
| 76,682,952             | 6,100,975              | 3,370,441              | 3,549,266              |
| <u>84,695,589</u>      | <u>13,327,298</u>      | <u>13,835,114</u>      | <u>12,330,279</u>      |
| 19,320,980             | 19,986,265             | 21,169,528             | 17,751,755             |
| 4,618                  | 284,090                | 347,423                | 371,866                |
| -                      | (16,529)               | -                      | 136,948                |
| 513,514                | 2,927,791              | 346,832                | 1,493,199              |
| <u>19,839,112</u>      | <u>23,181,617</u>      | <u>21,863,783</u>      | <u>19,753,768</u>      |
| <u>\$ 104,534,701</u>  | <u>\$ 36,508,915</u>   | <u>\$ 35,698,897</u>   | <u>\$ 32,084,047</u>   |
| \$ (46,731,509)        | \$ (51,895,696)        | \$ (38,198,572)        | \$ (48,460,156)        |
| 1,889,256              | 3,101,297              | 1,773,948              | (866,191)              |
| <u>\$ (44,842,253)</u> | <u>\$ (48,794,399)</u> | <u>\$ (36,424,624)</u> | <u>\$ (49,326,347)</u> |

City of Gulfport  
Changes in Net Assets, Last Ten Fiscal Years  
Last Seven Fiscal Years  
*(accrual basis of accounting)*

|  | Fiscal Year          |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | 2009                 | 2008                 | 2007                 |
| General Revenues and Other Changes in Net Assets |                      |                      |                      |
| Governmental activities:                         |                      |                      |                      |
| Taxes:   |                      |                      |                      |
| Property taxes, levied for general purposes      | \$ 16,609,515        | \$ 14,120,511        | \$ 12,623,050        |
| Property taxes, levied for special purposes      | 6,801,634            | 6,046,362            | 6,894,400            |
| Sales tax  | 20,131,945           | 21,834,653           | 24,039,616           |
| Franchise taxes                                  | 3,828,900            | 3,634,007            | 3,284,355            |
| Gaming taxes                                     | 3,316,175            | 3,524,542            | 2,847,942            |
| Licenses and permits                             | 1,695,450            | 2,228,349            | 2,803,830            |
| Unrestricted grants and contributions            | 968,885              | 1,049,367            | 2,937,024            |
| Insurance proceeds                               | 3,264,814            | 11,759,304           | 3,514,865            |
| Gain (Loss) on Disposal of Capital Assets        | (1,850,914)          | -                    | -                    |
| Investment Earnings & Misc                       | 25,322,512           | 5,903,789            | 8,059,656            |
| Transfers  | (3,439,783)          | (13,410,267)         | (1,140,348)          |
| Total governmental activities                    | <u>76,649,133</u>    | <u>56,690,617</u>    | <u>65,864,390</u>    |
| Business-type activities                         |                      |                      |                      |
| Insurance Proceeds                               | 524,471              | -                    | 486,747              |
| Gain (Loss) on Disposal of Capital Assets        | (47,347)             | -                    | -                    |
| Investment Earnings & Misc                       | 2,863,010            | 958,907              | 2,469,746            |
| Transfers  | 3,439,783            | 13,410,267           | 1,140,348            |
| Total business-type activities                   | <u>6,779,917</u>     | <u>14,369,174</u>    | <u>4,096,841</u>     |
| Total primary government                         | <u>\$ 83,429,050</u> | <u>\$ 71,059,791</u> | <u>\$ 69,961,231</u> |
| Change in Net Assets                             |                      |                      |                      |
| Governmental activities                          | \$ 29,279,385        | \$ (11,863,567)      | \$ 22,449,087        |
| Business-type activities                         | 27,749,568           | 12,243,450           | 9,602,801            |
| Total primary government                         | <u>\$ 57,028,953</u> | <u>\$ 379,883</u>    | <u>\$ 32,051,888</u> |

Schedule 2 (Continued)

| Fiscal Year          |                      |                      |                       |
|----------------------|----------------------|----------------------|-----------------------|
| 2006                 | 2005                 | 2004                 | 2003                  |
| \$ 16,144,033        | \$ 13,846,552        | \$ 13,920,879        | \$ 13,654,704         |
| 6,439,702            | 5,474,016            | 5,457,609            | 5,654,383             |
| 26,980,191           | 18,228,317           | 17,518,320           | 17,002,238            |
| 3,254,940            | 2,853,831            | 2,934,983            | 2,832,711             |
| 289,678              | 4,591,269            | 4,806,833            | 4,477,760             |
| 2,822,085            | 1,974,481            | -                    | -                     |
| 3,104,638            | 1,423,818            | -                    | -                     |
| 2,835,835            | -                    | -                    | -                     |
| -                    | 1,408,158            | -                    | -                     |
| 2,948,584            | 4,221,948            | 1,978,321            | 1,136,586             |
| (5,253,000)          | (1,202,000)          | -                    | -                     |
| <u>59,566,686</u>    | <u>52,820,390</u>    | <u>46,616,945</u>    | <u>44,758,382</u>     |
| -                    | -                    | -                    | -                     |
| -                    | (879,460)            | -                    | -                     |
| 15,190,779           | 1,158,158            | 171,574              | 195,204               |
| 5,253,000            | 1,202,000            | -                    | -                     |
| <u>20,443,779</u>    | <u>1,480,698</u>     | <u>171,574</u>       | <u>195,204</u>        |
| <u>\$ 80,010,465</u> | <u>\$ 54,301,088</u> | <u>\$ 46,788,519</u> | <u>\$ 44,953,586</u>  |
| \$ 12,835,177        | \$ 924,694           | \$ 8,418,373         | \$ (3,701,774)        |
| 22,333,035           | 4,581,995            | 1,945,522            | (670,987)             |
| <u>\$ 35,168,212</u> | <u>\$ 5,506,689</u>  | <u>\$ 10,363,895</u> | <u>\$ (4,372,761)</u> |

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

|                                    | Fiscal Year          |                      |                      |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | 2009                 | 2008                 | 2007                 | 2006                 |
| General Fund                       |                      |                      |                      |                      |
| Reserved                           | \$ 354,380           | \$ 757,856           | \$ 5,837,419         | \$ 1,510,246         |
| Unreserved                         | 5,177,508            | 11,626,325           | 23,816,762           | 36,631,166           |
| Total general fund                 | <u>\$ 5,531,888</u>  | <u>\$ 12,384,181</u> | <u>\$ 29,654,181</u> | <u>\$ 38,141,412</u> |
| All Other Governmental Funds       |                      |                      |                      |                      |
| Reserved                           | \$ 8,174,204         | \$ 1,685,814         | \$ 2,095,915         | \$ 3,747,227         |
| Unreserved, reported in:           |                      |                      |                      |                      |
| Special Revenue Funds              | 4,306,987            | 2,224,316            | 9,423,750            | 2,507,612            |
| Capital Projects Funds             | 6,431,485            | 19,341,583           | 10,126,293           | 2,523,639            |
| Debt Service funds                 | 5,867,258            | 10,184,044           | 4,037,526            | 2,528,093            |
| Total all other governmental funds | <u>\$ 24,779,934</u> | <u>\$ 33,435,757</u> | <u>\$ 25,683,484</u> | <u>\$ 11,306,571</u> |

| Fiscal Year          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2005                 | 2004                 | 2003                 | 2002                 | 2001                 | 2000                 |
| \$ 568,610           | \$ 496,795           | \$ 1,001,384         | \$ 995,931           | \$ 1,496,056         | \$ 477,838           |
| 16,688,025           | 17,235,269           | 11,982,190           | 10,635,229           | 11,773,513           | 16,472,234           |
| <u>\$ 17,256,635</u> | <u>\$ 17,732,064</u> | <u>\$ 12,983,574</u> | <u>\$ 11,631,160</u> | <u>\$ 13,269,569</u> | <u>\$ 16,950,072</u> |
| <br>                 |                      |                      |                      |                      |                      |
| \$ 2,323,916         | \$ 83,586            | \$ 414,468           | \$ 142,697           | \$ 93,378            | \$ 204,516           |
| 1,835,056            | 1,055,193            | 275,414              | 648,917              | 455,541              | 242,838              |
| 3,834,408            | 6,168,405            | 6,399,363            | 5,520,162            | 5,474,608            | 9,121,750            |
| 2,171,371            | 2,680,874            | 2,872,165            | 2,206,114            | 1,665,707            | 766,247              |
| <u>\$ 10,164,751</u> | <u>\$ 9,988,058</u>  | <u>\$ 9,961,410</u>  | <u>\$ 8,517,890</u>  | <u>\$ 7,689,234</u>  | <u>\$ 10,335,351</u> |

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

|  | Fiscal Year            |                       |                     |                      |
|--|------------------------|-----------------------|---------------------|----------------------|
|  | 2009                   | 2008                  | 2007                | 2006                 |
| <b>Revenues</b>  |                        |                       |                     |                      |
| <b>Taxes</b>   |                        |                       |                     |                      |
| Property   | \$ 23,411,149          | \$ 20,166,873         | \$ 19,517,450       | \$ 22,583,735        |
| Sales  | 20,131,945             | 21,834,653            | 24,039,616          | 26,980,191           |
| Franchise  | 3,828,900              | 3,634,007             | 3,284,355           | 3,254,940            |
| Gaming   | 3,316,175              | 3,524,542             | 2,847,942           | 289,678              |
| Licenses and permits   | 1,695,450              | 2,228,349             | 2,803,830           | 2,927,373            |
| Intergovernmental  | 34,908,729             | 19,177,061            | 32,943,601          | 82,516,606           |
| Charges for service  | 952,901                | 953,699               | 848,659             | 965,700              |
| Fines & Forfeits   | 2,673,324              | 1,888,998             | 1,393,749           | 2,077,765            |
| Miscellaneous  | 1,054,812              | 4,406,741             | 7,097,624           | 2,947,093            |
| <b>Total revenues</b>  | <u>91,973,385</u>      | <u>77,814,923</u>     | <u>94,776,826</u>   | <u>144,543,081</u>   |
| <b>Expenditures</b>  |                        |                       |                     |                      |
| General government   | 8,706,354              | 9,284,515             | 7,445,333           | 12,420,732           |
| Public safety  | 35,626,715             | 36,821,619            | 29,929,880          | 28,835,838           |
| Public works   | 10,923,312             | 14,597,641            | 25,713,928          | 76,660,811           |
| Health and welfare   | 11,817,385             | 2,654,150             | 786,880             | 1,493,555            |
| Economic development   | 2,954,131              | 2,687,131             | 2,238,014           | 1,513,720            |
| Culture & recreation   | 5,181,386              | 11,838,803            | 9,210,288           | 5,153,071            |
| Capital Outlay   | 26,364,288             | 14,125,668            | 12,690,199          | 2,497,235            |
| Debt Service   |                        |                       |                     |                      |
| Interest   | 3,572,981              | 3,394,376             | 3,028,101           | 2,707,970            |
| Principal  | 1,391,971              | 1,311,173             | 1,286,601           | 1,472,265            |
| Other  | 15,453                 | 6,201                 | 9,715               | 10,376               |
| <b>Total expenditures</b>  | <u>106,553,976</u>     | <u>96,721,277</u>     | <u>92,338,939</u>   | <u>132,765,573</u>   |
| <b>Excess of revenues over<br/>(under) expenditures</b>            | <u>(14,580,591)</u>    | <u>(18,906,354)</u>   | <u>2,437,887</u>    | <u>11,777,508</u>    |
| <b>Other Financing Sources (Uses)</b>                              |                        |                       |                     |                      |
| Proceeds of Debt   | -                      | 11,209,465            | 1,790,535           | 13,373,122           |
| Payment of refunded Debt   | -                      | -                     | -                   | -                    |
| Insurance Proceeds   | 3,264,815              | 767,530               | 3,239,585           | 2,835,835            |
| Sale of Capital Assets   | 65,170                 | 441,620               | 127,023             | -                    |
| Transfers in   | 9,927,865              | 21,084,020            | 17,789,011          | 944,476              |
| Transfers out  | (14,185,375)           | (24,114,008)          | (19,494,359)        | (6,197,476)          |
| <b>Total other financing sources (uses)</b>                        | <u>(927,525)</u>       | <u>9,388,627</u>      | <u>3,451,795</u>    | <u>10,955,957</u>    |
| <b>Net change in fund balance</b>                                  | <u>\$ (15,508,116)</u> | <u>\$ (9,517,727)</u> | <u>\$ 5,889,682</u> | <u>\$ 22,733,465</u> |
| <b>Debt service as a percentage of<br/>noncapital expenditures</b> | 6.21%                  | 5.70%                 | 5.43%               | 3.22%                |

| Fiscal Year         |                     |                     |                     |                       |                   |
|---------------------|---------------------|---------------------|---------------------|-----------------------|-------------------|
| 2005                | 2004                | 2003                | 2002                | 2001                  | 2000              |
| \$ 19,320,568       | \$ 19,378,488       | \$ 19,309,087       | \$ 16,247,438       | \$ 15,852,094         | \$ 17,190,065     |
| 18,228,317          | 17,518,320          | 17,002,238          | 16,477,168          | 16,240,569            | 16,146,953        |
| 2,853,831           | 2,934,983           | 2,832,711           | 2,771,117           | 2,792,375             | 2,487,031         |
| 4,591,269           | 4,806,833           | 4,477,760           | 4,398,189           | 4,240,693             | 4,216,812         |
| 1,854,996           | 2,005,366           | 1,783,718           | 1,092,235           | 1,186,681             | 1,331,360         |
| 10,023,777          | 8,074,082           | 9,093,203           | 9,112,760           | 9,354,195             | 7,182,342         |
| 951,288             | 1,171,136           | 1,204,168           | 1,021,234           | 998,439               | 833,473           |
| 2,811,375           | 2,606,454           | 1,965,229           | 1,937,707           | 2,251,205             | 2,231,760         |
| 2,584,058           | 1,978,321           | 1,136,586           | 955,671             | 1,390,969             | 1,288,926         |
| <u>63,219,479</u>   | <u>60,473,983</u>   | <u>58,804,700</u>   | <u>54,013,519</u>   | <u>54,307,220</u>     | <u>52,908,722</u> |
| 6,768,346           | 5,990,860           | 6,743,365           | 7,251,059           | 6,308,705             | 5,623,815         |
| 28,776,088          | 26,395,649          | 26,996,385          | 25,666,168          | 27,574,318            | 23,369,030        |
| 14,753,466          | 7,673,542           | 7,904,706           | 7,027,410           | 6,517,174             | 7,016,574         |
| -                   | 1,581,289           | 639,332             | 749,581             | 365,782               | 85,874            |
| 2,492,810           | 1,441,246           | 1,452,673           | 85,540              | 92,094                | 1,661,764         |
| 4,919,829           | 5,079,213           | 4,876,593           | 4,732,125           | 4,646,752             | 4,329,861         |
| 1,028,394           | 4,748,320           | 9,293,255           | 9,662,391           | 12,910,662            | 7,735,311         |
| 3,344,651           | 2,820,319           | 2,643,638           | 2,401,762           | 1,975,533             | 2,118,011         |
| 1,633,099           | 1,951,663           | 1,442,812           | 1,617,674           | 1,617,360             | 1,677,788         |
| 7,690               | 180,051             | 132,688             | 7,190               | 5,460                 | 40,379            |
| <u>63,724,373</u>   | <u>57,862,152</u>   | <u>62,125,447</u>   | <u>59,200,900</u>   | <u>62,013,840</u>     | <u>53,658,407</u> |
| <u>(504,894)</u>    | <u>2,611,831</u>    | <u>(3,320,747)</u>  | <u>(5,187,381)</u>  | <u>(7,706,620)</u>    | <u>(749,685)</u>  |
| -                   | 8,101,599           | 6,079,779           | 4,300,000           | 2,700,000             | 2,103,925         |
| -                   | (6,005,168)         | -                   | -                   | -                     | -                 |
| -                   | -                   | -                   | -                   | -                     | -                 |
| 1,408,158           | 66,876              | 36,902              | 77,628              | -                     | 155,954           |
| 4,567,891           | 283,862             | 211,125             | 2,200,059           | 1,841,560             | 3,271,565         |
| (5,769,891)         | (283,862)           | (211,125)           | (2,200,059)         | (3,161,560)           | (4,550,606)       |
| <u>206,158</u>      | <u>2,163,307</u>    | <u>6,116,681</u>    | <u>4,377,628</u>    | <u>1,380,000</u>      | <u>980,838</u>    |
| <u>\$ (298,736)</u> | <u>\$ 4,775,138</u> | <u>\$ 2,795,934</u> | <u>\$ (809,753)</u> | <u>\$ (6,326,620)</u> | <u>\$ 231,153</u> |
| 7.95%               | 9.32%               | 7.99%               | 8.13%               | 7.33%                 | 8.35%             |

**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 |                    |
| 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%             |
| 2003        | 345,892                 | 2,528,450    | 70,049            | 466,993      | 99,520         | 663,467      | 82,392         | 274,640      | 597,853        | 3,933,550    | 15.20%             |
| 2002        | 338,110                 | 2,471,564    | 72,083            | 480,553      | 100,695        | 671,300      | 71,199         | 237,330      | 582,087        | 3,860,748    | 15.08%             |
| 2001        | 331,352                 | 2,422,164    | 69,630            | 464,200      | 98,258         | 655,053      | 71,847         | 239,490      | 571,087        | 3,780,907    | 15.10%             |
| 2000        | 218,333                 | 1,596,001    | 55,753            | 371,687      | 97,460         | 649,733      | 67,663         | 225,543      | 439,209        | 2,842,965    | 15.45%             |

(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 2001, 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



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

| Fiscal Year | City of Gulfport  |              |               | Harrison County   |              |               | Gulfport School District |              |               | Grand Total Millage |
|-------------|-------------------|--------------|---------------|-------------------|--------------|---------------|--------------------------|--------------|---------------|---------------------|
|             | Operating Millage | Debt Millage | Total Millage | Operating Millage | Debt Millage | Total Millage | Operating Millage        | Debt Millage | Total Millage |                     |
| 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               |
| 2003        | 26.6              | 7.4          | 34.0          | 32.9              | 2.8          | 35.7          | 47.3                     | 8.1          | 55.4          | 125.1               |
| 2002        | 22.6              | 7.1          | 29.7          | 32.4              | 3.3          | 35.7          | 45.6                     | 9.1          | 54.7          | 120.1               |
| 2001        | 22.2              | 7.5          | 29.7          | 32.8              | 3.4          | 36.2          | 43.6                     | 9.1          | 52.7          | 118.6               |
| 2000        | 33.5              | 7.5          | 41.0          | 40.0              | 3.4          | 43.4          | 50.0                     | 11.8         | 61.8          | 146.2               |

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.

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

| Taxpayer                    | 2009                       |      |  | 2000                       |      |  |
|-----------------------------|----------------------------|------|--|----------------------------|------|--|
|                             | Taxable Assessed Value (1) | Rank | Percentage of Total Assessed Valuation | Taxable Assessed Value (1) | Rank | Percentage of Total Assessed Valuation |
| Mississippi Power & Light   | \$ 93,586                  | 1    | 14.11%                                 | \$ 153,090                 | 1    | 35.80%                                 |
| Gulfside Casino Partnership | 21,488                     | 2    | 3.24%                                  | -                          |      |  |
| Bell South                  | 10,534                     | 3    | 1.59%                                  | 27,546                     | 3    | 6.40%                                  |
| Cross Roads Center          | 5,174                      | 4    | 0.78%                                  | -                          |      |  |
| HCA Realty                  | 4,717                      | 5    | 0.71%                                  | -                          |      |  |
| Hancock Bank                | 4,077                      | 6    | 0.61%                                  | 2,836                      | 6    | 0.70%                                  |
| Gulfport Factory Shops      | 2,314                      | 7    | 0.35%                                  | 2,120                      | 9    | 0.50%                                  |
| Reserve Apartments          | 2,127                      | 8    | 0.32%                                  | -                          |      |  |
| Garden Park Hospital        | 2,093                      | 9    | 0.32%                                  | -                          |      |  |
| Cambridge Beekwilder        | 2,040                      | 10   | 0.31%                                  | -                          |      |  |
| Grand Casino                | -                          |      |  | 46,616                     | 2    | 10.90%                                 |
| Wal-Mart                    | -                          |      |  | 2,563                      | 7    | 0.60%                                  |
| Halter Marine               | -                          |      |  | 3,809                      | 5    | 0.90%                                  |
| AT&T                        | -                          |      |  | 4,205                      | 4    | 1.00%                                  |
| Entex/Reliant Energy        | -                          |      |  | 2,416                      | 8    | 0.60%                                  |
| Sentinel Real Estate        | -                          |      |  | 1,752                      | 10   | 0.40%                                  |
| <b>Total</b>                | <b>\$ 148,150</b>          |      | <b>22.34%</b>                          | <b>\$ 246,953</b>          |      | <b>57.80%</b>                          |

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

| Fiscal<br>Year | Taxes Levied<br>for the Fiscal<br>Year | Collected within the Fiscal<br>Year of the Levy |                       | Collection in<br>Subsequent<br>Years | Total Collections<br>To Date |                       |
|----------------|--|---|-----------------------|--------------------------------------|------------------------------|-----------------------|
|                |  | Amount  | Percentage<br>of Levy |                                      | Amount                       | Percentage<br>of Levy |
| 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%                |
| 2003           | 34,039                                 | 33,702  | 99.01%                | 370                                  | 34,072                       | 100.10%               |
| 2002           | 33,053                                 | 32,451  | 98.18%                | 466                                  | 32,917                       | 99.59%                |
| 2001           | 32,263                                 | 31,928  | 98.96%                | 187                                  | 32,115                       | 99.54%                |
| 2000           | 32,157                                 | 31,907  | 99.22%                | 389                                  | 32,296                       | 100.43%               |

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 |                               |                               |                       |
| 2009        | \$ 26,070                | \$ 1,572       | \$ 19,701                     | \$ 59,625                        | \$ 33,611                | \$ 3,397   | \$ 143,976                       |                       | 14.06%                        | \$ 2.04                       |                       |
| 2008        | 28,480                   | 2,159          | 20,277                        | 52,950                           | 35,640                   | 3,427      | 142,933                          |                       | 13.28%                        | 2.03                          |                       |
| 2007        | 20,710                   | 2,725          | 20,875                        | 55,610                           | 34,551                   | 3,456      | 137,927                          |                       | 12.38%                        | 2.00                          |                       |
| 2006        | 22,835                   | -              | 21,503                        | 58,140                           | 27,772                   | 2,530      | 132,780                          |                       | 12.86%                        | 1.96                          |                       |
| 2005        | 24,860                   | 120            | 8,693                         | 60,195                           | 10,237                   | 530        | 104,635                          |                       | 18.95%                        | 1.43                          |                       |
| 2004        | 26,825                   | 490            | 9,243                         | 55,715                           | 9,549                    | 568        | 102,390                          |                       | 17.95%                        | 1.41                          |                       |
| 2003        | 28,180                   | 860            | 7,892                         | 57,205                           | 5,828                    | 409        | 100,374                          |                       | 24.98%                        | 1.40                          |                       |
| 2002        | 24,650                   | 1,180          | 7,301                         | 58,265                           | 5,667                    | -          | 97,063                           |                       | 18.70%                        | 1.34                          |                       |
| 2001        | 26,060                   | 900            | 5,483                         | 44,165                           | 6,070                    | -          | 82,678                           |                       | 21.65%                        | 1.14                          |                       |
| 2000        | 27,375                   | 1,100          | 3,244                         | 44,820                           | 6,458                    | 1,533      | 84,530                           |                       | 22.67%                        | 1.18                          |                       |

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 |
|-------------|----------------------|-----------------------------|--------------------------------|-------------------------|--------------------|--|----------------------------|
| 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                        |
| 2003        | 71.7                 | 597,853                     | 28,180                         | 2,872                   | 25,308             | 4.23%  | 353                        |
| 2002        | 72.6                 | 582,087                     | 24,722                         | 2,206                   | 22,516             | 3.87%  | 310                        |
| 2001        | 72.4                 | 571,087                     | 26,060                         | 1,666                   | 24,394             | 4.27%  | 337                        |
| 2000        | 71.5                 | 439,209                     | 27,375                         | 766                     | 26,609             | 6.06%  | 372                        |

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

City of Gulfport  
 Direct and Overlapping Governmental Activities Debt  
 As of September 30, 2009  
*(amounts expressed in thousands)*

| <b>Jurisdiction</b>          | <b>Net General<br/>Obligation<br/>Bonded Debt<br/>Outstanding</b> | <b>Amount<br/>Applicable<br/>to<br/>Government</b> | <b>Percentage<br/>Applicable<br/>to<br/>Government</b> |
|------------------------------|---|--|--|
| Direct:                      |   |  |  |
| City of Gulfport (1)         | \$ 26,070   | \$ 26,070  | 100.00%  |
| Overlapping:                 |   |  |  |
| Harrison County              | 150,220   | 51,075   | 34.00%   |
| Gulfport School District (2) | 13,760  | 13,760   | 100.00%  |
| Total overlapping            | <u>163,980</u>  | <u>64,835</u>                                      |  |
| <br>Total all                | <br><u>\$ 190,050</u>   | <br><u>\$ 90,905</u>                               |  |

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

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

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

|                                       | Fiscal Year |           |           |           |           |           |           |           |           |           |
|---------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                       | 2009        | 2008      | 2007      | 2006      | 2005      | 2004      | 2003      | 2002      | 2001      | 2000      |
| Debt Limit (15%)                      | \$ 107,907  | \$ 90,740 | \$ 84,640 | \$ 95,719 | \$ 90,500 | \$ 89,240 | \$ 89,678 | \$ 87,313 | \$ 85,663 | \$ 65,881 |
| Total net GO debt applicable to limit | 20,203      | 18,296    | 12,784    | 19,310    | 22,689    | 24,144    | 25,308    | 22,516    | 24,394    | 26,609    |
| Legal debt margin                     | \$ 87,704   | \$ 72,444 | \$ 71,856 | \$ 76,409 | \$ 67,811 | \$ 65,096 | \$ 64,370 | \$ 64,797 | \$ 61,269 | \$ 39,272 |

Total net debt applicable to the limit as a percentage of the debt limit

|  |        |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | 18.72% | 20.16% | 15.10% | 20.17% | 25.07% | 27.06% | 28.22% | 25.79% | 28.48% | 40.39% |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

**Legal Debt Margin Calculated for Fiscal Year 2009**

|                                    |                  |
|------------------------------------|------------------|
| Assessed Value                     | \$ 719,380       |
| Debt limit (15% of assessed value) | 107,907          |
| Debt applicable to limit:          |                  |
| General obligation bonds           | (26,070)         |
| Debt service funds available       | <u>5,867</u>     |
| Legal debt margin                  | <u>\$ 87,704</u> |

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

| Fiscal<br>Year | Water and<br>Sewer<br>Gross<br>Revenue | Water and<br>Sewer (2)<br>Operating<br>Expenses | Net<br>Revenue<br>Available<br>For Debt<br>Service | Debt Service Requirements (1) |          |          | Coverage |
|----------------|--|---|--|-------------------------------|----------|----------|----------|
|                |  |   |  | Principal                     | Interest | Total    |          |
| 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%  |
| 2003           | 17,558                                 | 15,199  | 2,359  | 649                           | 2,340    | 2,989    | 78.92%   |
| 2002           | 18,309                                 | 15,344  | 2,965  | 231                           | 1,953    | 2,184    | 135.76%  |
| 2001           | 15,750                                 | 14,193  | 1,557  | -                             | 1,883    | 1,883    | 82.69%   |
| 2000           | 15,396                                 | 13,778  | 1,618  | -                             | -        | -        | n/a      |

(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<br>Year | Estimated<br>Population (1) | Per Capita<br>Personal<br>Income (2) | School (3)<br>Enrollment | Unemployment<br>Rate (4) |
|----------------|-----------------------------|--------------------------------------|--------------------------|--------------------------|
| 2009           | 70,732                      | \$ 20,243                            | 5,609                    | 7.60%                    |
| 2008           | 70,372                      | 18,978                               | 5,232                    | 5.40%                    |
| 2007           | 68,959                      | 17,079                               | 5,341                    | 6.20%                    |
| 2006           | 67,578                      | 17,079                               | 5,065                    | 16.60%                   |
| 2005           | 73,272                      | 19,832                               | 6,166                    | 6.20% *                  |
| 2004           | 72,670                      | 18,381                               | 6,219                    | 4.10%                    |
| 2003           | 71,695                      | 25,074                               | 6,018                    | 4.00%                    |
| 2002           | 72,639                      | 18,155                               | 6,202                    | 4.20%                    |
| 2001           | 72,380                      | 17,899                               | 6,281                    | 4.40%                    |
| 2000           | 71,455                      | 19,166                               | 6,263                    | 3.60%                    |

(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  
Current Fiscal Year

| <u>Employer</u>         | <u>2009</u>      |             |
|-------------------------|------------------|-------------|
|                         | <u>Employees</u> | <u>Rank</u> |
| Naval CBC Base          | 7,000            | 1           |
| Memorial Hospital       | 2,894            | 2           |
| Harrison County Schools | 1,795            | 3           |
| Mississippi Power       | 1,299            | 4           |
| Hancock Bank            | 1,213            | 5           |
| Island View Casino      | 1,042            | 6           |
| Gulfport Schools        | 881              | 7           |
| City of Gulfport        | 672              | 8           |
| Wal-Mart                | 585              | 9           |
| Trinity Yachts          | 500              | 10          |
|                         | <hr/>            |             |
| Total                   | <u>17,881</u>    |             |

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  
Current Fiscal Year

| <u>Function/Program</u>    | <u>2009</u><br><u>Full-Time</u><br><u>Equivalent</u><br><u>Employees</u> |
|----------------------------|--|
| Mayor's Office             | 3  |
| Council                    | 9  |
| Municipal Court            | 26   |
| Legal                      | 10   |
| General Admin              | 34   |
| Police                     |  |
| Officers                   | 183  |
| Civilians                  | 69   |
| Fire                       |  |
| Combat                     | 155  |
| Civilians                  | 9  |
| Public Works               | 45   |
| Leisure Services           | 59   |
| Community Development      | 4  |
| Urban/Economic Development | 30   |
| Water/Sewer                | 2  |
|                            | <hr/>  |
| Total                      | <u>638</u>   |

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

City of Gulfport  
 Operating Indicators by Function/Program  
 Current Fiscal Year

| <u>Function/Program</u>                  | <u>2009</u> |
|--|-------------|
| Police                                   |             |
| Physical arrests                         | 12,557      |
| Parking violations                       | 1,180       |
| Traffic violations                       | 37,244      |
| Fire                                     |             |
| Emergency responses                      | 7,862       |
| Fires extinguished                       | 542         |
| Inspections                              | 4,078       |
| Public Works                             |             |
| Street resurfacing (miles)               | 9.89        |
| Potholes repaired                        | 619         |
| Parks and Recreation                     |             |
| Athletic field permits issued            | 2,834       |
| Community center admissions              | 139,918     |
| Water                                    |             |
| New connections                          | 1,393       |
| Water main breaks                        | 22          |
| Average daily consumption (gallons)      | 9,081,585   |
| Wastewater                               |             |
| Average daily sewage treatment (gallons) | 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  
Current Fiscal Year

| <u>Function/Program</u>      | <u>2009</u> |
|------------------------------|-------------|
| Police                       |             |
| Stations                     | 3           |
| Patrol Units                 | 80          |
| Fire Stations                | 12          |
| Public Works                 |             |
| Streets (miles)              | 602.3       |
| Street lights                | 9,101       |
| Traffic signals              | 100         |
| Parks and Recreations        |             |
| Acreage                      | 600         |
| Playgrounds                  | 19          |
| Ballfields                   | 38          |
| Tennis courts                | 7           |
| Parks                        | 31          |
| Community centers            | 14          |
| Waterfront piers             | 6           |
| Boat launch ramps            | 14          |
| Small craft harbor slips *   | -           |
| Water                        |             |
| Water mains (miles)          | 365.5       |
| Fire hydrants                | 3,398       |
| Storage capacity (gallons)   | 5,108,000   |
| Wastewater                   |             |
| Sanitary sewer (miles)       | 307.84      |
| Storm sewer (miles)          | 307.84      |
| Treatment capacity (gallons) | 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.



This page left blank intentionally