

City of Gulfport

Mississippi

Comprehensive Annual Financial Report



Fiscal Year Ending September 30, 2008

CITY OF GULFPORT, MISSISSIPPI

Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2008



Submitted by the
Department of Finance & Administration

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

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	v
Listing of City Officials	vi
Geographic Location	vii
 FINANCIAL SECTION	
Independent Auditor's Report	1
Management Discussion and Analysis	3-18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds:	
Statement of Net Assets	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets	26
Statement of Cash Flows	27
Fiduciary Funds:	
Statement of Net Assets	29
Statement of Changes in Fiduciary Net Assets	30
Notes to the Financial Statements	31
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Disaster Relief Fund	65
Note to Required Supplementary Information:	
Reconciliation of Budget to GAAP – Major Governmental Funds	66
Mississippi Municipal Retirement System (MMRS) Analysis of Funding Progress	67

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

	Page
Supplementary Information	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual – Special Revenue Funds:	
Forfeiture and Seizures Fund	71
Police Traffic Safety Fund	72
Police and Fireman’s Fund	73
Community Development Fund	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund:	
1996 Public Improvement Fund	75
1998 Public Improvement Fund	76
2001 Public Improvement Fund	77
2003 Public Improvement Fund	78
Capital Projects Fund	79
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund	81
Proprietary Funds:	
Business-type Activities:	
Combining Statement of Net Assets	83
Combining Statement of Revenues, Expenses and Changes in Net Assets	84
Combining Statement of Cash Flows	85
Government-type Activities:	
Combining Statement of Net Assets	87
Combining Statement of Revenues, Expenses, and Changes in Net Assets	88
Combining Statement of Cash Flows	89
 STATISTICAL AND ECONOMIC DATA	 91

INTRODUCTORY SECTION

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





CITY of GULFPORT

July 14, 2009

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, 2008. 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, 2008. 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, 2008, is included in notes section of this report.

The Reporting Entity and Services Provided

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

In December 1993 the City annexed 33 square miles north of Gulfport becoming the second largest city in Mississippi with a land area of 62.37 square miles and a population around 80,000. A full range of services are

provided including: police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, planning and zoning, recreational and cultural services, and general administrative services.

Economic Conditions

On August 29, 2005, the City of Gulfport was hit by the worst natural disaster ever recorded in American history, Hurricane Katrina. The fiscal year being reported is only three (3) years out and the finances associated with this are contained in the accompanying financial statements. It is expected the City of Gulfport will receive in excess of \$200 million relating to Katrina recovery.

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 is currently experiencing a major renovation with approximately \$11+ million going towards major renovations to buildings, infrastructure, and streetscapes. This will certainly be a great enhancement to Gulfport's downtown district and will contribute greatly in promoting this area as the corporate headquarters of the Gulf South.

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; however, the recent economic downturn is creating stress on the City's overall financial condition.

FUTURE ECONOMIC OUTLOOK

The recent economic downturn is having a major negative impact on the City's financial condition. Sales Tax has been adversely effected as consumers "tighten their belts" in an effort to save dollars. This has a ripple effect with our local merchants with less retail sales going through their cash registers. Sales Tax is vital to the City's well-being with it making up 42% of the City's General Fund Revenues and 19% of the City's overall revenue. With such a significant portion of the City's revenue stream being sensitive to economic conditions, Gulfport will have to find ways to continue to provide essential services to its citizens in a more efficient manner.

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."

Financial Information

Accounting System

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

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

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

Budgetary Controls

The City maintains specific budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Mayor and City Council. Activities of the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary funds are included in the annual appropriated budget. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major expenditure classification and require approval by the governing body; however, equal transfers between line items within a classification may be approved by the Department Director. For management purposes, the City manages its capital projects program by establishing project length budgets. Under this method, initial project budgets are established and remaining project funds from the previous year are automatically rolled over at year end to establish revised project budgets. The benefits of this method allows the City to only address project budgets on the initial set-up and any amendments that may be necessary throughout the life of the project.

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

Enterprise Funds

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

Debt Administration

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

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Gulfport's total assessed valuation is 576,168,000; therefore, the 15% limitation equals: \$86,425,200; less GO Bonds outstanding of \$ 28,480,000, leaving a margin for further debt issuance of \$57,945,200.

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

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

Cash Management

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

Risk Management

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

Independent Auditors

The City of Gulfport is required by Section 21-35-31 of the Mississippi Code of 1972 to have an annual audit by independent certified public accountants. In compliance with these requirements, the City selected the firm of Wright, Ward, Hatten, and Guel CPA's to perform the audit for fiscal year ended September 30, 2008. 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.

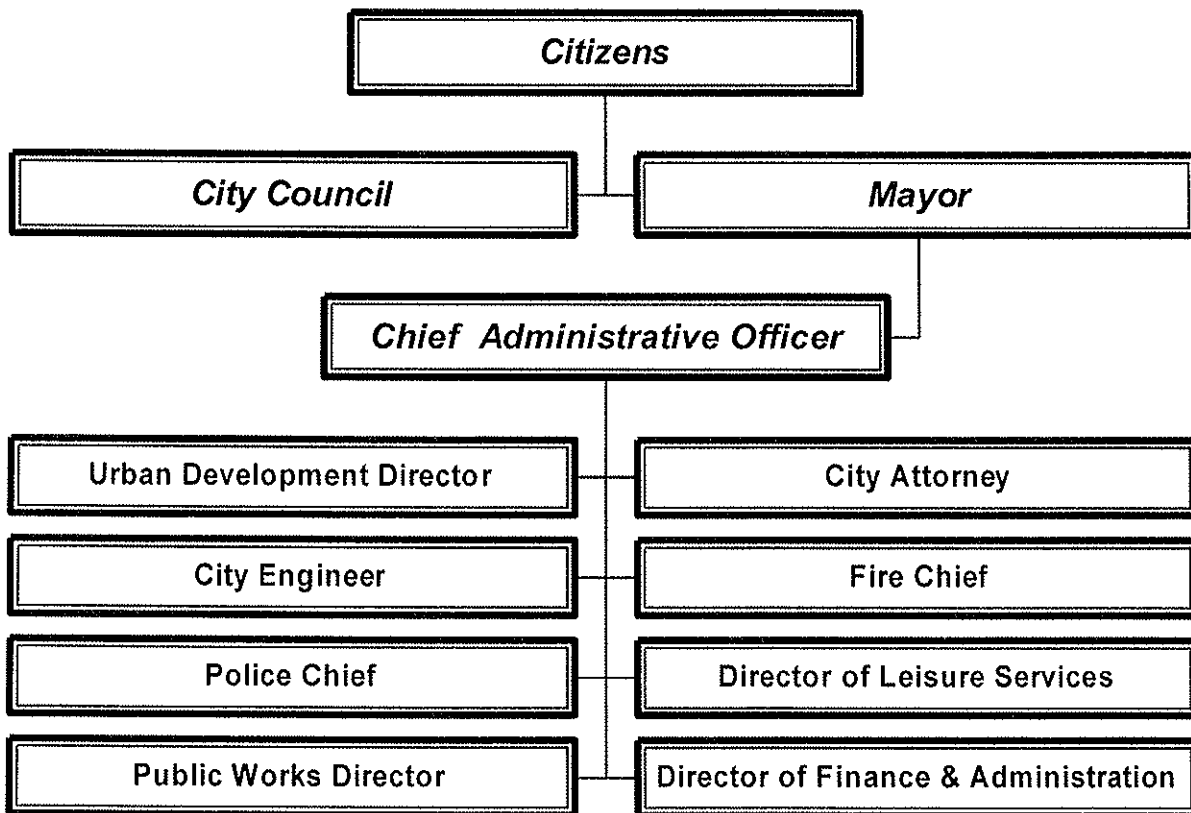
Acknowledgements

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

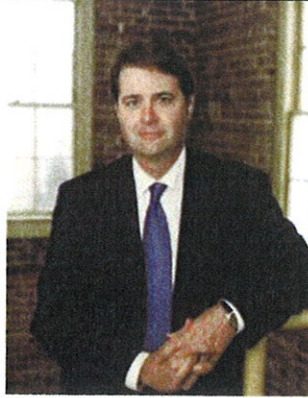
CITY OF GULFPORT ORGANIZATIONAL CHART



CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials
As of September 30, 2008

Elected Officials



Brent Warr
Mayor



Gary Holliman
Councilman, Ward 1



Libby Milner-Roland
Councilwoman, Ward 2



Ella Holmes-Hines
Councilwoman, Ward 3



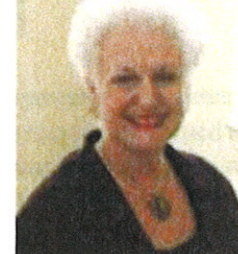
Jackie Smith
Councilman, Ward 4



Brian Carriere
Councilman, Ward 5



Neil Resh
Councilman, Ward 6

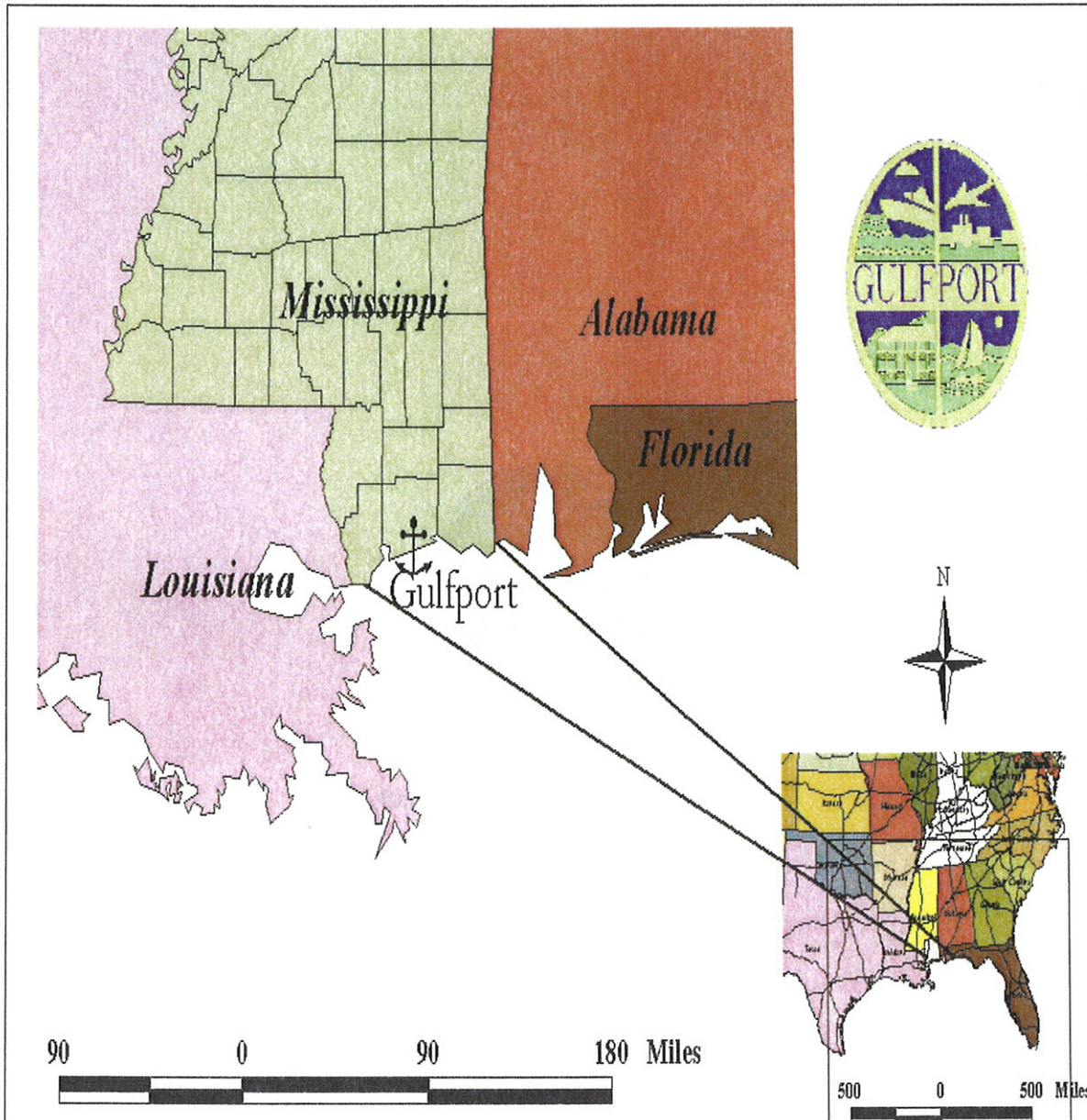


Barbara Nalley
Councilwoman, Ward 7

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 Necaise		

Geographic Location of Gulfport, Mississippi

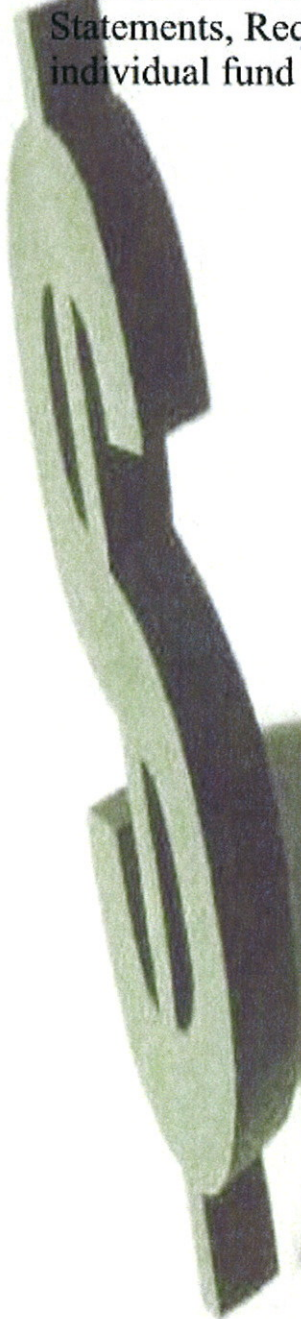




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FINANCIAL SECTION

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



WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P. O. BOX 129

GULFPORT, MISSISSIPPI 39502

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HENRY D. WARD, CPA, 1949-2006
KENNETH M. HATTEN, CPA, CONSULTANT
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June 26, 2009

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, 2008, 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, 2008, 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.

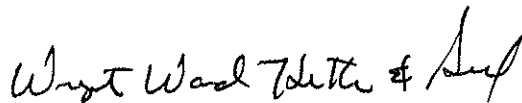
The Management's Discussion and Analysis on pages 3 through 16, Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual on pages 61 through 64, and the Analysis of Funding Progress on page 65 are not a required part of the basic financial statements but are supplementary information 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 26, 2009, on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover in the *City of Gulfport, Mississippi, Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

As part of that report, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Gulfport. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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, 2008. 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 weakened from 2007 to 2008.

- ✓ The City's General Fund in 2008 experienced an operating deficit (net of capital outlay) of \$20.3 million as compared to a 2007 operating deficit (net of capital outlay) of \$3.7 million. Total General Fund revenues for 2008 were \$52.9 million while operating expenses were \$73.3 million.
- ✓ The City's Water and Sewer Fund experienced a loss in 2008 of \$1.2 million which represents 5% of revenues as compared to an \$8.1 million profit in 2007. Major contributing factor is an increase in operating expenses of \$7.9 million (from \$13.1 million in 2007 to \$21 million in 2008.)
- ✓ The City expended approximately \$31.3 million for capital outlay and infrastructure in 2008 which includes Infrastructure, Buildings, machinery and equipment, and vehicles.
- ✓ Sales Tax revenue decreased by \$2.2 million or 10%; from \$24 million in 2007 to \$21.8 million in 2008. This is a significant issue in that sales tax makes up approximately 41% of the City's General Fund revenues. Much of this is attributed to the post Katrina boom of 1996 and much of this was expected.

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 is 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 in 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	
	2008	2007	2008	2007	2008	2007
Assets:						
Current Assets	\$ 58,623,766	\$ 78,544,203	\$ 11,472,543	\$ 9,759,699	\$ 70,096,309	\$ 88,303,902
Capital Assets	227,142,277	219,633,430	146,616,190	129,488,233	373,758,467	349,121,663
Noncurrent Assets	138,761	44,825	10,395,610	14,424,151	10,534,371	14,468,976
Total Assets	285,904,804	298,222,458	168,484,343	153,672,083	454,389,147	451,894,541
Liabilities:						
Current and Other						
Liabilities	12,517,162	20,173,938	12,316,539	7,027,793	24,833,701	27,201,731
Long Term Liabilities	50,659,566	43,456,877	87,138,926	89,858,862	137,798,492	133,315,739
Total Liabilities	63,176,728	63,630,815	99,455,465	96,886,655	162,632,193	160,517,470
Net Assets:						
Invested in Capital Assets						
net of Related Debt	176,226,329	175,323,106	54,599,249	35,870,524	230,825,578	211,193,630
Restricted	33,455,233	12,457,697	4,000	4,000	33,459,233	12,461,697
Unrestricted	13,046,514	46,810,840	14,425,629	20,910,904	27,472,143	67,721,744
Total Net Assets	\$222,728,076	\$234,591,643	\$ 69,028,878	\$ 56,785,428	\$291,756,954	\$291,377,071

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 remained somewhat stable for the City of Gulfport as compared to the previous year. Total assets have increased from \$451.9 million in 2007 to \$454.4 million in 2008, representing a increase of \$2.5 million. Total liabilities increased by \$1.6 million; thus resulting in net assets remaining somewhat stable by increasing only \$0.4 million. Net Assets serve as a useful indicator of a government's financial position over time. By far, the majority of the City's net assets are related to investment in capital assets, i.e. roads, bridges, parks, water, sewer, machinery, etc., net of related debt is \$230.8 million which represents approximately 79% 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 decreased by \$12.3 million, from \$298.2 million in 2007 to \$285.9 million in 2008. The majority of this decrease is attributed mainly due to a decrease of approximately \$13 million in cash and cash equivalents.

Capital assets— the City's capital assets, i.e. roads, buildings, infrastructure, etc increased in 2008 by \$7.5 million or 3%. Capital assets for 2007 totaled \$219.6 million while 2008 capital assets were \$227.1 million. The increase was mainly attributed to the City's aggressive rebuilding in the aftermath of Hurricane Katrina. In 2008, the City expended \$0.8 million in land purchases, \$0.5 million in new buildings and renovations; \$5.9 million in improvements to its infrastructure; and \$3.4 million in upgrading its machinery, equipment, and vehicles. Gulfport also expended \$3.4 million in construction projects that have not been completed as of the end of the year. Depreciation (amount that the City estimates that the useful value of assets has declined during the year) amounted to \$6.2 million. 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 \$14.8 million or 9.6%; from \$153.7 million in 2007 to \$168.5 million in 2008 with current assets increasing \$1.7 million and capital assets increasing \$17.1 million and other non-current assets decreasing \$4 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.

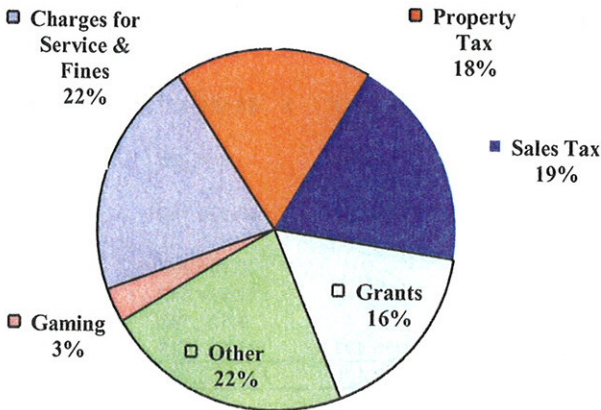
Government Wide Statement of Activities

	Governmental Activities		Business Type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Fees, Fines, and Charges for Service	\$ 2,412,789	\$ 3,141,907	\$ 22,206,568	\$ 20,576,814	\$ 24,619,357	\$ 23,718,721
Operating Grants and Contributions	856,785	4,756,775			856,785	4,756,775
Capital Grants and Contributions	17,270,909	28,536,146	255,260	806,099	17,526,169	29,342,245
General Revenues:						
Property Taxes	20,166,873	19,517,450			20,166,873	19,517,450
Sales Taxes	21,834,653	24,039,616			21,834,653	24,039,616
Gaming	3,524,542	2,847,942			3,524,542	2,847,942
Other	24,574,816	20,599,730	958,907	2,956,493	25,533,723	23,556,223
Total Revenues	90,641,367	103,439,566	23,420,735	24,339,406	114,062,102	127,778,972
Program Expenses						
General Government	16,816,296	8,539,671			16,816,296	8,539,671
Public Safety	35,181,734	30,122,550			35,181,734	30,122,550
Public Works	17,911,142	27,428,901			17,911,142	27,428,901
Health and Welfare	2,607,893	9,227,708			2,607,893	9,227,708
Economic Development	2,468,356	810,198			2,468,356	810,198
Culture and Recreation	11,753,574	2,276,098			11,753,574	2,276,098
Interest on Long Term Debt	2,355,672	1,445,005	3,424,425	2,635,721	5,780,097	4,080,726
Water and Sewer			21,052,322	13,116,774	21,052,322	13,116,774
Joseph T. Jones			110,805	124,458	110,805	124,458
Total Expenses	89,094,667	79,850,131	24,587,552	15,876,953	113,682,219	95,727,084
Change in Net Assets before other transactions:	1,546,700	23,589,435	(1,166,817)	8,462,453	379,883	32,051,888
Non-operating change in fixed assets						
Transfers	(13,410,267)	(1,140,348)	13,410,267	1,140,348	-	-
Capital contributions						
Change in net assets	(11,863,567)	22,449,087	12,243,450	9,602,801	379,883	32,051,888
Net Assets at beginning of year - Adjusted	234,591,643	212,142,556	56,785,428	47,182,627	291,377,071	259,325,183
Net assets at end of year	\$ 222,728,076	\$234,591,643	\$ 69,028,878	\$ 56,785,428	\$ 291,756,954	\$ 291,377,071

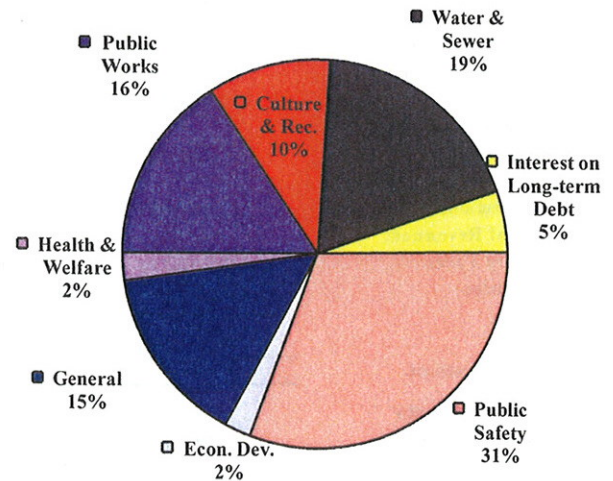
Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones operations.

Analysis of Government Wide Statement of Activities

Where does the City's Money Come From?



How is the Money Used?



Revenues

The City essentially broke even this year. Revenues exceeded expenses by only \$379,883, this being a large decrease compared to a \$32.1 million increase in 2007. This decline in change of net assets is largely due to the City's expenditures to rebuild city infrastructure after Hurricane Katrina. There was also a significant decrease in capital grants and contributions.

Property Tax – Property tax accounts for 18% of the City's revenues and is considered the most stable revenue source for the City. The City had an increase of \$0.7 million or 4% in property taxes for the 2008 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 \$2.2 million or 9% from the prior year (from \$24 to \$21.8 million). Although a decrease was experienced in 2008, the City's sales tax revenue still exceeds 2005 pre-Katrina amounts by \$3.6 million or 20%. 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 \$11.8 million in capital grants in 2008 (from \$29.3 million in 2007 to \$17.5 million in 2008). 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 2007 year. As projects are completed, these funds will lessen for future years.

Expenses

The City's total government wide expenses were \$113.7 million in 2008 as compared to \$95.7 million in 2007; representing a \$17.9 million increase. The majority of this increase is related to rebuilding of damaged facilities resulting from Hurricane Katrina.

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

Governmental Activities - Costs

	Total Cost of Service	Net Cost of Service
Governmental Activities:		
General Government	\$16,816,296	\$6,537,065
Public Safety	\$35,187,734	\$34,059,989
Public Works	\$17,911,142	\$11,674,909
Health and Welfare	\$2,607,893	\$138,674
Economic Development	\$2,468,356	\$2,076,110
Culture and Recreation	\$11,753,574	\$11,711,765
Interest on long term debt	\$2,355,672	\$2,358,672
Total Governmental activities	<u>\$89,094,667</u>	<u>\$68,554,184</u>

Fund Financial Analysis

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

Governmental Funds

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

The General Fund is the primary “governmental 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 46% of the City's total revenues and 64% of

the City's total expenditures. Overall, the General Fund's financial condition decreased slightly as evidenced by the numbers below.

General Fund – Financial Summary

	<u>2008</u>	<u>2007</u>
Total Revenues	\$ 52,927,865	\$ 52,195,052
Total Expenditures	<u>73,246,137</u>	<u>55,893,450</u>
Excess (Deficit) of Revenues over Expenditures	(20,318,272)	(3,698,398)
Other Financing Sources (Uses)	3,048,272	(4,788,833)
Fund Balance - October 1	<u>29,654,181</u>	<u>38,141,412</u>
Fund Balance - September 30	<u>\$ 12,384,181</u>	<u>\$ 29,654,181</u>

- ✓ The General Fund's deficiency of revenues over expenditures was \$20.3 million in 2008 as compared to a deficiency of revenues over expenditures in 2007 of \$3.6 million.
- ✓ General Fund assets decreased by \$19.5 million from \$34.8 million in 2007 to \$15.3 million in 2008. The City's cash and cash equivalents decreased from \$18.5 million in 2007 to \$10 million in 2008 while due from other funds decreased by \$10.1 million.
- ✓ The General Fund's unreserved fund balance decreased in 2008, from \$11.8 million in 2007 to \$3.6 million in 2008. 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 5% for year ending 2008. Based upon industry standards, it is recommended that governmental entities maintain approximately 15% in fund reserves.
- ✓ Total General Fund revenues decreased slightly by 1%: from \$52.2 million in 2007 to \$52.9 million in 2008.
- ✓ Total General Fund expenditures increased by \$17.9 million; from \$55.9 million in 2007 to \$73.2 million in 2008. The majority of this increase was due to the City expending insurance proceeds from Hurricane Katrina to rebuild its damaged facilities.

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

	2008	2007
Operating Revenues	\$ 22,346,786	\$ 21,852,574
Operating Expenses	21,035,059	13,116,774
Operating Income (Loss)	1,311,727	8,735,800
Non-operating Items		
Interest Expense	(3,424,425)	(2,635,721)
Other	13,472,073	3,430,235
Change in Net Asset	<u>\$ 11,359,375</u>	<u>\$ 9,530,314</u>

The City's water and sewer income from operations generated a profit of \$1.3 million in 2008 as compared to \$8.7 million in the previous 2007 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 a slight 2% increase in operating revenues in 2008, from \$21.9 million to \$22.3 million.

The City is undergoing large water and sewer repairs due to aging systems and Hurricane Katrina damage. Some of the work contracted will be reimbursed by local, state and federal grants. Contracts that have been committed to for future years completion include:

	Contract Amount	Expended to Date	Remaining Contract
Klein Road Sewer	\$ 3,890,524	2,580,518	1,310,006
Elevated Tank Repairs	1,683,000	636,132	1,046,868
Three Rivers Road Sewer Improvements	672,126	391,927	280,199
Brentwood Sewer Improvements	796,223	444,930	351,293
Area 1 Water & Sewer Repair/Replace	698,174	371,797	326,377
Area 2 Sewer Repair/Replace (Engineer)	434,178	144,012	290,166
Area 2 Stormwater Repair/Replace (Engineer)	375,699	169,811	205,888
Area 2 Water Repair/Replace (Engineer)	213,500	101,856	111,644
Area 3b Water & Sewer Repair/Replace	23,267,045	8,038,117	15,228,928
Area 3a Water & Sewer Repair/Replace	8,022,656	1,184,355	6,838,301
Area 3c Water & Sewer Repair/Replace (Engineer)	1,800,000	92,925	1,707,075
Forrest Heights Water Main	1,040,003	164,427	875,576
Joseph & Fournier Drainage	822,186	384,907	437,279
Forrest Heights Levee	722,342	346,716	375,626
Area 1 Storm Drainage	526,802	353,988	172,814
	<u>44,964,458</u>	<u>15,406,418</u>	<u>29,558,040</u>

General Fund Budgetary Highlights

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

Summary of Budget to Actual Amounts General Fund Fiscal Year Ending September 30, 2008

	Original Budget	Revised Budget	Actual Amounts (Budget Basis)
Revenues:			
Taxes			
Property	\$ 13,722,000	\$ 13,722,000	\$ 14,429,316
Sales	22,780,000	22,780,000	22,112,127
Franchise	3,300,000	3,300,000	3,670,923
Public service	1,053,000	1,053,000	1,024,865
Gaming	3,600,000	3,600,000	3,500,352
Licenses and permits	2,177,000	2,177,000	2,228,449
Intergovernmental	125,000	1,666,261	970,002
Charges for services	946,000	1,050,454	962,093
Fines and forfeits	1,600,000	1,600,000	1,888,996
Interest	800,000	800,000	372,912
Miscellaneous	1,010,200	1,741,945	1,078,229
Total revenues	<u>51,113,200</u>	<u>53,490,660</u>	<u>52,238,264</u>
Expenditures:			
General government	7,791,464	8,348,289	7,640,792
Police	19,760,826	22,569,653	20,348,937
Fire	13,520,921	14,503,087	13,873,784
Public works	10,933,941	11,624,194	11,264,047
Economic development	3,265,712	3,470,723	2,842,124
Culture and recreation	5,186,040	5,569,472	5,136,029
Total Expenditures	<u>60,458,904</u>	<u>66,085,418</u>	<u>61,105,713</u>
Excess (Deficit) of Revenues over expenditures	<u>\$ (9,345,704)</u>	<u>\$ (12,594,758)</u>	<u>\$ (8,867,449)</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 \$2.4 million or 5%; original budget of \$51.1 million as compared to the revised budget of \$53.5 million. A significant amount of this difference is attributed to budget increases in Intergovernmental Revenue of \$1.5 million which is related to several federal grants, most of which are police related.
- ✓ The Expenditure Budget was increased by \$5.6 million or 9% for the 2008 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 2008 (budget basis) fell short of the revised budget by \$1.2 million or 2%.

- ✓ Actual property tax revenue exceeded its budget by \$0.7 million or 5%, however, sales tax revenue fell short of its budget by .07 million or 3%.
- ✓ Budgeted amounts for intergovernmental grants and miscellaneous revenues were not realized by \$1.1 million.
- ✓ Interest rates declined this fiscal year and budgeted amounts of \$.08 million fell short of actual amounts received. Only \$.04 million of this budgeted amount was realized.

The City's General Fund actual expenditures fell short of its budgeted expenditures resulting in a favorable variance of \$5 million or 8% in 2008. Actual (budget basis) amounts were \$66.1 million while budget amounts were \$61.1 million. Major contributing factors for this difference are discussed below:

- ✓ Employee Vacancies – The City's payroll budget (General Fund) for the 2008 year was \$41.5 million while actual 2008 expenditures totaled \$38.9 million; leaving a budget surplus of \$2.6 million for payroll. This amount equates to an average vacancy rate of 6%. This rate has improved from its previous rate of 9% for the previous 2007 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	
	2008	2007	2008	2007	2008	2007
Land	\$ 27,711,865	\$ 26,851,047	\$ 212,617	\$ 212,617	\$ 27,924,482	\$ 27,063,664
Construction in Progress	3,410,236		16,290,386	28,818,291	19,700,622	28,818,291
Buildings	9,642,940	9,719,900	20,102		9,663,042	9,719,900
Improvements	4,943,265	3,956,362			4,943,265	3,956,362
Infrastructure	171,731,743	170,086,550	128,972,822	99,210,487	300,704,565	269,297,037
Machinery & Eqp.	2,820,312	3,202,045	371,906	410,510	3,192,218	3,612,555
Vehicles	6,881,916	5,817,526	748,357	836,328	7,630,273	6,653,854
Totals	<u>\$ 227,142,277</u>	<u>\$ 219,633,430</u>	<u>\$ 146,616,190</u>	<u>\$ 129,488,233</u>	<u>\$ 373,758,467</u>	<u>\$ 349,121,663</u>

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2008 asset values were estimated at \$373.8 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 \$24.6 million or 3% (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 2008 year totaled \$9.1 million and was allocated to the following classes of assets:

Allocation of Depreciation by Major Asset Class

Buildings	\$ 532,997
Improvements other than Buildings	327,022
Machinery and Equipment	1,295,461
Vehicles	1,251,030
Infrastructure (roads, bridges, drainage, water & sewer system, etc.)	5,660,712
Total Depreciation	<u>\$ 9,067,222</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:

- ✓ Infrastructure - \$5.5 million.
- ✓ New Construction in progress - \$19.6 million.
- ✓ Machinery, equipment, and vehicles purchased - \$3.6 million

Debt Administration

Schedule of Long Term Debt

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Bonds	\$ 28,480,000	\$ 20,710,000		\$ -	\$ 28,480,000	\$ 20,710,000
Notes	22,435,948	23,600,324		-	22,435,948	23,600,324
Compensated Absences	1,808,139	1,666,765	12,871	6,084	1,821,010	1,672,849
Claims and Judgements	40,000	41,000		-	40,000	41,000
Revenue Bonds and Notes backed by Water & Sewer fund		-	92,016,941	93,617,709	92,016,941	93,617,709
Totals	<u>\$ 52,764,087</u>	<u>\$ 46,018,089</u>	<u>\$ 92,029,812</u>	<u>\$ 93,623,793</u>	<u>\$ 144,793,899</u>	<u>\$ 139,641,882</u>

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.

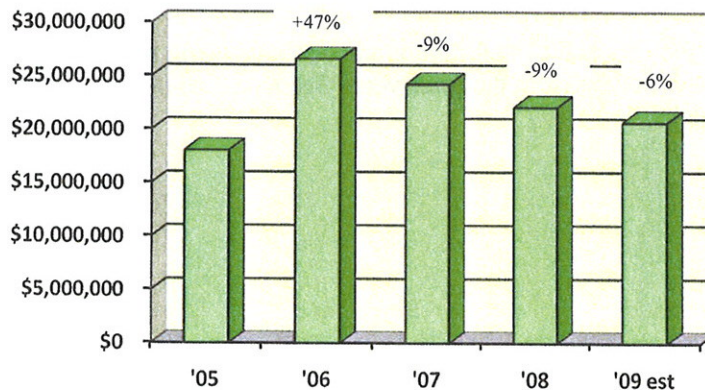
At year ending 2008, the City had \$144.8 million in outstanding debt representing a net increase of \$5.2 million or 4% as compared to the prior year. See note 8 of this report for further detail relating to the City's debt.

Current know Facts effecting future financial Issues

Weakening Financial Condition (Operating Deficits)

For the current 2009 year and the previous 2008 year, the City began experiencing operating deficits in both its General and Water and Sewer Funds. For the current 2009 year, it is expected that the City's General Fund will experience an operating deficit of \$6.5 million with revenues expected at \$51.9 million and operating expenditures expected at \$58.4 million. This is significant in that operating revenues is expected to fall short of operating expenditures by 13%. Furthermore, the City's Water and Sewer Fund is expected to experience an operating deficit of \$6 million with operating revenue expected at \$24.4 million and operating expenses expected at \$30.3 million. Again, this deficit is significant in that revenues are expected to fall short of expenses by 25%. Without a doubt, the City will have to address these two issues during its 2010 budget process. Either expenses will have to be cut, revenues will have to be increased, or a combination of the two will have to be accomplished in order to put the City's financial condition at an acceptable level.

Future uncertainty of the Local Economy - Sales Tax History



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

Traffic and Transportation

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

Payback of the Community Disaster Loan

On December 8, 2005 the City applied for and was awarded Community Disaster Loans totaling \$16.4 million to be used to cover basis operating cost relating to delivering essential municipal services in the wake of Hurricane Katrina. The payback of these loans were deferred for a period of five (5) years with an interest rate of 2.75%. At the time, it was expected that these loans would be forgiven in that they would be turned into grants. The City was recently notified that this matter of forgiveness was being debated in Congress; however, it was communicated that the probability of these loans being forgiven was improbable. The City began escrowing funds over the past several years but had to use most of this escrow to cover operating deficits in various City funds. To date, the City has approximately \$5 million in escrow for the payback; thus, leaving a shortfall of approx \$13 million which includes the original loan of \$16.4 million plus accrued interest. If these loans are not forgiven, this will have a significant negative impact on the City's financial condition.

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

It has been determined that several Katrina related recovery projects which were originally thought to be wholly funded by FEMA may not meet FEMA's eligibility requirements. In total, these items are estimated at \$5 million which represents about 2% of all FEMA funded Katrina Recovery projects which, in total, are estimated at \$200 million. Some of these projects are as follows:

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

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 2009 year, the cost of the City's Employees' Health Insurance Fund is expected to be near \$6 million; while, the previous 2008 year's cost was \$5 million.

In an effort to address rising health care costs, the City accomplished several things. First, the City recently 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. Next, the City recently changed both third party administrators and health care broker. It is hopeful that better analysis can be accomplished so that a corrective action plan can be put in place via targeted changes to the City's Health Care Plan and improved negotiations with hospitals and health care providers for better discounts. These changes have been just recently implemented and it is hopeful that this will help ease 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 www.Gulfport-ms.gov

Government-Wide Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Statement of Net Assets
September 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and equivalents	\$ 35,207,991	\$ 8,198,564	\$ 43,406,555
Cash with fiscal agents	79,755	-	79,755
Investments	1,542,358	-	1,542,358
Receivables:			
Taxes receivable	3,171,373	-	3,171,373
Customer accounts receivable		2,222,462	2,222,462
Other receivables	83,878	-	83,878
Internal balances	54,250	-	54,250
Due from other governments	17,417,109	3,437	17,420,546
Prepaid expenses	1,067,052	-	1,067,052
Restricted cash	-	1,048,080	1,048,080
Total current assets	<u>58,623,766</u>	<u>11,472,543</u>	<u>70,096,309</u>
Noncurrent Assets			
Capital assets			
Land	27,711,865	212,617	27,924,482
Construction in progress	3,410,236	16,290,386	19,700,622
Buildings	14,331,309	20,400	14,351,709
Improvements other than buildings	6,327,720	-	6,327,720
Infrastructure	243,750,365	159,662,289	403,412,654
Machinery and equipment	8,472,586	930,761	9,403,347
Vehicles	15,708,429	1,682,404	17,390,833
Less: Accumulated depreciation	(92,570,233)	(32,182,667)	(124,752,900)
Total capital assets, net of accumulated depreciation	<u>227,142,277</u>	<u>146,616,190</u>	<u>373,758,467</u>
Other Noncurrent Assets			
Cash - water and sewer improvements	-	5,043,727	5,043,727
Cash - reserved for debt service	-	1,363,800	1,363,800
Deferred charges	138,761	3,988,083	4,126,844
Total noncurrent assets	<u>138,761</u>	<u>10,395,610</u>	<u>10,534,371</u>
Total Assets	<u>\$ 285,904,804</u>	<u>\$ 168,484,343</u>	<u>\$ 454,389,147</u>
LIABILITIES			
Current Liabilities (payable from current assets)			
Accounts payable and accrued expenses	\$ 7,527,453	\$ 5,717,922	\$ 13,245,375
Deferred revenues	298,238	-	298,238
Internal balances	-	54,250	54,250
Due to other governments	15,045	-	15,045
Current portion of long-term liabilities:			
Accrued interest	160,281	589,451	749,732
Compensated absences	943,164	6,614	949,778
Notes payable	1,162,981	2,059,272	3,222,253
Bonds payable	2,410,000	2,825,000	5,235,000
Current Liabilities (payable from restricted assets)			
Meter deposits	-	1,064,030	1,064,030
Total current liabilities	<u>12,517,162</u>	<u>12,316,539</u>	<u>24,833,701</u>
Noncurrent liabilities			
Accrued interest payable	997,376	-	997,376
Liability for self insurance claims	1,414,248	-	1,414,248
Compensated absences	864,975	6,257	871,232
Notes payable	21,272,967	37,007,669	58,280,636
Bonds payable	26,070,000	50,125,000	76,195,000
Claims	40,000	-	40,000
Total noncurrent liabilities	<u>50,659,566</u>	<u>87,138,926</u>	<u>137,798,492</u>
Total Liabilities	<u>63,176,728</u>	<u>99,455,465</u>	<u>162,632,193</u>
NET ASSETS			
Invested in capital assets, net of related debt	176,226,329	54,599,249	230,825,578
Restricted for:			
Debt service	10,103,520	4,000	10,107,520
Specific grant programs	2,938,471	-	2,938,471
Capital improvements	20,313,242	-	20,313,242
Permanently restricted (non-expendable)	100,000	-	100,000
Unrestricted	13,046,514	14,425,629	27,472,143
Total Net Assets	<u>\$ 222,728,076</u>	<u>\$ 69,028,878</u>	<u>\$ 291,756,954</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, 2008

Functions/Programs	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	\$ 1,770,822	\$ 856,785	\$ 7,651,624	\$ (6,537,065)	\$ -	\$ (6,537,065)
Public safety	161,265	-	960,480	(34,059,989)	-	(34,059,989)
Public works	-	-	6,236,233	(11,674,909)	-	(11,674,909)
Health and welfare	46,647	-	2,422,572	(138,674)	-	(138,674)
Economic development	392,246	-	-	(2,076,110)	-	(2,076,110)
Culture and recreation	41,809	-	-	(11,711,765)	-	(11,711,765)
Interest on long-term debt	-	-	-	(2,355,672)	-	(2,355,672)
Total governmental activities	2,412,789	856,785	17,270,909	(68,554,184)	-	(68,554,184)
Business-type activities:						
Water & Sewer	22,196,429	-	255,260	-	1,399,367	1,399,367
Port	10,139	-	-	-	(100,666)	(100,666)
Interest on long-term debt	-	-	-	-	(3,424,425)	(3,424,425)
Total business-type activities	22,206,568	-	255,260	-	(2,125,724)	(2,125,724)
Total primary government	24,619,357	856,785	17,526,169	(68,554,184)	(2,125,724)	(70,679,908)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				14,120,511	-	14,120,511
Property taxes, levied for special purposes				6,046,362	-	6,046,362
Sales taxes				21,834,653	-	21,834,653
Franchise taxes				3,634,007	-	3,634,007
Public service taxes				1,049,367	150,357	1,199,724
Gaming taxes				3,524,542	-	3,524,542
Licenses and permits				2,238,349	-	2,238,349
Unrestricted investment earnings				1,697,795	672,545	2,370,340
Insurance proceeds				11,759,304	-	11,759,304
Miscellaneous				4,205,994	136,005	4,341,999
Total general revenues				70,100,884	938,907	71,039,791
Change in net assets before transfers				1,546,700	(1,166,817)	379,883
Transfers				(13,410,267)	13,410,267	-
Change in net assets				(11,863,567)	12,243,450	379,883
Net assets - beginning				234,591,643	56,785,428	291,377,071
Net assets - ending				\$ 222,728,076	\$ 69,028,878	\$ 291,756,954

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

Governmental Fund Financial Statements

Major Funds:

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

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

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

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2008

	Major Funds				Non-major Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Capital Projects Fund	Debt Service Fund		
Assets						
Cash and cash equivalents	\$ 10,024,615	\$ (12,918,758)	\$ 18,654,810	\$ 10,105,605	\$ 5,478,038	\$ 31,344,310
Receivables:						
Property taxes	149,630	-	-	47,777	15,045	212,452
Sales taxes	1,550,017	-	-	-	-	1,550,017
Franchise taxes	904,747	-	-	-	-	904,747
Gaming fees	289,364	-	-	-	-	289,364
Privilege licenses	214,793	-	-	-	-	214,793
Other	70,947	-	-	-	-	70,947
Due from other funds	1,650,589	-	-	15,976	-	1,666,565
Prepaid interest	-	-	-	79,757	-	79,757
Due from other governments	485,070	15,400,927	464,209	-	1,066,903	17,417,109
Total assets	\$ 15,339,772	\$ 2,482,169	\$ 19,119,019	\$ 10,249,115	\$ 6,559,986	\$ 53,750,061
Liabilities and Fund balance						
Liabilities						
Accounts payable	\$ 2,011,603	\$ 2,482,169	\$ 379,912	\$ 63,030	\$ 402,971	\$ 5,339,685
Accrued wages payable	365,684	-	-	-	4,090	369,774
Accrued expenses	119,785	-	-	-	-	119,785
Due to other funds	-	-	-	2,041	1,610,274	1,612,315
Due to other governments	-	-	-	-	15,045	15,045
Other liabilities	-	-	15,000	-	-	15,000
Deferred revenue	298,238	-	-	-	-	298,238
Performance bonds payable	160,281	-	-	-	-	160,281
Total liabilities	\$ 2,955,591	\$ 2,482,169	\$ 394,912	\$ 65,071	\$ 2,032,380	\$ 7,930,123
Fund Balance						
Reserved for -						
Encumbrances	\$ 657,856	\$ 2,695,916	\$ 971,659	\$ -	\$ 714,155	\$ 5,039,586
Debt service	-	-	-	10,184,044	-	10,184,044
Special Revenue	-	(2,695,916)	-	-	2,224,316	(471,600)
Capital Projects	-	-	17,752,448	-	1,589,135	19,341,583
Permanently restricted (non-expendable)	100,000	-	-	-	-	100,000
Unreserved reported in:						
General Fund	3,598,149	-	-	-	-	3,598,149
Designated for subsequent year appropriations	8,028,176	-	-	-	-	8,028,176
Total fund balance	\$ 12,384,181	\$ -	\$ 18,724,107	\$ 10,184,044	\$ 4,527,606	\$ 45,819,938
Total liabilities and fund balance	\$ 15,339,772	\$ 2,482,169	\$ 19,119,019	\$ 10,249,115	\$ 6,559,986	\$ 53,750,061

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, 2008

Total fund balances - governmental funds		\$ 45,819,938
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		227,142,277
Receivable from loan proceeds recognized prior year that did not represent current financial resources and, therefore, was not reported in the funds balance sheet		
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		138,761
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported in the funds balance sheet		(1,157,657)
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	6,486,020	
Accounts payable	(1,522,928)	
Estimated health claims payable	<u>(1,414,248)</u>	3,548,844
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	(4,516,145)	
Due in more than one year	<u>(48,247,942)</u>	<u>(52,764,087)</u>
Net assets of governmental activities		<u>\$ 222,728,076</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, 2008

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Capital Projects Fund	Debt Service Fund		
Revenues:						
Taxes						
Property	\$ 14,120,511	\$ -	\$ -	\$ 4,627,476	\$ 1,418,886	\$ 20,166,873
Sales	21,834,653	-	-	-	-	21,834,653
Franchise	3,634,007	-	-	-	-	3,634,007
Public service	1,049,367	-	-	-	1,523,503	2,572,870
Gaming	3,524,542	-	-	-	-	3,524,542
Licenses and permits	2,228,349	-	-	-	-	2,228,349
Intergovernmental	2,262,760	7,651,624	3,389,332	-	3,300,475	16,604,191
Charges for services	953,699	-	-	-	-	953,699
Fines and forfeits	1,888,998	-	-	-	-	1,888,998
Interest	372,912	-	471,059	230,792	163,167	1,237,930
Miscellaneous	1,058,067	-	1,181,461	-	44,423	2,283,951
Total revenues	52,927,865	7,651,624	5,041,852	4,858,268	6,450,454	76,930,063
Expenditures						
Current:						
General government	9,189,151	95,364	-	-	-	9,284,515
Public safety	34,219,226	731,093	-	-	1,871,300	36,821,619
Public works	11,381,378	1,548,949	1,307,313	-	360,001	14,597,641
Health and welfare	-	-	-	-	2,654,150	2,654,150
Economic development	2,684,853	2,278	-	-	-	2,687,131
Culture and recreation	10,831,071	1,007,732	-	-	-	11,838,803
Capital outlay	4,940,458	-	7,891,192	-	1,294,018	14,125,668
Debt service:						
Principal	-	-	-	3,394,376	-	3,394,376
Interest	-	-	-	1,311,173	-	1,311,173
Other	-	-	-	6,201	-	6,201
Total expenditures	73,246,137	3,385,416	9,198,505	4,711,750	6,179,469	96,721,277
Excess (deficit) of revenues over expenditures	(20,318,272)	4,266,208	(4,156,653)	146,518	270,985	(19,791,214)
Other financing sources (uses)						
Proceeds of loans	1,209,465	-	10,000,000	-	-	11,209,465
Contributed Capital	884,860	-	-	-	-	884,860
Insurance proceeds	-	-	767,530	-	-	767,530
Sale of capital assets	429,375	-	-	-	12,245	441,620
Transfers in	11,145,279	197,476	3,741,265	6,000,000	-	21,084,020
Transfers out	(10,620,707)	(13,306,506)	-	-	(186,795)	(24,114,008)
Total other financing sources (uses)	3,048,272	(13,109,030)	14,508,795	6,000,000	(174,550)	10,273,487
Changes in fund balance	(17,270,000)	(8,842,822)	10,352,142	6,146,518	96,435	(9,517,727)
Fund balance - October 1	29,654,181	8,842,822	8,371,965	4,037,526	4,431,171	55,337,665
Fund balance - September 30	\$ 12,384,181	\$ -	\$ 18,724,107	\$ 10,184,044	\$ 4,527,606	\$ 45,819,938

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, 2008

	Amount
Net change in fund balances - total governmental funds:	\$ (9,517,727)
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.	7,950,467
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.	(441,620)
Long-term debt proceeds that are recorded as revenues in the fund statements and shown as liabilities on the Statement of Net Assets	(10,000,000)
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 fiscal year ended September 30, 2007. The remainder was received this fiscal year. A receivable was recorded in the governmental wide statements in the prior year; however, this receivable was not considered current resources so no receivable was recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance.	(1,209,465)
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.	3,394,376
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.	(141,374)
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.	(1,038,298)
Bond issue costs which are shown as amortization expense in the government-wide statements and are not reflected in the fund statement	93,936
Internal service funds are used by management to charge the cost of certain activities such as insurance costs, to individual funds	(954,862)
Change in net assets of governmental activities	\$ (11,863,567)

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, 2008

	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	\$ 7,928,373	\$ 270,191	\$ 8,198,564	\$ 3,863,681
Cash with fiscal agents	-	-	-	79,755
Investments	-	-	-	1,542,358
Receivables:				
Customer accounts (net of allowance for uncollectible accounts)	1,537,335	-	1,537,335	-
Customer accounts accrued but not billed	685,127	-	685,127	-
Other	-	-	-	12,931
Prepaid insurance	-	-	-	987,295
Due from other governments	3,437	-	3,437	-
Total current assets	<u>10,154,272</u>	<u>270,191</u>	<u>10,424,463</u>	<u>6,486,020</u>
Current restricted assets				
Cash - Water and Sewer Trust	<u>1,048,080</u>	<u>-</u>	<u>1,048,080</u>	<u>-</u>
Noncurrent assets				
Capital assets:				
Land	149,313	63,304	212,617	-
Building	-	20,400	20,400	-
Construction in progress	15,335,370	955,016	16,290,386	-
Infrastructure	159,422,728	239,561	159,662,289	-
Machinery and equipment	930,761	-	930,761	-
Vehicles	1,649,404	33,000	1,682,404	-
Less accumulated depreciation	(32,051,444)	(131,223)	(32,182,667)	-
Total capital assets	<u>145,436,132</u>	<u>1,180,058</u>	<u>146,616,190</u>	<u>-</u>
Other noncurrent assets				
Cash - Water and Sewer Improvements	5,043,727	-	5,043,727	-
Cash - Reserved for community disaster loan payment	1,363,800	-	1,363,800	-
Deferred charges	3,988,083	-	3,988,083	-
Total other noncurrent assets	<u>10,395,610</u>	<u>-</u>	<u>10,395,610</u>	<u>-</u>
Total assets	<u>\$ 167,034,094</u>	<u>\$ 1,450,249</u>	<u>\$ 168,484,343</u>	<u>\$ 6,486,020</u>
Liabilities				
Current liabilities (payable from current assets)				
Accounts payable	\$ 5,230,418	\$ 139	\$ 5,230,557	\$ 1,522,928
Accrued wages payable	1,176	848	2,024	-
Accrued interest payable	589,451	-	589,451	-
Due to other funds	54,250	-	54,250	-
Deferred revenue	-	-	-	-
Liability for self-insurance claims	-	-	-	1,414,248
Retainage payable	159,244	-	159,244	-
Other liabilities	326,094	3	326,097	-
Current portion of long-term debt				
Compensated absences payable	3,418	3,196	6,614	-
Notes payable	2,059,272	-	2,059,272	-
Bonds payable	2,825,000	-	2,825,000	-
Total current liabilities payable from current assets	<u>11,248,323</u>	<u>4,186</u>	<u>11,252,509</u>	<u>2,937,176</u>
Current liabilities (payable from restricted assets)				
Meter deposits	1,064,030	-	1,064,030	-
Total current liabilities	<u>12,312,353</u>	<u>4,186</u>	<u>12,316,539</u>	<u>2,937,176</u>
Long-term debt				
Compensated absences payable	2,913	3,344	6,257	-
Notes payable	37,007,669	-	37,007,669	-
Bonds payable	50,125,000	-	50,125,000	-
Total noncurrent liabilities	<u>87,135,582</u>	<u>3,344</u>	<u>87,138,926</u>	<u>-</u>
Total liabilities	<u>99,447,935</u>	<u>7,530</u>	<u>99,455,465</u>	<u>2,937,176</u>
Net Assets				
Invested in capital assets, net of related debt	53,419,191	1,180,058	54,599,249	-
Restricted for revenue bond indentures	4,000	-	4,000	-
Unrestricted	14,162,968	262,661	14,425,629	3,548,844
Total net assets	<u>\$ 67,586,159</u>	<u>\$ 1,442,719</u>	<u>\$ 69,028,878</u>	<u>\$ 3,548,844</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, 2008

	<u>Business Type Activities</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Non-major Fund Joseph T, Jones Park</u>	<u>Total Business-Type Activities</u>	
Operating Revenues				
Charges for services	\$ 22,196,429	\$ 10,139	\$ 22,206,568	\$ -
Employee contributions	-	-	-	789,247
Retiree contributions	-	-	-	119,264
Employer contributions	-	-	-	5,061,448
Insurance claim reimbursements	-	-	-	550,579
Miscellaneous	150,357	-	150,357	-
Total operating revenues	<u>22,346,786</u>	<u>10,139</u>	<u>22,356,925</u>	<u>6,520,538</u>
Operating Expenses				
Personnel services	112,046	78,712	190,758	-
Contractual services	15,063,327	3,790	15,067,117	388,381
Material and supplies	2,632,489	1,938	2,634,427	-
Administrative expenses	-	-	-	9,250
Death benefits paid	-	-	-	1,000
Premium payments	-	-	-	2,869,472
Claims paid and changes in estimates	-	-	-	5,311,702
Depreciation	2,867,116	24,905	2,892,021	-
Amortization	264,421	-	264,421	-
Bad debts	95,660	-	95,660	-
Total operating expenses	<u>21,035,059</u>	<u>109,345</u>	<u>21,144,404</u>	<u>8,579,805</u>
Operating income (loss)	<u>1,311,727</u>	<u>(99,206)</u>	<u>1,212,521</u>	<u>(2,059,267)</u>
Non-operating revenues				
Intergovernmental	255,260	-	255,260	-
Insurance proceeds	-	-	-	11,024,819
Loss on sale of assets (net of auction sales)	(17,263)	(1,460)	(18,723)	-
Interest income	663,219	9,326	672,545	459,865
Interest expense	(3,424,425)	-	(3,424,425)	-
Total nonoperating revenues (expenses)	<u>(2,523,209)</u>	<u>7,866</u>	<u>(2,515,343)</u>	<u>11,484,684</u>
Income (loss) before contributions and transfers	<u>(1,211,482)</u>	<u>(91,340)</u>	<u>(1,302,822)</u>	<u>9,425,417</u>
Capital contributions	136,005	-	136,005	-
Transfers from other funds	12,434,852	975,415	13,410,267	765,000
Transfers to other funds	-	-	-	(11,145,279)
Change in net assets	11,359,375	884,075	12,243,450	(954,862)
Net assets - October 1	56,226,784	558,644	56,785,428	4,503,706
Net assets - September 30	<u>\$ 67,586,159</u>	<u>\$ 1,442,719</u>	<u>\$ 69,028,878</u>	<u>\$ 3,548,844</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, 2008

	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	\$ 22,690,223	\$ 10,139	\$ 22,700,362	\$ -
Cash received from other operating receipts	163,069	-	163,069	-
Cash received from employees and others	-	-	-	908,511
Cash received from insurance claims	-	-	-	537,648
Cash received from employer contributions	-	-	-	5,061,448
Cash paid to suppliers	(13,551,900)	(9,653)	(13,561,553)	(7,453,801)
Cash paid to employees	(104,539)	(75,153)	(179,692)	-
Cash received from meter deposits, net	186,418	-	186,418	-
Net cash provided by operating activities	<u>9,383,271</u>	<u>(74,667)</u>	<u>9,308,604</u>	<u>(946,194)</u>
Cash from non-operating activities				
Cash received from insurance proceeds	-	-	-	2,321,529
Cash received from governmental grants	509,034	-	509,034	-
Cash transferred from governmental funds	103,761	-	103,761	765,000
Net cash provided by non-operating activities	<u>612,795</u>	<u>-</u>	<u>612,795</u>	<u>3,086,529</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(5,163,861)	-	(5,163,861)	(11,145,279)
Disposition of capital assets	(17,263)	-	(17,263)	-
Principal paid on revenue bond maturities and notes payable	(3,522,702)	-	(3,522,702)	-
Interest paid on bonds and notes payable	(3,424,425)	-	(3,424,425)	-
Net cash used in capital and related financing activities	<u>(12,128,251)</u>	<u>-</u>	<u>(12,128,251)</u>	<u>(11,145,279)</u>
Cash flows from investing activities				
Investment transactions, net	-	-	-	109,764
Interest received	663,219	9,326	672,545	459,865
Net cash from investing activities	<u>663,219</u>	<u>9,326</u>	<u>672,545</u>	<u>569,629</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,468,966)</u>	<u>(65,341)</u>	<u>(1,534,307)</u>	<u>(8,435,315)</u>
Cash and equivalents - October 1	<u>16,852,945</u>	<u>335,532</u>	<u>17,188,477</u>	<u>12,298,996</u>
Cash and equivalents - September 30	<u>\$ 15,383,979</u>	<u>\$ 270,191</u>	<u>\$ 15,654,170</u>	<u>\$ 3,863,681</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Operating income (loss)	\$ 1,311,726	\$ (99,206)	\$ 1,212,520	\$ (2,059,267)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	2,867,116	24,905	2,892,021	-
Amortization	264,421	-	264,421	-
Bad debts	95,660	-	95,660	-
(Increase) decrease in assets				
Accounts receivable	1,097,541	-	1,097,541	-
Other receivables	-	-	-	(12,931)
Prepaid assets	(563,577)	-	(563,577)	281,377
Due from other governments	247,182	-	247,182	-
Increase (decrease) in liabilities				
Accounts payable	3,962,739	(301)	3,962,438	1,120,379
Accrued wages payable	652	(524)	128	-
Other liabilities	24,727	(3,100)	21,627	-
Meter deposit liabilities	68,297	-	68,297	-
Compensated absences payable	6,787	3,559	10,346	(275,752)
Net cash provided by (used in) operating activities	<u>\$ 9,383,271</u>	<u>\$ (74,667)</u>	<u>\$ 9,308,604</u>	<u>\$ (946,194)</u>
Non cash investing, capital and financing activities:				
Changes in fair value of investments	-	-	-	18,703
Transfer of capital assets from other funds	11,434,852	975,415	12,410,267	-
Other receivables	-	-	-	-
Contributed capital	136,005	-	136,005	-
	<u>\$ 11,570,857</u>	<u>\$ 975,415</u>	<u>\$ 12,546,272</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.

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

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

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Statement of Assets and Liabilities
For the Fiscal Year Ended September 30, 2008

	Agency Funds				2008 Totals
	Asset Forfeiture	Coastal Narcotics	Flexible Spending Account	Tax Collector Clearing	
Assets					
Cash and cash equivalents	\$ 149,846	\$ 70,904	\$ 11,044	\$ 75,932	307,726
Assets held for disposal	70,621	-	-	-	70,621
Total assets	<u>220,467</u>	<u>70,904</u>	<u>11,044</u>	<u>75,932</u>	<u>378,347</u>
Liabilities					
Accounts payable	-	385	-	-	385
Payable to other governments	-	-	-	75,932	75,932
Assets held in trust	220,467	70,519	11,044	-	302,030
Total liabilities	<u>\$ 220,467</u>	<u>\$ 70,904</u>	<u>\$ 11,044</u>	<u>\$ 75,932</u>	<u>\$ 378,347</u>

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

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2008

	Balance at 10/01/07	Additions	Deductions	Balance at 09/30/08
<u>Asset Forfeiture Fund</u>				
Assets				
Cash	\$ 324,793	\$ 132,878	\$ 307,825	\$ 149,846
Assets held for disposal	67,130	3,491		70,621
Total assets	<u>391,923</u>	<u>136,369</u>	<u>307,825</u>	<u>220,467</u>
Liabilities				
Accounts payable	6,417	303,708	310,125	-
Assets held in trust	385,506		165,039	220,467
Total liabilities	<u>\$ 391,923</u>	<u>\$ 303,708</u>	<u>\$ 475,164</u>	<u>\$ 220,467</u>
<u>Coastal Narcotics Task Force</u>				
Assets				
Cash	\$ 41,850	\$ 40,369	\$ 11,315	\$ 70,904
Total assets	<u>41,850</u>	<u>40,369</u>	<u>11,315</u>	<u>70,904</u>
Liabilities				
Accounts payable	-	11,743	11,358	385
Assets held in trust	41,850	28,669	-	70,519
Total liabilities	<u>\$ 41,850</u>	<u>\$ 40,412</u>	<u>\$ 11,358</u>	<u>\$ 70,904</u>
<u>Flexible Spending Account</u>				
Assets				
Cash	\$ -	\$ 21,821	\$ 10,777	\$ 11,044
Total assets	<u>-</u>	<u>21,821</u>	<u>10,777</u>	<u>11,044</u>
Liabilities				
Assets held in trust	-	21,821	10,777	11,044
Total liabilities	<u>\$ -</u>	<u>\$ 21,821</u>	<u>\$ 10,777</u>	<u>\$ 11,044</u>
<u>Tax Collector Clearing</u>				
Assets				
Cash	\$ -	\$ 35,583,047	\$ 35,507,115	\$ 75,932
Total assets	<u>-</u>	<u>35,583,047</u>	<u>35,507,115</u>	<u>75,932</u>
Liabilities				
Payable to other governments	-	35,583,047	35,507,115	75,932
Total liabilities	<u>\$ -</u>	<u>\$ 35,583,047</u>	<u>\$ 35,507,115</u>	<u>\$ 75,932</u>
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 366,643	\$ 35,778,115	\$ 35,837,032	\$ 307,726
Asset held for disposal	67,130	3,491	-	70,621
Total assets	<u>433,773</u>	<u>35,781,606</u>	<u>35,837,032</u>	<u>378,347</u>
Liabilities				
Accounts Payable	6,417	315,451	321,483	385
Payable to other governments	-	35,583,047	35,507,115	75,932
Assets held in trust	427,356	50,490	175,816	302,030
Total liabilities	<u>\$ 433,773</u>	<u>\$ 35,948,988</u>	<u>\$ 36,004,414</u>	<u>\$ 378,347</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, 2008

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, 2008.

B. Financial Reporting Entity

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

See Note 14 for information describing related organizations not included in the City's reporting entity.

C. Basis of Presentation

Governmental-wide Financial Statements –

The City presents two basic government-wide financial statements: the Statement of Net Assets and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government. The financial information for the primary government is distinguished between governmental and business-type activities. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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.

Debt Service Fund

This is a 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 the payment of principal and interest on the City's outstanding governmental debt.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds – Business-type activities

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

Water and Sewer Fund –

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

Proprietary Funds – Governmental-type activities

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

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

Fiduciary Funds

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

D. Measurement Focus/Basis of Accounting

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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

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

E. Cash, Cash with fiscal agents and Investments

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

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

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

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

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

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

F. Receivables

All trade receivables are shown net of an allowance for uncollectibles. An allowance in the amount of \$5,554,845 at September 30, 2008 has been provided in the Water and Sewer Enterprise Fund for estimated uncollectible utility charges. The allowance is based on trade receivables in excess of 90 days outstanding.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An allowance for estimated uncollectible rental fees has been established in the Joseph T. Jones Fund based upon historical collection experience and other relevant circumstances. The allowance for estimated uncollectible receivables at September 30, 2008 is \$57,517.

G. Interfund Receivables and Payables

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

H. Transactions between Funds

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

I. Prepaid Items

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

J. Restricted Assets

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

K. Capital Assets

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

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

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

The fund equity reserves for donor-imposed restrictions, debt service, encumbrances, are discussed in Note 10. The fund equity designation for subsequent year's expenditures primarily represents amount of cash used in the next year's budget to offset amounts in which expenditures are budgeted in excess of budgeted revenues.

N. Compensated Absences

City policy allows employees to accumulate all unused vacation, compensatory (comp time) and sick leave. Retiring and terminating employees covered under the Disability and Relief-Municipal Retirement System are paid for all unused vacation, sick leave, and unused comp time.

All other employees are paid for up to 30 days of unused vacation and all unused comp time upon retirement or termination, while excess vacation and all accumulated sick leave remaining are counted as creditable service toward retirement.

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

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2008. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

O. Post Employment Health Care Benefits

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

P. Estimates

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division by June 1 each year.
3. The Finance Division reviews expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended in July each year, if necessary. However, budget revisions are made throughout the year (prior to July), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types.

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 3: PROPERTY, GAMING AND SALES TAX REVENUES

(A) Property Tax

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

Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All taxes are remitted monthly to the City. In addition, Harrison County also remits to the City a prorata share of road and bridge taxes collected by the County. Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year.

The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial.

The rates are expressed in terms of mills (i.e. ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2008 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, 2008 there were one casino operating within the City. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4 to .8 percent. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State,

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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

City and County annually receive licensing fees and permits from each casino for each gaming device. Gaming revenue of \$3,524,542 was received by the City in fiscal year ended September 30, 2008.

(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 \$21,834,653 of sales tax revenue.

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

(A) Cash and Other Deposits

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

At September 30, 2008, the carrying amount of the City's deposits was \$51,169,887 and the bank balance was \$52,433,326. The difference represents outstanding checks and other reconciling items.

A summary of Cash and Cash Equivalents at September 30, 2008 is as follows:

	<u>Cash and Cash Equivalents Invested in Sweep Account</u>	<u>Non-pooled Cash and Cash Equivalents</u>	<u>Restricted Cash</u>	<u>Total</u>
Governmental funds:				
Major funds:				
General fund	\$ 9,838,355	2,700	183,560	10,024,615
Disaster relief fund	(12,918,758)	-	-	(12,918,758)
Capital projects fund	18,654,810	-	-	18,654,810
Debt service fund	10,105,605	-	-	10,105,605
Non-major funds	<u>4,922,282</u>	<u>555,756</u>	<u>-</u>	<u>5,478,038</u>
Total governmental funds	<u>30,602,294</u>	<u>558,456</u>	<u>183,560</u>	<u>31,344,310</u>
Proprietary funds –				
business-type activities:				
Water & sewer fund	12,423,192	1,912,708	1,048,080	15,383,980
Port fund	<u>270,191</u>	<u>-</u>	<u>-</u>	<u>270,191</u>
Total proprietary funds –				
business-type activities	<u>12,693,383</u>	<u>1,912,708</u>	<u>1,048,080</u>	<u>15,654,171</u>
Proprietary funds –				
governmental-type activities	3,863,680	-	-	3,863,680
Fiduciary funds	<u>86,976</u>	<u>220,750</u>	<u>-</u>	<u>307,726</u>
Total cash and cash equivalents	<u>\$ 47,246,333</u>	<u>2,691,914</u>	<u>1,231,640</u>	<u>51,169,887</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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

Cash in Water and Sewer Improvements in the proprietary funds statements in the amount of \$5,043,727 and Cash reserved for community disaster loan payments in the amount of \$1,363,800 is classified as Other Noncurrent Assets as to not distort working capital.

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

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, 2008, 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 \$79,755. The entire amount was insured or collateralized with securities held by the financial institutions in the city's name.

(C) Investments

At September 30, 2008, 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, 2008 is as follows:

	Rate of Interest	Amount
Governmental Funds:		
Government National Mortgage Assoc.	4.5% - 5.5%	\$ 192,284
U.S. Treasury Notes	3.0% - 5.75%	1,350,074
Total investments		\$ 1,542,358

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, 2008

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	\$ 303,106	\$ -	\$ 303,106
1 - 5 years	785,055	-	785,055
6 - 10 years	261,913	-	261,913
over 10 years	-	192,284	192,284
Total investments	<u>\$ 1,350,074</u>	<u>\$ 192,284</u>	<u>\$ 1,542,358</u>

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, 2008:

	Major Governmental Funds	Non-Major Governmental Funds	Total
<u>Governmental Activities:</u>			
Accounts receivable			
Taxes receivable:			
Property taxes	\$ 197,407	\$ 15,045	\$ 212,452
Sales taxes	1,550,017	-	1,550,017
Franchise taxes	904,747	-	904,747
Gaming fees	289,364	-	289,364
Other receivables:			
Privilege licenses	214,793	-	214,793
Other	70,947	-	70,947
Total accounts receivable	<u>\$ 3,227,275</u>	<u>\$ 15,045</u>	<u>\$ 3,242,320</u>
Due from other governments			
Federal	\$ 15,696,520	\$ 511,128	\$ 16,207,648
State	653,686	-	653,686
Total due from other governments	<u>\$ 16,350,206</u>	<u>\$ 511,128</u>	<u>\$ 16,861,334</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 5: RECEIVABLES (Continued)

Business Type Activities

Accounts receivable:

Water & sewer utility charges	\$ 7,777,307
Harbor berth rentals	57,517
Total gross receivables	7,834,824
Less: allowance for uncollectibles	(5,612,362)
Net total accounts receivable	\$ 2,222,462

The City funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* reported in the general fund in the amount of \$298,238 for assessments not yet due.

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at September 30, 2008 is as follows:

	Due From	Due To
<i>Government-type activities</i>		
General fund	\$ 1,650,589	-
Debt service fund	15,976	2,041
<i>Business-type activities</i>		
Water and sewer fund	-	54,250
<i>Non-major Funds</i>	-	1,610,274
	\$ 1,666,565	1,666,565

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, 2008

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, 2008:

	Transfer <u>In</u>	Transfer <u>Out</u>
<i>Government-type activities</i>		
General fund	\$ 11,145,279	10,620,707
Disaster relief fund	197,476	13,306,506
Capital project fund	3,741,265	-
Debt service fund	6,000,000	-
<i>Business-type activities</i>		
Water and sewer fund	12,434,852	-
Harbor fund	975,415	-
<i>Non-major funds</i>	-	186,795
<i>Internal service fund</i>	<u>765,000</u>	<u>11,145,279</u>
	<u>\$ 35,259,287</u>	<u>35,259,287</u>

The City transfers funds from the General Fund to pay for capital projects incurred. Capital asset purchases made in the disaster relief fund for the business type activities in the amount of \$12,923,554 were transferred. Also, capital expenditures made from insurance revenues in the amount of \$11,145,279 were transferred from the internal service fund to the general fund for proper allocation of expenditures.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance <u>October 1</u>	Additions	Deletions	Balance <u>Sept 30</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated				
Land	\$ 26,851,047	860,818	-	27,711,865
Construction in progress	-	3,410,236	-	3,410,236
Total capital assets not being depreciated	<u>26,851,047</u>	<u>4,271,054</u>	-	<u>31,122,101</u>
Capital assets being depreciated				
Buildings	13,875,570	455,739	-	14,331,309
Improvements	5,013,795	1,313,925	-	6,327,720
Infrastructure	239,120,057	4,630,308	-	243,750,365
Machinery & Equipment	8,133,983	925,582	(586,979)	8,472,586
Vehicles	14,640,642	2,529,060	(1,461,273)	15,708,429
Total capital assets being depreciated	<u>280,784,047</u>	<u>9,854,614</u>	<u>(2,048,252)</u>	<u>288,590,409</u>
Less accumulated depreciation for:				
Buildings	4,155,670	532,699	-	4,688,369
Improvements	1,057,433	327,022	-	1,384,455
Infrastructure	69,033,507	2,985,115	-	72,018,622
Machinery & Equipment	4,931,938	1,228,491	(508,155)	5,652,274
Vehicles	8,823,116	1,101,874	(1,098,477)	8,826,513
Total accumulated depreciation	<u>88,001,664</u>	<u>6,175,201</u>	<u>(1,606,632)</u>	<u>92,570,233</u>
Total capital assets being depreciated, net	<u>192,782,383</u>	<u>3,679,413</u>	<u>(441,620)</u>	<u>196,020,176</u>
Governmental activities capital assets, net	<u>\$ 219,633,430</u>	<u>7,950,467</u>	<u>(441,620)</u>	<u>227,142,277</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 7: CAPITAL ASSETS (Continued)

	Balance October 1	Additions	Deletions	Completed Construction	Balance Sept 30
<i>Business-type activities</i>					
Capital assets not being depreciated					
Land	\$ 212,617	-	-	-	212,617
Construction in progress	28,818,291	16,193,790	-	(28,721,695)	16,290,386
Total capital assets not being depreciated	<u>29,030,908</u>	<u>16,193,790</u>	<u>-</u>	<u>(28,721,695)</u>	<u>16,503,003</u>
Capital assets being depreciated					
Buildings	-	20,400	-	-	20,400
Infrastructure	127,224,357	3,716,237	-	28,721,695	159,662,289
Machinery & Equipment	946,767	33,296	(49,302)	-	930,761
Vehicles	1,870,379	101,392	(289,367)	-	1,682,404
Total capital assets being depreciated	<u>130,041,503</u>	<u>3,871,325</u>	<u>(338,669)</u>	<u>28,721,695</u>	<u>162,295,854</u>
Less accumulated depreciation for:					
Buildings	-	298	-	-	298
Infrastructure	28,013,870	2,675,597	-	-	30,689,467
Machinery & Equipment	536,257	66,970	(44,372)	-	558,855
Vehicles	1,034,051	149,156	(249,160)	-	934,047
Total accumulated depreciation	<u>29,584,178</u>	<u>2,892,021</u>	<u>(293,532)</u>	<u>-</u>	<u>32,182,667</u>
Total capital assets being depreciated, net	<u>100,457,325</u>	<u>979,304</u>	<u>(45,137)</u>	<u>28,721,695</u>	<u>130,113,187</u>
Governmental activities capital assets, net	<u>\$ 129,488,233</u>	<u>17,173,094</u>	<u>(45,137)</u>	<u>-</u>	<u>146,616,190</u>

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

Governmental activities:	
General government	\$ 554,813
Public safety	1,195,947
Public works	4,015,967
Culture and recreation	342,427
Health and welfare	6,622
Economic development	59,425
Total depreciation expense – governmental activities	<u>\$ 6,175,201</u>
Business-type activities	
Water and sewer	\$ 2,867,116
Joseph T. Jones memorial park	24,905
Total depreciation expense-business-type activities	<u>\$ 2,892,021</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 8: LONG-TERM DEBT

(A) Governmental Activities

Transactions for the Year Ended September 30, 2008 are summarized as follows:

Governmental Activities	Payable at 10/01/07	Additions	Reductions	Payable at 09/30/08	Due in one year
General obligation bonds	\$ 20,710,000	10,000,000	2,230,000	28,480,000	2,410,000
Notes payable	23,600,324	-	1,164,376	22,435,948	1,162,981
Compensated absences	1,666,765	141,374	-	1,808,139	943,164
Claims and judgments	41,000	-	1,000	40,000	-
	<u>\$ 46,018,089</u>	<u>10,141,374</u>	<u>3,395,376</u>	<u>52,764,087</u>	<u>4,516,145</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 public improvement	\$ 6,000,000	7/1/1998	4.40 - 6.00%	3,780,000	290,000
G/O public improvement	1,000,000	5/1/2000	5.20%	250,000	120,000
G/O refunding issue	9,580,000	12/1/2002	2.00 - 5.00%	5,330,000	945,000
G/O public improvement	5,000,000	4/1/2003	3.50 - 4.25%	4,130,000	200,000
G/O refunding issue	6,160,000	8/5/2004	2.00 - 4.05%	4,990,000	545,000
G/O refunding issue	10,000,000	11/1/2007	3.75 - 5.30%	10,000,000	310,000
	<u>\$ 37,740,000</u>			<u>\$ 28,480,000</u>	<u>\$ 2,410,000</u>

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

Year Ended September 30	Principal	Interest	Total
2009	\$ 2,410,000	1,173,955	3,583,955
2010	2,535,000	1,069,663	3,604,663
2011	2,530,000	953,018	3,483,018
2012	2,660,000	841,707	3,501,707
2013	4,860,000	849,921	5,709,921
2014-2018	5,665,000	2,254,870	7,919,870
2019-2023	4,400,000	1,125,608	5,525,608
2024-2028	3,420,000	331,498	3,751,498
Total	<u>\$ 28,480,000</u>	<u>\$ 8,600,240</u>	<u>\$ 37,080,240</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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, 2008, \$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	8/4/1997	3.70%	\$ 252,449	\$ 71,791
State of Mississippi CAP Revolving Fund 15-year note, \$425,000, to construct fire Stations in the annexed area	8/4/1997	3.70%	116,254	33,060
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	12/1/2000	1.05% over TBMA	6,534,712	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	12/20/2006	3.86%	2,159,411	587,780
Total general obligation notes			<u>\$ 22,435,948</u>	<u>\$ 1,162,981</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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:

Year Ended September 30	Principal	Interest	Total
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	838,970	160,595	999,565
2013	470,350	139,599	609,949
2014-2018	2,351,750	486,339	2,838,089
2019-2023	1,778,130	141,364	1,919,494
2024-2028	53,083	1,594	54,677
Total	<u>\$ 22,435,948</u>	<u>\$ 2,031,775</u>	<u>\$ 24,467,723</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 in the governmental-type activities: \$943,164 of the accrued liability of \$1,808,139 and in the business-type activities: \$6,614 of \$12,598 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, 2008, a total of 40 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$40,000 has been included in the General Long-Term Debt at September 30, 2008. 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, 2008, the amount of outstanding general obligation bonded debt was equal to 4.9% 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 \$576,168,000; therefore, the 15% limitation equals: \$86,425,200; less GO Bonds outstanding of \$28,480,000, leaving a margin for further debt issuance of \$57,945,200.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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, 2008, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$89,311,974. 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, 2008:

<u>Business-type activities</u>	<u>Payable</u> <u>at 10/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable</u> <u>at 09/30/08</u>	<u>Due in one</u> <u>year</u>
General Obligation Bonds	\$ 55,610,000	-	2,660,000	52,950,000	2,825,000
Notes payable	40,993,398	-	1,926,457	39,066,941	2,059,272
Compensated absences	6,084	6,787	-	12,871	6,614
Total	<u>\$ 96,609,482</u>	<u>\$ 6,787</u>	<u>\$ 4,586,457</u>	<u>\$ 92,029,812</u>	<u>\$ 4,890,886</u>

(1) General Obligation and Revenue Bonds

These are bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service. Bonds outstanding at September 30, 2008 are as follows:

<u>Purpose</u>	<u>Original</u> <u>Amount</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>Amount</u>	<u>Due in one</u> <u>Year</u>
Water and Sewer - General Obligation Refunding Bonds	\$ 6,440,000	8/1/1998	4.75 - 6.60 %	1,495,000	740,000
General Obligation Refunding Bonds	3,810,000	12/2/2004	3.00 - 3.85 %	3,690,000	350,000
General Obligation Refunding Bonds	5,200,000	4/14/2005	4.00 - 4.25 %	4,680,000	190,000
Revenue Refunding	<u>47,565,000</u>	4/7/2005	2.63 - 4.34 %	<u>43,085,000</u>	<u>1,545,000</u>
	<u>\$ 63,015,000</u>			<u>\$ 52,950,000</u>	<u>\$ 2,825,000</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 8: LONG-TERM DEBT (Continued)

Bonded debt service requirements to maturity are as follows:

Year Ended 09/30/09	Principal	Interest	Total
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	2,236,258	4,641,258
2013	2,525,000	2,115,239	4,640,239
2014-2018	14,995,000	8,544,569	23,539,569
2019-2023	17,635,000	4,571,184	22,206,184
2024-2028	7,335,000	631,912	7,966,912
Total	<u>\$ 52,950,000</u>	<u>25,521,978</u>	<u>78,471,978</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, 2008, \$3,755,000 of bonds outstanding is considered defeased.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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, 2008, \$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, 2008 is as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in One year
State Revolving Fund					
Loans	\$ 45,291,182	various	3.0 - 4.5	35,640,131	2,029,622
Community Disaster Loan	2,985,689	various	0	2,985,689	-
MS Development Bank	<u>598,489</u>	various	% of prime	<u>441,121</u>	<u>29,650</u>
Total	<u>\$ 48,875,360</u>			<u>\$39,066,941</u>	<u>\$ 2,059,272</u>

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

Year Ended	Principal	Interest	Total
09/30/09			
2009	\$ 2,059,272	331,900	2,391,172
2010	2,106,827	299,264	2,406,091
2011	5,141,390	444,635	5,586,025
2012	2,124,935	231,744	2,356,679
2013	2,083,155	199,137	2,282,292
2014-2018	8,905,659	764,292	9,669,951
2019-2023	9,392,155	368,907	9,761,062
2024-2028	<u>7,253,548</u>	<u>65,993</u>	<u>7,319,541</u>
Total	<u>\$ 39,066,941</u>	<u>2,705,872</u>	<u>41,772,813</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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, 2008

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):

Workers' Compensation

Per occurrence deductible (SIR)	\$500,000
Annual aggregate risk of loss through deductibles	\$2,258,686
Specific excess coverage in force	Statutory

Employee Health Insurance

Per occurrence deductible (SIR)	\$125,000
Annual aggregate risk of loss through deductibles	\$628,840

General and Other Liability Coverage

Per occurrence deductible (SIR)	\$100,000
Annual aggregate risk of loss through deductibles	\$700,000
Specific excess coverage in force (no aggregate limitation)	\$1,000,000/Occurrence

Property Coverage

Named Windstorm	5% per location
All Other Wind	\$100,000
All other perils	\$100,000/Occurrence
Wind on Water Towers	\$100,000
Specific excess coverage in force	
Buildings	\$30,594,082
Contents	\$2,656,302
Signs	\$768,400

(B) Claims Liability

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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, 2006 to September 30, 2008:

	Claims Contingency Fund (Worker's Compensation and Tort Claims)	Group Life and Health Fund (Health Care Claims)
Liability balance, October 1, 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	1,080,000	610,000
Claims and changes in estimates	1,044,824	4,266,878
Claims payments	<u>(1,051,079)</u>	<u>(4,536,375)</u>
Liability balance, September 30, 2008	<u>\$ 1,073,745</u>	<u>\$ 340,503</u>
Assets available to pay claims at September 30, 2008	<u>\$ 2,940,395</u>	<u>\$ 608,449</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, 2008:

(A) Community Development Entitlement Grants

Grant Number	Award Amount	Funds Drawn and Expended in fye 2008	Funds Drawn and Expended in prior years	Balance of Awards
B-05-MC-28-0002	\$ 875,259	34,215	841,044	-
B-06-MC-28-0002	785,554	785,554	-	-
B-07-MC-28-0002	783,598	470,295	-	313,303
B-08-MC-28-0002	<u>736,370</u>	<u>-</u>	<u>-</u>	<u>736,370</u>
	<u>\$ 3,180,781</u>	<u>1,290,064</u>	<u>841,044</u>	<u>1,049,673</u>

(B) Home Investment Partnership Program

Grant Number	Award Amount	Funds Drawn and Expended in fye 2008	Funds Drawn and Expended in prior years	Balance of Awards
B-05-MC-28-0002	\$ 836,355	358,430	477,925	-
B-06-MC-28-0002	774,398	168,720	-	605,678
B-07-MC-28-0002	768,297	-	-	768,297
B-08-MC-28-0002	<u>729,600</u>	<u>-</u>	<u>-</u>	<u>729,600</u>
	<u>\$ 3,108,650</u>	<u>527,150</u>	<u>477,925</u>	<u>2,103,575</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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, 2008.

	Contract Amount	Expended to Date	Remaining Contract
Klein Road Sewer	\$ 3,890,524	2,580,518	1,310,006
Elevated Tank Repairs	1,683,000	636,132	1,046,868
Three Rivers Road Sewer Improvements	672,126	391,927	280,199
Brentwood Sewer Improvements	796,223	444,930	351,293
Area 1 Water & Sewer Repair/Replace	698,174	371,797	326,377
Area 2 Sewer Repair/Replace (Engineer)	434,178	144,012	290,166
Area 2 Stormwater Repair/Replace (Engineer)	375,699	169,811	205,888
Area 2 Water Repair/Replace (Engineer)	213,500	101,856	111,644
Area 3b Water & Sewer Repair/Replace	23,267,045	8,038,117	15,228,928
Area 3a Water & Sewer Repair/Replace	8,022,656	1,184,355	6,838,301
Area 3c Water & Sewer Repair/Replace (Engineer)	1,800,000	92,925	1,707,075
Forrest Heights Water Main	1,040,003	164,427	875,576
Joseph & Fournier Drainage	822,186	384,907	437,279
Forrest Heights Levee	722,342	346,716	375,626
Area 1 Storm Drainage	526,802	353,988	172,814
Orange Grove Community Center	82,843	55,081	27,762 *
West Side Community Center	1,848,044	500,043	1,348,001 *
Gaston Hewes Recreation Center	1,645,295	685,892	959,403 *
Feed My Sheep	959,471	603,818	355,653 *
Grasslawn	93,700	90,397	3,303 *
City Hall	798,765	178,982	619,783 *
New Dedeaux Road Community Center	306,950	246,823	60,127 *
Centennial Museum	255,581	121,522	134,059 *
Arimese Tuggle	35,086	40,447	(5,361) *
Gaston Point	659,833	204,455	455,378 *
Gulfport Sportsplex	780,124	364,197	415,927 *
Chales Walker Senior Center	1,501,081	608,025	893,056 *
DPW Warehouse	690,561	565,939	124,622 *
DPW Main Building	51,780	45,814	5,966 *
Wille Locke	428,027	373,785	54,242 *
Katie Patterson Booth	248,896	222,456	26,440 *
	<u>\$ 55,350,495</u>	<u>\$ 20,314,094</u>	<u>\$ 35,036,401</u>

* contract payments to date do not include project management fees of \$1.5 million.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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 \$1,073,745 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 seq. Mississippi Code of 1972, as amended operates it. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District. The following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2008, a copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

STATEMENT OF NET ASSETS
(amounts expressed in millions of dollars)

<u>ASSETS</u>	
Current assets	\$ 138.6
Non current cash and investments	125.9
Capital assets	148.4
Other assets	2.9
Total assets	<u>\$ 415.8</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Current liabilities	\$ 46.8
Long-term liabilities	87.3
Total liabilities	<u>134.1</u>
<u>NET ASSETS</u>	
Net assets	279.5
Restricted net assets	2.2
Total net assets	<u>281.7</u>
Total liabilities and net assets	<u>\$ 415.8</u>

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS

(amounts expressed in millions of dollars)

Operating revenue	\$ 310.3
Operating expenses	272.9
Depreciation and amortization	18.7
Nonoperating revenues, net	2.3
Change in net assets	<u>\$ 21.0</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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, 2008, 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.

STATEMENT OF NET ASSETS
(amounts expressed in millions of dollars)

<u>ASSETS</u>	
Current assets	\$ 12.9
Restricted assets	20.3
Capital assets	83.2
Other assets	1.9
Total assets	<u>\$ 118.3</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Current liabilities	\$ 8.1
Current liabilities from restricted assets	5.4
Long-term liabilities	125.3
Total liabilities	<u>138.8</u>
<u>NET ASSETS</u>	
Net assets	(36.8)
Restricted net assets	16.3
Total net assets	<u>(20.5)</u>
Total liabilities and net assets	<u>\$ 118.3</u>

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

Operating revenue	\$ 17.3
Operating expenses	17.2
Depreciation and amortization	5.1
Nonoperating revenues, net	2.9
Change in net assets	<u>\$ (2.1)</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

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 Net Assets	
Contractual services (solid waste and wastewater treatment charges)	<u>\$ 4,557,616</u>

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

I. Defined Benefit Plans

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

A. Membership and Benefit Provisions

(1) Public Employee's Retirement System

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 15: RETIREMENT PLANS (continued)

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

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

2. Municipal Retirement Systems:

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At September 30, 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. Benefit provisions are established by Section 21-29, Articles 1, 3, 5, 7, Mississippi Code Annotated (1972), and annual local and private legislation and may be amended only by the State of Mississippi Legislature.

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

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

B. Actuarial Asset Valuation

By statute, actuarial valuations of PERS must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2008. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2007. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 15: RETIREMENT PLANS (continued)

C. Funding Policy and Annual Pension Costs

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

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

	<u>PERS</u>	<u>MRS</u>
Contribution rates:		
State	11.85%	N/A
Other employers	N/A	.73 - 8.73 mills
Plan members	7.25%	7.00% - 10.00%
Annual pension costs	\$683,189	\$15,426
Employer contributions made	\$683,189	\$14,979
Actuarial valuation date	June 30, 2008	Sept. 30, 2007
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level	Level
	percent open	dollar closed
Remaining amortization period	29.4 years	27.0 years
Asset valuation method	5-year	5-year
	smoothed market	smoothed market
Actuarial assumptions		
Investment rate of return	8.00%	8.00%
Wage inflation rate	4.00%	4.00%
Projected salary increases	5.00% - 15.00%	4.50% - 6.00%
Increases in benefits after retirement *	3.00%	2.00% - 3.75%
Proposed annual employer contribution rates for fiscal year 2010	12.00%	-

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

D. Three-year Trend Information

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

	<u>PERS</u>	<u>MRS</u>
Contributions		
2006	\$ 2,469,704	\$ 1,079,199
2007	2,785,677	1,137,920
2008	3,358,530	1,418,886

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 15: RETIREMENT PLANS (continued)

E. Funded Status and Funding Progress

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2008 financial report.

Ten-year historical trend information showing MRS' progress in accumulating sufficient assets to pay benefits when due is presented a table in the required supplemental information section of this report. The most recent actuarial report for MRS is September 30, 2007.

II. Deferred Compensation Plan

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

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2008 and 2007, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$2,922,595 and \$2,589,603 respectively.

NOTE 16: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

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

Actuarial Valuation

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 16: OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

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

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for the fiscal year 2008:

Annual required contribution	\$ 340,503
Interest on prior year net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>340,503</u>
Contributions made	<u>298,551</u>
Increase in net OPEB obligation	41,952
Net OPEB obligation - Beginning of year	-
Net OPEB obligation - End of year	<u><u>\$ 41,952</u></u>

Funding Status and Funding Progress

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2008

NOTE 16: OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

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

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

NOTE 17: SUBSEQUENT EVENTS

Final Judgment on Eminent Domain –

On September 25, 2008 final judgment was made to an on-going eminent domain case City of Gulfport, Mississippi v. Dedeaux Utility Company, Inc. The City was ordered to pay a total of \$5,131,676 to Dedeaux Utility Company, Inc. for the purchase of its water and sewer utility assets. Of this amount, \$2,277,079 had already been paid prior to this fiscal year leaving a remaining \$2,854,597 to be submitted. This amount was paid on October 22, 2008. No liability for this pending claim had been accrued prior to this year due to uncertainty as to the outcome. This amount has been accrued as an accounts payable in the water and sewer fund for the year ended September 30, 2008.

Land Purchase –

Land was purchased subsequent to the fiscal year end for the placement of various utilities that will service the new Municipal Complex Building. The land was purchased on October 21, 2008 for the amount of \$182,500.

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, 2008

	<i>General Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual Budget Basis	
	Original	Final		
Revenues:				
Taxes				
Property	\$ 13,722,000	\$ 13,722,000	\$ 14,429,316	\$ 707,316
Sales	22,780,000	22,780,000	22,112,127	(667,873)
Franchise	3,300,000	3,300,000	3,670,923	370,923
Public service	1,053,000	1,053,000	1,024,865	(28,135)
Gaming	3,600,000	3,600,000	3,500,352	(99,648)
Licenses and permits	2,177,000	2,177,000	2,228,449	51,449
Intergovernmental	125,000	1,666,261	970,002	(696,259)
Charges for services	946,000	1,050,454	962,093	(88,361)
Fines and forfeits	1,600,000	1,600,000	1,888,996	288,996
Interest	800,000	800,000	372,912	(427,088)
Miscellaneous	1,010,200	1,741,945	1,078,229	(663,716)
Total revenues	<u>51,113,200</u>	<u>53,490,660</u>	<u>52,238,264</u>	<u>(1,252,396)</u>
Expenditures:				
General government				
Personnel services	4,981,192	4,993,234	4,821,557	171,677
Supplies	216,452	216,011	171,985	44,026
Other services	2,315,129	2,649,426	2,420,069	229,357
Capital outlay	278,691	489,618	227,181	262,437
Total	<u>7,791,464</u>	<u>8,348,289</u>	<u>7,640,792</u>	<u>707,497</u>
Police				
Personnel services	16,080,235	17,136,276	15,508,614	1,627,662
Supplies	1,582,200	1,895,709	1,899,575	(3,866)
Other services	1,648,391	2,394,267	2,001,745	392,522
Capital outlay	450,000	1,143,401	939,003	204,398
Total	<u>19,760,826</u>	<u>22,569,653</u>	<u>20,348,937</u>	<u>2,220,716</u>
Fire				
Personnel services	11,205,748	11,059,748	10,888,955	170,793
Supplies	411,175	616,881	573,652	43,229
Other services	330,709	394,365	345,247	49,118
Capital outlay	1,573,289	2,432,093	2,065,930	366,163
Total	<u>13,520,921</u>	<u>14,503,087</u>	<u>13,873,784</u>	<u>629,303</u>
Public works				
Personnel services	2,793,775	2,711,791	2,603,739	108,052
Supplies	1,999,562	2,207,515	2,170,584	36,931
Other services	5,140,604	5,242,664	5,120,259	122,405
Capital outlay	1,000,000	1,462,224	1,369,465	92,759
Total	<u>10,933,941</u>	<u>11,624,194</u>	<u>11,264,047</u>	<u>360,147</u>
Economic development				
Personnel services	2,498,999	2,498,999	2,149,550	349,449
Supplies	48,216	69,522	53,898	15,624
Other services	526,247	703,553	547,393	156,160
Capital outlay	192,250	198,649	91,283	107,366
Total	<u>3,265,712</u>	<u>3,470,723</u>	<u>2,842,124</u>	<u>628,599</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, 2008

	<i>General Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual Budget Basis	
	Original	Final		
Culture and recreation				
Personnel services	3,287,471	3,093,384	2,889,204	204,180
Supplies	697,900	768,047	767,094	953
Other services	857,421	1,079,676	1,078,579	1,097
Capital outlay	343,248	628,365	401,152	227,213
Total	<u>5,186,040</u>	<u>5,569,472</u>	<u>5,136,029</u>	<u>433,443</u>
Total expenditures	<u>60,458,904</u>	<u>66,085,418</u>	<u>61,105,713</u>	<u>4,979,705</u>
Excess (deficit) of revenues over expenditures	<u>(9,345,704)</u>	<u>(12,594,758)</u>	<u>(8,867,449)</u>	<u>3,727,309</u>
Other financing sources (uses)				
Proceeds of loans	-	1,209,465	1,209,465	-
Sale of capital assets	28,000	241,461	220,961	(20,500)
Transfers out	(11,667,000)	(13,620,707)	(10,620,707)	3,000,000
Total other financing sources (uses)	<u>(11,639,000)</u>	<u>(12,169,781)</u>	<u>(9,190,281)</u>	<u>2,979,500</u>
Changes in fund balance	<u>(20,984,704)</u>	<u>(24,764,539)</u>	<u>(18,057,730)</u>	<u>6,706,809</u>
Fund balance - October 1	<u>29,654,181</u>	<u>29,654,181</u>	<u>29,654,181</u>	
Fund balance - September 30	<u>\$ 8,669,477</u>	<u>\$ 4,889,642</u>	<u>\$ 11,596,451</u>	<u>\$ 6,706,809</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, 2008

	<i>Disaster Relief Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 76,840,138	\$ 121,956,246	\$ 13,132,493	\$ (108,823,753)
Total revenues	<u>76,840,138</u>	<u>121,956,246</u>	<u>13,132,493</u>	<u>(108,823,753)</u>
Expenditures:				
General government				
Personnel services	-	-	3,945	(3,945)
Supplies	96,495	96,495	-	96,495
Other services	12,650,009	12,627,087	676,684	11,950,403
Capital outlay	801,862	801,862	-	801,862
Total	<u>13,548,366</u>	<u>13,525,444</u>	<u>680,629</u>	<u>12,844,815</u>
Public safety				
Personnel services	37,165	37,165	162,585	(125,420)
Supplies	926,307	926,307	518,709	407,598
Other services	2,152,230	2,152,230	-	2,152,230
Capital outlay	56,801	56,801	-	56,801
Total	<u>3,172,503</u>	<u>3,172,503</u>	<u>681,294</u>	<u>2,491,209</u>
Public works				
Personnel services	-	-	9,911	(9,911)
Supplies	216,074	233,948	47,567	186,381
Other services	3,812,942	4,217,331	2,982,273	1,235,058
Capital outlay	39,105,519	39,105,519	8,930,912	30,174,607
Total	<u>43,134,535</u>	<u>43,556,798</u>	<u>11,970,663</u>	<u>31,586,135</u>
Economic development				
Personnel services	-	-	2,278	(2,278)
Supplies	-	-	43,531	(43,531)
Other services	4,861,048	5,306,849	1,759,620	3,547,229
Capital outlay	-	-	-	-
Total	<u>4,861,048</u>	<u>5,306,849</u>	<u>1,805,429</u>	<u>3,501,420</u>
Culture and recreation				
Personnel services	-	-	1,283	(1,283)
Supplies	470,598	470,598	137,350	333,248
Other services	8,390,840	18,425,094	968,825	17,456,269
Capital outlay	-	-	-	-
Total	<u>8,861,438</u>	<u>18,895,692</u>	<u>1,107,458</u>	<u>17,788,234</u>
Total expenditures	<u>73,577,890</u>	<u>84,457,286</u>	<u>16,245,473</u>	<u>68,211,813</u>
Excess (deficit) of revenues over expenditures	<u>3,262,248</u>	<u>37,498,960</u>	<u>(3,112,980)</u>	<u>(40,611,940)</u>
Other financing sources (uses)				
Transfers in	-	197,476	197,476	-
Total other financing sources (uses)	<u>-</u>	<u>197,476</u>	<u>197,476</u>	<u>-</u>
Changes in fund balance	3,262,248	37,696,436	(2,915,504)	(40,611,940)
Fund balance - October 1	8,842,822	8,842,822	8,842,822	
Fund balance - September 30	<u>\$ 12,105,070</u>	<u>\$ 46,539,258</u>	<u>\$ 5,927,318</u>	<u>\$ (40,611,940)</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, 2008

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:

	<u>General Fund</u>	<u>Disaster Fund</u>
Sources of financial resources		
Actual amounts (budgetary basis)	\$ 52,238,264	\$ 13,132,493
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.	689,601	(5,480,869)
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	52,927,865	7,651,624
Uses of financial resources		
Actual amounts (budgetary basis)	61,105,713	16,245,473
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.	12,140,424	(12,860,057)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 73,246,137	\$ 3,385,416

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.

CITY OF GULFPORT, MISSISSIPPI
Non-major Governmental Funds
Combining Balance Sheet
September 30, 2008

	Special Revenue			Capital Projects				2007 Total Other Governmental Funds
	Forfeitures and Seizures	Police Traffic Safety	Police and Fireman's Retirement	Community Development Program	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	
Assets								
Cash and cash equivalents	\$ 2,814,555	\$ 74,655	\$ -	\$ 832,531	\$ 85,802	\$ 149,855	\$ 416,280	\$ 1,104,360
Receivables	-	-	15,045	-	-	-	-	-
Property taxes	-	-	-	1,066,903	-	-	-	-
Due from other governments	-	-	-	1,899,434	85,802	149,855	416,280	1,104,360
Total assets	<u>2,814,555</u>	<u>74,655</u>	<u>15,045</u>	<u>1,899,434</u>	<u>85,802</u>	<u>149,855</u>	<u>416,280</u>	<u>1,104,360</u>
Liabilities and Fund balance								
Liabilities								
Accounts payable	2,244	-	-	233,565	-	-	1,221	165,941
Accrued wages payable	-	-	-	4,090	-	-	-	-
Due to other funds	-	-	-	1,610,274	-	-	-	-
Due to other governments	-	-	15,045	-	-	-	-	-
Total Liabilities	<u>2,244</u>	<u>-</u>	<u>15,045</u>	<u>1,847,929</u>	<u>-</u>	<u>-</u>	<u>1,221</u>	<u>165,941</u>
Fund Balance								
Reserved for encumbrances	569,223	-	-	144,932	-	-	-	714,155
Reserved for special revenue	2,243,088	74,655	-	(93,427)	-	-	-	2,224,316
Reserved for capital projects	-	-	-	-	85,802	149,855	415,059	938,419
Total fund balance	<u>2,812,311</u>	<u>74,655</u>	<u>-</u>	<u>51,505</u>	<u>85,802</u>	<u>149,855</u>	<u>415,059</u>	<u>938,419</u>
Total liabilities and fund balance	<u>\$ 2,814,555</u>	<u>\$ 74,655</u>	<u>\$ 15,045</u>	<u>\$ 1,899,434</u>	<u>\$ 85,802</u>	<u>\$ 149,855</u>	<u>\$ 416,280</u>	<u>\$ 1,104,360</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, 2008

	Special Revenue				Capital Projects			2008 Total Other Governmental Funds
	Forfeitures and Seizures	Police Traffic Safety	Police and Fireman's Retirement	Community Development Program	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ 1,418,886	\$ -	\$ -	\$ -	\$ -	\$ 1,418,886
Public service	1,523,503	-	-	-	-	-	-	1,523,503
Intergovernmental	-	-	-	3,300,475	-	-	-	3,300,475
Interest	78,223	2,211	-	21,189	2,541	4,439	12,617	103,167
Miscellaneous	-	-	-	44,423	-	-	-	44,423
Total revenues	<u>1,601,726</u>	<u>2,211</u>	<u>1,418,886</u>	<u>3,366,087</u>	<u>2,541</u>	<u>4,439</u>	<u>12,617</u>	<u>41,947</u>
Expenditures								
Current								
Public safety	452,414	-	1,418,886	-	-	-	-	1,871,300
Public works	-	-	-	-	-	-	12,773	360,001
Health and welfare	-	-	-	2,654,150	-	-	-	2,654,150
Capital outlay	347,228	-	-	946,790	-	-	-	1,294,018
Total expenditures	<u>799,642</u>	<u>-</u>	<u>1,418,886</u>	<u>3,600,940</u>	<u>-</u>	<u>-</u>	<u>12,773</u>	<u>6,179,469</u>
Excess of revenues over expenditures	802,084	2,211	-	(234,853)	2,541	4,439	(156)	(305,281)
Other financing sources (uses)								
Sale of fixed assets	12,245	-	-	-	-	-	-	12,245
Transfers out	-	-	-	-	-	-	-	(186,795)
Total other financing sources (uses)	<u>12,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,550)</u>
Change in fund balance	814,329	2,211	-	(234,853)	2,541	4,439	(156)	(492,076)
Fund balance - October 1	1,997,982	72,444	-	286,358	83,261	145,416	415,215	1,430,495
Fund balance - September 30	<u>\$ 2,812,311</u>	<u>\$ 74,655</u>	<u>\$ -</u>	<u>\$ 51,505</u>	<u>\$ 85,802</u>	<u>\$ 149,855</u>	<u>\$ 415,059</u>	<u>\$ 938,419</u>
								<u>\$ 4,527,606</u>

Supplementary Information

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

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

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

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

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

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, 2008

	<i>Forfeitures and Seizures Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008 Actual	
	Original	Final		
Revenues:				
Public service taxes	\$ 15,242	\$ 1,917,116	\$ 1,523,503	\$ (393,613)
Interest	-	-	78,223	78,223
Miscellaneous	-	6,000	-	(6,000)
Total revenues	<u>15,242</u>	<u>1,923,116</u>	<u>1,601,726</u>	<u>(321,390)</u>
Expenditures:				
Public safety	<u>2,344,006</u>	<u>3,414,994</u>	<u>799,642</u>	<u>2,615,352</u>
Total expenditures	<u>2,344,006</u>	<u>3,414,994</u>	<u>799,642</u>	<u>2,615,352</u>
Excess (deficit) of revenues over expenditures	<u>(2,328,764)</u>	<u>(1,491,878)</u>	<u>802,084</u>	<u>2,293,962</u>
Other financing sources (uses)				
Sale of general fixed assets	<u>-</u>	<u>-</u>	<u>12,245</u>	<u>12,245</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,245</u>	<u>12,245</u>
Changes in fund balance	(2,328,764)	(1,491,878)	814,329	2,306,207
Fund balance - October 1	1,997,982	1,997,982	1,997,982	
Fund balance - September 30	<u>\$ (330,782)</u>	<u>\$ 506,104</u>	<u>\$ 2,812,311</u>	<u>\$ 2,306,207</u>

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, 2008

	<i>Public Traffic Safety</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008 Actual	
	Original	Final		
Revenues:				
Interest	\$ 1,916	\$ 1,916	\$ 2,212	\$ 296
Total revenues	1,916	1,916	2,212	296
Expenditures:				
Public safety	2,036	2,036	-	2,036
Total expenditures	2,036	2,036	-	2,036
Changes in fund balance	(120)	(120)	2,212	2,332
Fund balance - October 1	72,444	72,444	72,444	-
Fund balance - September 30	\$ 72,324	\$ 72,324	\$ 74,656	\$ 2,332

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, 2008

<i>Police and Fireman's Retirement Fund</i>				Variance with Final Budget Favorable (Unfavorable)
	Budget		2008	
	Original	Final	Actual	
Revenues:				
Taxes	\$ 1,423,596	\$ 1,423,596	\$ 1,418,886	\$ (4,710)
Total revenues	1,423,596	1,423,596	1,418,886	(4,710)
Expenditures:				
Public safety	1,423,596	1,423,596	1,418,886	4,710
Total expenditures	1,423,596	1,423,596	1,418,886	4,710
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, 2008

	<i>Community Development Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008 Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 30,030,551	\$ 40,661,912	\$ 3,300,475	\$ (37,361,437)
Fines and forfeits	-	-	21,189	21,189
Interest	-	-	44,423	44,423
Total revenues	<u>30,030,551</u>	<u>40,661,912</u>	<u>3,366,087</u>	<u>(37,295,825)</u>
Expenditures:				
Health and welfare	5,945,140	6,946,863	2,654,150	4,292,713
Capital outlay	-	-	946,790	(946,790)
Total expenditures	<u>5,945,140</u>	<u>6,946,863</u>	<u>3,600,940</u>	<u>3,345,923</u>
Excess (deficit) of revenues over expenditures	<u>24,085,411</u>	<u>33,715,049</u>	<u>(234,853)</u>	<u>(33,949,902)</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	24,125,811	33,755,449	(234,853)	(33,990,302)
Fund balance - October 1	286,358	286,358	286,358	
Fund balance - September 30	<u>\$ 24,412,169</u>	<u>\$ 34,041,807</u>	<u>\$ 51,505</u>	<u>\$ (33,990,302)</u>

Supplementary Information

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

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

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

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

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

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

CITY OF GULFPORT, MISSISSIPPI
1996 Public Improvement Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2008

	<i>1996 Public Improvement Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008 Actual	
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 2,541	\$ 2,541
Total revenues	-	-	2,541	2,541
Expenditures:				
Public works	77,211	77,211	-	77,211
Total expenditures	77,211	77,211	-	77,211
Changes in fund balance	(77,211)	(77,211)	2,541	79,752
Fund balance - October 1	83,261	83,261	83,261	
Fund balance - September 30	\$ 6,050	\$ 6,050	\$ 85,802	\$ 79,752

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, 2008

<i>1998 Public Improvement Fund</i>				Variance with Final Budget Favorable (Unfavorable)
	Budget		2008	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 4,439	\$ 4,439
Total revenues	-	-	4,439	4,439
Expenditures:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Changes in fund balance	-	-	4,439	4,439
Fund balance - October 1	145,416	145,416	145,416	
Fund balance - September 30	\$ 145,416	\$ 145,416	\$ 149,855	\$ 4,439

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, 2008

	<i>2001 Public Improvement Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008 Actual	
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 12,617	\$ 12,617
Total revenues	<u>-</u>	<u>-</u>	<u>12,617</u>	<u>12,617</u>
Expenditures:				
Public works	325,430	325,430	12,773	312,657
Total expenditures	<u>325,430</u>	<u>325,430</u>	<u>12,773</u>	<u>312,657</u>
Changes in fund balance	(325,430)	(325,430)	(156)	325,274
Fund balance - October 1	415,215	415,215	415,215	
Fund balance - September 30	<u>\$ 89,785</u>	<u>\$ 89,785</u>	<u>\$ 415,059</u>	<u>\$ 325,274</u>

CITY OF GULFPORT, MISSISSIPPI
2003 Public Improvement Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2008

	<i>2003 Public Improvement Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 41,947	\$ 41,947
Total revenues	-	-	41,947	41,947
Expenditures:				
Public works	1,314,520	946,346	347,228	599,118
Total expenditures	1,314,520	946,346	347,228	599,118
Excess (deficit) of revenues over expenditures	(1,314,520)	(946,346)	(305,281)	641,065
Other financing sources (uses)				
Transfers out	-	(186,795)	(186,795)	-
Total other financing sources (uses)	-	(186,795)	(186,795)	-
Changes in fund balance	(1,314,520)	(1,133,141)	(492,076)	641,065
Fund balance - October 1	1,430,495	1,430,495	1,430,495	
Fund balance - September 30	\$ 115,975	\$ 297,354	\$ 938,419	\$ 641,065

CITY OF GULFPORT, MISSISSIPPI
Capital Project Fund
(Major Fund)
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2008

	<i>Capital Project Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008	
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 9,331,461	\$ 10,080,558	\$ 3,389,332	\$ (6,691,226)
Interest		-	471,059	471,059
Miscellaneous	630,560	630,560	1,181,461	550,901
Total revenues	9,962,021	10,711,118	5,041,852	(5,669,266)
Expenditures:				
Public works	1,307,313	1,307,313	1,307,313	-
Capital outlay	44,683,689	43,409,088	7,891,192	35,517,896
Total expenditures	45,991,002	44,716,401	9,198,505	35,517,896
Excess (deficit) of revenues over expenditures	(36,028,981)	(34,005,283)	(4,156,653)	29,848,630
Other financing sources (uses)				
Proceeds of loans	-	10,000,000	10,000,000	-
Transfers in	7,810,000	8,465,201	3,741,265	(4,723,936)
Insurance proceeds	-	-	767,530	767,530
Total other financing sources (uses)	7,810,000	18,465,201	14,508,795	(3,956,406)
Changes in fund balance	(28,218,981)	(15,540,082)	10,352,142	25,892,224
Fund balance - October 1	8,371,965	8,371,965	8,371,965	
Fund balance - September 30	\$ (19,847,016)	\$ (7,168,117)	\$ 18,724,107	\$ 25,892,224



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Supplementary Information

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

The Debt Service Fund (major fund not part of required supplementary information) is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the City of Gulfport, Mississippi is obligated in some manner for the payment.

CITY OF GULFPORT, MISSISSIPPI
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2008

	<i>Debt Service Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2008 Actual	
	Original	Final		
Revenues:				
Taxes	\$ 4,501,490	\$ 4,501,490	\$ 4,627,476	\$ 125,986
Interest	-	-	230,792	230,792
Total revenues	4,501,490	4,501,490	4,858,268	356,778
Expenditures:				
Debt service:				-
Principal	3,655,000	3,655,000	3,394,376	260,624
Interest	1,850,000	1,850,000	1,311,173	538,827
Other	16,000	16,000	6,201	9,799
Total expenditures	5,521,000	5,521,000	4,711,750	809,250
Excess (deficit) of revenues over expenditures	(1,019,510)	(1,019,510)	146,518	1,166,028
Other financing sources (uses)				
Transfers in	9,000,000	9,000,000	6,000,000	(3,000,000)
Total other financing sources (uses)	9,000,000	9,000,000	6,000,000	(3,000,000)
Changes in fund balance	7,980,490	7,980,490	6,146,518	(1,833,972)
Fund balance - October 1	4,037,526	4,037,526	4,037,526	
Fund balance - September 30	\$ 12,018,016	\$ 12,018,016	\$ 10,184,044	\$ (1,833,972)



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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, 2008

	Business-type Activities		
	Water and Sewer	Non-major Fund Joseph T. Jones Park	2008 Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,928,373	\$ 270,191	\$ 8,198,564
Receivables:			
Customer accounts (net of allowance for uncollectible accounts)	1,537,335	-	1,537,335
Customer accounts accrued but not billed	685,127	-	685,127
Due from other governments	3,437	-	3,437
Total current assets	<u>10,154,272</u>	<u>270,191</u>	<u>10,424,463</u>
Current restricted assets			
Cash - Water and sewer trust	<u>1,048,080</u>	<u>-</u>	<u>1,048,080</u>
Noncurrent assets			
Capital assets:			
Land	149,313	63,304	212,617
Buildings	-	20,400	20,400
Construction in progress	15,335,370	955,016	16,290,386
Infrastructure	159,422,728	239,561	159,662,289
Machinery and equipment	930,761	-	930,761
Vehicles	1,649,404	33,000	1,682,404
Less accumulated depreciation	(32,051,444)	(131,223)	(32,182,667)
Total capital assets, net of accumulated depreci.	<u>145,436,132</u>	<u>1,180,058</u>	<u>146,616,190</u>
Other noncurrent assets			
Cash - Water and Sewer Improvements	5,043,727	-	5,043,727
Cash - Reserved for community disaster loan repaym	1,363,800	-	1,363,800
Deferred charges	3,988,083	-	3,988,083
Total other noncurrent assets	<u>10,395,610</u>	<u>-</u>	<u>10,395,610</u>
Total assets	<u>\$ 167,034,094</u>	<u>\$ 1,450,249</u>	<u>\$ 168,484,343</u>
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	\$ 5,230,418	\$ 139	\$ 5,230,557
Accrued wages payable	1,176	848	2,024
Accrued interest payable	589,451	-	589,451
Due to other funds	54,250	-	54,250
Retainage payable	159,244	-	159,244
Other liabilities	326,094	3	326,097
Current portion of long-term debt			
Compensated absences payable	3,418	3,196	6,614
Notes payable	2,059,272	-	2,059,272
Bonds payable	2,825,000	-	2,825,000
Total current liabilities payable from current assets	<u>11,248,323</u>	<u>4,186</u>	<u>11,252,509</u>
Current liabilities (payable from restricted assets)			
Meter deposits	1,064,030	-	1,064,030
Total current liabilities	<u>12,312,353</u>	<u>4,186</u>	<u>12,316,539</u>
Long-term debt			
Compensated absences payable	2,913	3,344	6,257
Bonds payable	37,007,669	-	37,007,669
Notes payable	50,125,000	-	50,125,000
Total noncurrent liabilities	<u>87,135,582</u>	<u>3,344</u>	<u>87,138,926</u>
Total liabilities	<u>99,447,935</u>	<u>7,530</u>	<u>99,455,465</u>
NET ASSETS			
Invested in capital assets, net of related debt	53,419,191	1,180,058	54,599,249
Restricted for revenue bond indentures	4,000	-	4,000
Unrestricted	14,162,968	262,661	14,425,629
Total net assets	<u>\$ 67,586,159</u>	<u>\$ 1,442,719</u>	<u>\$ 69,028,878</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, 2008

	Business-type Activities		
	Water and Sewer	Non-major Fund Joseph T. Jones Park	2008 Totals
Operating Revenues			
Charges for services	\$ 22,196,429	\$ 10,139	\$ 22,206,568
Miscellaneous	150,357	-	150,357
Total operating revenues	<u>22,346,786</u>	<u>10,139</u>	<u>22,356,925</u>
Operating Expenses			
Personnel services	112,046	78,712	190,758
Contractual services	15,063,327	3,790	15,067,117
Material and supplies	2,632,489	1,938	2,634,427
Depreciation	2,867,116	24,905	2,892,021
Amortization	264,421	-	264,421
Bad debts	95,660	-	95,660
Total operating expenses	<u>21,035,059</u>	<u>109,345</u>	<u>21,144,404</u>
Operating income (loss)	<u>1,311,727</u>	<u>(99,206)</u>	<u>1,212,521</u>
Non-operating revenues			
Intergovernmental grants	255,260	-	255,260
Loss on sale of disposal of assets	(17,263)	(1,460)	(18,723)
Interest income	663,219	9,326	672,545
Interest expense	(3,424,425)	-	(3,424,425)
Total nonoperating revenues (expenses)	<u>(2,523,209)</u>	<u>7,866</u>	<u>(2,515,343)</u>
Income (loss) before contributions and transfers	(1,211,482)	(91,340)	(1,302,822)
Capital contributions	136,005	-	136,005
Transfers from other funds	12,434,852	975,415	13,410,267
Change in net assets	11,359,375	884,075	12,243,450
Net assets - October 1	56,226,784	558,644	56,785,428
Net assets - September 30	<u>\$ 67,586,159</u>	<u>\$ 1,442,719</u>	<u>\$ 69,028,878</u>

CITY OF GULFPORT, MISSISSIPPI
Proprietary Fund - Business-type Activities
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2008

	Business-type Activities		
	Water and Sewer	Non-major Fund Joseph T. Jones Park	2008 Totals
Cash flows from operating activities			
Cash received from customers	\$ 22,690,223	\$ 10,139	\$ 22,700,362
Cash received from other operating receipts	163,069		163,069
Cash paid to suppliers	(13,551,900)	(9,653)	(13,561,553)
Cash paid to employees	(104,539)	(75,153)	(179,692)
Cash received from meter deposits, net	186,418	-	186,418
Net cash provided by operating activities	<u>9,383,271</u>	<u>(74,667)</u>	<u>9,308,604</u>
Cash from non-operating activities			
Cash received from insurance proceeds	-		-
Cash received from governmental grants	509,034	-	509,034
Cash transferred from governmental funds	103,761	-	103,761
Net cash provided by non-operating activities	<u>612,795</u>	<u>-</u>	<u>612,795</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(5,163,861)	-	(5,163,861)
Disposition of capital assets	(17,263)	-	(17,263)
Proceeds from debt issuance	-	-	-
Principal paid on revenue bond maturities and notes payable	(3,522,702)	-	(3,522,702)
Interest paid on bonds and notes payable	(3,424,425)	-	(3,424,425)
Net cash used in capital and related financing activities	<u>(12,128,251)</u>	<u>-</u>	<u>(12,128,251)</u>
Cash flows from investing activities			
Interest received	663,219	9,326	672,545
Net cash from investing activities	<u>663,219</u>	<u>9,326</u>	<u>672,545</u>
Net increase (decrease) in cash and cash equivalents	(1,468,966)	(65,341)	(1,534,307)
Cash and equivalents - October 1	16,852,945	335,532	17,188,477
Cash and equivalents - September 30	<u>\$ 15,383,979</u>	<u>\$ 270,191</u>	<u>\$ 15,654,170</u>

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

Operating income (loss)	\$ 1,311,726	\$ (99,206)	\$ 1,212,520
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,867,116	24,905	2,892,021
Amortization	264,421	-	264,421
Bad debts	95,660	-	95,660
(Increase) decrease in assets			
Accounts receivable	1,097,541	-	1,097,541
Prepaid assets	(563,577)	-	(563,577)
Due from other governments	247,182	-	247,182
Increase (decrease) in liabilities			
Accounts payable	3,962,739	(301)	3,962,438
Accrued wages payable	652	(524)	128
Other liabilities	24,727	(3,100)	21,627
Meter deposit liabilities	68,297	-	68,297
Compensated absences payable	6,787	3,559	10,346
Net cash provided by (used in) operating activities	<u>\$ 9,383,271</u>	<u>\$ (74,667)</u>	<u>\$ 9,308,604</u>
Non cash investing, capital and financing activities:			
Transfers of capital assets from other funds	11,434,852	975,415	12,410,267
Other receivables	-	-	-
Contributed capital	136,005	-	136,005
	<u>\$ 11,570,857</u>	<u>\$ 975,415</u>	<u>\$ 12,546,272</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	\$ 10,999,645	\$ 929,959	\$ 5,258,873	\$ 17,188,477
Net increase (decrease)	(4,592,119)	118,121	2,939,691	(1,534,307)
Cash and cash equivalents - September 30	<u>\$ 6,407,526</u>	<u>\$ 1,048,080</u>	<u>\$ 8,198,564</u>	<u>\$ 15,654,170</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.

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type Activities
Combining Statement of Net Assets
September 30, 2008

	Government-type Activities		
	Group Life and Health	Claims Contingency	2008 Total
Assets			
Cash and cash equivalents	\$ 972,147	\$ 2,891,534	\$ 3,863,681
Cash with fiscal agents	-	79,755	79,755
Investments	-	1,542,358	1,542,358
Accounts receivable	-	12,931	12,931
Prepaid insurance	-	987,295	987,295
Total assets	972,147	5,513,873	6,486,020
Liabilities			
Accounts payable	23,195	1,499,733	1,522,928
Liability for self-insurance claims	340,503	1,073,745	1,414,248
Total Liabilities	363,698	2,573,478	2,937,176
Net assets			
Unrestricted	\$ 608,449	\$ 2,940,395	\$ 3,548,844

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, 2008

	<u>Government-type Activities</u>		
	<u>Group Life and Health</u>	<u>Claims Contingency</u>	<u>2008 Total</u>
Operating Revenues			
Employee contributions	\$ 789,247	\$ -	\$ 789,247
Retiree contributions	119,264	-	119,264
Employer contributions	2,839,291	2,222,157	5,061,448
Insurance claim reimbursements	462,567	88,012	550,579
Total operating revenues	<u>4,210,369</u>	<u>2,310,169</u>	<u>6,520,538</u>
Operating Expenses			
Administrative expenses		9,250	9,250
Contractual services	287,418	100,963	388,381
Death benefits paid	-	1,000	1,000
Premium payments	488,457	2,381,015	2,869,472
Claims paid	4,266,878	1,044,824	5,311,702
Total operating expenses	<u>5,042,753</u>	<u>3,537,052</u>	<u>8,579,805</u>
Operating income (loss)	<u>(832,384)</u>	<u>(1,226,883)</u>	<u>(2,059,267)</u>
Non-operating revenues (expenses)			
Insurance proceeds		11,024,819	11,024,819
Transfers in	-	765,000	765,000
Transfers out	-	(11,145,279)	(11,145,279)
Interest income	56,573	403,292	459,865
Total non-operating income (loss)	<u>56,573</u>	<u>1,047,832</u>	<u>1,104,405</u>
Change in net assets	(775,811)	(179,051)	(954,862)
Net assets - October 1	1,384,260	3,119,446	4,503,706
Net assets - September 30	<u>\$ 608,449</u>	<u>\$ 2,940,395</u>	<u>\$ 3,548,844</u>

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type activities
Combining Statement of Cash Flows
For the Fiscal Years ended September 30, 2008

	Government-type Activities		
	Group Life and Health	Claims Contingency	2008 Total
Cash flows from operating activities			
Cash received from employees and others	\$ 908,511	\$ -	\$ 908,511
Cash received from insurance claims	462,567	75,081	537,648
Cash received from employer contributions	2,839,291	2,222,157	5,061,448
Cash paid to suppliers	(5,289,141)	(2,164,660)	(7,453,801)
Net cash provided by operating activities	<u>(1,078,772)</u>	<u>132,578</u>	<u>(946,194)</u>
Cash flows from non-operating activities			
Cash received from hurricane insurance proceeds	-	2,321,529	2,321,529
Cash transferred from other governmental funds	-	765,000	765,000
Net cash provided by non-operating activities	<u>-</u>	<u>3,086,529</u>	<u>3,086,529</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets transferred to other funds	-	(11,145,279)	(11,145,279)
Net cash from capital and related financing activities	<u>-</u>	<u>(11,145,279)</u>	<u>(11,145,279)</u>
Cash flows from investing activities			
Investment transactions, net	-	109,764	109,764
Interest received	56,573	403,292	459,865
Net cash from investing activities	<u>56,573</u>	<u>513,056</u>	<u>569,629</u>
Net increase (decrease) in cash and cash equivalents	(1,022,199)	(7,413,116)	(8,435,315)
Cash and equivalents - October 1	1,994,346	10,304,650	12,298,996
Cash and equivalents - September 30	<u>\$ 972,147</u>	<u>\$ 2,891,534</u>	<u>\$ 3,863,681</u>
Non-cash and capital related financing activities			
Changes in fair value of investments	<u>\$ -</u>	<u>\$ 8,241</u>	<u>\$ 8,241</u>

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

Operating income (loss)	\$ (832,384)	\$ (1,226,883)	\$ (2,059,267)
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets			
Other receivables	-	(12,931)	(12,931)
Prepaid assets	-	281,377	281,377
Increase (decrease) in liabilities			
Accounts payable	23,109	1,097,270	1,120,379
Deferred revenue	-	-	-
Other liabilities	(269,497)	(6,255)	(275,752)
Net cash provided by (used in) operating activities	<u>\$ (1,078,772)</u>	<u>\$ 132,578</u>	<u>\$ (946,194)</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
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
2008	9,285	37,169	14,250	2,687	2,654	11,839	14,126	4,711	96,721

(1) Includes all Governmental Fund types.

(2) Presented on modified accrual basis.

SOURCE: Prior audit reports.

TABLE H
(Unaudited)

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

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Gaming Taxes	Fines and Forfeits	Licenses and Permits	Inter-Governmental	Charges for Services	Interest and Miscellaneous	Total
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
2008	20,167	21,835	3,634	3,525	1,889	2,228	17,572	954	4,571	76,375

(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
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%
2008	35,733	33,694	94.3%	452	34,146	95.6%	2,039	5.7%

(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	
1999	215,135	1,572,624	56,063	373,753	93,052	620,347	63,700	212,333	427,950	2,779,057	-2.5%
2000	218,333	1,596,001	55,753	371,687	97,460	649,733	67,663	225,543	439,209	2,842,964	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	3,860,747	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	3,950,936	-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%
2008	324,035	2,368,677	59,250	395,000	115,609	770,727	77,274	257,580	576,168	3,791,984	4.0%

(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		
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	26.6	7.4	34.0		32.9	2.8	35.7		47.3	8.1	54.9		124.6
2004	27.0	7.0	34.0		33.5	2.2	35.7		50.3	7.6	57.9		127.6
2005	27.0	7.0	34.0		33.4	2.3	35.7		50.3	7.6	57.9		127.6
2006	27.0	7.0	34.0		33.4	3.1	36.5		50.3	7.6	57.9		128.4
2007	24.1	9.9	34.0		33.5	3.0	36.5		50.3	7.6	57.9		128.4
2008	26.0	8.0	34.0		32.9	3.4	36.3		50.3	7.6	57.9		128.2

* 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
2007 TAX ROLL**
(Amounts Expressed in Thousands)

Taxpayer	Type of Business	(1) 2007 Assessed Valuation	Percentage of Total Assessed Valuation
Mississippi Power & Light	Electrical Utility	\$ 90,373	15.87%
Bell South	Communications Utility	10,644	1.87%
Gulfside Casino Partnership	Gaming Industry	8,035	1.41%
Island View Casino Resort	Gaming Industry	4,706	0.83%
Cross Roads Center	Retail Industry	4,678	0.82%
HCA Realty	Real Estate Industry	2,801	0.49%
Gulfport Factory Shops	Retail Industry	2,093	0.37%
Garden Park Hospital	Medical Facility	1,839	0.32%
CitiCorp Leasing Inc	Financial Institution	1,784	0.31%
Legacy II	Condominiums	1,710	0.31%
Total		128,663	22.60%
All other taxpayers		<u>440,652</u>	<u>77.40%</u>
Total all assessments		<u><u>\$ 569,315</u></u>	<u><u>100.0%</u></u>

(1) Assessed valuation taken from 2007 Realty, Personal Property, and Public Utility tax rolls collected in fiscal year 2008.

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>
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
2008	77	576,168	28,480	4,400	24,080	4.18%	313

(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, 2008
(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>\$ 28,840</u>	<u>\$ 28,840</u>	100.00%
Overlapping:			
Harrison County	150,015	44,224	29.48%
Gulfport School District (2)	<u>17,760</u>	<u>17,760</u>	100.00%
Total overlapping	<u>167,775</u>	<u>61,984</u>	
 Total all	 <u><u>\$ 196,615</u></u>	 <u><u>\$ 90,824</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	
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
2008	22,347	17,808	4,539	2,825	2,602	5,427	0.84

(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>
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%
2008	77,000	18,978	5,232	5.40%

(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	
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	49	85,353	12	13,726	2,234,000
2006	2,668,129	102	165,250	17	140,849	3,226,000
2007	2,361,111	12	376,276	18	580,858	3,163,000
2008	2,368,677	4	187,624	11	78,895	2,977,000

(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, 2008

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)	250
FACILITIES AND SERVICES:	
Miles of streets	650
Number of street lights	8,645
RECREATION:	
Community centers	5
Fitness centers	1
Recreation centers	2
Senior citizen center	1
Parks	31
Sportsplex	3
Park acreage	600
Ball fields	38
Tennis courts	5
Lighted walking tracks	7
Water front piers	6
Small craft harbor (40 acres)	0 slips
Public boat launch ramps	14
FIRE PROTECTION:	
Number of stations	12
Number of fire personnel and officers	176
Number of calls answered	9,997
Number of inspections conducted	4,320
Current fire insurance rating	4
POLICE PROTECTION:	
Number of stations	3
Number of full time sworn officers	202
Number of non sworn officers	90
Number of residents per sworn officer	381
Arrests	11,247
Traffic violations	21,759
WATER SYSTEM:	
Miles of water mains	362
Number of service connections	25,144
Number of fire hydrants	3,383
Daily average consumption in gallons	6,952,819
Average gallons pumped per day	8,084,673
Storage capacity in gallons	5,108,000
OTHER STATISTICS:	
Education (served by city school system):	
Enrollment 07-08 school year	5,232
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	4.80%
City of Gulfport unemployment rate	5.40%
State of Mississippi unemployment rate	5.60%

TABLE XII
(unaudited)

CITY OF GULFPORT, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2008

Name	Position	Bond Amount
Brain Carriere	Councilman	\$ 100,000
Ella Holmes-Hines	Councilwoman	100,000
Gary Holliman, Sr.	Councilman	100,000
Barbara Nalley	Councilwoman	100,000
Neil Resh	Councilman	100,000
Olivia Roland	Councilwoman	100,000
Jackie Smith	Councilwoman	100,000
Brent Warr	Mayor	100,000
Constance Debenport	Purchasing Manager	75,000
Amelia Bordeaux	City Clerk	50,000
John Kelly	Chief Administrative Officer	50,000
Mike Necaise	Director of Finance & Admin	50,000
Odell Thompson, Jr.	Court Administrator	50,000
Patrick Weatherford	Police Chief	50,000
Alcnette Alexander	Clerk I	10,000
Kenneth Bishop	Community Service Technician	10,000
Carolyn Bobinger	Admin Asst III	10,000
Bobbie Brown	Clerk III	10,000
Randall Brown	Police Commander	10,000
Carey Bundt	Housing Program Coordinator	10,000
Gloria Bryd	Admin Asst - Legal	10,000
Onelia Byrd	Admin Asst I	10,000
Teresa Chapman	Personnel Specialist	10,000
Mary Collins	Office Manager	10,000
Colby Combs	Deputy Court Clerk	10,000
E. S. Compston, Jr.	Detective	10,000
Luvelle Coffee	Office Manager	10,000
Robert Culpepper	Community Service Technician	10,000
David D'Aquilla	Asst Dir of Leisure Services	10,000
Rita Davis	Admin Asst II	10,000
Sabrina Davis	Deputy Court Clerk	10,000
Paula Doyle	Planner III	10,000
James Dryer	Accounting Tech	10,000
Helen Fasler	Record Manager	10,000
Jennifer Fay	Police Clerk	10,000
Joanne Fayard	Permitting Manager	10,000
Inga Fera	Deputy Court Clerk	10,000
Douglas Galloway	Collections Manager	10,000
Kini Gonsoulin	Finance Manager	10,000
Frances Hall	Deputy Court Clerk	10,000
Shannon Hampton	Police Clerk	10,000
Belinda Head	Records Supervisor	10,000

(Continued Next Page)

CITY OF GULFPORT, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS (Continued)
September 30, 2008

Name	Position	Bond Amount
Nellie Henry	Clerk III	\$ 10,000
Patricia Hinson	Admin Asst III	10,000
Geoffrey Hittner	Inspector/Plans Review	10,000
Nancy Huggins	Records Clerk	10,000
Heather Johnson	Records Clerk	10,000
Kathy Johnson	Clerk of Council	10,000
Monica Johnson	Police Clerk	10,000
Pamela Kennedy	Grants Compliance Coordinator	10,000
Laurie Kranz	Police Records Clerk	10,000
Barbara Lazerio	Accountant	10,000
Sarah Lizana	Police Grant Writer	10,000
Cecila McCaffrey	Tech Service Coordinator	10,000
Heather McCarty	Deputy Court Clerk II	10,000
Wanda McCormack	Deputy Court Clerk II	10,000
Chandra McGill	Admin Asst II	10,000
Danny Meadors	Property Manager	10,000
Barbara Miller	Customer Service Rep	10,000
Angela Moore	Accounting Clerk	10,000
Vicki Parkhill	Cultural Affairs Officer	10,000
Theresa Northington	Clerk III	10,000
Deana Norton	Admin Asst III	10,000
Verlina Odom	Police Clerk	10,000
Terry O'Neal	Admin Asst II	10,000
Leonard Papania	Police Commander	10,000
Richard Perez	Community Service Technician	10,000
Anita Petty	Planner II	10,000
Gerard Philbrick	Deputy Court Clerk	10,000
Angela Pittman	Police Clerk	10,000
Gary Ponthieux	Detective	10,000
Dian Ragas	Admin Asst III	10,000
Rochelle Ramsey	Police Court Clerk	10,000
Claudia Salas	Admin Asst III	10,000
Brenda Reed	Court Clerk	10,000
Edmond Salloum	Director of Leisure Services	10,000
Amanda Schmitt	Bldg Dept Clerk	10,000
April Shavers	Accounting Clerk III	10,000
Samantha Cotton	Police Clerk	10,000
Richard Tell	Police Clerk	10,000
Wanda Temple	Deputy Court Clerk	10,000
Belinda Thomas	Deputy Court Clerk	10,000
Anna Vu	Deputy Court Clerk	10,000
Ashley Watts	Alarm Coordinator/Asst Court Liason	10,000
Barbara Weatherford	Admin Asst II	10,000
Antoinette White	Admin Asst to CAO	10,000
Patricia Wilder	Animal Control Officer	10,000
Debra Williams	Deputy Court Clerk	10,000
Pamela Winston	Asst Grant Coordinator	10,000
D. J. Ziegler	Harbor Master	10,000