

CITY OF GULFPORT, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL STATEMENT
SEPTEMBER 30, 2007

CITY OF GULFPORT, MISSISSIPPI
 COMPREHENSIVE ANNUAL FINANCIAL STATEMENT
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Introductory Section

June 10, 2008

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, 2007. 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, 2007. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The Annual Financial Report consists of four parts. **(I) The Introductory Section** includes this transmittal letter, the City’s organizational chart, a list of principal City officials, 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. **(IV) Other Financial Information** includes useful schedules and charts that are no longer required to be published as part of the basic financial statements along with schedules required by State statutes.

The City is a member of the Harrison County Wastewater and Solid Waste Management District, a joint venture with other local cities to provide adequate wastewater treatment and solid waste disposal services. The city is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center. A synopsis of the two joint ventures’ financial statements for the fiscal year ended September 30, 2007, is included in note 14 of the report.

The Reporting Entity and Services Provided

Incorporated on July 28, 1898, Gulfport is located in South Mississippi in Harrison County. Gulfport is a code-charter municipality operating under a Mayor\Council form of government. The Mayor is full-time and the Council-members are part-time and elected by wards. The Mayor and Council serve concurrent four-year terms. On July 1, 1997 the City added two additional members to the council as a result of a 1994 annexation bringing the total to seven.

In December 1993 the City annexed 33 square miles north of Gulfport becoming the second largest city in Mississippi with a land area of 62.37 square miles and a population in excess of 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.

Economic Conditions

On August 29, 2005, the City of Gulfport was hit by the worst natural disaster ever recorded in American history, Hurricane Katrina. With the 2007 fiscal year beginning just 16 months after this event, the financial impact on the bottom line for the fiscal year being reported will be impacted.

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

Katrina totally devastated the entire coastline which was comprised of historic home sites, motels, and casinos. This event had a negative impact on the City's tourism industry. Fortunately for the City, its retail base which was located in the north central part of the City remained essentially untouched by Katrina, and consequently, the City's sales tax revenue was strong enough to put Gulfport on the road to a full recovery. Due to the City's sales tax revenue, the Citizens of Gulfport enjoy one of the lowest property tax rates on the Mississippi Gulf Coast.

FUTURE ECONOMIC OUTLOOK

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

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

This accessibility combined with high quality of life, has helped Gulfport attract new businesses and residents. Cities along the Mississippi Gulf Coast have been ranked in *Money Magazine's* "Best Places to Live," *Forbes'* "Best Places to Start A Business," *Modern Maturity's* "Best Active Places to Retire," and *Builder Magazine's* "hottest housing markets in the United States."

Due to Gulfport's strategic location coupled with the recent destruction from Hurricane Katrina, it has become the "retail hub" of the South. Fortunately for Gulfport, its retail shopping base remained essentially intact post

Katrina which translated into huge growth in sales tax. To evidence this, Gulfport's post Katrina Sales Tax boom was 48% from 2005 to 2006 with 2007 amounts at 33% above 2005 pre-Katrina levels.

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, project length budgets are prepared for the capital projects fund even though all adopted budgets lapse annually in the State of Mississippi.

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

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 554,100,000; therefore, the 15% limitation equals: \$83,115,900; less GO Bonds outstanding of \$ 20,710,000, leaving a margin for further debt issuance of \$62,405,000.

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 note 8 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 Wright, Ward, Hatten, and Guel CPA's to perform the audit for fiscal year ended September 30, 2007. 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 Ncaise
Director of Administration and Finance

CITY OF GULFPORT ORGANIZATIONAL CHART



CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials
As of September 30, 2004

Elected Officials



Brent Warr
Mayor



Gary Holliman
Councilman, Ward 1



Libby Milner-Roland
Councilwoman, Ward 2



Ella Holmes-Hines
Councilwoman, Ward 3



Jackie Smith
Councilman, Ward 4



Brian Carriere
Councilman, Ward 5



Neil Resh
Councilman, Ward 6

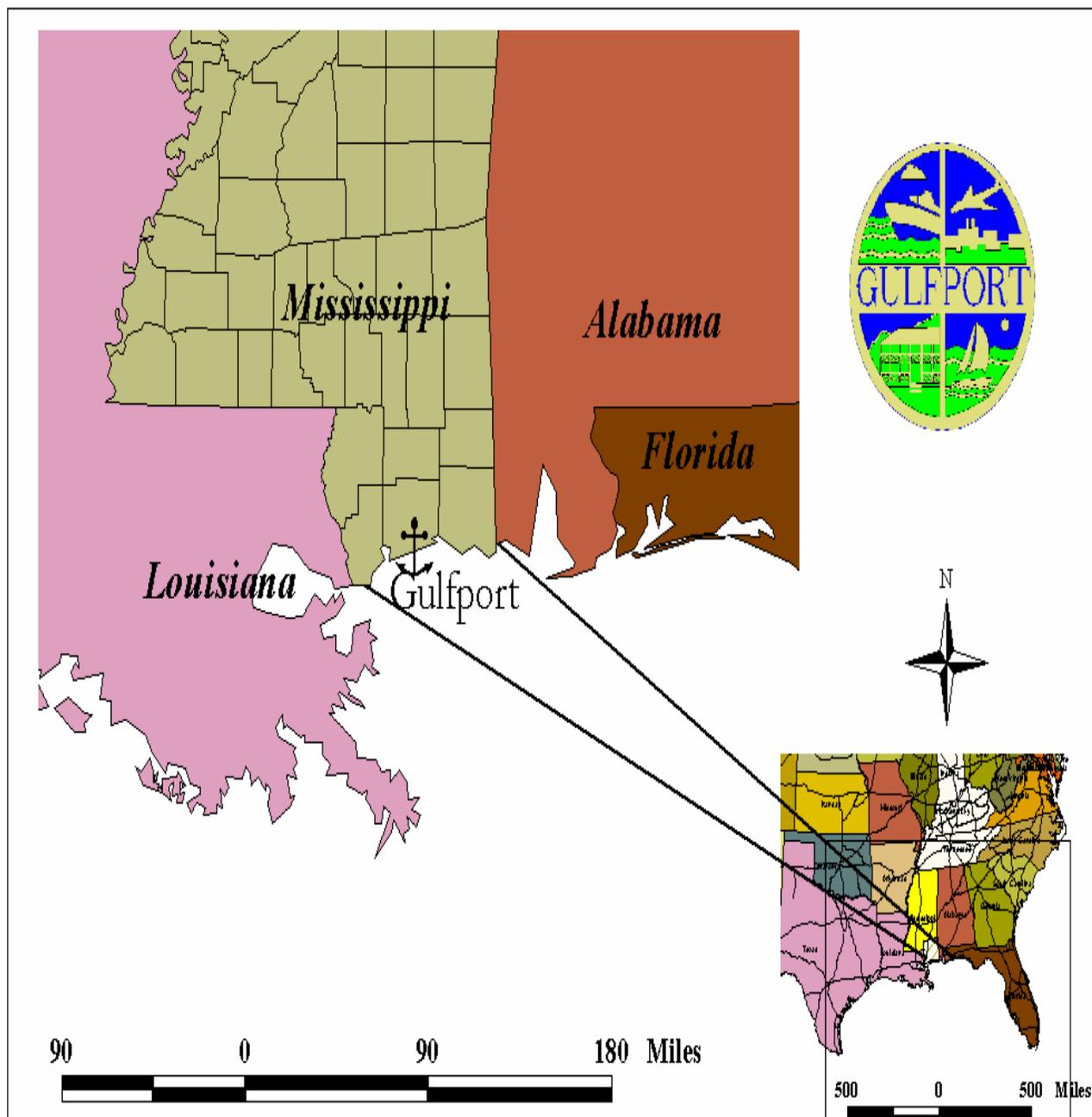


Barbara Nalley
Councilwoman, Ward 7

Appointed Officials

Chief Administrative Officer	John Kelly	City Attorney	Harry Hewes
Police Chief	Alan Weatherford	Fire Chief	Pat Sullivan
Leisure Services Director	Edmond Salloum	Public Works Director / City Engineer	Kris Riemann
Urban Development Director	Larry Jones		
Director of Finance & Administration	Mike Necaize		

Geographic Location of Gulfport, Mississippi





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Financial Section

June 14, 2008

INDEPENDENT AUDITORS' REPORT

The Members of City Council
and the Honorable Brent Warr, 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, 2007, 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, 2007, 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 3 through 16, Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual on pages 61 through 64, and the Analysis of Funding Progress on page 65 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 nonmajor 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 14, 2008, 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.

Wright, Ward, Hatten & Guel, PLLC
Certified Public Accountants

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, 2007. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.

Financial Highlights

The overall financial status of the City of Gulfport has continued to remain strong. This has been accomplished by using sound financial planning, economic growth, and healthy budgeting practices.

- ✓ The City expended approximately \$36 million for capital outlay and infrastructure in 2007 which is broken down as follows:

Land	\$1.6 million
Buildings	\$4.9 million
Water and Sewer Infrastructure	\$15.1 million
Infrastructure, i.e. streets / drainage / etc	\$6.6 million
Machinery, Vehicles, and eqp.	\$3.8 million
Other	\$3 million

- ✓ Fund Balance is a significant resource for the City in that it represents those resources (cash reserves) which are available for appropriation. The General Fund's unobligated and undesignated fund balance continues to remain strong, with fund balance representing 21% of general fund expenses for the 2007 year which represents nearly 3 months of operating expenses. Unreserved Fund Balance was \$11.8 million for 2007.
- ✓ Sales Tax Revenue continues to flourish in the post Katrina times. Sales Tax received in 2007 exceeds 2005 pre-Katrina amounts by \$6 million or 33%. With all of the destruction along the coastline which occurred in the City's 2005 fiscal year, Gulfport was extremely fortunate to have its sales tax base located within the central part of the City out of harms way. Due to this, Gulfport became the retail shopping hub of the south.

The City of Gulfport continues to put great emphasis in promoting economic development activities in order to lessen the burden of taxes on its citizens.

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 19 and 20, 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 21 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 21 – 24.

Proprietary Funds – Contain funds existing from fees charged to customers for services provided by the City. Activities relating to the City's Water and Sewer Operations and Joseph T. Jones yacht basin are reported in this section. The financial presentation of these activities are reported on pages 25 - 27 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 on page 29 and 30 of this report.

Financial Analysis of the City as a Whole

Government Wide Statement of Net Assets

	Governmental Type Activities		Business Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets:						
Current Assets	\$78,544,203	\$79,314,231	\$9,759,699	\$10,770,119	\$88,303,902	\$90,084,350
Capital Assets	219,633,430	205,406,485	129,488,233	116,325,389	349,121,663	321,731,874
Noncurrent Assets	44,825	73,962	14,424,151	16,261,911	14,468,976	16,335,873
Total Assets	298,222,458	284,794,678	153,672,083	143,357,419	451,894,541	428,152,097
Liabilities:						
Current and Other Liabilities	20,173,938	27,394,900	7,027,793	11,046,115	27,201,731	38,441,015
Long Term Liabilities	43,456,877	45,257,222	89,858,862	85,128,677	133,315,739	130,385,899
Total Liabilities	63,630,815	72,652,122	96,886,655	96,174,792	160,517,470	168,826,914
Net Assets:						
Invested in Capital Assets net of related debt	175,323,106	161,068,059	35,870,524	27,883,405	211,193,630	188,951,464
Restricted	12,457,697	7,293,203	4,000	4,000	12,461,697	7,297,203
Unrestricted	46,810,840	43,781,294	20,910,904	19,295,222	67,721,744	63,076,516
Total Net Assets	\$234,591,643	\$212,142,556	\$56,785,428	\$47,182,627	\$291,377,071	\$259,325,183

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

Analysis of Government Wide Statement of Net Assets

Total Primary Government

The overall financial condition has improved for the City of Gulfport as compared to the previous year. Total assets have increased from \$428 million in 2006 to \$452 million in 2007, representing an increase of \$24 million or 6% while total liabilities decreased by \$9 million; thus resulting in an overall increase in net assets of \$33 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. \$349 million is the book value (net of related depreciation) of the City's capital assets which represents approximately 77% of the City's total net assets. The below two sections are a breakdown of the Total Primary Government into the two sections entitled Governmental Activities and Business Type Activities.

Governmental Activities

Total assets for Governmental type activities increased by \$13 million, from \$285 million in 2006 to \$298 million in 2007. The majority of this increase is attributed mainly to: capital assets— the City's capital assets, i.e. roads, buildings, infrastructure, etc increased in 2007 by \$15 million or 7%. Capital assets for 2006 totaled \$205 million while 2007 capital assets were \$220 million. The increase was mainly attributed to the City's aggressive rebuilding in the aftermath of Hurricane Katrina. In 2007, the City expended \$5 million in new buildings and renovations; \$6 million in improvements to its infrastructure; and \$2 million in upgrading its machinery, equipment, and vehicles. Gulfport will continue its rebuilding caused from the devastation from Katrina over the next several years with the commitment to building back better than ever before.

Business Type Activities

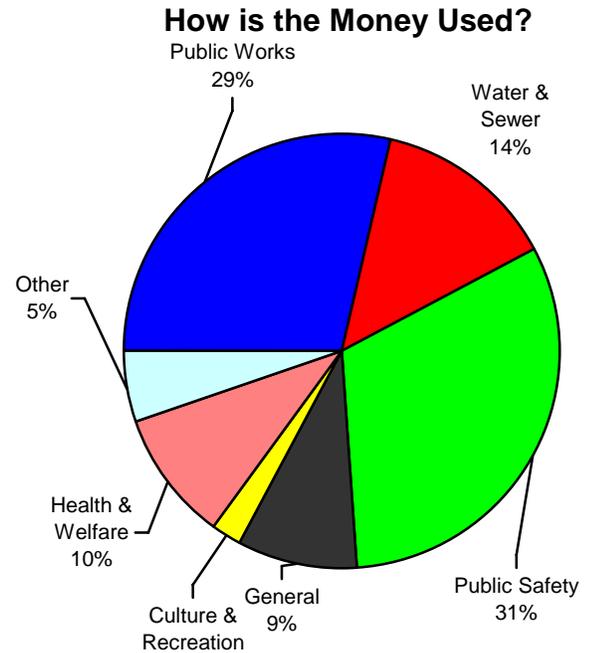
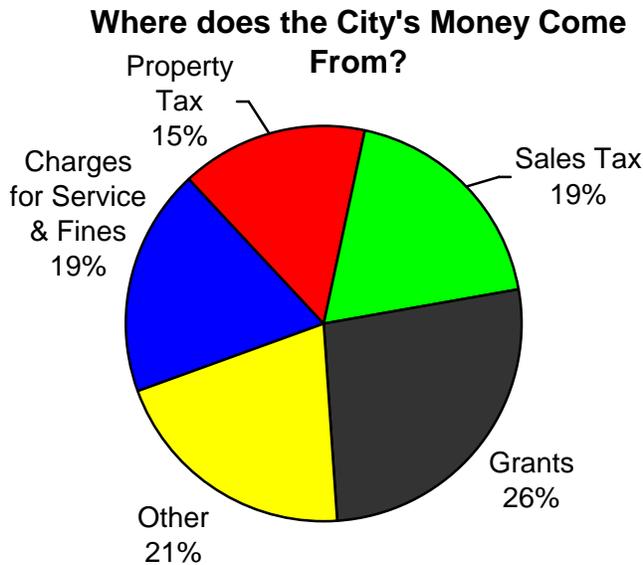
The City's business type activities consist of the Water and Sewer and Joseph T. Jones Memorial Park Funds. Total assets increased by \$11 million or 8%; from \$143 million in 2006 to \$154 million in 2007 with current assets decreasing \$1 million and capital assets increasing \$13 million and other non-current assets decreasing \$1.9 million. This increase in capital assets is mainly a result of the City beginning to address its aging water and sewer master plan which was set forth several years ago.

Government Wide Statement of Activities

	Governmental Activities		Business Type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Fees, Fines, and Charges for Service	\$ 3,141,907	\$ 3,865,368	\$ 20,576,814	\$ 19,325,598	\$23,718,721	\$ 23,190,966
Operating Grants and Contributions	4,756,775	4,147,269			4,756,775	4,147,269
Capital Grants and Contributions	28,536,146	76,682,952	806,099	513,514	29,342,245	77,196,466
General Revenues:						
Property Taxes	19,517,450	22,583,735			19,517,450	22,583,735
Sales Taxes	24,039,616	26,980,191			24,039,616	26,980,191
Gaming	2,847,942	289,678			2,847,942	289,678
Other	20,599,730	14,966,082	2,956,493	1,081,572	23,556,223	16,047,654
Total Revenues	103,439,566	149,515,275	24,339,406	20,920,684	127,778,972	170,435,959
Program Expenses						
General Government	8,539,671	18,702,277			8,539,671	18,702,277
Public Safety	30,122,550	26,943,482			30,122,550	26,943,482
Public Works	27,428,901	77,057,446			27,428,901	77,057,446
Economic Development	810,198	1,067,096			810,198	1,067,096
Culture and Recreation	2,276,098	4,067,029			2,276,098	4,067,029
Health and Welfare	9,227,708	2,130,531			9,227,708	2,130,531
Interest on Long Term Debt	1,445,005	1,459,237	2,635,721	3,063,214	4,080,726	4,522,451
Water and Sewer			13,116,774	14,744,671	13,116,774	14,744,671
Joseph T. Jones			124,458	141,971	124,458	141,971
Total Expenses	79,850,131	131,427,098	15,876,953	17,949,856	95,727,084	149,376,954
Change in Net Assets before other transactions:	23,589,435	18,088,177	8,462,453	2,970,828	32,051,888	21,059,005
Non-operating change in fixed assets						
Transfers	(1,140,348)	(5,253,000)	1,140,348	5,253,000	-	-
Capital contributions				14,109,207		14,109,207
Change in net assets	22,449,087	12,835,177	9,602,801	22,333,035	32,051,888	35,168,212
Net Assets at beginning of year - Adjusted	212,142,556	199,307,379	47,182,627	24,849,592	259,325,183	224,156,971
Net assets at end of year	\$234,591,643	\$212,142,556	\$56,785,428	\$47,182,627	\$291,377,071	\$259,325,183

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



Revenues

The City's Total Government wide revenues exceeded its expenses by \$32.1 million in 2007 as compared to \$21.1 million in 2006. Total government wide revenue for 2007 was \$128 million as compared to \$170 million in 2006; representing a decrease of \$42 million or 25%.

Property Tax – Property tax accounts for 15% of the City's revenues and is considered the most stable revenue source for the City. The City experienced a decrease of \$3.1 million or 14% in property taxes for the 2007 year. This is known as the "Katrina effect" as these devastated properties were removed from the tax roll and effected the collections for the 2007 year.

Sales Tax - Another significant source of revenue for the City is sales tax accounting for 19% of the City's total revenues. Sales tax decreased \$3 million or 11% from the prior year (from \$27 to \$24 million). Although a decrease was experienced in 2007, the City's sales tax revenue still exceeds 2005 pre-Katrina amounts by \$6 million or 33%. With all of the destruction along the coastline which occurred in the City's 2005 fiscal year, Gulfport was extremely fortunate to have its sales tax base located within the central part of the City out of harms way. Due to this, Gulfport became the retail shopping hub of the south. The City of Gulfport continues to put great emphasis in promoting economic development activities in order to lessen the burden of taxes on its citizens.

Grants – The City experienced a decrease of \$47 million in capital grants in 2007 (from \$81 million in 2006 to \$34 million in 2007). The majority of this decrease is due to the City receiving FEMA disaster related funds to repair damaged or destroyed facilities caused by Hurricane Katrina in the 2006 year. As projects are completed, these funds will lessen for future years.

Expenses

The City's total government wide expenses were \$96 million in 2007 as compared to \$149 million in 2006; representing a \$53 million decrease. The majority of this decrease is related to \$74.3 million in expenditures relating to the City's Disaster Relief Fund which was expended in 2006 whereas only \$20.7 million was expended in 2007. Hurricane Katrina related expenses will be less each year as the City completes its rebuilding of damaged facilities.

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 - Cost

	Total Cost of Service	Net Cost of Service
General government	\$ 8,539,671	1,059,515
Public safety	30,122,550	(28,704,523)
Public works	27,428,901	(3,474,754)
Health and welfare	810,198	152,079
Economic development	2,276,098	(2,214,305)
Culture and recreation	9,227,708	(8,788,310)
Interest on long-term debt	1,445,005	(1,445,005)
Total	<u>\$ 79,850,131</u>	<u>(43,415,303)</u>

Fund Financial Analysis

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

Governmental Funds

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

The General Fund is the primary “governmental fund” and is the main operating fund of the City. Activities that are traditional in nature to governmental entities are reported in this fund: i.e. public safety, public works (operations & maintenance), culture and recreation, health and welfare, economic development, and general government. The General Fund accounts for approximately 41% of the City's total revenues and 55% of the City's governmental revenues. Overall, the General Fund's financial condition decreased slightly as evidenced by the numbers below.

General Fund – Financial Summary

	2007	2006
Total Revenues	\$52,195,052	\$56,841,410
Total Expenditures	55,893,450	47,058,848
Excess (Deficit) of Revenues over Expenses	(3,698,398)	9,782,562
Other Financing Sources (Uses)	(4,788,833)	11,102,215
Fund Balance – Beginning Year	38,141,412	17,256,635
Fund Balance – Ending Year	<u>\$29,654,181</u>	<u>\$38,141,412</u>

- ✓ The General Fund’s deficiency of revenues over expenditures was \$3.7 million in 2007 as compared to an excess of revenues over expenditures in 2006 of \$9.8 million.
- ✓ General Fund assets decreased by \$7 million from \$42 million in 2006 to \$35 million in 2007. The City’s cash and cash equivalents increased from \$16.1 million in 2006 to \$18.6 million in 2007 while due from other funds decreased by \$10 million.
- ✓ The General Fund’s unreserved fund balance decreased in 2007, from \$19.9 million in 2006 to \$11.8 million in 2007. 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 21% for year ending 2007. Based upon industry standards, it is recommended that governmental entities maintain approximately 15% in fund reserves. Given this, Gulfport has exceeded this by an additional 6%.
- ✓ Total General Fund revenues decreased by 8%: from \$56.8 million in 2006 to \$52.2 million in 2007. This was due to a decrease in property tax revenue from devastated properties associated with Hurricane Katrina.
- ✓ Total General Fund expenditures increased by \$9 million; from \$47 million in 2006 to \$56 million in 2007. The majority of this increase was due to the City expending funds to update its machinery and equipment. The City spent \$1 million in 2006 for machinery and equipment upgrades while approximately \$6 million was expended in 2007 for this purpose.

Business-Type Funds

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.

Water and Sewer Fund Condensed Statement of Revenues and Expenses

	2007	2006
Operating Revenues	\$21,852,574	\$19,411,260
Operating Expenses	13,116,774	14,744,671
Operating income / (loss)	8,735,800	4,666,589
Non Operating Items:		
Interest Expense	(2,635,721)	(3,063,214)
Other	3,430,235	20,847,300
Change in Net Assets	\$9,530,314	\$22,450,675

The overall financial condition of the City's Water and Sewer Fund increased significantly in 2007 as compared to 2006. The City's water and sewer income from operations generated a profit of \$8.7 million in 2007 as compared to \$4.6 million in the previous 2006 year. Important to remember is that income from operations does not include interest expense as this is reported in the non operating items. The City experienced an increase in operating revenues in 2007, from \$19.4 million to \$21.9 million. This increase is due to the City not billing for the first month of the 2006 fiscal year as Hurricane Katrina cleanup was still being accomplished. Also, a significant portion of the City's customer based was restored in the 2007 year which contributed to the increase in the revenue stream.

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 Fiscal Year Ending September 30, 2007

	Original Budget	Revised Budget	Actual Amounts (Budget Basis)
Revenues:			
Property Taxes	\$ 12,178,838	\$ 12,178,838	\$ 12,758,432
Sales Tax	21,600,000	21,600,000	24,175,447
Public Service Taxes	1,267,000	1,744,900	1,555,438
Intergovernmental	62,400	1,495,331	955,916
Fines and forfeits	2,000,000	2,000,000	1,594,206
Gaming	1,200,000	1,200,000	2,582,768
Franchise Taxes	2,900,000	2,900,000	3,182,854
Licenses and permits	1,476,000	1,476,000	2,803,830
Other	2,212,522	3,118,952	2,628,020
Total Revenues	<u>\$ 44,896,760</u>	<u>\$ 47,714,021</u>	<u>\$ 52,236,911</u>
Expenditures:			
General government	7,037,320	7,270,907	6,568,300
Police	17,298,280	21,203,774	18,326,564
Fire	11,489,016	11,858,624	10,609,690
Public works	11,119,930	11,685,855	10,663,971
Economic development	2,085,145	2,533,914	2,259,847
Culture and recreation	4,432,103	4,780,422	4,118,511
Total Expenditures	<u>53,461,794</u>	<u>59,333,496</u>	<u>52,546,883</u>
Excess (Deficit) of Revenues over expenditures	<u>\$ (8,565,034)</u>	<u>\$ (11,619,475)</u>	<u>\$ (309,972)</u>

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

- ✓ The revenue budget (original versus revised) was amended by \$2.7 million or 6%; original budget of \$44.9 million as compared to the revised budget of \$47.7 million. A significant amount of this difference is attributed to budget increases in Intergovernmental Revenue of \$1.4 million which is related to several federal grants, most of which are police related.
- ✓ The Expenditure Budget was increased by \$5.8 million or 11% for the 2007 year. Most of this increase was attributed to the police department resulting from receipt of several federal grants.

Overall, the City's General Fund actual revenues for 2007 (budget basis) exceeded the revised budget by \$4.5 million or 9%.

- ✓ Actual sales tax revenue exceeded its budget by \$2.6 million or 12%, 2007 budget was \$21.6 million while 2007 actual amount was \$24.2 million.
- ✓ Actual licenses and permits exceeded budgeted amounts by \$1.3 million or 87%.

The City's General Fund actual expenditures fell short of its budgeted expenditures creating a surplus of \$6.8 million or 11% in 2007 . Actual (budget basis) amounts were \$52.5 million while budget amounts were \$59.3 million. Major contributing factors for this difference are discussed below:

- ✓ Employee Vacancies – The City's payroll budget (General Fund) for the 2007 year was \$38.6 million while actual 2007 expenditures totaled \$35.3 million; leaving a budget surplus of \$3.3 million for payroll. This amount equates to an average vacancy rate of 9%. This rate has improved from its previous rate of 13% for the previous 2006 year. The City has acknowledged its need for a more aggressive employee recruiting and retention program and is moving forward towards addressing this issue and the statistics prove that the City has begun to achieve this goal.

Capital Assets and Debt Administration

Capital Assets

Schedule of Capital Assets Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$26,851,047	\$25,255,243	\$212,617	\$212,617	\$27,063,664	\$25,467,860
Construction in Progress	-	-	28,818,291	19,139,156	28,818,291	19,139,156
Buildings	9,719,900	5,528,313	-	-	9,719,900	5,528,313
Improvements	3,956,362	335,357	-	-	3,956,362	335,357
Infrastructure	170,086,550	166,377,734	99,210,487	96,059,180	269,297,037	262,436,914
Machinery & Eqp.	3,202,045	2,620,792	410,510	398,029	3,612,555	3,018,821
Vehicles	5,817,526	5,289,046	836,328	516,407	6,653,854	5,805,453
Totals	<u>\$219,633,430</u>	<u>\$205,406,485</u>	<u>\$129,488,233</u>	<u>\$116,325,389</u>	<u>\$349,121,663</u>	<u>\$321,731,874</u>

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2007 asset values were estimated at \$349 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 \$27 million or 8% (after depreciation) as compared to the prior year. See note 7 in the financial section of this report for more detail information on capital assets.

Depreciation expense for the 2007 year totaled \$8.2 million and was allocated to the following classes of assets:

Allocation of Depreciation by Major Asset Class

Buildings	\$ 658,551
Improvements other than Buildings	202,664
Machinery and Equipment	981,546
Vehicles	1,074,257
Infrastructure (roads, bridges, drainage, water & sewer system, etc.)	5,289,254
Total Depreciation	<u>\$ 8,206,272</u>

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

Significant increases in capital acquisitions and improvements include:

- ✓ Water and Sewer System Upgrades - \$ 15.2 million.
- ✓ Roads and Drainage Improvements - \$ 6.6 million.

Debt Administration

Schedule of Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Bonds	20,710,000	22,835,000	-	-	20,710,000	22,835,000
Notes	23,600,324	21,503,426	-	-	23,600,324	21,503,426
Compensated Absences	1,666,765	1,390,053	6,084	5,810	1,672,849	1,395,863
Claims and Judgements	41,000	42,000	-	-	41,000	42,000
Revenue Bonds and Notes backed by Water & Sewer fund	-	-	93,617,709	88,441,984	93,617,709	88,441,984
Totals	46,018,089	45,770,479	93,623,793	88,447,794	139,641,882	134,218,273

Note: The above amounts do not include debt relating to Memorial Hospital or Harrison County Wastewater Management District. The City is in a joint venture with these two entities and both entities services their own debt.

At year ending 2007, the City had \$140 million in outstanding debt representing a net increase of \$ 6 million or 4% as compared to the prior year. See note 8 of this report for further detail relating to the City's debt.

Current know Facts effecting future financial Issues

Water and Sewer Infrastructure

Without a doubt, the greatest financial challenge facing this City will be to find resources available to address an aging water and sewer system. The City has identified approximately \$96 million in “unfunded” needed water and sewer renovations and upgrades: \$45 million sewer and \$51 million water. The City has been mandated by the Environmental Protection Agency (EPA) to put together a long range plan (4 years) to address the sewer issue. On October 7, 2003, the City approved a schedule to complete all remaining sewer projects. This schedule has been approved by EPA and identified \$20+ million in sewer projects that would be complete from 2004 – 2008. Upgrades of the water system also remains a critical need in order to sustain the City’s fire insurance rating and extend potable water to unserved areas.

Although \$96 million remains unfunded in needed water and sewer upgrades, \$71 million has been funded since 2001; so, the City has been very aggressively addressing this issue over the past several years. Yet, much work still remains in the area of water and sewer.

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.

Hurricane Katrina Recovery – (Project Management)

Hurricane Katrina devastated Gulfport’s coastline on August 29, 2005, just sixteen weeks before the beginning of the 2007 fiscal year. Now, with more than two years gone since the storm, Gulfport continues to rebuild and recover. The needs and challenges of Gulfport were great before the storm and have only grown since the storm. The City had an ongoing capital improvement program in excess of \$50 million before Katrina and damages to the City’s infrastructure and facilities from Katrina are estimated to exceed \$70 million. Combined, the City is currently managing \$160 million in replacements and repairs to its infrastructure and facilities (i.e. roads, bridges, water & sewer systems, buildings, etc.) This creates a major challenge in that the resources for engineers, architects, and contractors are extremely scarce, which will in turn, create delays in completing work, which will subject the City to price increases due to escalating cost, i.e. CPI index. For example, given an annual CPI increase of 4%, the \$160 million in projects referenced above could increase in cost by as much as \$6.4 million each year. Having projects completed in a timely manner within budget continues to be a significant concern and challenge for the City.

Rising Cost of Fuel Prices having a negative impact on City's finances

No single event has had more of a negative impact on the national, state, and local economies as has the rising cost of fuel prices. The table below is a four year historical comparison of the average cost of a gallon of gas.

Year	Average Retail Cost per Gallon
2005	\$2.30
2006	\$2.75
2007	\$3.00
2008	\$4.00

As evidenced in the above table, fuel prices have increased by 45% over the past two years and will continue to threaten the City's overall financial well-being. As of October 1, 2007, the City had nearly \$160 million appropriated for capital improvements that are in the "work in progress stage" such as water and sewer systems, street paving, drainage improvements, building rehabs / new construction etc. Asphalt and pipes are directly impacted by the price of fuel. Without a doubt, the increase in the price of fuel will adversely affect these projects as fuel continues to rise.

Rising Cost of Health Care for Employees

Health insurance continues to be a major cost to the City and this cost continues to rise; thus, creating a major strain on the City's overall financial condition. For the 2007 year, the cost of City's Employees' Health Insurance Fund was \$5 million; while, the previous 2006 year's cost was \$4 million. This \$1 million increase was a significant impact on the City's finances for the 2007 year.

In an effort to address this, the City created an employee wellness and health clinic. The intent is to keep employees out of the hospital by offering regular health checks and preventive care. This has been just recently implemented and it is hopeful that this will reverse the escalating cost of the City providing health care for its employees.

Contacting the City's Financial Management

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



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Government-Wide Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Statement of Net Assets
September 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 48,161,238	\$ 5,258,873	\$ 53,420,111
Cash with fiscal agents	40,604	-	40,604
Investments	1,471,745	245	1,471,990
Receivables:			
Taxes receivable	3,475,600	-	3,475,600
Customer accounts receivable		2,760,276	2,760,276
For other governments	481,293	-	481,293
Other receivables	1,666,438	559,727	2,226,165
Internal balances	54,250	-	54,250
Due from other governments	21,924,363	250,619	22,174,982
Prepaid expenses	1,268,672	-	1,268,672
Restricted cash	-	929,959	929,959
Total current assets	<u>78,544,203</u>	<u>9,759,699</u>	<u>88,303,902</u>
Noncurrent Assets			
Capital assets			
Land	26,851,047	212,617	27,063,664
Construction in progress	-	19,139,156	19,139,156
Buildings	13,875,570	-	13,875,570
Improvements other than buildings	5,013,795	-	5,013,795
Infrastructure	239,120,057	136,903,492	376,023,549
Machinery and equipment	8,133,983	946,767	9,080,750
Vehicles	14,640,642	1,870,379	16,511,021
Less: Accumulated depreciation	<u>(88,001,664)</u>	<u>(29,584,178)</u>	<u>(117,585,842)</u>
Total capital assets, net of accumulated depreciation	<u>219,633,430</u>	<u>129,488,233</u>	<u>349,121,663</u>
Other Noncurrent Assets			
Cash - water and sewer improvements	-	10,281,445	10,281,445
Cash - reserved for debt service	-	718,200	718,200
Deferred charges	44,825	3,424,506	3,469,331
Total noncurrent assets	<u>44,825</u>	<u>14,424,151</u>	<u>14,468,976</u>
Total Assets	<u>\$ 298,222,458</u>	<u>\$ 153,672,083</u>	<u>\$ 451,894,541</u>
LIABILITIES			
Current Liabilities (payable from current assets)			
Accounts payable and accrued expenses	\$ 4,421,280	\$ 1,269,190	\$ 5,690,470
Deferred revenues	10,858,038	-	10,858,038
Internal balances	-	54,250	54,250
Due to other governments	524,049	-	524,049
Other liabilities	-	460,614	460,614
Current portion of long-term liabilities:			
Accrued interest	119,359	483,075	602,434
Compensated absences	870,339	3,103	873,442
Notes payable	1,150,873	1,101,828	2,252,701
Bonds payable	2,230,000	2,660,000	4,890,000
Current Liabilities (payable from restricted assets)			
Meter deposits	-	995,733	995,733
Total current liabilities	<u>20,173,938</u>	<u>7,027,793</u>	<u>27,201,731</u>
Noncurrent liabilities			
Liability for self insurance claims	1,690,000	-	1,690,000
Compensated absences	796,426	2,981	799,407
Notes payable	22,449,451	36,905,881	59,355,332
Bonds payable	18,480,000	52,950,000	71,430,000
Claims	41,000	-	41,000
Total noncurrent liabilities	<u>43,456,877</u>	<u>89,858,862</u>	<u>133,315,739</u>
Total Liabilities	<u>63,630,815</u>	<u>96,886,655</u>	<u>160,517,470</u>
NET ASSETS			
Invested in capital assets, net of related debt	175,323,106	35,870,524	211,193,630
Restricted for:			
Debt service	7,926,526	4,000	7,930,526
Specific grant programs	2,356,784	-	2,356,784
Capital improvements	2,074,387	-	2,074,387
Permanently restricted (non-expendable)	100,000	-	100,000
Unrestricted	46,810,840	20,910,904	67,721,744
Total Net Assets	<u>\$ 234,591,643</u>	<u>\$ 56,785,428</u>	<u>\$ 291,377,071</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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (8,539,671)	\$ 2,576,853	\$ 1,222,794	\$ 5,799,539	\$ 1,059,515	\$ -	\$ 1,059,515
Public safety	(30,122,550)	166,858	959,639	291,530	(28,704,523)	-	(28,704,523)
Public works	(27,428,901)		1,612,110	22,342,037	(3,474,754)	-	(3,474,754)
Health and welfare	(810,198)	10,982	951,295		152,079	-	152,079
Economic development	(2,276,098)	50,674	1,067	10,052	(2,214,305)	-	(2,214,305)
Culture and recreation	(9,227,708)	336,540	9,870	92,988	(8,788,310)	-	(8,788,310)
Interest on long-term debt	(1,445,005)				(1,445,005)	-	(1,445,005)
Total governmental activities	<u>(79,850,131)</u>	<u>3,141,907</u>	<u>4,756,775</u>	<u>28,536,146</u>	<u>(43,415,303)</u>	<u>-</u>	<u>(43,415,303)</u>
Business-type activities:							
Water & Sewer	(13,116,774)	20,571,100	-	773,099	-	8,227,425	8,227,425
Port	(124,458)	5,714	-	33,000	-	(85,744)	(85,744)
Interest on long-term debt	(2,635,721)	-	-	-	-	(2,635,721)	(2,635,721)
Total business-type activities	<u>(15,876,953)</u>	<u>20,576,814</u>	<u>-</u>	<u>806,099</u>	<u>-</u>	<u>5,505,960</u>	<u>5,505,960</u>
Total primary government	<u>(95,727,084)</u>	<u>23,718,721</u>	<u>4,756,775</u>	<u>29,342,245</u>	<u>(43,415,303)</u>	<u>5,505,960</u>	<u>(37,909,343)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					12,623,050	-	12,623,050
Property taxes, levied for special purposes					6,894,400	-	6,894,400
Sales taxes					24,039,616	-	24,039,616
Franchise taxes					3,284,355	-	3,284,355
Public service taxes					2,937,024	125,873	3,062,897
Gaming taxes					2,847,942	-	2,847,942
Licenses and permits					2,803,830	-	2,803,830
Unrestricted investment earnings					2,314,653	1,062,279	3,376,932
Insurance proceeds					3,514,865	486,747	4,001,612
Miscellaneous					5,745,003	1,281,594	7,026,597
Total general revenues					<u>67,004,738</u>	<u>2,956,493</u>	<u>69,961,231</u>
Change in net assets before transfers					<u>23,589,435</u>	<u>8,462,453</u>	<u>32,051,888</u>
Transfers					<u>(1,140,348)</u>	<u>1,140,348</u>	<u>-</u>
Change in net assets					<u>22,449,087</u>	<u>9,602,801</u>	<u>32,051,888</u>
Net assets - beginning					<u>212,142,556</u>	<u>47,182,627</u>	<u>259,325,183</u>
Net assets - ending					<u>\$ 234,591,643</u>	<u>\$ 56,785,428</u>	<u>\$ 291,377,071</u>

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.

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

Non-major governmental funds are presented by fund type in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2007

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Capital Improvement Fund		
Assets					
Cash and cash equivalents	\$ 18,582,819	\$ -	\$ 8,110,048	\$ 9,169,375	\$ 35,862,242
Receivables:					
Property taxes	456,048	-	-	250,398	706,446
Sales taxes	1,827,491	-	-	-	1,827,491
Franchise taxes	941,663	-	-	-	941,663
Gaming fees	265,174	-	-	-	265,174
Privilege licenses	134,735	-	-	-	134,735
For other governments	481,293	-	-	-	481,293
Other	57,064	-	500,000	-	557,064
Due from other funds	11,769,532	-	-	15,976	11,785,508
Due from other governments	333,157	20,881,796	-	209,410	21,424,363
Total assets	\$ 34,848,976	\$ 20,881,796	\$ 8,610,048	\$ 9,645,159	\$ 73,985,979
Liabilities and Fund balance					
Liabilities					
Accounts payable	\$ 1,555,005	\$ 841,466	\$ 223,083	\$ 545,803	\$ 3,165,357
Accrued wages payable	667,165	-	-	7,344	674,509
Due to other funds	-	11,197,508	-	533,750	11,731,258
Due to other governments	478,907	-	-	45,142	524,049
Other liabilities	-	-	-	44,423	44,423
Deferred revenue	2,374,276	-	-	-	2,374,276
Performance bonds payable	119,442	-	15,000	-	134,442
Total liabilities	\$ 5,194,795	\$ 12,038,974	\$ 238,083	\$ 1,176,462	\$ 18,648,314
Fund Balance					
Reserved for -					
Encumbrances	\$ 1,848,419	\$ 517,090	\$ 308,299	\$ 1,270,526	\$ 3,944,334
Debt service	3,889,000	-	-	4,037,526	7,926,526
Special Revenue	-	8,325,732	-	1,098,018	9,423,750
Capital Projects	-	-	8,063,666	2,062,627	10,126,293
Permanently restricted (non-expendable)	100,000	-	-	-	100,000
Unreserved reported in:					
General Fund	11,832,058	-	-	-	11,832,058
Designated for subsequent year appropriations	11,984,704	-	-	-	11,984,704
Total fund balance	\$ 29,654,181	\$ 8,842,822	\$ 8,371,965	\$ 8,468,697	\$ 55,337,665
Total liabilities and fund balance	\$ 34,848,976	\$ 20,881,796	\$ 8,610,048	\$ 9,645,159	\$ 73,985,979

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, 2007

Total fund balances - governmental funds		\$ 55,337,665
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		219,633,430
Receivable from loan proceeds that do not represent current financial resources and, therefore, are not reported in the funds balance sheet		1,209,465
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		44,825
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported in the funds balance sheet		(119,359)
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	15,080,017	
Accounts payable	(402,549)	
Estimated health claims payable	(1,690,000)	
Deferred Revenue	(8,483,762)	4,503,706
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.		
Due within one year	(4,251,212)	
Due in more than one year	(41,766,877)	<u>(46,018,089)</u>
Net assets of governmental activities		<u>\$ 234,591,643</u>

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, 2007

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Capital Projects Fund		
Revenues:					
Taxes					
Property	\$ 12,623,048	\$ -	\$ -	\$ 6,894,402	\$ 19,517,450
Sales	24,039,616	-	-	-	24,039,616
Franchise	3,284,355	-	-	-	3,284,355
Public service	1,629,761	-	-	1,307,263	2,937,024
Gaming	2,847,942	-	-	-	2,847,942
Licenses and permits	2,803,830	-	-	-	2,803,830
Intergovernmental	928,695	27,799,818	326,769	951,295	30,006,577
Charges for services	837,677	-	-	10,982	848,659
Fines and forfeits	1,393,749	-	-	-	1,393,749
Interest	852,773	-	233,399	393,473	1,479,645
Miscellaneous	953,606	-	4,658,373	6,000	5,617,979
Total revenues	<u>52,195,052</u>	<u>27,799,818</u>	<u>5,218,541</u>	<u>9,563,415</u>	<u>94,776,826</u>
Expenditures					
Current:					
General government	6,436,691	1,008,642	-	-	7,445,333
Public safety	28,400,693	148,566	-	1,380,621	29,929,880
Public works	8,935,965	14,300,187	2,158,800	318,976	25,713,928
Health and welfare	-	-	-	786,880	786,880
Economic development	2,238,014	-	-	-	2,238,014
Culture and recreation	3,952,828	5,257,460	-	-	9,210,288
Capital outlay	5,929,259	26,593	5,802,514	931,833	12,690,199
Debt service:					
Principal	-	-	-	3,028,101	3,028,101
Interest	-	-	-	1,286,601	1,286,601
Other	-	-	-	9,715	9,715
Total expenditures	<u>55,893,450</u>	<u>20,741,448</u>	<u>7,961,314</u>	<u>7,742,727</u>	<u>92,338,939</u>
Excess (deficit) of revenues over expenditures	<u>(3,698,398)</u>	<u>7,058,370</u>	<u>(2,742,773)</u>	<u>1,820,688</u>	<u>2,437,887</u>
Other financing sources (uses)					
Proceeds of loans	1,790,535	-	-	-	1,790,535
Insurance proceeds	2,739,585	-	500,000	-	3,239,585
Sale of capital assets	127,023	-	-	-	127,023
Transfers in	6,323,810	3,000,000	8,465,201	-	17,789,011
Transfers out	<u>(15,769,786)</u>	<u>(3,140,348)</u>	<u>-</u>	<u>(584,225)</u>	<u>(19,494,359)</u>
Total other financing sources (uses)	<u>(4,788,833)</u>	<u>(140,348)</u>	<u>8,965,201</u>	<u>(584,225)</u>	<u>3,451,795</u>
Changes in fund balance	(8,487,231)	6,918,022	6,222,428	1,236,463	5,889,682
Fund balance - October 1	38,141,412	1,924,800	2,149,537	7,232,234	49,447,983
Fund balance - September 30	<u>\$ 29,654,181</u>	<u>\$ 8,842,822</u>	<u>\$ 8,371,965</u>	<u>\$ 8,468,697</u>	<u>\$ 55,337,665</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, 2007

	Amount
Net change in fund balances - total governmental funds:	\$ 5,889,682
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.	14,444,406
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.	(217,462)
New borrowings are shown as revenues in the fund statements, but are shown as debt in the government wide statements. This note was part of a \$3,000,000 capital lease agreement where the City only received \$1,790,535 of proceeds in this fiscal year. The remainder will be received in fiscal year ended September 30, 2008. A receivable was recorded in the government wide statements; however, this receivable was not considered current resources so no receivable was recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance.	(1,790,535)
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.	3,028,102
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.	(276,712)
Claims paid 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.	1,000
Interest on long term debt that is not due and payable in the current year is not recorded as an expense in the fund level statements.	(119,359)
Bond issue costs which are shown as amortization expense in the government-wide statements and are not reflected in the fund statement	(29,329)
Internal service funds are used by management to charge the cost of certain activities such as insurance costs, to individual funds	1,519,294
Change in net assets of governmental activities	\$ 22,449,087

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, 2007

	Business Type Activities			Governmental
	Water and Sewer	Non-major Fund Joseph T. Jones Park	Total Business-Type Activities	Activities - Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,923,341	\$ 335,532	\$ 5,258,873	\$ 12,298,996
Cash with fiscal agents	-	-	-	40,604
Investments	245	-	245	1,471,745
Receivables:				
Customer accounts (net of allowance for uncollectible accounts)	1,865,184	-	1,865,184	-
Customer accounts accrued but not billed	895,092	-	895,092	-
Other	559,727	-	559,727	-
Prepaid insurance	-	-	-	1,268,672
Due from other governments	250,619	-	250,619	-
Total current assets	<u>8,494,208</u>	<u>335,532</u>	<u>8,829,740</u>	<u>15,080,017</u>
Current restricted assets				
Cash - Water and Sewer Trust	<u>929,959</u>	<u>-</u>	<u>929,959</u>	<u>-</u>
Noncurrent assets				
Capital assets:				
Land	149,313	63,304	212,617	-
Construction in progress	28,818,291	-	28,818,291	-
Infrastructure	126,984,795	239,562	127,224,357	-
Machinery and equipment	946,767	-	946,767	-
Vehicles	1,822,775	47,604	1,870,379	-
Less accumulated depreciation	(29,464,716)	(119,462)	(29,584,178)	-
Total capital assets	<u>129,257,225</u>	<u>231,008</u>	<u>129,488,233</u>	<u>-</u>
Other noncurrent assets				
Cash - Water and Sewer Improvements	10,281,445	-	10,281,445	-
Cash - Reserved for community disaster loan payment	718,200	-	718,200	-
Deferred charges	3,424,506	-	3,424,506	-
Total other noncurrent assets	<u>14,424,151</u>	<u>-</u>	<u>14,424,151</u>	<u>-</u>
Total assets	<u>\$ 153,105,543</u>	<u>\$ 566,540</u>	<u>\$ 153,672,083</u>	<u>\$ 15,080,017</u>
Liabilities				
Current liabilities (payable from current assets)				
Accounts payable	\$ 1,267,378	\$ 440	\$ 1,267,818	\$ 402,549
Accrued wages payable	-	1,372	1,372	-
Accrued interest payable	483,075	-	483,075	-
Due to other funds	54,250	-	54,250	-
Deferred revenue	-	-	-	8,483,762
Liability for self-insurance claims	-	-	-	1,690,000
Retainage payable	142,338	-	142,338	-
Other liabilities	318,276	-	318,276	-
Current portion of long-term debt				
Compensated absences payable	-	3,103	3,103	-
Notes payable	1,101,828	-	1,101,828	-
Bonds payable	2,660,000	-	2,660,000	-
Total current liabilities payable from current assets	<u>6,027,145</u>	<u>4,915</u>	<u>6,032,060</u>	<u>10,576,311</u>
Current liabilities (payable from restricted assets)				
Meter deposits	995,733	-	995,733	-
Total current liabilities	<u>7,022,878</u>	<u>4,915</u>	<u>7,027,793</u>	<u>10,576,311</u>
Long-term debt				
Compensated absences payable	-	2,981	2,981	-
Notes payable	36,905,881	-	36,905,881	-
Bonds payable	52,950,000	-	52,950,000	-
Total noncurrent liabilities	<u>89,855,881</u>	<u>2,981</u>	<u>89,858,862</u>	<u>-</u>
Total liabilities	<u>96,878,759</u>	<u>7,896</u>	<u>96,886,655</u>	<u>10,576,311</u>
Net Assets				
Invested in capital assets, net of related debt	35,639,516	231,008	35,870,524	-
Restricted for revenue bond indentures	4,000	-	4,000	-
Unrestricted	20,583,268	327,636	20,910,904	4,503,706
Total net assets	<u>\$ 56,226,784</u>	<u>\$ 558,644</u>	<u>\$ 56,785,428</u>	<u>\$ 4,503,706</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, 2007

	Business Type Activities			Governmental Activities - Internal Service Funds
	Water and Sewer	Non-major Fund Joseph T, Jones Park	Total Business-Type Activities	
Operating Revenues				
Charges for services	\$ 20,571,100	\$ 5,714	\$ 20,576,814	\$ -
Employee contributions	-	-	-	764,346
Retiree contributions	-	-	-	135,153
Employer contributions	-	-	-	6,003,789
Insurance claim reimbursements	-	-	-	275,280
Miscellaneous	1,281,474	120	1,281,594	-
Total operating revenues	<u>21,852,574</u>	<u>5,834</u>	<u>21,858,408</u>	<u>7,178,568</u>
Operating Expenses				
Personnel services	104,000	91,560	195,560	-
Contractual services	7,690,855	9,194	7,700,049	-
Material and supplies	1,684,575	6,679	1,691,254	9,250
Administrative expenses	-	-	-	281,378
Death benefits paid	-	-	-	1,000
Premium payments	-	-	-	2,460,314
Claims paid and changes in estimates	-	-	-	4,307,340
Depreciation	2,564,746	17,025	2,581,771	-
Amortization	674,686	-	674,686	-
Bad debts	397,912	-	397,912	-
Total operating expenses	<u>13,116,774</u>	<u>124,458</u>	<u>13,241,232</u>	<u>7,059,282</u>
Operating income (loss)	<u>8,735,800</u>	<u>(118,624)</u>	<u>8,617,176</u>	<u>119,286</u>
Non-operating revenues				
Intergovernmental	515,847	-	515,847	-
Insurance proceeds	486,747	-	486,747	-
Interest income	1,044,516	17,763	1,062,279	835,008
Interest expense	(2,635,721)	-	(2,635,721)	-
Total nonoperating revenues (expenses)	<u>(588,611)</u>	<u>17,763</u>	<u>(570,848)</u>	<u>835,008</u>
Income (loss) before contributions and transfers	8,147,189	(100,861)	8,046,328	954,294
Capital contributions	383,125	33,000	416,125	-
Transfers from other funds	1,486,747	140,348	1,627,095	3,869,585
Transfers to other funds	(486,747)	-	(486,747)	(3,304,585)
Change in net assets	9,530,314	72,487	9,602,801	1,519,294
Net assets - October 1	46,696,470	486,157	47,182,627	2,984,412
Net assets - September 30	<u>\$ 56,226,784</u>	<u>\$ 558,644</u>	<u>\$ 56,785,428</u>	<u>\$ 4,503,706</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, 2007

	Business-type Activities			Governmental
	Water and Sewer	Non-major Fund Joseph T. Jones Park	Total Business-type Activities	Internal Service Funds
Cash flows from operating activities				
Cash received from customers	\$ 20,867,528	\$ 5,714	\$ 20,873,242	\$ -
Cash received from other operating receipts	1,144,177	120	1,144,297	-
Cash received from employees and others	-	-	-	899,499
Cash received from insurance claims	-	-	-	275,280
Cash received from employer contributions	-	-	-	6,003,789
Cash paid to suppliers	(11,326,654)	(14,280)	(11,340,934)	(11,377,870)
Cash paid to employees	(105,740)	(91,834)	(197,574)	-
Cash received from meter deposits, net	248,106	-	248,106	-
Net cash provided by operating activities	<u>10,827,417</u>	<u>(100,280)</u>	<u>10,727,137</u>	<u>(4,199,302)</u>
Cash from non-operating activities				
Cash received from insurance proceeds	486,747	-	486,747	-
Cash received from governmental grants	515,847	-	515,847	-
Cash transferred from governmental funds	1,000,000	140,347	1,140,347	565,000
Net cash provided by non-operating activities	<u>2,002,594</u>	<u>140,347</u>	<u>2,142,941</u>	<u>565,000</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(14,970,798)	(158,938)	(15,129,736)	-
Disposition of capital assets	(226,972)	-	(226,972)	-
Proceeds from debt issuance	8,463,190	-	8,463,190	-
Principal paid on revenue bond maturities and notes payable	(3,287,465)	-	(3,287,465)	-
Interest paid on bonds and notes payable	(2,635,721)	-	(2,635,721)	-
Net cash used in capital and related financing activities	<u>(12,657,766)</u>	<u>(158,938)</u>	<u>(12,816,704)</u>	<u>-</u>
Cash flows from investing activities				
Investment transactions, net	-	-	-	(83,121)
Interest received	1,044,516	17,763	1,062,279	835,008
Net cash from investing activities	<u>1,044,516</u>	<u>17,763</u>	<u>1,062,279</u>	<u>751,887</u>
Net increase (decrease) in cash and cash equivalents	1,216,761	(101,108)	1,115,653	(2,882,415)
Cash and equivalents - October 1	<u>15,636,184</u>	<u>436,640</u>	<u>16,072,824</u>	<u>15,181,411</u>
Cash and equivalents - September 30	<u>\$ 16,852,945</u>	<u>\$ 335,532</u>	<u>\$ 17,188,477</u>	<u>\$ 12,298,996</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Operating income (loss)	\$ 8,735,800	\$ (118,624)	\$ 8,617,176	\$ 119,286
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	2,564,746	17,025	2,581,771	-
Amortization	674,686	-	674,686	-
Bad debts	397,912	-	397,912	-
(Increase) decrease in assets				
Accounts receivable	149,135	-	149,135	-
Other receivables	-	-	-	4,699
Prepaid assets	194,492	-	194,492	(210,197)
Due from other governments	(250,619)	-	(250,619)	-
Increase (decrease) in liabilities				
Accounts payable	(1,717,815)	221	(1,717,594)	(366,045)
Accrued wages payable	(1,740)	1,372	(368)	-
Deferred revenue	-	-	-	(3,231,031)
Other liabilities	(29,989)	-	(29,989)	(516,014)
Meter deposit liabilities	110,809	-	110,809	-
Compensated absences payable	-	(274)	(274)	-
Net cash provided by (used in) operating activities	<u>\$ 10,827,417</u>	<u>\$ (100,280)</u>	<u>\$ 10,727,137</u>	<u>\$ (4,199,302)</u>
Non cash investing, capital and financing activities:				
Changes in fair value of investments				18,703
Other receivables	3,870,825	-	3,870,825	-
Contributed capital	383,125	33,000	416,125	-
	<u>\$ 4,253,950</u>	<u>\$ 33,000</u>	<u>\$ 4,286,950</u>	<u>\$ 18,703</u>

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



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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.

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Statement of Net Assets
September 30, 2007

	Agency Funds		
	Asset Forfeiture	Coastal Narcotics	2007 Totals
Assets			
Cash and cash equivalents	\$ 41,850	\$ 324,793	\$ 366,643
Assets held for disposal	-	67,130	67,130
Total assets	<u>41,850</u>	<u>391,923</u>	<u>433,773</u>
Liabilities			
Accounts payable	-	6,417	6,417
Assets held in trust	41,850	385,506	427,356
Total liabilities	<u>\$ 41,850</u>	<u>\$ 391,923</u>	<u>\$ 433,773</u>

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

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Statement of Changes in Net Assets
For the Fiscal Year Ended September 30, 2007

	Balance at 10/01/06	Additions	Deletions	Balance at 09/30/07
<u>Asset Forfeiture Fund</u>				
Assets				
Cash	\$ 52,732	\$ 16,498	\$ 27,380	\$ 41,850
Total assets	<u>52,732</u>	<u>16,498</u>	<u>27,380</u>	<u>41,850</u>
Liabilities				
Accounts payable	1,464		1,464	-
Assets held in trust	<u>51,268</u>	<u>16,498</u>	<u>25,916</u>	<u>41,850</u>
Total liabilities	<u>52,732</u>	<u>16,498</u>	<u>27,380</u>	<u>41,850</u>
<u>Coastal Narcotics Task Force</u>				
Assets				
Cash	216,345	108,448	-	324,793
Asset held for disposal	<u>54,787</u>	<u>27,994</u>	<u>15,651</u>	<u>67,130</u>
Total assets	<u>271,132</u>	<u>136,442</u>	<u>15,651</u>	<u>391,923</u>
Liabilities				
Accounts payable	15,651	6,417	15,651	6,417
Assets held in trust	<u>255,481</u>	<u>130,025</u>		<u>385,506</u>
Total liabilities	<u>271,132</u>	<u>136,442</u>	<u>15,651</u>	<u>391,923</u>
<u>Total Agency Funds</u>				
Assets				
Cash	269,077	124,946	27,380	366,643
Asset held for disposal	<u>54,787</u>	<u>27,994</u>	<u>15,651</u>	<u>67,130</u>
Total assets	<u>323,864</u>	<u>152,940</u>	<u>43,031</u>	<u>433,773</u>
Liabilities				
Accounts Payable	17,115	6,417	17,115	6,417
Assets held in trust	<u>306,749</u>	<u>146,523</u>	<u>25,916</u>	<u>427,356</u>
Total Liabilities	<u>\$ 323,864</u>	<u>\$ 152,940</u>	<u>\$ 43,031</u>	<u>\$ 433,773</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, 2007

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, 2007.

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 government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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, 2007

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 .

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.

Proprietary Funds –

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:

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water and Sewer Fund –

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

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

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

D. Measurement Focus/Basis of Accounting

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

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

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$5,459,185 at September 30, 2007 has been provided in the Water and Sewer Enterprise Fund for estimated uncollectible utility charges. The allowance is based on trade receivables in excess of 90 days outstanding.

An allowance for estimated uncollectible rental fees has been established in the Joseph T. Jones Fund based upon historical collection experience and other relevant circumstances. The allowance for estimated uncollectible receivables at September 30, 2007 is \$57,798.

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepaid Items

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

J. Restricted Assets

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

K. Capital Assets

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

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

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

L. Net Assets

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

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 10. The fund equity designation for subsequent year's expenditures primarily represents amount of cash used in the next years budget to offset amounts in which expenditures are budgeted in excess of budgeted revenues.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

O. Post Employment Health Care Benefits

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

P. Estimates

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

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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.

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

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

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, 2007 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, 2005 there were two casinos operating within the City. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4 to .8 percent. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. Gaming revenue of \$2,847,942 was received by the City in fiscal year ended September 30, 2007.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

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

(C) Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Gulfport) back to the City monthly. Tax revenue reported in the General Fund includes \$24,039,616 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 June 30, 2007, the carrying amount of the City’s deposits was \$65,716,358, and the bank balance was \$68,970,100. The \$3,253,742 difference represents outstanding checks and other reconciling items.

A summary of Cash and Cash Equivalents at September 30, 2007 is as follows:

	Cash and Cash Equivalents Invested in Sweep Account	Non-pooled Cash and Cash Equivalents	Restricted Cash	Total
Governmental funds:				
Major funds:				
General fund	\$18,401,967	\$ 2,350	\$ 178,502	\$18,582,819
Capital projects fund	8,110,048	-	-	8,110,048
Non-major funds	9,169,225	150	-	9,169,375
Total governmental funds	<u>35,681,240</u>	<u>2,500</u>	<u>178,502</u>	<u>35,862,242</u>
Proprietary funds – business-type activities:				-
Water & sewer fund	15,921,986	1,000	929,959	16,852,945
Port fund	335,532	-	-	335,532
Total proprietary funds – business-type activities	<u>16,257,518</u>	<u>1,000</u>	<u>929,959</u>	<u>17,188,477</u>
Proprietary funds – governmental-type activities	<u>12,298,996</u>	<u>-</u>	<u>-</u>	<u>12,298,996</u>
Fiduciary funds	<u>-</u>	<u>366,643</u>	<u>-</u>	<u>366,643</u>
Total cash and cash equivalents	<u>\$64,604,397</u>	<u>\$ 3,500</u>	<u>\$1,108,461</u>	<u>\$65,716,358</u>

Cash in Water and Sewer Improvements in the proprietary funds statements in the amount of \$10,999,645 is classified as Other Noncurrent Assets as to not distort working capital.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

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

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

However, 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 is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation. As of September 30, 2007, none of the City's bank balance of \$68,970,100 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 \$40,604. The entire amount was insured or collateralized with securities held by the financial institutions in the city's name.

(C) Investments

At September 30, 2007, 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 and Federal Agency Securities. A summary of the City's investments at September 30, 2007 is as follows:

	Rate of Interest	Amount
Governmental Funds:		
Government National Mortgage Assoc.	4.5% - 5.5%	\$ 115,411
U.S. Treasury Notes	3.0% - 5.75%	1,356,334
Proprietary Funds:		
Water & Sewer – U.S. Treasury	Varies	245
Total investments		\$ 1,471,990

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

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:

	U.S. Treasury Notes	Federal Agency Securities	Total
Less than one year	\$ 400,238	\$ -	\$ 400,238
1 - 5 years	709,466	-	709,466
6 - 10 years	246,875	-	246,875
over 10 years	-	115,411	115,411
Total investments	\$ 1,356,579	\$ 115,411	\$ 1,471,990

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, 2007:

<u>Governmental Activities:</u>	Major Governmental Funds	Non-Major Governmental Funds
Accounts receivable		
Taxes receivable:		
Property taxes	\$ 456,048	\$ 250,398
Sales taxes	1,827,491	-
Franchise taxes	941,663	-
Gaming fees	265,174	-
For other governments	481,293	-
Other receivables:		
Insurance reimbursement	500,000	-
Privilege licenses	134,735	-
Other	57,064	-
Total accounts receivable	\$ 4,663,468	\$ 250,398
Due from other governments		
Federal	20,942,284	-
State	272,669	209,410
Total due from other governments	\$21,214,953	\$ 209,410

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 5: RECEIVABLES (Continued)

<u>Business Type Activities</u>	<u>Water and Sewer Fund</u>
Accounts receivable:	
Water & sewer utility charges	\$8,219,461
Harbor berth rentals	57,798
Total gross receivables	8,277,259
Less: allowance for uncollectibles	(5,516,983)
Net total accounts receivable	<u>\$2,760,276</u>

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, the various components of *deferred revenue* reported in the funds were as follows:

General fund:	
Assessment not yet due	\$ 1,209,372
Grant drawdowns prior to meeting all eligibility requirements	1,136,405
Drug-free task force assets seized and not settled	28,499
Internal service fund	
Insurance proceeds for Hurricane Katrina losses not yet replaced	<u>8,483,762</u>
Total fund deferred revenues (funds)	<u>\$10,858,038</u>

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at September 30, 2007 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Funds		
General Fund	\$ 11,769,532	\$ -
Disaster Relief Fund		11,197,508
Water and Sewer Fund	-	54,250
Nonmajor Funds	<u>15,976</u>	<u>533,750</u>
Totals	<u>\$ 11,785,508</u>	<u>\$ 11,785,508</u>

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES (Continued)

In addition to the above interfund loans, the following transfers were made between funds during the year ended September 30, 2007:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
Major Funds		
General Fund	\$ 6,323,810	\$ 15,769,786
Disaster Relief Fund	3,000,000	3,140,348
Capital Projects Fund	8,465,201	-
Water and Sewer Fund	1,486,747	486,747
Non-major Funds		
Governmental-type	-	584,225
Business-type	4,009,933	3,304,585
Totals	<u>\$ 23,285,691</u>	<u>\$ 23,285,691</u>

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

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance October 1	Additions	Deletions	Balance September 30
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 25,255,243	\$ 1,595,804	\$ -	\$ 26,851,047
Total capital assets not being depreciated	<u>25,255,243</u>	<u>1,595,804</u>	<u>-</u>	<u>26,851,047</u>
Capital assets being depreciated				
Buildings	9,025,432	4,850,138	-	13,875,570
Improvements other than buildings	1,190,125	3,823,670	-	5,013,795
Infrastructure	232,519,274	6,600,783	-	239,120,057
Machinery & Equipment	7,053,318	1,170,227	(89,562)	8,133,983
Vehicles	13,446,545	2,028,285	(834,188)	14,640,642
Total capital assets being depreciated	<u>263,234,694</u>	<u>18,473,103</u>	<u>(923,750)</u>	<u>280,784,047</u>
Less accumulated depreciation for:				
Buildings	(3,497,119)	(658,551)	-	(4,155,670)
Improvements other than buildings	(854,768)	(202,664)	-	(1,057,433)
Infrastructure	(66,141,539)	(2,891,968)	-	(69,033,507)
Machinery & Equipment	(4,432,526)	(918,328)	418,917	(4,931,938)
Vehicles	(8,157,499)	(952,990)	287,371	(8,823,116)
Total accumulated depreciation	<u>(83,083,451)</u>	<u>(5,624,501)</u>	<u>706,288</u>	<u>(88,001,664)</u>
Total capital assets being depreciated, net	<u>180,151,243</u>	<u>12,848,602</u>	<u>(217,462)</u>	<u>192,782,383</u>
Governmental activities – Capital assets, net	<u>\$ 205,406,486</u>	<u>\$ 14,444,406</u>	<u>\$ (217,462)</u>	<u>\$ 219,633,430</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 7: CAPITAL ASSETS (Continued)

	Balance October 1	Additions	Deletions	Balance September 30
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 212,617	\$ -	\$ -	\$ 212,617
Construction in progress	19,139,156	9,679,135		28,818,291
Total capital assets not being depreciated	<u>19,351,773</u>	<u>9,679,135</u>	<u>-</u>	<u>29,030,908</u>
Capital assets being depreciated				
Infrastructure	121,675,764	5,548,593	-	127,224,357
Machinery & Equipment	1,048,555	58,232	(160,020)	946,767
Vehicles	1,514,437	561,918	(205,976)	1,870,379
Total capital assets being depreciated	<u>124,238,756</u>	<u>6,168,743</u>	<u>(365,996)</u>	<u>130,041,503</u>
Less accumulated depreciation for:				
Infrastructure	(25,616,584)	(2,397,286)		(28,013,870)
Machinery & Equipment	(650,526)	(63,218)	177,487	(536,257)
Vehicles	(998,031)	(121,267)	85,247	(1,034,051)
Total accumulated depreciation	<u>(27,265,141)</u>	<u>(2,581,771)</u>	<u>262,734</u>	<u>(29,584,178)</u>
Total capital assets being depreciated, net	<u>96,973,615</u>	<u>3,586,972</u>	<u>(103,262)</u>	<u>100,457,325</u>
Governmental activities – capital assets, net	<u>\$ 116,325,388</u>	<u>\$ 13,266,107</u>	<u>\$ (103,262)</u>	<u>\$ 129,488,233</u>

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

Governmental activities:	
General government	\$ 666,160
Public safety	1,031,397
Public works	3,694,136
Culture and recreation	169,014
Health and welfare	21,184
Economic development	42,610
Total depreciation expense – governmental activities	<u>\$ 5,624,501</u>
Business-type activities	
Water and sewer	\$ 2,564,746
Joseph T. Jones memorial park	17,025
Total depreciation expense-business-type activities	<u>\$ 2,581,771</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 8: LONG-TERM DEBT

(A) Governmental Activities

Transactions for the Year Ended September 30, 2007 are summarized as follows:

Governmental Activities	Payable at 10/01/06	Additions	Reductions	Payable at 09/30/07	Due in one year
General obligation bonds	\$ 22,835,000	-	2,125,000	\$ 20,710,000	\$ 2,230,000
Notes payable	21,503,426	3,000,000	903,102	23,600,324	1,150,873
Compensated absences	1,390,053	276,712	-	1,666,765	870,339
Claims and judgments	42,000	-	1,000	41,000	-
	<u>\$ 45,770,479</u>	<u>3,276,712</u>	<u>3,029,102</u>	<u>\$ 46,018,089</u>	<u>\$ 4,251,212</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 Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one Year
G/O refunding issue	\$ 1,895,000	09/12/95	7.00 - 7.80	\$ 230,000	\$ 230,000
G/O public improvement	6,000,000	07/01/98	4.40 - 6.00	4,055,000	275,000
G/O public improvement	1,000,000	05/01/00	5.20	365,000	115,000
G/O refunding issue	9,580,000	12/01/02	2.00 - 5.00	6,230,000	900,000
G/O public improvement	5,000,000	04/01/03	3.50 - 4.25	4,320,000	190,000
G/O refunding issue	6,160,000	08/05/04	2.00 - 4.05	5,510,000	520,000
	<u>\$ 29,635,000</u>			<u>\$ 20,710,000</u>	<u>\$ 2,230,000</u>

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

Year Ending 09/30/07	Principal	Interest	Total
2008	2,230,000	845,620	3,075,620
2009	2,100,000	757,310	2,857,310
2010	2,210,000	669,845	2,879,845
2011	2,190,000	570,823	2,760,823
2012	2,305,000	477,929	2,782,929
2013-2017	7,220,000	1,275,104	8,495,104
2018-2022	2,085,000	309,815	2,394,815
2023-2027	370,000	15,725	385,725
Total	<u>\$ 20,710,000</u>	<u>4,922,171</u>	<u>25,632,171</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 8: LONG-TERM DEBT (Continued)

Prior year defeased bonds:

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

In August 2004, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2007, \$5,710,000 of bonds outstanding is considered defeased.

(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 15-year note , \$992,903 to construct fire Stations in the annexed area	08/04/97	3.70%	\$ 340,293	\$ 78,597
State of Mississippi CAP Revolving Fund 15-year note, \$425,000, to construct fire Stations in the annexed area	08/04/97	3.70%	156,704	36,194
Special Community Disaster Loan, Federal Emergency Management Agency 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 Promissory Note, \$10,000,000 authorized. Proceeds of \$589,489 reported on TBMA - The Bond Market Bond Market Association Index	12/01/00	1.05% over TBMA	7,005,063	470,350
Hancock Bank, Lease Purchase Financing Agreement, 5-year note, \$3,000,000, to finance machinery, equipment, and vehicles for the public works and fire departments	12/20/06	3.86%	2,725,142	565,732
Total general obligation notes			\$ 23,600,324	\$ 1,150,873

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 8: LONG-TERM DEBT (Continued)

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:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,150,873	\$ 312,371	\$ 1,463,244
2009	1,162,981	286,151	1,449,132
2010	14,562,956	612,950	15,175,906
2011	1,217,728	203,183	1,420,911
2012	852,473	160,595	1,013,068
2013-2017	2,351,750	556,892	2,908,642
2018-2022	2,116,751	204,867	2,321,618
2023-2027	184,812	88,020	272,832
Total	<u>\$ 23,600,324</u>	<u>\$ 2,425,029</u>	<u>\$ 26,025,353</u>

(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 \$870,339 of the accrued liability of \$1,666,765 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, 2007, a total of 41 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$41,000 has been included in the General Long-Term Debt at September 30, 2007. 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, 2007, the amount of outstanding general obligation bonded debt was equal to 3.7% 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 \$554,100,000; therefore, the 15% limitation equals: \$83,115,000; less GO Bonds outstanding of \$ 20,710,000, leaving a margin for further debt issuance of \$62,405,000.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 8: LONG-TERM DEBT (Continued)

(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, 2007, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$91,413,279. 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, 2007:

Business-type activities	Payable at 10/01/06	Additions	Reductions	Payable at 09/30/07	Due in one year
General Obligation Bonds	\$58,140,000	\$ -	\$ 2,530,000	\$55,610,000	\$2,660,000
Notes payable	30,301,984	8,463,190	757,465	38,007,709	1,101,828
Compensated absences	5,810	274	-	6,084	3,103
Total	\$88,447,794	\$ 8,463,464	\$ 3,287,465	\$93,623,793	\$3,764,931

(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, 2007 are as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one Year
Water and Sewer -					
General Obligation Bonds	\$ 6,000,000	12/01/96	7.00 - 7.80	\$ 295,000	\$ 295,000
General Obligation Refunding Bonds	6,440,000	08/01/98	4.75 - 6.60	2,170,000	675,000
General Obligation Refunding Bonds	3,810,000	12/02/04	3.00 - 3.85	3,730,000	40,000
General Obligation Refunding Bonds	5,200,000	04/14/05	4.00 - 4.25	4,860,000	180,000
General Obligation Revenue Refunding Bonds	47,565,000	04/07/05	2.63 - 4.34	44,555,000	1,470,000
	<u>\$69,015,000</u>			<u>\$ 55,610,000</u>	<u>\$ 2,660,000</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 8: LONG-TERM DEBT (Continued)

Bonded debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,660,000	2,727,780	5,387,780
2009	2,825,000	2,602,481	5,427,481
2010	2,935,000	2,475,608	5,410,608
2011	2,295,000	2,344,727	4,639,727
2012	2,405,000	2,236,257	4,641,257
2013-2017	14,570,000	9,250,482	23,820,482
2018-2022	16,670,000	5,452,309	22,122,309
2023-2027	11,250,000	1,160,113	12,410,113
Total	<u>\$ 55,610,000</u>	<u>\$ 28,249,757</u>	<u>\$ 83,859,757</u>

Prior year defeased bonds:

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

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

In December 2004, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2007, \$3,755,000 of bonds outstanding is considered defeased.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 8: LONG-TERM DEBT (Continued)

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, 2007, \$46,225,000 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, 2007 is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>	<u>Due in One year</u>
State Revolving Fund Loans	\$45,291,182	various	3.0 - 4.5	\$ 34,551,249	\$ 1,072,178
Community Disaster Loan	2,985,689	Various	2.5%	2,985,689	-
MS Development Bank	598,489	various	% of prime	470,771	29,650
Total	<u>\$48,875,360</u>			<u>\$ 38,007,709</u>	<u>\$ 1,101,828</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

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 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.

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, 2007

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)	
All employees except police and fire	325,000
Police and fire employees	350,000
Annual aggregate risk of loss through deductibles	1,896,463
Specific excess coverage in force	Statutory
<u>Employee Health Insurance</u>	
Per occurrence deductible (SIR)	125,000
Annual aggregate risk of loss through deductibles	3,835,642
<u>General and Other Liability Coverage</u>	
Per occurrence deductible (SIR)	100,000
Annual aggregate risk of loss through deductibles	810,000
Specific excess coverage in force (no aggregate limitation)	1,000,000/Occurrence
<u>Property Coverage</u>	
Windstorm	2% or \$20,000 per loss
All other perils	100,000/Occurrence
Specific excess coverage in force	
Windstorm	26,590,987
Buildings, contents and water towers	34,610,342

(B) Claims Liability

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 11: RISK MANAGEMENT (Continued)

(C) Unpaid Claims Liabilities

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2005 to September 30, 2007:

	Claims Contingency Fund (Workers' Compensation and Tort Claims)	Group Life and Health Fund (Health Care Claims)
Liability balance, October 1, 2005	\$ 1,902,141	\$ 245,670
Claims and changes in estimates	1,113,926	3,681,680
Claims payments	<u>(1,136,460)</u>	<u>(3,600,943)</u>
Liability balance, September 30, 2006	1,879,607	326,407
Claims and changes in estimates	(167,329)	4,474,669
Claims payments	<u>(632,278)</u>	<u>(4,191,076)</u>
Liability balance, September 30, 2007	<u>\$ 1,080,000</u>	<u>\$ 610,000</u>
Assets available to pay claims at September 30, 2007	<u>\$ 11,816,999</u>	<u>\$ 1,994,346</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, 2007:

(A) Community Development Entitlement Grants

Grant Number	Award Amount	Funds Drawn and Expended in fye 2007	Funds Drawn and Expended in prior years	Balance of Awards
B-05-MC-28-0002	\$ 875,259	629,081	211,963	\$ 34,215
B-06-MC-28-0002	785,554	-	-	785,554
B-07-MC-28-0002	783,598	-	-	783,598
	<u>\$ 2,444,411</u>	<u>629,081</u>	<u>211,963</u>	<u>\$ 1,603,367</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 12: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT GRANT PROGRAMS
(Continued)

(B) Home Investment Partnership Program

<u>Grant Number</u>	<u>Award Amount</u>	<u>Funds Drawn and Expended in fye 2007</u>	<u>Funds Drawn and Expended in prior years</u>	<u>Balance of Awards</u>
M-05-ODC-28-0002	836,355	366,900	111,026	358,429
M-06-ODC-28-0002	774,398		-	774,398
M-07-ODC-28-0002	768,297	-	-	768,297
	<u>\$ 2,379,050</u>	<u>366,900</u>	<u>111,026</u>	<u>\$ 1,901,124</u>

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, 2007.

<u>Infrastructure Projects</u>	<u>Contract Amount</u>	<u>Expended at 09/30/07</u>	<u>Outstanding Commitment</u>
North Orange Grove Water System	831,573	705,456	126,117
Fritz Creek Interceptor	1,501,032	1,168,344	332,688
W. North Gulfport Interceptor	464,743	417,760	46,983
Three Rivers Road Improvements	3,062,051	2,837,244	224,807
Fritz Creek/John Ross Road	3,234,498	2,799,387	435,111
Fritz Creek Interceptor	1,884,186	1,733,729	150,457
28th Street Bridge	310,000	265,227	44,773
North Bayou View Sewer	928,000	818,698	109,302
Fritz Creek/John Ross Road	2,987,291	2,743,854	243,437
Louisiana Avenue Drainage	330,000	290,687	39,313
Jonestown, Northwood Hills/Oak Avenue	307,092	282,438	24,654
Fritz Creek/John Ross Road	2,151,009	2,055,764	95,245
Fritz Creek/John Ross Road	3,864,515	3,161,363	703,152
Joseph/Fournier Ave Drainage	482,198	353,139	129,059
Joseph/Fournier Ave Drainage	120,980	23,920	97,060
N. Orange Grove Interceptor	1,873,861	1,550,348	323,513
N. Orange Grove Interceptor	1,772,800	1,527,938	244,862
N. Orange Grove Interceptor	1,704,183	1,562,609	141,574
W. North Gulfport Interceptor	5,083,005	4,906,498	176,507
Hurricane Damage Storm Drain Systems	526,802	319,963	206,839
Hurricane Damage Water/Sewer Systems	360,000	90,555	269,445
Hurricane Damage Water/Sewer Systems	350,000	171,948	178,052
Hurricane Damage Water/Sewer Systems	375,699	98,027	277,672
Hurricane Damage Water/Sewer Systems	434,178	111,101	323,077
Hurricane Damage Water/Sewer Systems	338,574	269,700	68,874
	<u>\$ 37,481,652</u>	<u>\$ 31,427,187</u>	<u>\$ 6,054,465</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 13: OTHER COMMITMENTS AND CONTINGENCIES (Continued)

(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 \$1,080,000 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.

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 operates it. seq. Mississippi Code of 1972, as amended. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District. The following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2007, 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.

BALANCE SHEET

<u>ASSETS</u>	
Current assets	\$ 124,848,680
Non-current assets	125,434,626
Property, plant and equipment (net)	151,678,523
Other assets	<u>3,648,510</u>
Total assets	<u>\$ 405,610,339</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Current liabilities	\$ 55,554,295
Long-term liabilities	89,394,596
Net assets	<u>260,661,448</u>
Total liabilities and net assets	<u>\$ 405,610,339</u>

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	\$ 286,621,105
Operating expense	(274,544,790)
Non-operating revenues (expenses)	15,197,909
Capital grants, contributions and additions	
to permanent endowments	<u>783,340</u>
Increase in Net Assets	<u>\$ 28,057,564</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (continued)

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) for additional information pertaining to conduit debt issued for Memorial Hospital.

(2) Harrison County Wastewater and Solid Waste Management District

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

The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2007, a complete copy of which is on file at the administrative offices of the District which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

BALANCE SHEET

<u>ASSETS</u>	
Current assets	\$ 8,698,242
Restricted assets	31,150,095
Property, plant and equipment (net)	79,197,925
Deferred charges	<u>2,011,465</u>
Total assets	<u>\$ 121,057,727</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Current, unrestricted	\$ 5,911,901
Current, restricted	8,013,718
Long-term liabilities	<u>125,513,058</u>
Total liabilities	139,438,677
<u>FUND EQUITY</u>	<u>(18,380,950)</u>
Total liabilities and fund equity	<u>\$ 121,057,727</u>

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	\$ 15,993,805
Operating expenses	(17,384,611)
Depreciation and amortization	(5,230,806)
Non-operating revenues (expense)	<u>(3,024,267)</u>
Change in net assets	<u>\$ (9,645,879)</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

Water and Sewer Enterprise Fund

Statement of Revenues, Expenses and Changes in Retained Earnings Contractual services (solid waste and wastewater treatment charges)	<u>\$ 4,972,452</u>
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II. JOINTLY GOVERNED ORGANIZATIONS

Gulfport-Biloxi Regional Airport Authority

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

NOTE 15: RETIREMENT PLANS

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

(A) Public Employees' Retirement System

1. Plan Description and Provisions

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

2. Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.80% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2007, 2006 and 2005 were \$2,785,677, \$2,469,704, and \$2,428,330 respectively equal to the required contributions for each year.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 15: RETIREMENT PLANS (continued)

3. Trend Information

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2005 financial report.

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

1. General

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At September 30, 2007, the date of the most recent actuarial verification available, the MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Memberships and Benefit Provision

Membership in the Fire and Police Disability and Relief Systems was granted to all City uniformed police officers and fire fighters who were not already members of PERS and who were hired prior to July 1, 1976. Employees hired after July 1, 1976 automatically become members of PERS. MRS 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.

3. Funding Policy and Annual Pension Costs

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

During the year ended September 30, 2007, contributions totaling \$1,149,104 (\$1,137,920 employer and \$11,183 employee) was made in accordance with contribution requirements.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2007

NOTE 15: RETIREMENT PLANS

(C) Deferred Compensation Plan

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

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2007 and 2005, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$2,589,603 and \$2,296,934, respectively.



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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, 2007

	<i>General Fund</i>			
	Budget		Actual Budget Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Property	\$ 12,178,838	\$ 12,178,838	\$ 12,758,432	\$ 579,594
Sales	21,600,000	21,600,000	24,175,447	2,575,447
Franchise	2,900,000	2,900,000	3,182,854	282,854
Public service	1,267,000	1,744,900	1,555,438	(189,462)
Gaming	1,200,000	1,200,000	2,582,768	1,382,768
Licenses and permits	1,476,000	1,476,000	2,803,830	1,327,830
Intergovernmental	62,400	1,495,331	955,916	(539,415)
Charges for services	823,000	881,091	816,896	(64,195)
Fines and forfeits	2,000,000	2,000,000	1,594,206	(405,794)
Interest	600,000	600,000	852,773	252,773
Miscellaneous	789,522	1,637,861	958,351	(679,510)
Total revenues	<u>44,896,760</u>	<u>47,714,021</u>	<u>52,236,911</u>	<u>4,522,890</u>
Expenditures:				
General government				
Personnel services	4,638,417	4,675,632	4,316,060	359,572
Supplies	214,472	227,952	173,643	54,309
Other services	2,016,861	2,146,401	1,912,952	233,449
Capital outlay	167,570	220,922	165,645	55,277
Total	<u>7,037,320</u>	<u>7,270,907</u>	<u>6,568,300</u>	<u>702,607</u>
Police				
Personnel services	14,507,054	16,648,424	14,583,965	2,064,459
Supplies	1,552,835	1,672,389	1,617,125	55,264
Other services	1,238,391	1,921,315	1,514,815	406,500
Capital outlay	-	961,646	610,659	350,987
Total	<u>17,298,280</u>	<u>21,203,774</u>	<u>18,326,564</u>	<u>2,877,210</u>
Fire				
Personnel services	9,865,769	9,985,644	9,823,280	162,364
Supplies	358,479	473,794	455,075	18,719
Other services	264,768	339,323	308,973	30,350
Capital outlay	1,000,000	1,059,863	22,362	1,037,501
Total	<u>11,489,016</u>	<u>11,858,624</u>	<u>10,609,690</u>	<u>1,248,934</u>
Public works				
Personnel services	2,682,827	2,638,120	2,393,512	244,608
Supplies	1,823,545	1,769,562	1,739,996	29,566
Other services	4,573,558	4,878,558	4,464,321	414,237
Capital outlay	2,040,000	2,399,615	2,066,142	333,473
Total	<u>11,119,930</u>	<u>11,685,855</u>	<u>10,663,971</u>	<u>1,021,884</u>
Economic development				
Personnel services	1,701,997	1,749,411	1,573,365	176,046
Supplies	45,901	52,949	45,016	7,933
Other services	308,247	702,554	618,865	83,689
Capital outlay	29,000	29,000	22,601	6,399
Total	<u>2,085,145</u>	<u>2,533,914</u>	<u>2,259,847</u>	<u>274,067</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, 2007

	<i>General Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual Budget Basis	
	Original	Final		
Culture and recreation				
Personnel services	2,879,413	2,957,000	2,529,766	427,234
Supplies	641,269	643,900	614,465	29,435
Other services	773,421	837,621	756,602	81,019
Capital outlay	138,000	341,901	217,678	124,223
Total	<u>4,432,103</u>	<u>4,780,422</u>	<u>4,118,511</u>	<u>661,911</u>
Total expenditures	<u>53,461,794</u>	<u>59,333,496</u>	<u>52,546,883</u>	<u>6,786,613</u>
Excess (deficit) of revenues over expenditures	<u>(8,565,034)</u>	<u>(11,619,475)</u>	<u>(309,972)</u>	<u>11,309,503</u>
Other financing sources (uses)				
Proceeds of loans	3,000,000	3,000,000	1,790,535	(1,209,465)
Insurance proceeds	-	-	-	-
Sale of capital assets	-	119,523	119,523	-
Transfers in	635,000	3,635,000	3,584,225	(50,775)
Transfers out	<u>(11,810,000)</u>	<u>(13,030,201)</u>	<u>(13,030,201)</u>	<u>-</u>
Total other financing sources (uses)	<u>(8,175,000)</u>	<u>(6,275,678)</u>	<u>(7,535,918)</u>	<u>(1,260,240)</u>
Changes in fund balance	(16,740,034)	(17,895,153)	(7,845,890)	10,049,263
Fund balance - October 1	<u>38,141,412</u>	<u>38,141,412</u>	<u>38,141,412</u>	
Fund balance - September 30	<u>\$ 21,401,378</u>	<u>\$ 20,246,259</u>	<u>\$ 30,295,522</u>	<u>\$ 10,049,263</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 Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2007

<i>Disaster Relief Fund</i>				
	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,524,001	\$ 110,997,512	\$ 32,771,998	\$ (78,225,514)
Total revenues	<u>100,524,001</u>	<u>110,997,512</u>	<u>32,771,998</u>	<u>(78,225,514)</u>
Expenditures:				
General government				
Supplies	82,545	96,495	-	96,495
Other services	13,310,968	12,627,087	1,032,139	11,594,948
Capital outlay	1,138,853	801,862	1,391,976	(590,114)
Total	<u>14,532,366</u>	<u>13,525,444</u>	<u>2,424,115</u>	<u>11,101,329</u>
Public safety				
Personnel services	37,232	37,232	23,735	13,497
Supplies	382,639	367,639	-	367,639
Other services	1,303,123	2,197,234	77,488	2,119,746
Capital outlay	72,793	72,793	26,593	46,200
Total	<u>1,795,787</u>	<u>2,674,898</u>	<u>127,816</u>	<u>2,547,082</u>
Public works				
Supplies	930,675	1,650,677	424,210	1,226,467
Other services	28,580,847	37,530,768	18,673,642	18,857,126
Capital outlay	40,163,740	40,163,740	-	40,163,740
Total	<u>69,675,262</u>	<u>79,345,185</u>	<u>19,097,852</u>	<u>60,247,333</u>
Economic development				
Other services	3,469	3,469	-	3,469
Capital outlay	26,150	26,150	-	26,150
Total	<u>29,619</u>	<u>29,619</u>	<u>-</u>	<u>29,619</u>
Culture and recreation				
Supplies	64,457	64,457	58,610	5,847
Other services	4,504,487	6,433,129	3,697,414	2,735,715
Capital outlay	-	-	-	-
Total	<u>4,568,944</u>	<u>6,497,586</u>	<u>3,756,024</u>	<u>2,741,562</u>
Total expenditures	<u>90,601,978</u>	<u>102,072,732</u>	<u>25,405,807</u>	<u>76,666,925</u>
Excess (deficit) of revenues over expenditures	<u>9,922,023</u>	<u>8,924,780</u>	<u>7,366,191</u>	<u>(1,558,589)</u>
Other financing sources (uses)				
Transfers in	3,000,000	3,000,000	3,000,000	-
Transfers out	-	(3,000,000)	(3,000,000)	-
Total other financing sources (uses)	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance	12,922,023	8,924,780	7,366,191	(1,558,589)
Fund balance - October 1	1,924,800	1,924,800	1,924,800	-
Fund balance - September 30	<u>\$ 14,846,823</u>	<u>\$ 10,849,580</u>	<u>\$ 9,290,991</u>	<u>\$ (1,558,589)</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, 2007

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 funds).

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

	General Fund	Disaster Fund
Sources of financial resources		
Actual amounts (budgetary basis)	\$52,236,911	\$32,771,998
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.	(41,859)	4,972,180
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	52,195,052	27,799,818
Uses of financial resources		
Actual amounts (budgetary basis)	52,546,883	25,405,807
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.	3,346,567	4,664,359
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$55,893,450	\$20,741,448

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a) /c)
9/30/1998	\$ 8,012	\$ 17,172	\$ 9,160	46.7%	777	1178.9%
9/30/1999	8,997	17,120	8,123	52.6%	747	1087.4%
9/30/2000	9,893	17,425	7,532	56.8%	740	1017.8%
9/30/2001	10,627	18,601	7,974	57.1%	694	1149.0%
9/30/2002	10,986	18,904	7,918	58.1%	588	1346.6%
9/30/2003	11,136	23,527	12,391	47.3%	408	3037.0%
9/30/2004	10,745	23,317	12,572	46.1%	230	5466.1%
9/30/2005	10,212	22,970	12,758	44.5%	207	6163.3%
9/30/2006	10,533	22,720	12,187	46.4%	130	9374.6%
9/30/2007	10,897	22,170	11,273	49.2%	139	8110.1%

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.

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



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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.

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.

CITY OF GULFPORT, MISSISSIPPI
Non-major Governmental Funds
Combining Balance Sheet
September 30, 2007

	Special Revenue				Capital Projects				Debt Service	2007 Total Other Governmental Funds	
	Forfeitures and Seizures	Police Traffic Safety	Police and Fireman's Retirement	Community Development Program	Flood Acquisition Program	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund			2003 Public Improvement Fund
Assets											
Cash and cash equivalents	\$ 2,445,986	\$ 72,444	\$ -	\$ 692,547	\$ -	\$ 83,261	\$ 145,416	\$ 415,215	\$ 1,430,495	\$ 3,884,011	\$ 9,169,375
Receivables											
Property taxes	-	-	45,142	-	-	-	-	-	-	205,256	250,398
Due from other funds	-	-	-	-	-	-	-	-	-	15,976	15,976
Due from other governments	-	-	-	209,410	-	-	-	-	-	-	209,410
Total assets	<u>2,445,986</u>	<u>72,444</u>	<u>45,142</u>	<u>901,957</u>	<u>-</u>	<u>83,261</u>	<u>145,416</u>	<u>415,215</u>	<u>1,430,495</u>	<u>4,105,243</u>	<u>9,645,159</u>
Liabilities and Fund balance											
Liabilities											
Accounts payable	448,004	-	-	32,123	-	-	-	-	-	65,676	545,803
Accrued wages payable	-	-	-	7,344	-	-	-	-	-	-	7,344
Due to other funds	-	-	-	531,709	-	-	-	-	-	2,041	533,750
Due to other governments	-	-	45,142	-	-	-	-	-	-	-	45,142
Other liabilities	-	-	-	44,423	-	-	-	-	-	-	44,423
Total Liabilities	<u>448,004</u>	<u>-</u>	<u>45,142</u>	<u>615,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,717</u>	<u>1,176,462</u>
Fund Balance											
Reserved for encumbrances	1,256,152	-	-	2,614	-	472	-	10,484	804	-	1,270,526
Reserved for special revenue	741,830	72,444	-	283,744	-	-	-	-	-	-	1,098,018
Reserved for capital projects	-	-	-	-	-	82,789	145,416	404,731	1,429,691	-	2,062,627
Reserved for debt service	-	-	-	-	-	-	-	-	-	4,037,526	4,037,526
Total fund balance	<u>1,997,982</u>	<u>72,444</u>	<u>-</u>	<u>286,358</u>	<u>-</u>	<u>83,261</u>	<u>145,416</u>	<u>415,215</u>	<u>1,430,495</u>	<u>4,037,526</u>	<u>8,468,697</u>
Total liabilities and fund balance	<u>\$ 2,445,986</u>	<u>\$ 72,444</u>	<u>\$ 45,142</u>	<u>\$ 901,957</u>	<u>\$ -</u>	<u>\$ 83,261</u>	<u>\$ 145,416</u>	<u>\$ 415,215</u>	<u>\$ 1,430,495</u>	<u>\$ 4,105,243</u>	<u>\$ 9,645,159</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, 2007

	Special Revenue				Capital Projects				Debt Service	2007 Total Other Governmental Funds	
	Forfeitures and Seizures	Police Traffic Safety	Police and Fireman's Retirement	Community Development Program	Flood Acquisition Program	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund			2003 Public Improvement Fund
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ 1,213,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,680,841	\$ 6,894,402
Public service	1,307,263	-	-	-	-	-	-	-	-	-	1,307,263
Intergovernmental	-	-	-	951,295	-	-	-	-	-	-	951,295
Charges for services	-	-	-	10,982	-	-	-	-	-	-	10,982
Interest	93,584	3,311	-	31,677	13,888	3,806	6,645	19,246	68,307	153,009	393,473
Miscellaneous	6,000	-	-	-	-	-	-	-	-	-	6,000
Total revenues	<u>1,406,847</u>	<u>3,311</u>	<u>1,213,561</u>	<u>993,954</u>	<u>13,888</u>	<u>3,806</u>	<u>6,645</u>	<u>19,246</u>	<u>68,307</u>	<u>5,833,850</u>	<u>9,563,415</u>
Expenditures											
Current:											
Public safety	167,060	-	1,213,561	-	-	-	-	-	-	-	1,380,621
Public works	-	-	-	-	69,630	-	-	17,625	231,721	-	318,976
Health and welfare	-	-	-	786,880	-	-	-	-	-	-	786,880
Capital outlay	774,280	-	-	157,553	-	-	-	-	-	-	931,833
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	3,028,101	3,028,101
Interest	-	-	-	-	-	-	-	-	-	1,286,601	1,286,601
Other	-	-	-	-	-	-	-	-	-	9,715	9,715
Total expenditures	<u>941,340</u>	<u>-</u>	<u>1,213,561</u>	<u>944,433</u>	<u>69,630</u>	<u>-</u>	<u>-</u>	<u>17,625</u>	<u>231,721</u>	<u>4,324,417</u>	<u>7,742,727</u>
Excess of revenues over expenditures	<u>465,507</u>	<u>3,311</u>	<u>-</u>	<u>49,521</u>	<u>(55,742)</u>	<u>3,806</u>	<u>6,645</u>	<u>1,621</u>	<u>(163,414)</u>	<u>1,509,433</u>	<u>1,820,688</u>
Other financing sources (uses)											
Transfers out	-	-	-	-	(584,225)	-	-	-	-	-	(584,225)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(584,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(584,225)</u>
Change in fund balance	465,507	3,311	-	49,521	(639,967)	3,806	6,645	1,621	(163,414)	1,509,433	1,236,463
Fund balance - October 1	1,532,475	69,133	-	236,837	639,967	79,455	138,771	413,594	1,593,909	2,528,093	7,232,234
Fund balance - September 30	<u>\$ 1,997,982</u>	<u>\$ 72,444</u>	<u>\$ -</u>	<u>\$ 286,358</u>	<u>\$ -</u>	<u>\$ 83,261</u>	<u>\$ 145,416</u>	<u>\$ 415,215</u>	<u>\$ 1,430,495</u>	<u>\$ 4,037,526</u>	<u>\$ 8,468,697</u>

Supplementary Information

Individual Fund Comparative Schedules of Revenue, Expenditures and Changes in Fund Balances - 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.

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

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

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

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

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, 2007

	<i>Forfeitures and Seizures Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Public service taxes	\$ 8,819	\$ 1,917,116	\$ 1,307,263	\$ (609,853)
Interest	-	-	93,584	93,584
Miscellaneous	-	6,000	6,000	-
Total revenues	8,819	1,923,116	1,406,847	(516,269)
Expenditures:				
Public safety	109,260	262,542	167,060	95,482
Capital outlay	110,635	2,574,978	774,280	1,800,698
Total expenditures	219,895	2,837,520	941,340	1,896,180
Changes in fund balance	(211,076)	(914,404)	465,507	1,379,911
Fund balance - October 1	1,532,475	1,532,475	1,532,475	-
Fund balance - September 30	\$ 1,321,399	\$ 618,071	\$ 1,997,982	\$ 1,379,911

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, 2007

	<i>Public Traffic Safety</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Interest	\$ 1,916	\$ 1,916	\$ 3,311	\$ 1,395
Total revenues	1,916	1,916	3,311	1,395
Expenditures:				
Public safety	2,036	2,036	-	2,036
Total expenditures	2,036	2,036	-	2,036
Changes in fund balance	(120)	(120)	3,311	3,431
Fund balance - October 1	69,133	69,133	69,133	-
Fund balance - September 30	\$ 69,013	\$ 69,013	\$ 72,444	\$ 3,431

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, 2007

<i>Police and Fireman's Retirement Fund</i>				
	Budget		2007	Variance with
	Original	Final	Actual	Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,244,600	\$ 1,228,328	\$ 1,213,561	\$ (14,767)
Total revenues	1,244,600	1,228,328	1,213,561	(14,767)
Expenditures:				
Public safety	1,244,600	1,228,328	1,213,561	14,767
Total expenditures	1,244,600	1,228,328	1,213,561	14,767
Changes in fund balance	-	-	-	-
Fund balance - October 1	-	-	-	-
Fund balance - September 30	\$ -	\$ -	\$ -	\$ -

CITY OF GULFPORT, MISSISSIPPI
Community Development Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2007

	<i>Community Development Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,338,788	\$ 5,668,119	\$ 951,295	\$ (4,716,824)
Fines and forfeits	-	-	10,982	10,982
Interest	-	-	31,677	31,677
Total revenues	<u>3,338,788</u>	<u>5,668,119</u>	<u>993,954</u>	<u>(4,674,165)</u>
Expenditures:				
Health and welfare	2,367,698	3,521,339	786,880	2,734,459
Capital outlay	541,715	1,465,013	157,553	1,307,460
Total expenditures	<u>2,909,413</u>	<u>4,986,352</u>	<u>944,433</u>	<u>4,041,919</u>
Excess (deficit) of revenues over expenditures	<u>429,375</u>	<u>681,767</u>	<u>49,521</u>	<u>(632,246)</u>
Other financing sources (uses)				
Transfers in	40,400	40,400	-	(40,400)
Total other financing sources (uses)	<u>40,400</u>	<u>40,400</u>	<u>-</u>	<u>(40,400)</u>
Changes in fund balance	469,775	722,167	49,521	(672,646)
Fund balance - October 1	236,837	236,837	236,837	
Fund balance - September 30	<u>\$ 706,612</u>	<u>\$ 959,004</u>	<u>\$ 286,358</u>	<u>\$ (672,646)</u>

CITY OF GULFPORT, MISSISSIPPI
Flood Acquisition Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2007

	<i>Flood Acquisition Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 305,317	\$ 305,317	\$ -	\$ (305,317)
Interest	-	-	13,888	13,888
Total revenues	305,317	305,317	13,888	(291,429)
Expenditures:				
Public works	432,458	488,061	69,630	418,431
Capital outlay	2,263,088	1,556,745	-	1,556,745
Total expenditures	2,695,546	2,044,806	69,630	1,975,176
Excess of revenues over (under) expenditures	(2,390,229)	(1,739,489)	(55,742)	1,683,747
Other financing sources (uses)				
Transfers out	-	-	(584,225)	(584,225)
Total other financing sources (uses)	-	-	(584,225)	(584,225)
Changes in fund balance	(2,390,229)	(1,739,489)	(639,967)	1,099,522
Fund balance - October 1	639,967	639,967	639,967	
Fund balance - September 30	\$ (1,750,262)	\$ (1,099,522)	\$ -	\$ 1,099,522



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Supplementary Information

Individual Fund Comparative Schedules of Revenue, Expenditures and Changes in Fund Balances - 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 – 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, 2007

	<i>1996 Public Improvement Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 3,806	\$ 3,806
Total revenues	-	-	3,806	3,806
Expenditures:				
Public works	81,839	77,211	-	77,211
Total expenditures	81,839	77,211	-	77,211
Excess (deficit) of revenues over expenditures	(81,839)	(77,211)	3,806	81,017
Other financing sources (uses)				
Transfers in	24,000	-	-	-
Total other financing sources (uses)	24,000	-	-	-
Changes in fund balance	(57,839)	(77,211)	3,806	81,017
Fund balance - October 1	79,455	79,455	79,455	
Fund balance - September 30	\$ 21,616	\$ 2,244	\$ 83,261	\$ 81,017

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, 2007

	<i>1998 Public Improvement Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 6,645	\$ 6,645
Total revenues	-	-	6,645	6,645
Expenditures:				
Public works	23	-	-	-
Total expenditures	23	-	-	-
Changes in fund balance	(23)	-	6,645	6,645
Fund balance - October 1	138,771	138,771	138,771	
Fund balance - September 30	\$ 138,748	\$ 138,771	\$ 145,416	\$ 6,645

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, 2007

	<i>2001 Public Improvement Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 19,246	\$ 19,246
Total revenues	-	-	19,246	19,246
Expenditures:				
Public works	349,350	343,055	17,625	325,430
Total expenditures	349,350	343,055	17,625	325,430
Changes in fund balance	(349,350)	(343,055)	1,621	344,676
Fund balance - October 1	413,594	413,594	413,594	
Fund balance - September 30	\$ 64,244	\$ 70,539	\$ 415,215	\$ 344,676

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, 2007

	<i>2003 Public Improvement Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 68,307	\$ 68,307
Total revenues	-	-	68,307	68,307
 Expenditures:				
Public works	1,705,538	1,364,861	231,721	1,133,140
Total expenditures	1,705,538	1,364,861	231,721	1,133,140
Changes in fund balance	(1,705,538)	(1,364,861)	(163,414)	1,201,447
Fund balance - October 1	1,593,909	1,593,909	1,593,909	
Fund balance - September 30	\$ (111,629)	\$ 229,048	\$ 1,430,495	\$ 1,201,447

CITY OF GULFPORT, MISSISSIPPI
Capital Projects Fund
(Major Fund)
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2007

	<i>Capital Project Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,704,384	\$ 9,828,552	\$ 326,769	\$ (9,501,783)
Interest		-	233,399	233,399
Miscellaneous	252,006	882,566	4,658,373	3,775,807
Total revenues	3,956,390	10,711,118	5,218,541	(5,492,577)
 Expenditures:				
Public works	7,076,910	7,665,454	2,158,800	5,506,654
Capital outlay	-	22,902,797	5,802,514	17,100,283
Total expenditures	7,076,910	30,568,251	7,961,314	22,606,937
 Excess (deficit) of revenues over expenditures	(3,120,520)	(19,857,133)	(2,742,773)	17,114,360
 Other financing sources (uses)				
Transfers in	-	8,465,201	8,465,201	-
Transfers out	-	-	-	-
Insurance proceeds	-	-	500,000	500,000
Total other financing sources (uses)	-	8,465,201	8,965,201	500,000
 Changes in fund balance	(3,120,520)	(11,391,932)	6,222,428	17,614,360
 Fund balance - October 1	2,149,537	2,149,537	2,149,537	
Fund balance - September 30	\$ (970,983)	\$ (9,242,395)	\$ 8,371,965	\$ 17,614,360



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Supplementary Information

Individual Fund Comparative Schedules of Revenue, Expenditures
and Changes in Fund Balances -
Non-major Governmental Funds
Debt Service Funds

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

CITY OF GULFPORT, MISSISSIPPI
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2007

	<i>Debt Service Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2007 Actual	
	Original	Final		
Revenues:				
Taxes	\$ 4,132,000	\$ 5,298,500	\$ 5,680,841	\$ 382,341
Interest	-	-	153,009	153,009
Total revenues	4,132,000	5,298,500	5,833,850	535,350
Expenditures:				
Debt service:				-
Principal	3,038,000	3,489,000	3,028,101	460,899
Interest	1,520,000	2,033,000	1,286,601	746,399
Other	16,000	16,000	9,715	6,285
Total expenditures	4,574,000	5,538,000	4,324,417	1,213,583
Changes in fund balance	(442,000)	(239,500)	1,509,433	1,748,933
Fund balance - October 1	2,528,093	2,528,093	2,528,093	
Fund balance - September 30	\$ 2,086,093	\$ 2,288,593	\$ 4,037,526	\$ 1,748,933



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Supplementary Information

Proprietary Funds – Business-type Activities

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, 2007

	Business-type Activities		
	Water and Sewer	Non-major Fund Joseph T. Jones Park	2007 Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,923,341	\$ 335,532	\$ 5,258,873
Investments	245		245
Receivables:			
Customer accounts (net of allowance for uncollectible accounts)	1,865,184	-	1,865,184
Customer accounts accrued but not billed	895,092	-	895,092
Other	559,727	-	559,727
Due from other governments	250,619	-	250,619
Total current assets	<u>8,494,208</u>	<u>335,532</u>	<u>8,829,740</u>
Current restricted assets			
Cash - Water and sewer trust	<u>929,959</u>	<u>-</u>	<u>929,959</u>
Noncurrent assets			
Capital assets:			
Land	149,313	63,304	212,617
Construction in progress	28,818,291	-	28,818,291
Improvements other than buildings	126,984,795	239,562	127,224,357
Machinery and equipment	946,767	-	946,767
Vehicles	1,822,775	47,604	1,870,379
Less accumulated depreciation	<u>(29,464,716)</u>	<u>(119,462)</u>	<u>(29,584,178)</u>
Total capital assets, net of accumulated depreciation	<u>129,257,225</u>	<u>231,008</u>	<u>129,488,233</u>
Other noncurrent assets			
Cash - Water and Sewer Improvements	10,281,445	-	10,281,445
Cash - Reserved for community disaster loan repayment	718,200	-	718,200
Deferred charges	3,424,506	-	3,424,506
Total other noncurrent assets	<u>14,424,151</u>	<u>-</u>	<u>14,424,151</u>
Total assets	<u>\$ 153,105,543</u>	<u>\$ 566,540</u>	<u>\$ 153,672,083</u>
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	\$ 1,267,378	\$ 440	\$ 1,267,818
Accrued wages payable	-	1,372	1,372
Accrued interest payable	483,075	-	483,075
Due to other funds	54,250	-	54,250
Retainage payable	142,338	-	142,338
Other liabilities	318,276	-	318,276
Current portion of long-term debt			
Compensated absences payable	-	3,103	3,103
Notes payable	1,101,828	-	1,101,828
Bonds payable	<u>2,660,000</u>	<u>-</u>	<u>2,660,000</u>
Total current liabilities payable from current assets	<u>6,027,145</u>	<u>4,915</u>	<u>6,032,060</u>
Current liabilities (payable from restricted assets)			
Meter deposits	995,733	-	995,733
Total current liabilities	<u>7,022,878</u>	<u>4,915</u>	<u>7,027,793</u>
Long-term debt			
Compensated absences payable	-	2,981	2,981
Bonds payable	36,905,881	-	36,905,881
Notes payable	52,950,000	-	52,950,000
Total noncurrent liabilities	<u>89,855,881</u>	<u>2,981</u>	<u>89,858,862</u>
Total liabilities	<u>96,878,759</u>	<u>7,896</u>	<u>96,886,655</u>
NET ASSETS			
Invested in capital assets, net of related debt	35,639,516	231,008	35,870,524
Restricted for revenue bond indentures	4,000	-	4,000
Unrestricted	20,583,268	327,636	20,910,904
Total net assets	<u>\$ 56,226,784</u>	<u>\$ 558,644</u>	<u>\$ 56,785,428</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, 2007

	Business-type Activities		
	Water and Sewer	Non-major Fund Joseph T. Jones Park	2007 Totals
Operating Revenues			
Charges for services	\$ 20,571,100	\$ 5,714	\$ 20,576,814
Miscellaneous	1,281,474	120	1,281,594
Total operating revenues	<u>21,852,574</u>	<u>5,834</u>	<u>21,858,408</u>
Operating Expenses			
Personnel services	104,000	91,560	195,560
Contractual services	7,690,855	9,194	7,700,049
Material and supplies	1,684,575	6,679	1,691,254
Depreciation	2,564,746	17,025	2,581,771
Amortization	674,686	-	674,686
Bad debts	397,912	-	397,912
Total operating expenses	<u>13,116,774</u>	<u>124,458</u>	<u>13,241,232</u>
Operating income (loss)	<u>8,735,800</u>	<u>(118,624)</u>	<u>8,617,176</u>
Non-operating revenues			
Intergovernmental grants	515,847	-	515,847
Insurance proceeds	486,747	-	486,747
Interest income	1,044,516	17,763	1,062,279
Interest expense	(2,635,721)	-	(2,635,721)
Total nonoperating revenues (expenses)	<u>(588,611)</u>	<u>17,763</u>	<u>(570,848)</u>
Income (loss) before contributions and transfers	8,147,189	(100,861)	8,046,328
Capital contributions	383,125	33,000	416,125
Transfers from other funds	1,486,747	140,348	1,627,095
Transfers to other funds	(486,747)	-	(486,747)
Change in net assets	9,530,314	72,487	9,602,801
Net assets - October 1	46,696,470	486,157	47,182,627
Net assets - September 30	<u>\$ 56,226,784</u>	<u>\$ 558,644</u>	<u>\$ 56,785,428</u>

CITY OF GULFPORT, MISSISSIPPI
Proprietary Fund - Business-type Activities
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007

	Business-type Activities		
	Water and Sewer	Non-major Fund Joseph T. Jones Park	2007 Totals
Cash flows from operating activities			
Cash received from customers	\$ 20,867,528	\$ 5,714	\$ 20,873,242
Cash received from other operating receipts	1,144,177	120	1,144,297
Cash paid to suppliers	(11,326,654)	(14,280)	(11,340,934)
Cash paid to employees	(105,740)	(91,834)	(197,574)
Cash received from meter deposits, net	248,106	-	248,106
Net cash provided by operating activities	<u>10,827,417</u>	<u>(100,280)</u>	<u>10,727,137</u>
Cash from non-operating activities			
Cash received from insurance proceeds	486,747	-	486,747
Cash received from governmental grants	515,847	-	515,847
Cash transferred from governmental funds	1,000,000	140,347	1,140,347
Net cash provided by non-operating activities	<u>2,002,594</u>	<u>140,347</u>	<u>2,142,941</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(14,970,798)	(158,938)	(15,129,736)
Disposition of capital assets	(226,972)	-	(226,972)
Proceeds from debt issuance	8,463,190	-	8,463,190
Principal paid on revenue bond maturities and notes payable	(3,287,465)	-	(3,287,465)
Interest paid on bonds and notes payable	(2,635,721)	-	(2,635,721)
Net cash used in capital and related financing activities	<u>(12,657,766)</u>	<u>(158,938)</u>	<u>(12,816,704)</u>
Cash flows from investing activities			
Interest received	1,044,516	17,763	1,062,279
Net cash from investing activities	<u>1,044,516</u>	<u>17,763</u>	<u>1,062,279</u>
Net increase (decrease) in cash and cash equivalents	1,216,761	(101,108)	1,115,653
Cash and equivalents - October 1	15,636,184	436,640	16,072,824
Cash and equivalents - September 30	<u>\$ 16,852,945</u>	<u>\$ 335,532</u>	<u>\$ 17,188,477</u>

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

Operating income (loss)	\$ 8,735,800	\$ (118,624)	\$ 8,617,176
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,564,746	17,025	2,581,771
Amortization	674,686	-	674,686
Bad debts	397,912	-	397,912
(Increase) decrease in assets			
Accounts receivable	149,135	-	149,135
Prepaid assets	194,492	-	194,492
Due from other governments	(250,619)	-	(250,619)
Increase (decrease) in liabilities			
Accounts payable	(1,717,815)	221	(1,717,594)
Accrued wages payable	(1,740)	1,372	(368)
Other liabilities	(29,989)	-	(29,989)
Meter deposit liabilities	110,809	-	110,809
Compensated absences payable	-	(274)	(274)
Net cash provided by (used in) operating activities	<u>\$ 10,827,417</u>	<u>\$ (100,280)</u>	<u>\$ 10,727,137</u>

Non cash investing, capital and financing activities:

Other receivables	3,870,825	-	3,870,825
Contributed capital	383,125	33,000	416,125
	<u>\$ 4,253,950</u>	<u>\$ 33,000</u>	<u>\$ 4,286,950</u>

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

	Other Assets	Restricted Assets	Current Assets	Total
Cash and cash equivalents - October 1	\$ 12,642,913	\$ 792,662	\$ 2,637,249	\$ 16,072,824
Net increase (decrease)	(1,643,268)	137,297	2,621,624	1,115,653
Cash and cash equivalents - September 30	<u>\$ 10,999,645</u>	<u>\$ 929,959</u>	<u>\$ 5,258,873</u>	<u>\$ 17,188,477</u>



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Supplementary Information

Proprietary Funds – Governmental-type Activities

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, Mississippi.

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type Activities
Combining Statement of Net Assets
September 30, 2007

	Government-type Activities		
	Group Life and Health	Claims Contingency	2007 Total
Assets			
Cash and cash equivalents	\$ 1,994,346	\$ 10,304,650	\$ 12,298,996
Cash with fiscal agents	-	40,604	40,604
Investments	-	1,471,745	1,471,745
Prepaid insurance	-	1,268,672	1,268,672
Total assets	<u>1,994,346</u>	<u>13,085,671</u>	<u>15,080,017</u>
Liabilities			
Accounts payable	86	402,463	402,549
Deferred revenue	-	8,483,762	8,483,762
Liability for self-insurance claims	610,000	1,080,000	1,690,000
Total Liabilities	<u>610,086</u>	<u>9,966,225</u>	<u>10,576,311</u>
Net assets			
Unrestricted	<u>\$ 1,384,260</u>	<u>\$ 3,119,446</u>	<u>\$ 4,503,706</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, 2007

	Government-type Activities		
	Group Life and Health	Claims Contingency	2007 Total
Operating Revenues			
Employee contributions	\$ 764,346	\$ -	\$ 764,346
Retiree contributions	135,153	-	135,153
Employer contributions	3,807,108	2,196,681	6,003,789
Insurance claim reimbursements	184,532	90,748	275,280
Total operating revenues	<u>4,891,139</u>	<u>2,287,429</u>	<u>7,178,568</u>
Operating Expenses		9,250	9,250
Administrative expenses	149,553	131,825	281,378
Death benefits paid	-	1,000	1,000
Premium payments	330,588	2,129,726	2,460,314
Claims paid	4,474,669	(167,329)	4,307,340
Total operating expenses	<u>4,954,810</u>	<u>2,104,472</u>	<u>7,059,282</u>
Operating income (loss)	<u>(63,671)</u>	<u>182,957</u>	<u>119,286</u>
Non-operating revenues (expenses)			
Transfers in	-	3,791,332	3,791,332
Transfers out	-	(3,226,332)	(3,226,332)
Interest income	87,049	747,959	835,008
Total non-operating income (loss)	<u>87,049</u>	<u>1,312,959</u>	<u>1,400,008</u>
Change in net assets	23,378	1,495,916	1,519,294
Net assets - October 1	<u>1,360,882</u>	<u>1,623,530</u>	<u>2,984,412</u>
Net assets - September 30	<u>\$ 1,384,260</u>	<u>\$ 3,119,446</u>	<u>\$ 4,503,706</u>

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type activities
Combining Statement of Cash Flows
For the Fiscal Years ended September 30, 2007

	Government-type Activities		
	Group Life and Health	Claims Contingency	2006 Total
Cash flows from operating activities			
Cash received from employees and others	\$ 899,499		\$ 899,499
Cash received from insurance claims	184,532	90,748	275,280
Cash received from employer contributions	3,807,108	2,196,681	6,003,789
Cash paid to suppliers	(4,671,209)	(6,706,661)	(11,377,870)
Net cash provided by operating activities	<u>219,930</u>	<u>(4,419,232)</u>	<u>(4,199,302)</u>
Cash flows from non-operating activities			
Cash transferred from other governmental funds	-	565,000	565,000
Net cash provided by non-operating activities	<u>-</u>	<u>565,000</u>	<u>565,000</u>
Cash flows from investing activities			
Investment transactions, net	-	(83,121)	(83,121)
Interest received	87,049	747,959	835,008
Net cash from investing activities	<u>87,049</u>	<u>664,838</u>	<u>751,887</u>
Net increase (decrease) in cash and cash equivalents	306,979	(3,189,394)	(2,882,415)
Cash and equivalents - October 1	<u>1,687,367</u>	<u>13,494,044</u>	<u>15,181,411</u>
Cash and equivalents - September 30	<u>\$ 1,994,346</u>	<u>\$ 10,304,650</u>	<u>\$ 12,298,996</u>
Non-cash and capital related financing activities			
Changes in fair value of investments	<u>\$ -</u>	<u>\$ 18,703</u>	<u>\$ 18,703</u>

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

Operating income (loss)	\$ (63,671)	\$ 182,957	\$ 119,286
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets			
Other receivables	-	4,699	4,699
Prepaid assets	-	(210,197)	(210,197)
Increase (decrease) in liabilities			
Accounts payable	8	(366,053)	(366,045)
Deferred revenue	-	(3,231,031)	(3,231,031)
Other liabilities	<u>283,593</u>	<u>(799,607)</u>	<u>(516,014)</u>
Net cash provided by (used in) operating activities	<u>\$ 219,930</u>	<u>\$ (4,419,232)</u>	<u>\$ (4,199,302)</u>



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Statistical and Economic Data

The Statistical Data are presented to give report users a better historical perspective and assist in assessing current financial status and trends of the City of Gulfport, Mississippi. Economic Data are presented to allow a broader understanding of the economic and social environment in which City government operates.

TABLE I
(Unaudited)

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

Fiscal Year	General Government	Public Safety	Public Works	Economic Development	Health & Welfare	Culture and Recreation	Capital Outlay	Debt Service	Total
1998	4,445	20,552	7,213	80	173	3,414	5,245	4,268	45,390
1999	7,216	21,318	6,789	100	30	3,783	10,062	4,241	53,539
2000	5,624	23,369	7,017	1,662	86	4,330	7,735	3,836	53,659
2001	6,309	27,574	6,517	92	366	4,647	12,911	3,598	62,014
2002	7,251	25,666	7,027	86	750	4,732	9,662	4,027	59,201
2003(2)	6,743	26,996	7,905	1,453	639	4,877	9,293	4,086	61,992
2004	5,991	26,396	7,674	1,441	1,581	5,079	4,748	4,772	57,682
2005	6,768	28,776	14,753	2,493	-	4,920	1,028	4,986	63,724
2006	12,421	28,836	76,661	1,514	1,494	5,153	2,497	4,191	132,767
2007	7,445	29,930	25,714	2,238	787	9,210	12,690	4,325	92,339

- (1) Includes all Governmental Fund types.
(2) Presented on modified accrual basis.

SOURCE: Prior audit reports.

TABLE II
(Unaudited)

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Franchise Taxes</u>	<u>Gaming Taxes</u>	<u>Fines and Forfeits</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Interest and Miscellaneous</u>	<u>Total</u>
1998	16,232	13,111	2,150	3,422	1,539	1,117	5,205	698	1,178	44,652
1999	16,515	15,583	2,260	3,718	2,377	1,454	9,230	710	1,286	53,133
2000	17,190	16,147	2,487	4,217	2,232	1,331	7,182	833	1,289	52,908
2001	15,852	16,241	2,792	4,241	2,251	1,187	9,354	998	1,391	54,307
2002	16,247	16,477	2,771	4,398	1,938	1,092	9,113	1,021	956	54,013
2003(3)	19,309	17,002	2,833	4,478	1,965	1,784	9,093	1,204	1,136	58,804
2004	19,378	17,518	2,935	4,807	2,606	2,005	8,074	1,171	1,978	60,472
2005	19,321	18,228	2,854	4,591	2,811	1,855	6,283	951	6,325	63,219
2006	22,584	26,980	3,255	290	2,078	2,927	82,516	966	2,948	144,544
2007	19,517	24,040	3,284	2,847	1,394	2,804	30,007	849	10,035	94,777

- (1) Includes all Governmental Fund types.
(2) Begin initial collections of realty, personal, and public taxes of the annexed area.
(3) Presented on modified accrual basis.

SOURCE: Prior audit reports.

TABLE III
(Unaudited)

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

Fiscal Year	Revenue from Total Levy (2)	Current Collections	Percent Current Collected	Delinquent Collections	Total Tax Collections (3)	Ratio Total Collected to Levy	Outstanding Delinquent Taxes	Ratio Delinquent to Total Levy
1998	30,354	30,058	99.0%	170	30,228	99.6%	296	1.0%
1999	31,353	31,040	99.0%	208	31,248	99.7%	313	1.0%
2000	32,157	31,907	99.2%	389	32,296	100.4%	250	0.8%
2001	32,263	31,928	99.0%	187	32,115	99.5%	335	1.0%
2002	33,053	32,451	98.2%	466	32,917	99.6%	326	1.0%
2003	34,039	33,702	99.0%	370	34,072	100.1%	337	1.0%
2004	36,665	36,302	99.0%	318	36,620	99.9%	363	1.0%
2005	37,875	36,560	96.5%	205	36,765	97.1%	1,315	3.5%
2006	42,158	37,578	89.1%	658	38,236	90.7%	4,580	10.9%
2007	35,260	30,654	86.9%	637	31,291	88.7%	4,606	13.1%

- (1) Levy is established January 1 of year preceding that in which taxes are collected.
- (2) Mississippi law requires vehicles to be included in assessed valuation.
- (3) Includes City and School District amounts.

SOURCE: Prior audit reports.

TABLE IV
(Unaudited)

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

Fiscal Year	Real Property		Personal Property		Utilities		Vehicles		Totals		% Assessed Increase (Decrease)
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
1998	211,456	1,545,731	50,105	334,033	92,646	617,640	59,662	198,873	413,869	2,696,277	-2.5%
1999	215,135	1,572,624	56,063	373,753	93,052	620,347	63,700	212,333	427,950	2,779,058	3.4%
2000	218,333	1,596,001	55,753	371,687	97,460	649,733	67,663	225,543	439,209	2,842,965	2.6%
2001(3)	331,352	2,422,164	69,630	464,200	98,258	655,053	71,847	239,490	571,087	3,780,907	30.0%
2002	338,110	2,471,564	72,083	480,553	100,695	671,300	71,199	237,330	582,087	3,860,748	1.9%
2003	345,892	2,528,450	70,049	466,993	99,520	663,467	82,392	274,640	597,853	3,933,550	2.7%
2004	351,143	2,566,835	68,437	456,247	103,000	686,667	72,356	241,187	594,936	3,950,935	-0.5%
2005	358,165	2,618,165	69,806	465,373	103,000	686,667	72,356	241,187	603,327	4,011,392	1.4%
2006	365,000	2,668,129	69,806	465,373	103,000	686,667	72,900	243,000	610,706	4,063,169	1.2%
2007	323,000	2,361,111	55,200	368,000	103,000	686,667	72,900	243,000	554,100	3,658,778	-9.3%

(1) Assessment rates are as follows:

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

PERSONAL PROPERTY - Assessed at 15% of actual value.

UTILITIES - Assessed at 15% of actual value.

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

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

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

SOURCE: Prior audit reports.

TABLE V
(Unaudited)

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

Fiscal Year	City of Gulfport			Harrison County			Gulfport School District			Grand Total Millage
	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
1998	34.9	6.1	41.0	41.4	2.0	43.4	48.1	13.7	61.8	146.2
1999	33.5	7.5	41.0	41.3	2.1	43.4	49.6	12.2	61.8	146.2
2000	33.5	7.5	41.0	40.0	3.4	43.4	50.0	11.8	61.8	146.2
2001*	22.2	7.5	29.7	32.8	3.4	36.2	43.6	9.1	52.7	118.6
2002	22.6	7.1	29.7	32.4	3.3	35.7	45.6	9.1	53.7	119.1
2003	23.8	7.4	34.0	32.9	2.8	35.7	35.7	7.6	54.9	124.6
2004	24.2	7.0	34.0	33.5	2.2	35.7	50.3	7.6	57.9	127.6
2005	24.1	7.0	34.0	33.4	2.3	35.7	20.3	7.6	57.9	127.6
2006	24.0	7.0	34.0	33.4	3.1	36.5	50.3	7.6	57.9	128.3
2007	24.1	9.9	34.0	33.5	3.0	36.5	50.3	7.6	57.9	128.4

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

SOURCE: Harrison County Chancery Clerk's Office.

TABLE VI
(Unaudited)

CITY OF GULFPORT, MISSISSIPPI
PRINCIPAL TAXPAYERS
2006 TAX ROLL
(Amounts Expressed in Thousands)

Taxpayer	Type of Business	(1) 2006 Assessed Valuation	Percentage of Total Assessed Valuation
Mississippi Power & Light	Electrical Utility	\$ 90,598	16.35%
Bell South	Communications Utility	11,361	2.05%
Grand Casino	Gaming Industry	5,065	0.91%
Cross Roads Center	Retail Industry	4,678	0.84%
HCA Realty	Real Estate Industry	2,801	0.51%
Prime Outlets - Gulfport Factory Outlet Shops	Retail Industry	2,093	0.38%
Citicorp Leasing	Financial Institution	1,841	0.33%
Garden Park Hospital	Medical Facility	1,833	0.33%
Wal-Mart	Retail Industry	1,524	0.28%
Exit 34A		1,396	0.25%
Total		123,190	22.23%
All other taxpayers		430,910	77.77%
Total all assessments		\$ 554,100	100.0%

(1) Assessed valuation taken from 2006 Realty, Personal Property, and Public Utility tax rolls collected in fiscal year 2007.

TABLE VII
(Unaudited)

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

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed Value (1)</u>	<u>Gross Bonded Debt (2)</u>	<u>(3) Less: Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1998	71	413,869	35,445	274	35,171	8.50%	495
1999	71	427,950	27,725	424	27,301	6.38%	385
2000	71	439,209	27,375	766	26,609	6.06%	375
2001	71	571,087	26,060	1,666	24,394	4.27%	344
2002	71	582,087	24,722	2,208	22,514	3.87%	317
2003	74	597,853	28,180	2,905	25,275	4.23%	342
2004	77	594,936	26,825	2,683	24,142	4.06%	314
2005	77	603,327	24,860	2,171	22,689	3.76%	295
2006	77	610,706	22,835	3,525	19,310	3.16%	251
2007	77	554,100	20,710	3,884	16,826	3.04%	219

(1) From Table 4.

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

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

SOURCE: Prior audit reports.

TABLE VIII
(Unaudited)

CITY OF GULFPORT, MISSISSIPPI
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2007
(Amounts Expressed in Thousands)

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Amount Applicable to Government</u>	<u>Percentage Applicable to Government</u>
Direct:			
City of Gulfport (1)	<u>\$ 16,826</u>	<u>\$ 16,826</u>	100.00%
Overlapping:			
Harrison County	151,995	58,753	38.65%
Gulfport School District (2)	<u>17,370</u>	<u>17,370</u>	100.00%
Total overlapping	<u>169,365</u>	<u>76,123</u>	
 Total all	 <u><u>\$ 186,191</u></u>	 <u><u>\$ 92,949</u></u>	

(1) Excludes School District bonds, capital leases, negotiable bank notes and amount available for repayment in the debt service fund.

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

TABLE IX
(Unaudited)

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

Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements (2)			Coverage
				Principal	Interest	Total	
1998	11,194	9,564	1,630	351	291	642	2.54
1999	14,477	11,199	3,278	365	277	642	5.11
2000	15,396	13,778	1,618	379	1,257	1,636	0.99
2001	15,750	14,193	1,557	389	2,131	2,520	0.62
2002	18,309	15,344	2,965	719	2,831	3,550	1.12
2003	17,558	15,199	2,359	1,163	2,810	3,973	0.59
2004	21,261	14,208	7,053	1,141	2,810	3,951	1.79
2005	23,124	15,961	7,163	2,340	607	2,947	2.43
2006	19,411	11,976	7,435	1,722	2,815	4,537	1.64
2007	21,858	9,587	12,271	2,660	2,727	5,387	2.28

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

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

SOURCE: Prior audit reports.

TABLE X
(Unaudited)

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

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>
1998	71,363	21,828	6,400	3.90%
1999	71,127	19,007	6,339	3.30%
2000	71,127	19,166	6,263	3.60%
2001	71,500	17,899	6,281	4.40%
2002	72,000	18,155	6,202	4.20%
2003	74,000	25,074	6,018	4.00%
2004	77,000	18,381	6,219	4.10%
2005	77,000	19,832	6,166	6.20%
2006	77,000	17,079	5,065	16.60%
2007	77,000	17,079	5,341	6.20%

(1) City Planning Department estimates.

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

(3) Gulfport School District.

TABLE XI
(Unaudited)

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

Fiscal Year	Actual Property Value (1)	Non-Residential Construction		Residential Construction		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
1998	1,545,731	127	136,862	302	30,725	925,428
1999	1,572,624	144	67,754	431	45,163	979,193
2000	1,596,001	100	37,519	471	83,868	1,031,526
2001	2,422,164	109	29,080	278	41,054	1,012,830
2002	2,471,564	30	39,723	320	29,475	2,005,708
2003	2,528,450	37	17,871	297	33,867	2,128,681
2004	2,566,835	56	73,259	396	50,466	2,188,000
2005	2,618,165	4,878	85,353	1,242	13,726	2,234,000
2006	2,668,129	10,187	165,250	17	140,849	3,226,000
2007	2,361,111	12	376,276	18	580,858	3,163,000

(1) Total real property value from Table 4.

(2) Includes: Banks, Credit Unions and Savings and Loan Institutions.

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

TABLE XII
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2007**

GENERAL:

Date of incorporation	1898
Form of government	Mayor/Council
Population estimate	77,000
Area in square miles	62
Number of employees (excluding Police and Fire)	257

FACILITIES AND SERVICES:

Miles of streets	592
Number of street lights	6,887

RECREATION:

Community centers	6
Fitness centers	1
Recreation centers	2
Senior citizen center	-
Parks	31
Sportsplex	3
Park acreage	600
Ball fields	38
Tennis courts	7
Lighted walking tracks	6
Water front piers	5
Small craft harbor (40 acres)	0 slips
Public boat launch ramps	12

FIRE PROTECTION:

Number of stations	12
Number of fire personnel and officers	176
Number of calls answered	10,063
Number of inspections conducted	2,783
Current fire insurance rating	4

POLICE PROTECTION:

Number of stations	3
Number of full time sworn officers	199
Number of non sworn officers	90
Number of residents per sworn officer	387
Arrests	11,927
Traffic violations	21,162

WATER SYSTEM:

Miles of water mains	358
Number of service connections	27,645
Number of fire hydrants	3,369
Daily average consumption in gallons	6,690,452
Average gallons pumped per day	11,564,385
Storage capacity in gallons	5,150,000

OTHER STATISTICS:

Education (served by city school system):	
Enrollment 05-06 school year	5,341
Elementary schools	6
Middle schools	2
High schools	1
Alternative school (The Learning Center)	1
Community College	1
Median age of City population	35.0
Harrison County unemployment rate	5.70%
City of Gulfport unemployment rate	6.20%
State of Mississippi unemployment rate	6.30%