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CITY OF GULFPORT, MISSISSIPPI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2012



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CITY OF GULFPORT, MISSISSIPPI  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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# INTRODUCTORY SECTION

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





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

March 15, 2013

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, 2012. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the report is accurate in all material respects and is designed to present fairly the financial position and results of operations of the City for fiscal year ending September 30, 2012. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Annual Financial Report consists of three parts. **(I) The Introductory Section** includes this transmittal letter, the City's organizational chart, a list of principal City officials, and the geographic location of the City. **(II) The Financial Section** includes: Management's Discussion and Analysis, the basic financial statements (government-wide and fund statements), notes to the financial statements, other required supplementary information (RSI), and the combining and individual fund financial statements and schedules, as well as the independent auditors' report on the financial statement schedules. **(III) The Statistical Section** includes several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, generally presented on a multi-year basis.

The City is a member of the Harrison County Utility Authority, a joint venture with other local cities to provide adequate wastewater treatment and solid waste disposal services. The city is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center. A synopsis of the two joint ventures' financial statements for the fiscal year ended September 30, 2012, is included in the notes section of this report.

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

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

In December 1993 the City annexed 33 square miles north of Gulfport becoming the second largest city in Mississippi with a land area of 56 square miles and a population around 68,000. A full range of services are provided including: police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, planning and zoning, recreational and cultural services, and general administrative services.

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### **Current Economic Conditions**

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

The economic downturn experienced over the past several years and its current "stagnation" continues to have a 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 36% of the City's General Fund Revenues and 16% of the City's overall revenue. With such a significant portion of the City's revenue stream being sensitive to economic conditions, Gulfport is re-tooling the way it is delivering essential services to its citizens by becoming more efficient and cost conscience.

Based upon current trends, it appears that the local economy has stabilized but remains stagnant. Sales Tax Revenue is leveling out and "significant" decreases and unpredictable downward trends are no longer an issue as experienced in prior years.

### **Future Economic Outlook**

- ✦ The City has issued building permits with a total construction value of \$33 million over the past 10 months. These projects consist of a mixture between commercial, residential, and quasi government construction. These new construction projects should be realized on the tax rolls in January 2014 and will produce in excess of \$160,000 in annual ad valorem taxes.
- ✦ New hotels are in various stages on the beachfront along highway 90. One prospective hotel is reportedly in the final planning stage to be located in the Mississippi City area of east Gulfport. This project will be within the \$4 - \$5 million range and will be permitted for construction in the near future. The Wyndham hotel located in west Gulfport recently opened and we anticipate a major upgrade and addition to the Marriott on the beach.
- ✦ Additionally, initial plans are being prepared for a multi use development at the City's main interstate corridor of interstate 10 and highway 49. This development will include 3 hotels with a total of 360 rooms and two major restaurant chains. Additional property will also be available for future development within the project area. Permits for the first of three hotels have been issued.
- ✦ A second casino and resort hotel is on the near horizon. The City has been working with Rotate Black Gaming Company regarding submission of plans and specifications for a gaming project located south of the Gulfport Harbor. Land leases have already been signed between the City, Rotate Black, and adjacent landowners. The initial phase will include an investment of \$83 million in site improvements and a 205 room multi level hotel. Phase two (2) will include a 500 space multi level parking garage and phase three (3) will include 38,000 in additional casino gaming space. Upon approval by the Mississippi Gaming Commission, phase one (1) is expected to break ground within the next several months with a nine (9) month expected construction duration. Without a doubt, this project will certainly have a significant positive economic impact to the City of Gulfport.

- ↘ Downtown Revitalization - Downtown Gulfport recently completed one of the largest façade programs in U.S history. The \$4.4 million program remade nearly 80 building fronts in the downtown district. Another \$7.6 million is being spent on downtown infrastructure such as lighting and boulevard upgrades, new and improved sidewalks, landscaping, paving, utility enhancements and relocations, etc. This project is almost complete and the payback has been significant. Many new restaurants now operate within the downtown district and many more are slated to come. Gulfport is slowly becoming the headquarters for many corporations and nightlife has never been stronger. Centennial Depot has four leases for small businesses, only one of which is a relocation from within Gulfport. The others are expansions or new businesses.
- ↘ Centennial Plaza – The City received a 92 acre beachfront site from a donation from the Department of Veterans Affairs following Hurricane Katrina. This site contains 10 “historic” buildings dating back to 1917. These buildings are enormous in both size and architecture featuring a Spanish theme in a campus style layout. The Gulfport Redevelopment Commission has recently entered into a long term lease with Glastonbury Properties to develop the site.
- ↘ State Port at Gulfport – The Port at Gulfport is currently in the midst of a \$1.6 billion expansion. Once complete, this port is expected to: create 1,200+ direct jobs; generate \$10 billion in added personal incomes; and produce \$1.6 billion in direct revenue to the local economy.
- ↘ Gulfport Highlands – Gulfport Highlands has broken ground with the first building that is located on Highway 605 north of I-10. The development will consist of 120,000 square feet of office space and 200,000 square feet of retail space. Additionally, the Highway 605 corridor continues to develop with a Walgreens locating at the Southeast Corner of Pass Road and Cowan Road.

## **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 judgments by management.

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

### **Budgetary Controls**

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

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

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

### **Enterprise Funds**

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

### **Independent Auditors**

The City of Gulfport is required by Section 21-35-31 of the Mississippi Code of 1972 to have an annual audit by independent certified public accountants. In compliance with these requirements, the City selected the firm of Culumber, Harvey and Associates, PA to perform the audit for fiscal year ended September 30, 2012. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors rendered an unqualified opinion.

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

### **Acknowledgements**

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

Respectfully submitted,



Mike Necaise  
Director of Administration and Finance

# CITY OF GULFPORT ORGANIZATIONAL CHART



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# CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials  
As of September 30, 2010

## Elected Officials



**George Schloegel**  
Mayor



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



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



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



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



**Ricky Dombrowski**  
Councilman, Ward 5



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

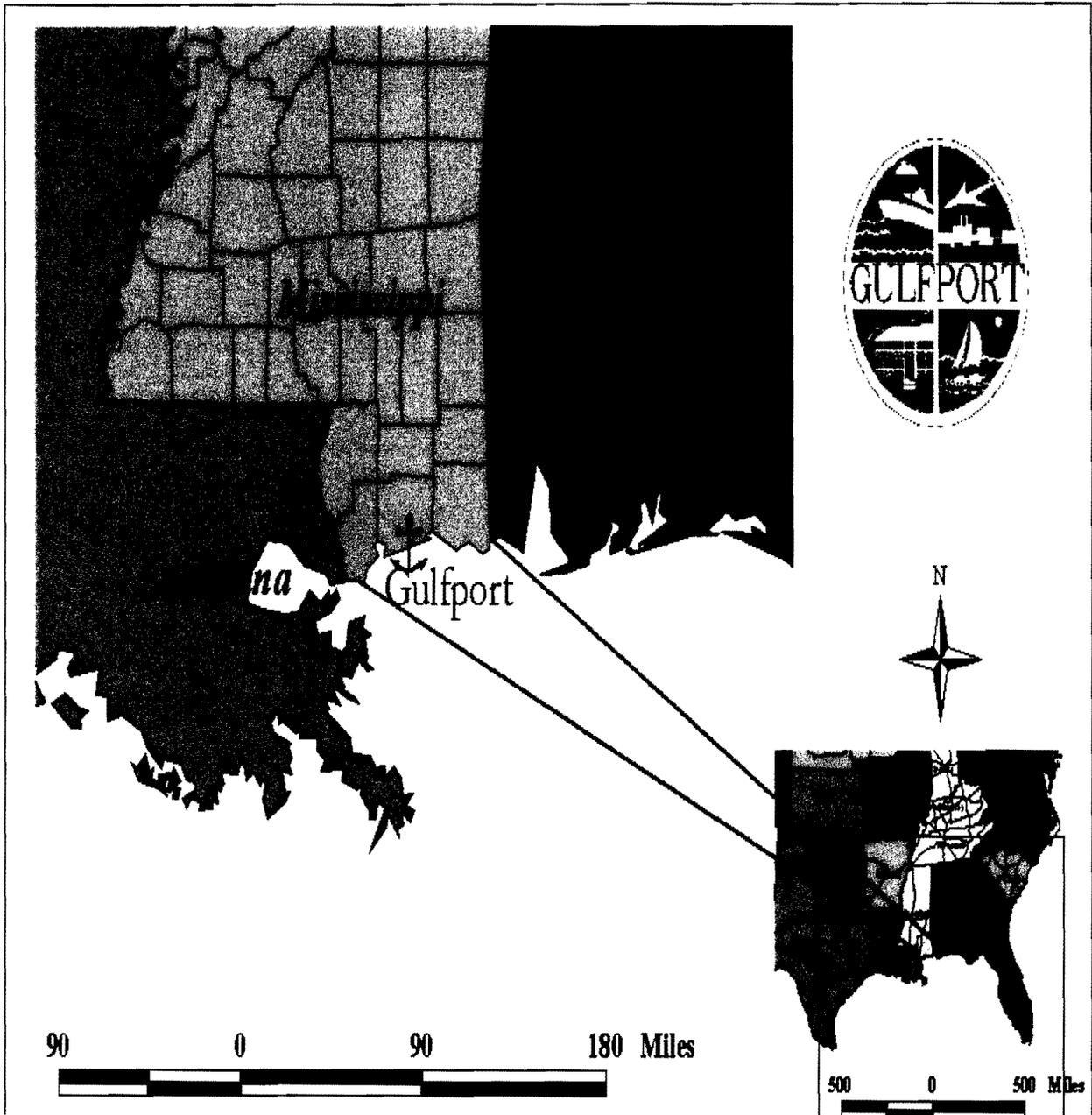


**Cara Pucheu**  
Councilwoman, Ward 7

## Appointed Officials

Chief Administrative Officer	John Kelly	City Attorney	Jeff Bruni
Police Chief	Alan Weatherford	Fire Chief	Michael Beyerstedt
Leisure Services Director	Edmond Salloum	City Engineer/Public Works Director	Kris Riemann
Urban Dev Director	David Nichols		
Director of Finance & Admin	Mike Necaise		

# Geographic Location of Gulfport, Mississippi



## FINANCIAL SECTION

The Financial section contains the Independent Auditor's Report, the Discussion and Analysis, the Basic Financial Statements, which include Government-Wide and Fund Level Financial Statements, Notes to the Financial Statements, Required Supplemental Information, the combining and individual fund financial statements, and a schedule of the

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of and for the year ended September 30, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 13 through 27, the Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual on pages 78 through 82, and the Analysis of Funding Progress on page 83 are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

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

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

In accordance with *Governmental Auditing Standards*, our report dated February 28, 2013, on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover in the *City of Gulfport, Mississippi, Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

*Culumber, Harvey & Associates, P.A.*

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

February 28, 2013

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# Management Discussion and Analysis

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# **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, 2012. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant "future" effect on the financial position or results of operations.

## **Financial Highlights**

- ✓ The City's General Fund, the main operating fund, operated in the "red" with operating revenues falling short of operating expenses by \$2.9 million.
- ✓ The City's General Fund's fund balance, which represents the difference between assets minus liabilities, worsened during the year dropping from \$5.2 million in 2011 to \$2.5 million in 2012. This is a significant drop as this represents Gulfport's rainy day fund.
- ✓ The City's total capital assets increased by \$13 million or 2%; going from \$548 million in 2011 to \$561 million in 2012. Much of this increase is related to the City's continued rebuilding efforts from Katrina damages. Capital assets consist of land, buildings, infrastructure, machinery & equipment, and vehicles.
- ✓ The City's overall debt outstanding decreased by \$6.6 million, going from \$132.7 million in 2011 to \$128.8 million in 2012.
- ✓ The Employees' Group Health fund operated in the black by \$627,177 with revenues of \$5.8 million and expenses of \$5.2 million. Net assets for this fund were \$2.5 million at year end. This consisted mostly of unrestricted cash. Major initiatives were taken and it is proof they have worked in putting this fund back on sound financial ground.

## Brief Description of the Financial Statements

This annual report consists of a series of financial statements which are presented in a hierarchal structure. The highest level of reporting and most summarized statements are the Statement of Net Assets (i.e. balance sheet) and Statement of Activities (i.e. income statement) contained on pages 30 and 31, respectively. These two statements provide financial information on the government as a whole similar to how private sector companies report their finances. These two statements are the only place within this report where a reader can review the operations and worth of the City of Gulfport as a whole. The entire operations of the City are rolled up to this level of reporting. All of the City's annual revenues and expenses are reported in the Statement of Activities while the City's assets and liabilities are reported in the Statement of Net Assets. These two statements answer the question "Is the City as a whole better off or worse off as a result of the year's activities?"

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

Governmental Funds – Most of the City's basic services are reported in the governmental funds. Examples include activities relating to governmental funds are public safety, public works (non water and sewer), culture and recreation, urban development, capital projects, debt service and general administration. The financial statements of Governmental Funds are reported on the modified accrual basis – which measures cash and all other financial assets that can readily be converted to cash. Governmental statements provide a more detailed short-term view that can answer the question "Is the government better or worse off with regards to its financial resources, and whether there are fewer or more resources which can be spent in the short term future?" The amounts contained on these statements are adjusted for full accrual and rolled over to the government wide statements. Governmental Fund Financial Statements are contained on pages 33 – 36.

Proprietary Funds – Contain funds existing from fees charged to customers for services provided by the City. Activities relating to the City's Water and Sewer Operations and Joseph T. Jones yacht basin are reported in this section. The financial presentation of these activities is reported on pages 38 - 40 of this report. These financial statements are reported on the full accrual basis – revenues are recognized when earned and measurable. Because both the proprietary fund statements and the government wide statements are reported on the full accrual method of accounting, the total column of the proprietary funds statements are the same contained on the government wide business type activities column of the Statement of Net Assets and Statement of Activities.

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

## Financial Analysis of the City as a Whole

### Government-wide Statement of Net Assets

	Governmental Type Activities		Business Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
<b>Assets:</b>						
Current and Other Assets	\$ 32,559,450	\$ 38,104,381	\$ 17,659,222	\$ 8,129,165	\$ 50,218,672	\$ 46,233,546
Capital Assets	297,682,107	308,929,194	249,819,869	255,477,146	547,501,976	564,406,340
Total Assets	330,241,557	347,033,575	267,479,091	263,606,311	597,720,648	610,639,886
<b>Liabilities:</b>						
Current and Other Liabilities	18,592,603	5,592,833	14,598,127	3,377,246	33,190,730	8,970,079
Noncurrent Liabilities	42,312,886	59,790,332	80,509,530	81,130,279	122,822,416	140,920,611
Total Liabilities	60,905,489	65,383,165	95,107,657	84,507,525	156,013,146	149,890,690
<b>Net Assets:</b>						
Invested in Capital Assets net of related debt	266,185,951	270,930,882	166,696,100	174,576,166	432,882,051	445,507,048
Restricted	5,797,855	16,137,281	952,230	952,325	6,750,085	17,089,606
Unrestricted	(2,647,738)	(5,417,753)	4,723,104	3,570,295	2,075,366	(1,847,458)
Total Net Assets	\$ 269,336,068	\$ 281,650,410	\$ 172,371,434	\$ 179,098,786	\$ 441,707,502	\$ 460,749,196

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

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

### **Total Primary Government**

From an “overall balance sheet perspective”, the financial condition of the City of Gulfport as compared to the previous year has improved. Total assets have increased from \$597 million in 2011 to \$610 million in 2012, representing an increase of \$12 million or 2%. Most of this increase represented the City’s rebuilding from Hurricane Katrina damages. Total liabilities decreased by \$6 million, from \$156 million to \$150 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 \$446 million which represents approximately 97% of the City’s total net assets.

The City’s “current assets” decreased by \$4 million during the year; from \$50 million in 2011 to \$46 million in 2012.

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

### **Governmental Activities**

Total assets for Governmental type activities increased by \$17 million, from \$330 million in 2011 to \$347 million in 2012. The majority of this increase is attributed mainly to capital assets in the area of infrastructure and construction in progress as the City continues to rebuild from Katrina related damages.

Current assets (cash, short term receivables, etc.) increased by \$5.5 million; from \$32.5 million to \$38 million.

### **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 \$4 million; from \$267 million in 2011 to \$263 million in 2012 with current assets decreasing by \$9.6 million and capital / non-current assets increasing \$5 million. This increase in capital assets is mainly a result of the City replacing a large portion of its water and sewer system damaged by Hurricane Katrina.

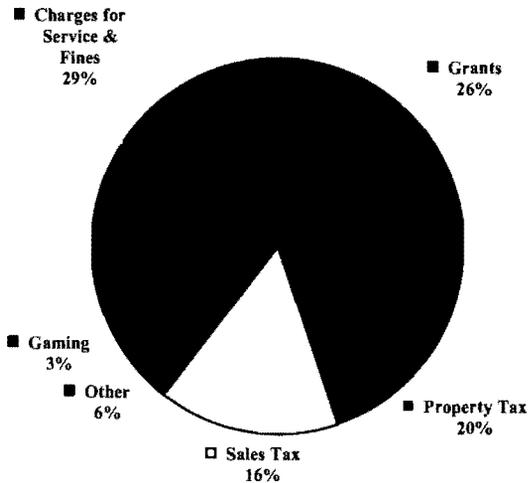
## Government Wide Statement of Activities

	Governmental Activities		Business Type Activities		Total Government	
	2011	2012	2011	2012	2011	2012
<b>Program Revenues:</b>						
Fees, Fines, and Charges for Service	\$ 5,406,355	\$ 4,883,162	\$ 28,615,819	\$ 30,766,782	\$ 34,076,174	\$35,649,944
Operating Grants and Contributions	3,625,390	2,664,936			3,625,390	2,664,936
Capital Grants and Contributions	18,384,916	20,047,920	29,957,733	8,138,942	48,342,649	28,186,862
<b>General Revenues:</b>						
Property Taxes	24,376,439	24,552,998			24,376,439	24,552,998
Sales Taxes	19,230,296	19,002,874			19,230,296	19,002,874
Gaming	3,198,977	3,142,387			3,198,977	3,142,387
Other	6,035,286	7,515,710	116,195	74,245	6,151,481	7,589,955
<b>Total Revenues</b>	<b>80,257,659</b>	<b>81,809,987</b>	<b>58,689,747</b>	<b>38,979,969</b>	<b>138,947,406</b>	<b>120,789,956</b>
<b>Program Expenses</b>						
General Government	15,002,455	18,182,129			15,002,455	18,182,129
Public Safety	27,707,275	29,205,705			27,707,275	29,205,705
Public Works	11,084,442	12,482,311			11,084,442	12,482,311
Economic Development	2,081,041	2,122,547		87,250	2,081,041	2,209,797
Culture and Recreation	5,134,626	5,793,659			5,134,626	5,793,659
Health and Welfare	582,936	796,205			582,936	796,205
Interest on Long Term Debt	1,413,236	1,677,536	3,364,280	3,023,463	4,777,516	4,700,999
Water and Sewer			23,546,942	26,919,694	23,546,942	26,919,694
Joseph T. Jones			164,346	2,947,134	164,346	2,947,134
<b>Total Expenses</b>	<b>63,006,011</b>	<b>70,260,092</b>	<b>27,075,568</b>	<b>32,977,541</b>	<b>90,081,579</b>	<b>103,237,633</b>
<b>Change in Net Assets before other transactions</b>	<b>17,251,648</b>	<b>11,549,895</b>	<b>31,614,179</b>	<b>6,002,428</b>	<b>48,865,827</b>	<b>17,552,323</b>
Non-operating change in net assets						
Transfers	(3,882,228)	(981,225)	3,882,228	981,225		
<b>Change in Net Assets</b>	<b>13,369,420</b>	<b>10,568,670</b>	<b>35,496,407</b>	<b>6,983,653</b>	<b>48,865,827</b>	<b>17,552,323</b>
<b>Net Assets at beginning of year - Adjusted</b>	<b>252,539,237</b>	<b>269,336,068</b>	<b>135,858,723</b>	<b>172,371,434</b>	<b>388,397,960</b>	<b>441,707,502</b>
<b>Prior Period Adjustment</b>	<b>3,427,411</b>	<b>1,745,672</b>	<b>1,016,304</b>	<b>(256,301)</b>	<b>4,443,715</b>	<b>1,489,371</b>
<b>Net Assets at end of year</b>	<b>\$269,336,068</b>	<b>\$ 281,650,410</b>	<b>\$172,371,434</b>	<b>\$179,098,786</b>	<b>\$ 441,707,502</b>	<b>\$460,749,196</b>

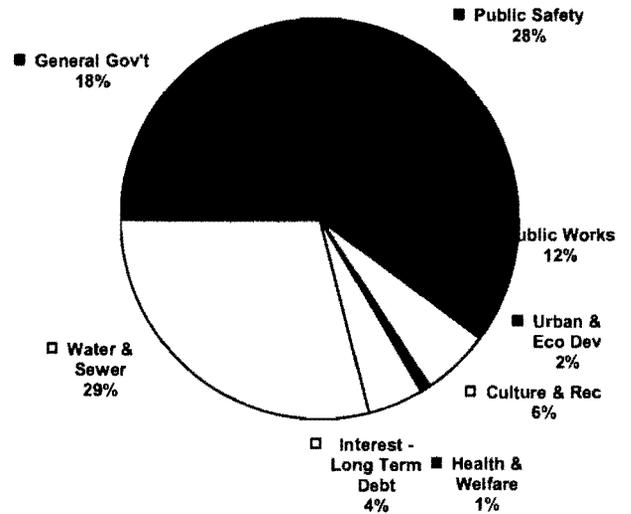
Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones, and a blended component unit presentation of the Gulfport Redevelopment Commission, an agent of the City.

## Analysis of Government Wide Statement of Activities

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



**How is the Money Used?**



### Revenues

The City's revenues exceeded expenses by \$17.5 million for the 2012 year. Most of this is related to revenue associated with capital grants and contributions in the amount of \$28 million. The City continues to expend and receive rather large sums of money on Hurricane Katrina recovery.

*Property Tax* – Property tax accounts for \$24.5 million or 20% of the City's total revenues and is considered the most stable revenue source for the City. The City's property tax revenue remains unchanged as compared to the previous year. This stagnation is reflective of the issues regarding the entire national real estate bust. On top of this, the entire Gulf South Region is experiencing significant insurance cost increases, increased cost of construction due to new elevation requirements, and overall insurability issues.

*Sales Tax* - Another significant source of revenue for the City is sales tax accounting for \$19 million or 16% of the City's total revenues. Sales tax essentially remained the same as compared to the prior year.

*Grants* – The City received a total of \$30.8 million in grants for the 2012 year as compared to \$52 million in the previous 2011 year. The majority of these grants were related to the City's recovery from Hurricane Katrina and the largest granting agency was the Federal Emergency Management Agency (FEMA).

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## Expenses

The City's total government wide expenses were \$103 million in 2012 as compared to \$90 million in 2011; representing an increase of \$13 million or 14%. Again, this increase is attributed mainly to rebuilding of damaged capital assets 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	\$ 18,182,129	\$ 13,529,194
Public Safety	29,205,705	26,274,549
Public Works	12,482,311	4,832,741
Health and Welfare	796,205	(96,501)
Urban & Economic Development	2,122,547	424,625
Culture and Recreation	5,793,659	(3,978,070)
Interest on long term debt	1,677,536	1,677,536
Total Governmental activities	<u>\$ 70,260,092</u>	<u>\$ 42,664,074</u>

## Fund Financial Analysis

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

### Governmental Funds

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

**The General Fund** is the primary “governmental operating fund” of the City. Activities that are traditional in nature to governmental entities are reported in this fund: i.e. public safety, public works (operations & maintenance), culture and recreation, health and welfare, economic development, and general government. The General Fund accounts for nearly 43% of the City's total revenues and 53% of the City's total expenditures.

Overall, the General Fund's financial condition improved as compare to the previous year.

***General Fund – Financial Summary***

	2011	2012
Total Revenues	\$ 52,830,910	\$ 51,920,268
Total Expenditures	51,776,837	54,806,860
Excess (Deficit) of Revenues over Expenses	1,054,073	(2,886,592)
Other Financing Sources (Uses)	(1,162,608)	184,059
Fund Balance – Beginning Year	5,312,445	5,203,910
Fund Balance – Ending Year	<u>\$ 5,203,910</u>	<u>\$ 2,501,377</u>

- ✓ The General Fund operated in the “red” by \$2.9 million for the 2012 year with revenues of \$52 million and expenditures of \$54.8 million. This is significant as cash reserves remain at extremely low levels. New initiatives must take place in upcoming annual budgets to balance ongoing expenditures to recurring revenues. Either additional revenues will have to be identified through economic growth and or tax increases or additional budget reductions will have to take place to balance ongoing city operations.
- ✓ General Fund assets decreased by \$2.5 million; from \$14.5 million in 2011 to \$12.0 million in 2012.
- ✓ The General Fund’s unassigned fund balance decreased significantly; from \$5 million to \$2.5 million. Unrestricted fund balance is extremely important in that it represents that portion of the City’s assets (mainly cash and receivables) that are not designated for expenditures. The purpose of these funds are to 1) stabilize tax rates in an economic downturn, 2) provide the city with resources in the event of a natural disaster, and 3) provide the city with resources for other unforeseen events and or circumstances. The City’s unreserved portion of fund balance as a percentage of general fund expenditures was 10% for year ending 2011 and 4.5% for year ending 2012. Based upon industry standards, it is recommended that governmental entities maintain approximately 15% in fund reserves.
- ✓ Total General Fund revenues decreased by 2% in 2012; from \$52.8 million in 2011 to \$52 million in 2012.
- ✓ Total General Fund expenditures increased by \$2 million; from \$52.8 million in 2011 to \$54.8 million in 2012.

## Business-Type Activities

### Water and Sewer Fund

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

#### Condensed Statement of Revenues and Expenses

##### Water and Sewer Fund Fiscal years Ending September 30, 2011 and 2012

	2011	2012
Operating Revenues	\$ 28,699,708	\$ 30,282,261
Operating Expenses	23,546,942	29,919,694
Operating income	5,152,766	3,362,567
Non Operating Items:		
Interest Expense	(3,364,280)	(3,001,390)
Other	25,752,443	6,603,961
Change in Net Assets	\$ 27,540,929	\$ 6,965,138

The City's water and sewer fund's operating income was \$3.4 million in 2012 as compared to \$5.2 million in the previous 2011 year. Important to remember is that income from operations does not include interest expense as this is reported in the non-operating items nor does this amount include repayment of principal on borrowed funds. Revenues increased by \$1.6 million while expenses increased by \$6.5 million.

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

## General Fund Budgetary Highlights

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

### Summary of Budget to Actual Amounts

#### General Fund Fiscal Year Ending September 30, 2012

	Original Budget	Revised Budget	Actual Amounts (Budget Basis)
Revenues:			
Property Taxes	\$ 18,010,000	\$ 18,010,000	\$ 18,451,424
Sales Tax	19,100,000	19,100,000	19,090,842
Intergovernmental	3,116,536	4,360,078	3,147,703
Fines and forfeits	2,400,000	2,400,000	1,931,800
Gaming	3,200,000	3,200,000	3,225,709
Franchise Taxes	4,300,000	4,300,000	3,551,938
Charges for Services	2,204,000	2,315,046	1,513,677
Licenses and permits	1,319,000	1,319,000	1,114,936
Other	184,000	221,193	155,258
Total Revenues	<u>53,833,536</u>	<u>55,225,317</u>	<u>52,183,287</u>
Expenditures:			
General government	8,068,353	8,227,719	7,166,749
Police	18,271,616	18,954,364	18,163,857
Fire	11,994,806	12,333,619	12,196,959
Public works	8,795,768	8,831,210	8,332,924
Economic development	2,366,924	2,435,505	2,391,632
Culture and recreation	5,000,579	5,786,743	5,398,978
Total Expenditures	<u>54,498,046</u>	<u>56,569,160</u>	<u>53,651,099</u>
Excess (Deficit) of Revenues over expenditures	<u>\$ (664,510)</u>	<u>\$ (1,343,843)</u>	<u>\$ (1,467,812)</u>

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

- ✓ The revenue budget (original versus revised) was amended upward by \$1.4 million or 3%; original budget of \$53.8 million as compared to the revised budget of \$55.2 million. A significant amount of this difference is attributed to budget increases in Intergovernmental Revenue which is related to several federal grants, most of which are police department related.
- ✓ The Expenditure Budget was increased by \$2 million or 4% for the 2012 year. Most of this increase was attributed to rollover capital outlay and grants carried over from previous 2011 year and new grants awarded to the City in the 2012 year.

Overall, the City's General Fund actual revenues for 2012 (budget basis) fell short of the revised budget by \$3 million or 5% with actual revenues of \$52.2 million and budgeted revenues of \$55.5 million.

- ✓ Actual Intergovernmental Revenue which consist mainly of state and federal grants fell short of its budgeted amount by \$1.3 million.
- ✓ Franchise fee revenue fell short of budgeted amounts by \$749,000.
- ✓ Court Fine revenue fell short of budgeted amounts by \$500,000.
- ✓ Property Tax revenue exceeded budgeted amounts by \$441,000.

The City's General Fund actual expenditures fell short of its budgeted expenditures resulting in a favorable variance of \$2.8 million or 5% in 2012. Actual (budget basis) amounts were \$53.7 million while budget amounts were \$56.6 million. A major contributing factor for this difference is discussed below:

- ✓ Employee Vacancies – The City's payroll \ employee benefits budget (General Fund) for the 2012 year was \$38.3 million while actual 2012 expenditures totaled \$36.8 million; leaving a budget surplus of \$1.5 million for payroll \ employee benefits. This amount equates to an average vacancy rate of 4%.

## Capital Assets and Debt Administration

### Capital Assets

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

	Governmental Activities		Business-Type Activities		Totals	
	2011	2012	2011	2012	2011	2012
Land	\$ 32,341,801	\$ 32,379,590	\$ 16,951,832	\$ 16,917,841	\$ 49,293,633	\$ 49,297,431
Construction in Progress	55,967,667	33,079,311	36,414,293	3,569,486	92,381,960	36,648,797
Buildings	22,639,326	55,365,985	3,497,950	5,514,841	26,137,276	60,880,826
Improvements	5,108,054	5,918,226			5,108,054	5,918,226
Infrastructure	173,549,806	175,029,267	191,432,712	224,273,074	364,982,518	399,302,341
Machinery & Eqpt.	2,550,527	2,267,671	908,841	1,513,039	3,459,368	3,780,710
Vehicles	5,524,926	4,889,144	614,241	387,052	6,139,167	5,276,196
<b>Totals</b>	<b>\$ 297,682,107</b>	<b>\$ 308,929,194</b>	<b>\$ 249,819,869</b>	<b>\$ 252,175,333</b>	<b>\$ 547,501,976</b>	<b>\$ 561,104,527</b>

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2012 asset values were estimated at \$561 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 \$ 13 million or 2% (after depreciation) as compared to the prior year. It shall be noted that the majority of this increase was a result of FEMA Katrina monies spent on rebuilding damaged City assets. See note 7 in the financial section of this report for more detail information on capital assets.

Depreciation expense for the 2012 year totaled \$ 16.3 million and was allocated to the following classes of assets:

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

Buildings	\$ 3,592,999
Improvements other than Buildings	453,334
Machinery and Equipment	738,665
Vehicles	1,311,220
Infrastructure (roads, bridges, drainage, water & sewer system, etc.)	10,225,389
<b>Total Depreciation</b>	<b>\$ 16,321,607</b>

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

Significant increases in capital acquisitions and improvements include:

- ✓ Infrastructure - \$ 11.7 million.
- ✓ New Construction in progress - \$14 million.

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## Debt Administration

### Schedule of Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2011	2012	2011	2012	2011	2012
Bonds payable	\$ 21,005,000	\$ 18,345,000	\$ -	\$ -	\$ 21,005,000	\$ 18,345,000
Notes payable	23,864,278	28,026,434	-	-	23,864,278	28,026,434
Compensated Absences	2,276,177	2,227,481	10,306	39,147	2,286,483	2,266,628
Claims and Judgments	36,000	36,000	-	-	36,000	36,000
Bonds and Notes backed by Water & Sewer fund	-	-	85,480,141	80,080,206	85,480,141	80,080,206
<b>Totals</b>	<b>\$ 47,181,455</b>	<b>\$ 48,634,915</b>	<b>\$ 85,490,447</b>	<b>\$ 80,119,353</b>	<b>\$ 132,671,902</b>	<b>\$ 128,754,268</b>

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

At year ending 2012, the City had \$129 million in outstanding debt representing a net decrease of \$4 million as compared to the prior year. See note 8 of the note section of this report for further detail relating to the City's debt.

### Current Known Facts Effecting Future Financial Issues

#### 1. Payback of Community Disaster Loan

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

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

As of January 29, 2013, this loan has grown to \$19.3 million. Providing no payments are made by the City on this loan, the estimated payoff balance on the due date of Jan 2, 2016 will be \$21 million.

The City must begin to make preparation in future years' budgets to schedule the payback of these funds.

## **2. Unfunded Hurricane Katrina Projects**

It has been determined that many Hurricane Katrina related recovery projects which were originally thought to be wholly funded by FEMA may not meet FEMA's eligibility requirements. In total, these items are estimated in the range of \$4 million which represents about 2% of all City FEMA funded Hurricane Katrina Recovery projects. A funding source will have to be identified in future budgets to cover this shortfall. This may entail a bond issue in the very near future provided an alternative funding source cannot be identified.

## **3. Asset / Infrastructure deterioration**

1. The City's book value of its capital assets exceeds \$560 million with infrastructure comprising 80% of this amount. Capital assets include the following: Land, Buildings, Machinery, Equipment, Vehicles, and infrastructure, (i.e. roads, drainage systems, water & sewer systems), etc. Relating to this, the City's annual depreciation expense exceeds \$11 million. This amount is significant as the City currently has no policy or financial plan in place regarding a perpetual asset lifecycle replacement program. Depreciation is an important but often underutilized tool in the financial planning process and should become a recurring budgeted expense item in future budgets to ensure that assets are replaced as their useful lives become expired. Unaddressed, this only places a larger burden on future generations.
2. Machinery and Equipment Replacements - Both the City's Public Works Director and Leisure Services Director have expressed their needs for much needed equipment replacements. Most of the equipment in these departments has exceeded their useful lives and the maintenance cost of keeping this equipment operational is significant. The Leisure Services Department has requested \$850,000 in funding for equipment replacements while the Public Works Department has requested \$2,600,000.
3. Perhaps the single most important challenge facing this City will be addressing "serious" water and sewer infrastructure needs. The City Engineer has identified approximately \$100 million in needed water and sewer infrastructure renovations and upgrades. Also, it has come to the City's attention that the "old" wastewater treatment facility located in south central Gulfport no longer meets environmental standards and must be replaced. The total price tag of a new modern treatment facility that will satisfy EPA standards is estimated at \$130 million. At the present, both of these issues remain unfunded. Additional financial resources will have to be identified in the future in order to address both the City's deteriorated infrastructure and a new wastewater treatment facility.
4. Technology Replacements and Upgrades needed – The City's Information Systems Manager has identified \$1.7 million in technology needs. The City has not made any significant upgrades to its computer and related technology systems over the past 10 years. This lack of investment is beginning to have an adverse effect on overall productivity within the City

#### **4. Economic Development**

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

Although Gulfport is the coastal leader in retail sales, much retail growth has occurred in and around our neighboring cities. Gulfport must continue to aggressively market itself to the entire region and nation. Continued effort in the area of economic development will be a must as businesses compete between local jurisdictions for competitive incentive packages before choosing their location for doing business. The City must continue to review and revise its zoning, architectural and construction standards, and business incentive packages in order to attract new businesses.

#### **5. General Fund – Extremely Low Cash Reserves “Rainy Day Fund”**

As previously stated, the General Fund’s “rainy day fund” decreased significantly; from \$5 million in 2011 to \$2.5 million in 2012. This is a “dangerously” low amount as compared to industry standards. The Government Finance Officers’ Association recommends that a Governmental entity maintain at least 15% of its General Fund operating budget as cash reserves. For a City the size of Gulfport in terms of General Fund Budget, Gulfport’s cash reserves should be about \$8 million. Cash reserves are used to: 1) cover unforeseen emergencies such as hurricanes, tropical storms, and other natural disasters, 2) bridge short term funding gaps in the way of economic downturns, 3) and cover any other unforeseen circumstances the City may encounter throughout its normal course of providing services to its citizens. Without a doubt, re-establishing Gulfport’s rainy day fund to pre- Hurricane Katrina levels should be a top priority when formulating future annual budgets.

#### **6. General Fund – Balancing Future Budgets**

Another concern relating to the overall financial condition of the General Fund rests with being able to formulate “balanced” budgets for upcoming years. For the 2012 year, the City’s General Fund operated in the “red” by \$2.9 million and the ending fund balance was only \$2.5 million. This deficit must be reduced and balancing ongoing cost to recurring revenue will be the City’s greatest financial challenge.

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

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



# Gulfport

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# Government-Wide Financial Statements

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**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Net Assets**  
**September 30, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and equivalents	\$ 13,868,758	\$ 1,805,771	\$ 15,674,529
Receivables:			
Taxes receivable	3,173,099	-	3,173,099
Customer accounts receivable	-	3,610,008	3,610,008
Other receivables	90,186	-	90,186
Internal balances	54,250	(54,250)	-
Due from other governments	19,611,840	-	19,611,840
Prepaid expenses	1,036,241	-	1,036,241
Restricted assets:			
Cash and equivalents	188,770	1,817,311	2,006,081
Investments	-	950,325	950,325
Capital assets not being depreciated:			
Land and improvements	32,379,590	16,917,841	49,297,431
Construction in progress	33,079,311	3,486,136	36,565,447
Capital assets net of accumulated depreciation:			
Buildings	55,365,985	5,598,191	60,964,176
Improvements other than buildings	5,918,226	-	5,918,226
Infrastructure	175,029,267	224,273,074	399,302,341
Machinery and equipment	2,267,671	1,513,039	3,780,710
Vehicles	4,889,144	387,052	5,276,196
Deferred bond issuance charges	81,237	3,301,813	3,383,050
<b>Total Assets</b>	<b>347,033,575</b>	<b>263,606,311</b>	<b>610,639,886</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	5,024,602	1,471,718	6,496,320
Retainage payable	128,755	83,350	212,105
Deferred revenues	430,855	-	430,855
Due to other governments	8,621	-	8,621
Customer deposits (payable from restricted assets)	-	1,822,178	1,822,178
Noncurrent liabilities:			
Due within one year:			
Accrued interest payable	260,911	504,650	765,561
Bonds and notes payable	9,140,350	5,508,155	14,648,505
Compensated absences	1,063,562	20,014	1,083,576
Due beyond one year:			
Accrued interest payable	2,291,383	506,278	2,797,661
Liability for self insurance claims	3,603,123	-	3,603,123
Compensated absences	1,163,919	19,132	1,183,051
Bonds and notes payable	42,231,084	74,572,050	116,803,134
Death benefit claims	36,000	-	36,000
<b>Total Liabilities</b>	<b>65,383,165</b>	<b>84,507,525</b>	<b>149,890,690</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	270,930,882	174,576,166	445,507,048
Restricted for:			
Debt service	4,134,783	952,325	5,087,108
Specific grant programs	1,882,976	-	1,882,976
Capital improvements	10,119,522	-	10,119,522
Unrestricted	(5,417,753)	3,570,295	(1,847,458)
<b>Total Net Assets</b>	<b>\$ 281,650,410</b>	<b>\$ 179,098,786</b>	<b>\$ 460,749,196</b>

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ (18,182,129)	\$ 4,157,208	\$ -	\$ 495,727	\$ (13,529,194)	\$ -	\$ (13,529,194)
Public safety	(29,205,705)	113,522	1,772,230	1,045,404	(26,274,549)	-	(26,274,549)
Public works	(12,482,311)	14,161	-	7,635,409	(4,832,741)	-	(4,832,741)
Health and welfare	(796,205)	-	892,706	-	96,501	-	96,501
Economic development	(2,122,547)	-	-	1,697,922	(424,625)	-	(424,625)
Culture and recreation	(5,793,659)	598,271	-	9,173,458	3,978,070	-	3,978,070
Interest on long-term debt	(1,677,536)	-	-	-	(1,677,536)	-	(1,677,536)
<b>Total governmental activities</b>	<b>(70,260,092)</b>	<b>4,883,162</b>	<b>2,664,936</b>	<b>20,047,920</b>	<b>(42,664,074)</b>	<b>-</b>	<b>(42,664,074)</b>
<b>Business-type activities:</b>							
Water & Sewer	(26,919,694)	30,245,886	-	5,948,558	-	9,274,750	9,274,750
Joseph T. Jones Park	(2,947,134)	520,896	-	2,190,384	-	(235,854)	(235,854)
Gulfport Redevelopment Commission	(87,250)	-	-	-	-	(87,250)	(87,250)
Interest on long-term debt	(3,023,463)	-	-	-	-	(3,023,463)	(3,023,463)
<b>Total business-type activities</b>	<b>(32,977,541)</b>	<b>30,766,782</b>	<b>-</b>	<b>8,138,942</b>	<b>-</b>	<b>5,928,183</b>	<b>5,928,183</b>
<b>Total primary government</b>	<b>(103,237,633)</b>	<b>35,649,944</b>	<b>2,664,936</b>	<b>28,186,862</b>	<b>(42,664,074)</b>	<b>5,928,183</b>	<b>(36,735,891)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes					18,457,067	-	18,457,067
Property taxes, levied for special purposes					6,095,931	-	6,095,931
Sales taxes					19,002,874	-	19,002,874
Franchise taxes					3,606,682	-	3,606,682
Gaming taxes					3,142,387	-	3,142,387
Licenses and permits					1,110,574	-	1,110,574
Grants and contributions not restricted to specific programs					1,980,424	-	1,980,424
Gain on disposal of capital assets					580,963	-	580,963
Investment earnings and miscellaneous					237,067	74,245	311,312
Transfers					(981,225)	981,225	-
<b>Total general revenues and transfers</b>					<b>53,232,744</b>	<b>1,055,470</b>	<b>54,288,214</b>
Change in net assets					10,568,670	6,983,653	17,552,323
Net assets - beginning					269,336,068	172,371,434	441,707,502
Prior period adjustment					1,745,672	(256,301)	1,489,371
<b>Net assets - ending</b>					<b>\$ 281,650,410</b>	<b>\$ 179,098,786</b>	<b>\$ 460,749,196</b>

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

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# Governmental Fund Financial Statements

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## Major Funds:

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

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

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

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

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

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Governmental Funds**  
**Balance Sheet**  
**September 30, 2012**

	<b>Major Funds</b>				<b>Debt Service Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Disaster Relief Fund</b>	<b>Community Development Program</b>	<b>Capital Projects Fund</b>			
<b>Assets</b>							
Cash and cash equivalents	\$ 4,570,027	\$ -	\$ 298,336	\$ 618,462	\$ 2,646,055	\$ 2,074,063	\$ 10,206,943
Receivables:							
Property taxes	127,189	-	-	-	34,822	8,621	170,632
Sales taxes	1,473,044	-	-	-	-	-	1,473,044
Franchise taxes	1,036,062	-	-	-	-	-	1,036,062
Gaming fees	148,122	-	-	-	-	-	148,122
Privilege licenses	345,239	-	-	-	-	-	345,239
Other	90,186	-	-	-	-	-	90,186
Due from other funds	3,809,216	-	-	11,500,000	1,515,976	-	16,825,192
Prepaid interest	-	-	-	-	64,883	-	64,883
Cash - restricted	188,770	-	-	-	-	-	188,770
Due from other governments	214,471	16,625,874	2,080,448	681,052	-	-	19,601,845
<b>Total assets</b>	<b>12,002,326</b>	<b>16,625,874</b>	<b>2,378,784</b>	<b>12,799,514</b>	<b>4,261,736</b>	<b>2,082,684</b>	<b>50,150,918</b>
<b>Liabilities and Fund balance</b>							
<b>Liabilities</b>							
Accounts payable	1,073,286	650,017	1,154,855	553,962	60,029	572	3,492,721
Accrued wages payable	976,941	-	6,142	-	-	-	983,083
Accrued expenses	182,102	-	-	-	-	-	182,102
Due to other funds	1,500,000	15,975,857	793,044	-	2,041	-	18,270,942
Due to other governments	-	-	-	-	-	8,621	8,621
Retainage payable	-	-	128,755	-	-	-	128,755
Other liabilities	175,057	-	-	-	-	-	175,057
Short-term note payable	5,000,000	-	-	-	-	-	5,000,000
Deferred revenue	430,855	-	-	-	-	-	430,855
Performance bonds payable	162,708	-	-	-	-	-	162,708
<b>Total liabilities</b>	<b>9,500,949</b>	<b>16,625,874</b>	<b>2,082,796</b>	<b>553,962</b>	<b>62,070</b>	<b>9,193</b>	<b>28,834,844</b>
<b>Fund Balance</b>							
Nonspendable for prepaids	-	-	-	-	64,883	-	64,883
Restricted for:							
Drug enforcement	28,499	-	-	-	-	1,458,489	1,486,988
Senior citizen's program	100,000	-	-	-	-	-	100,000
Debt service	-	-	-	-	4,134,783	-	4,134,783
Urban development	-	-	295,988	-	-	-	295,988
Capital projects	-	-	-	9,504,520	-	615,002	10,119,522
Unassigned	2,372,878	-	-	2,741,032	-	-	5,113,910
<b>Total fund balance</b>	<b>2,501,377</b>	<b>-</b>	<b>295,988</b>	<b>12,245,552</b>	<b>4,199,666</b>	<b>2,073,491</b>	<b>21,316,074</b>
<b>Total liabilities and fund balance</b>	<b>\$ 12,002,326</b>	<b>\$ 16,625,874</b>	<b>\$ 2,378,784</b>	<b>\$ 12,799,514</b>	<b>\$ 4,261,736</b>	<b>\$ 2,082,684</b>	<b>\$ 50,150,918</b>

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2012**

Total fund balances - governmental funds	\$	21,316,074
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		308,929,194
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported in the funds balance sheet		(2,552,294)
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	6,143,168	
Accounts payable	(28,931)	
Estimated claims payable	<u>(3,603,123)</u>	2,511,114
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.		
Bonds payable	(18,345,000)	
Notes payable	(28,026,434)	
Deferred bond issue costs, net	81,237	
Death benefit claims	(36,000)	
Compensated absences	<u>(2,227,481)</u>	<u>(48,553,678)</u>
Net assets of governmental activities	\$	<u><u>281,650,410</u></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 Balances**  
**For Fiscal Year Ended September 30, 2012**

	<b>Major Funds</b>					<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Disaster Relief Fund</b>	<b>Community Development Program</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>		
<b>Revenues:</b>							
<b>Taxes</b>							
Property	\$ 18,457,067	\$ -	\$ -	\$ -	\$ 4,881,725	\$ 1,214,206	\$ 24,552,998
Sales	19,002,874	-	-	-	-	-	19,002,874
Franchise	3,606,682	-	-	-	-	-	3,606,682
Gaming	3,142,387	-	-	-	-	-	3,142,387
Licenses and permits	1,110,574	-	-	-	-	-	1,110,574
Intergovernmental	2,973,159	4,341,328	8,024,094	4,964,473	181,872	597,622	21,082,548
Charges for services	1,527,177	-	-	-	-	-	1,527,177
Fines and forfeits	1,931,800	-	-	-	-	-	1,931,800
Miscellaneous	168,548	-	1,920	12,047	7,458	11,673	201,646
<b>Total revenues</b>	<b>51,920,268</b>	<b>4,341,328</b>	<b>8,026,014</b>	<b>4,976,520</b>	<b>5,071,055</b>	<b>1,823,501</b>	<b>76,158,686</b>
<b>Expenditures</b>							
<b>Current:</b>							
General government	7,187,596	-	-	-	-	-	7,187,596
Public safety	30,658,520	152,687	310,000	-	-	1,327,055	32,448,262
Public works	8,651,963	336,865	-	736,240	-	3,360	9,728,428
Health and welfare	-	-	892,706	-	-	-	892,706
Economic development	2,428,878	-	-	-	-	-	2,428,878
Culture and recreation	5,482,835	-	-	405,973	-	5,919	5,894,727
<b>Capital outlay:</b>							
General government	29,384	212,426	-	-	-	-	241,810
Public safety	329,735	293,274	-	-	-	442,130	1,065,139
Public works	31,420	472,356	720,100	2,095,981	-	-	3,319,857
Economic development	-	-	1,697,922	-	-	-	1,697,922
Culture and recreation	6,529	2,873,720	4,251,201	1,642,564	-	-	8,774,014
<b>Debt service:</b>							
Principal	-	-	-	-	3,497,844	-	3,497,844
Interest	-	-	-	-	1,279,711	-	1,279,711
Other	-	-	-	-	7,675	-	7,675
<b>Total expenditures</b>	<b>54,806,860</b>	<b>4,341,328</b>	<b>7,871,929</b>	<b>4,880,758</b>	<b>4,785,230</b>	<b>1,778,464</b>	<b>78,464,569</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(2,886,592)</b>	<b>-</b>	<b>154,085</b>	<b>95,762</b>	<b>285,825</b>	<b>45,037</b>	<b>(2,305,883)</b>
<b>Other financing sources (uses)</b>							
Loan proceeds	-	-	-	10,000,000	-	-	10,000,000
Sale of capital assets	459,703	-	-	600,000	-	10,665	1,070,368
Transfers in	470,000	-	-	723,605	-	-	1,193,605
Transfers out	(745,644)	-	(154,081)	(499,304)	-	(292,778)	(1,691,807)
<b>Total other financing sources (uses)</b>	<b>184,059</b>	<b>-</b>	<b>(154,081)</b>	<b>10,824,301</b>	<b>-</b>	<b>(282,113)</b>	<b>10,572,166</b>
<b>Changes in fund balance</b>	<b>(2,702,533)</b>	<b>-</b>	<b>4</b>	<b>10,920,063</b>	<b>285,825</b>	<b>(237,076)</b>	<b>8,266,283</b>
<b>Fund balance - October 1</b>	<b>5,203,910</b>	<b>-</b>	<b>295,984</b>	<b>1,325,489</b>	<b>3,913,841</b>	<b>2,310,567</b>	<b>13,049,791</b>
<b>Fund balance - September 30</b>	<b>\$ 2,501,377</b>	<b>\$ -</b>	<b>\$ 295,988</b>	<b>\$ 12,245,552</b>	<b>\$ 4,199,666</b>	<b>\$ 2,073,491</b>	<b>\$ 21,316,074</b>

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, 2012**

		Amount
Net change in fund balances - total governmental funds:	\$	8,266,283
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
Donated assets	3,610,728	
Expenditures for capital assets	15,098,742	
Less: Current year depreciation	(8,718,650)	9,990,820
<p>When assets are sold or retired in the fund statements the entire amount is shown in the fund statements, however, only the difference in book value and income received is shown as income in the government wide statements.</p>		
		(489,405)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while principal payments on long term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Below is the net effect of these differences:</p>		
Note proceeds	(10,000,000)	
Amortization of bond costs	(14,381)	
Bond principal payments	2,660,000	
Note principal payments	837,844	(6,516,537)
<p>Compensated absences are not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, but current year changes are reported in the Statement of Activities.</p>		
		48,696
<p>Interest on long term debt that is not due and payable in the current year is reported as an expense in the Statement of Activities.</p>		
		(375,769)
<p>Internal service funds are used by management to charge the cost of certain activities such as insurance costs, to individual funds</p>		
		(355,418)
Change in net assets of governmental activities	\$	10,568,670

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

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# Proprietary Fund Financial Statements

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

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

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

Internal Service Funds are presented in the supplemental section.

**CITY OF GULFPORT, MISSISSIPPI**

**Proprietary Funds  
Statement of Net Assets  
September 30, 2012**

	Business Type Activities			Total Business - Type Activities	Governmental Activities Internal Service Funds
	Non-major Funds				
	Water and Sewer	Joseph T. Jones Park	Gulfport Redevelopment Commission		
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,802,315	\$ 3,456	\$ -	\$ 1,805,771	\$ 3,661,815
Receivables:					
Customer accounts ( net of allowance for uncollectible accounts)	2,072,240	7,657	-	2,079,897	-
Customer accounts accrued but unbilled	1,530,111	-	-	1,530,111	-
Due from other governments	-	-	-	-	9,995
Due from other funds	308,523	-	-	308,523	1,500,000
Prepaid insurance	-	-	-	-	971,358
Total current assets	<u>5,713,189</u>	<u>11,113</u>	<u>-</u>	<u>5,724,302</u>	<u>6,143,168</u>
Current restricted assets					
Cash - Customer deposits	1,777,760	37,551	-	1,815,311	-
Cash - Bond indentures	2,000	-	-	2,000	-
Investments - Bond indenture	950,325	-	-	950,325	-
Total current restricted assets	<u>2,730,085</u>	<u>37,551</u>	<u>-</u>	<u>2,767,636</u>	<u>-</u>
Noncurrent assets					
Capital assets:					
Land	149,313	18,528	16,750,000	16,917,841	-
Construction in progress	3,486,136	-	-	3,486,136	-
Buildings	-	2,528,798	3,490,000	6,018,798	-
Infrastructure	249,897,876	23,414,040	-	273,311,916	-
Machinery and equipment	2,686,688	13,217	-	2,699,905	-
Vehicles	2,481,608	43,570	-	2,525,178	-
Less accumulated depreciation	(50,371,456)	(2,151,235)	(261,750)	(52,784,441)	-
Total capital assets	<u>208,330,165</u>	<u>23,866,918</u>	<u>19,978,250</u>	<u>252,175,333</u>	<u>-</u>
Other noncurrent assets					
Deferred charges	3,301,813	-	-	3,301,813	-
Total assets	<u>220,075,252</u>	<u>23,915,582</u>	<u>19,978,250</u>	<u>263,969,084</u>	<u>6,143,168</u>
<b>Liabilities</b>					
Current liabilities (payable from current assets)					
Accounts payable	1,347,593	86,516	-	1,434,109	28,931
Accrued wages payable	29,496	8,113	-	37,609	-
Due to other funds	54,250	308,523	-	362,773	-
Retainage payable	-	83,350	-	83,350	-
Liability for self-insurance claims	-	-	-	-	3,603,123
Current portion of long-term debt:					
Accrued interest payable	504,650	-	-	504,650	-
Compensated absences payable	12,624	7,390	-	20,014	-
Notes payable	2,083,155	-	-	2,083,155	-
Bonds payable	3,425,000	-	-	3,425,000	-
Total current liabilities payable from current assets	<u>7,456,768</u>	<u>493,892</u>	<u>-</u>	<u>7,950,660</u>	<u>3,632,054</u>
Current liabilities (payable from restricted assets)					
Meter deposits	1,784,627	37,551	-	1,822,178	-
Total current liabilities	<u>9,241,395</u>	<u>531,443</u>	<u>-</u>	<u>9,772,838</u>	<u>3,632,054</u>
Long-term debt					
Accrued interest payable	506,278	-	-	506,278	-
Compensated absences payable	12,049	7,083	-	19,132	-
Notes payable	28,537,050	-	-	28,537,050	-
Bonds payable	46,035,000	-	-	46,035,000	-
Total noncurrent liabilities	<u>75,090,377</u>	<u>7,083</u>	<u>-</u>	<u>75,097,460</u>	<u>-</u>
Total liabilities	<u>84,331,772</u>	<u>538,526</u>	<u>-</u>	<u>84,870,298</u>	<u>3,632,054</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	128,249,960	23,866,918	19,978,250	172,095,128	-
Restricted for revenue bond indentures	952,325	-	-	952,325	-
Unrestricted	6,541,195	(489,862)	-	6,051,333	2,511,114
Total net assets	<u>\$ 135,743,480</u>	<u>\$ 23,377,056</u>	<u>\$ 19,978,250</u>	<u>\$ 179,098,786</u>	<u>\$ 2,511,114</u>

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Year Ended September 30, 2012**

	<b>Business Type Activities</b>			<b>Total Business- Type Activities</b>	<b>Governmental Activities</b>
	<b>Non-major Funds</b>				<b>Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Joseph T, Jones Park</b>	<b>Gulfport Redevelopment Commission</b>		
Operating Revenues					
Charges for services	\$ 30,245,886	\$ 520,896	\$ -	\$ 30,766,782	\$ -
Employee contributions	-	-	-	-	1,206,868
Retiree contributions	-	-	-	-	217,317
Employer contributions	-	-	-	-	7,797,968
Insurance claim reimbursements	-	-	-	-	49,182
Miscellaneous	36,375	15,783	-	52,158	-
Total operating revenues	<u>30,282,261</u>	<u>536,679</u>	<u>-</u>	<u>30,818,940</u>	<u>9,271,335</u>
Operating Expenses					
Personnel services	943,371	269,181	-	1,212,552	-
Contractual services	18,436,301	322,474	-	18,758,775	301,527
Material and supplies	1,792,618	302,817	-	2,095,435	-
Administrative expenses	-	-	-	-	262,563
Premium payments	-	-	-	-	2,157,420
Claims paid and estimate changes	-	-	-	-	6,457,645
Depreciation	5,463,045	2,052,662	87,250	7,602,957	-
Amortization	284,359	-	-	284,359	-
Total operating expenses	<u>26,919,694</u>	<u>2,947,134</u>	<u>87,250</u>	<u>29,954,078</u>	<u>9,179,155</u>
Operating income (loss)	<u>3,362,567</u>	<u>(2,410,455)</u>	<u>(87,250)</u>	<u>864,862</u>	<u>92,180</u>
Non-operating revenues (expenses)					
Interest income	22,073	14	-	22,087	35,425
Interest expense	(3,023,463)	-	-	(3,023,463)	-
Total nonoperating revenues (net)	<u>(3,001,390)</u>	<u>14</u>	<u>-</u>	<u>(3,001,376)</u>	<u>35,425</u>
Income before transfers	361,177	(2,410,441)	(87,250)	(2,136,514)	127,605
Capital contributions	5,948,558	2,190,384	-	8,138,942	-
Transfers from other funds	702,575	325,822	-	1,028,397	-
Transfers to other funds	(47,172)	-	-	(47,172)	(483,023)
Change in net assets	<u>6,965,138</u>	<u>105,765</u>	<u>(87,250)</u>	<u>6,983,653</u>	<u>(355,418)</u>
Net assets - October 1	127,862,788	24,268,646	20,240,000	172,371,434	2,866,532
Prior period adjustments	915,554	(997,355)	(174,500)	(256,301)	-
Net assets - October 1 (restated)	<u>128,778,342</u>	<u>23,271,291</u>	<u>20,065,500</u>	<u>172,115,133</u>	<u>2,866,532</u>
Net assets - September 30	<u>\$ 135,743,480</u>	<u>\$ 23,377,056</u>	<u>\$ 19,978,250</u>	<u>\$ 179,098,786</u>	<u>\$ 2,511,114</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, 2012**

	Business-type Activities			Governmental Activities	
	Non-major Fund			Total Business-type Activities	Internal Service Funds
	Water and Sewer	Joseph T. Jones Park	Gulfport Redevelopment Commission		
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 30,999,524	\$ 516,305	\$ -	\$ 31,515,829	\$ -
Cash received from other operating receipts	36,375	15,783	-	52,158	-
Cash received from employees and others	-	-	-	-	1,424,185
Cash received from insurance claims	-	-	-	-	39,187
Cash received from employer contributions	-	-	-	-	7,797,968
Cash paid to suppliers	(19,820,801)	(714,158)	-	(20,534,959)	(8,646,345)
Cash paid to employees	(902,014)	(250,867)	-	(1,152,881)	-
Cash received from meter deposits, net	148,248	15,463	-	163,711	-
Net cash provided by (used in) operating activities	<u>10,461,332</u>	<u>(417,474)</u>	<u>-</u>	<u>10,043,858</u>	<u>614,995</u>
<b>Cash flows from non-operating activities</b>					
Cash received from governmental grants	20,582	-	-	20,582	-
Cash transferred from other governments	80,068	90,673	-	170,741	-
Loans from (to) other funds	(308,523)	308,523	-	-	-
Cash transferred to (from) other funds	(47,172)	182,234	-	135,062	(483,023)
Net cash provided by non-operating activities	<u>(255,045)</u>	<u>581,430</u>	<u>-</u>	<u>326,385</u>	<u>(483,023)</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(1,667,927)	(431,908)	-	(2,099,835)	-
Cash transferred to (from) other funds	702,575	143,587	-	846,162	-
Principal paid on revenue bond maturities and notes payable	(5,399,935)	-	-	(5,399,935)	-
Interest paid on bonds and notes payable	(3,066,323)	-	-	(3,066,323)	-
Net cash used in capital and related financing activities	<u>(9,431,610)</u>	<u>(288,321)</u>	<u>-</u>	<u>(9,719,931)</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Investment transactions, net	-	-	-	-	1,855,372
Interest received	22,073	14	-	22,087	35,425
Net cash from investing activities	<u>22,073</u>	<u>14</u>	<u>-</u>	<u>22,087</u>	<u>1,890,797</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>796,750</u>	<u>(124,351)</u>	<u>-</u>	<u>672,399</u>	<u>2,022,769</u>
<b>Cash and equivalents - October 1</b>	<u>2,785,325</u>	<u>165,358</u>	<u>-</u>	<u>2,950,683</u>	<u>1,639,046</u>
<b>Cash and equivalents - September 30</b>	<u>\$ 3,582,075</u>	<u>\$ 41,007</u>	<u>\$ -</u>	<u>\$ 3,623,082</u>	<u>\$ 3,661,815</u>
<b>Classified as:</b>					
Current assets	\$ 1,802,315	\$ 3,456	\$ -	\$ 1,805,771	\$ 3,661,815
Restricted assets	1,779,760	37,551	-	1,817,311	-
Totals	<u>\$ 3,582,075</u>	<u>\$ 41,007</u>	<u>\$ -</u>	<u>\$ 3,623,082</u>	<u>\$ 3,661,815</u>
<b>Non cash investing, capital and financing activities:</b>					
Transfer of capital assets from other funds	<u>\$ 5,948,558</u>	<u>\$ 2,190,384</u>	<u>\$ -</u>	<u>\$ 8,138,942</u>	<u>\$ -</u>

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

Operating income (loss)	\$ 3,362,567	\$ (2,410,455)	\$ (87,250)	\$ 864,862	\$ 92,180
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	5,463,045	2,052,662	87,250	7,602,957	-
Amortization	284,359	-	-	284,359	-
(Increase) decrease in assets					
Accounts receivable	753,638	(4,591)	-	749,047	-
Other receivables	-	-	-	-	(9,995)
Prepaid assets	-	-	-	-	(50,680)
Increase (decrease) in liabilities					
Accounts payable	408,118	(88,867)	-	319,251	(169,410)
Accrued wages payable	26,990	3,841	-	30,831	-
Meter deposit liabilities	148,248	15,463	-	163,711	-
Other liabilities	-	-	-	-	752,900
Compensated absences payable	14,367	14,473	-	28,840	-
Net cash provided by (used in) operating activities	<u>\$ 10,461,332</u>	<u>\$ (417,474)</u>	<u>\$ -</u>	<u>\$ 10,043,858</u>	<u>\$ 614,995</u>

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

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# Fiduciary Fund Financial Statements

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

*Combining schedule presented in the supplemental section*

**CITY OF GULFPORT, MISSISSIPPI**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**September 30, 2012**

	<u>Totals</u>
Assets	
Cash and cash equivalents	\$ 327,767
Assets held for disposal	54,350
Total assets	<u>382,117</u>
Liabilities	
Payable to other governments	7,174
Payable to others	93,231
Assets held in trust	281,712
Total liabilities	<u>\$ 382,117</u>

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



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# Notes to the Financial Statements

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**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

**A. General Statement**

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

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

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

**B. Financial Reporting Entity**

The City is a charter city in which citizens elect the mayor at large and seven council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based on these criteria, it was determined that the City has one component unit, discussed below, which is included in the City's reporting entity because of the significance of its operation and financial relationships with the City.

***Component Unit Disclosure***

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

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

***Related Organizations***

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

***Joint Ventures and Jointly Governed Organizations***

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

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

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

See Note 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*.

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

***Fund Financial Statements -***

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

***Governmental Funds –***

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

**General Fund**

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

**Disaster Relief Fund**

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

**Community Development Program Fund**

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

**Capital Projects Fund**

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

**Debt Service Fund**

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

***Proprietary Funds – Business-type activities***

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

***Proprietary Funds – Governmental-type activities***

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

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

***Fiduciary Funds***

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting, pursuant to GASB Statement No. 33. Under the modified basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected but unsettled at year-end. A two-month availability period is used for recognition of most other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

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

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

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

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

**E. Cash and Investments**

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

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

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

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

**F. Receivables**

All trade receivables are shown net of an allowance for doubtful accounts. An allowance in the amount of \$6,439,508 at September 30, 2012 has been provided in the Water and Sewer Enterprise Fund for estimated uncollectible utility charges. The allowance is based on trade receivables in excess of 90 days outstanding. An allowance for estimated uncollectible rental fees has been established in the Joseph T. Jones Fund based upon historical collection experience and other relevant circumstances. The allowance for estimated uncollectible receivables at September 30, 2012 is \$55,406.

**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 or harbor account is opened. These funds are restricted due to the deposits and are held by the City until the customer account is closed, at which time the amounts are refundable to the customer. Also certain debt issues require contingency deposits be maintained separately for future debt payments.

**K. Capital Assets**

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

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

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**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 Classifications and Restrictions of Fund Equity**

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

Note 9 discusses in more detail the fund balance classification determinations for the governmental funds.

**N. Compensated Absences**

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

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

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

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2012. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

**O. Post Employment Health Care Benefits**

The City does not have any costs associated with post-employment benefits for retired employees. The City does allow employees to continue in the group health plan after retirement; however, the retired employees pay 100% of the insurance premiums.

**P. Estimates**

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**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, 2012**

**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, 2012 was 34.00 mills or \$34.00 per \$1,000 of assessed valuation.

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

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

**(B) Gaming Tax Revenues**

In the early part of 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In May of 1993, the first casino opened in Gulfport. As of September 30, 2011 one casino was operating within the City. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4 to .8 percent. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. Gaming revenue of \$3,142,387 was received by the City in fiscal year ended September 30, 2012.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

**(C) Sales Tax Revenues**

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Gulfport) back to the City monthly. Tax revenue reported in the General Fund includes \$19,002,874 of sales tax revenue.

**NOTE 4: CASH AND OTHER DEPOSITS AND INVESTMENTS**

**(A) Cash and Other Deposits**

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

At September 30, 2012, the carrying amount of the City's deposits was \$18,008,377 and the bank balance was \$19,841,052. The difference represents outstanding checks and other reconciling items.

A summary of Cash and Other Deposits at September 30, 2012 is as follows:

	<u>Cash and Other Deposits Invested in Sweep Account</u>	<u>Non-pooled Cash and Other Deposits</u>	<u>Restricted Cash</u>	<u>Total</u>
Governmental funds:				
Major funds:				
General	\$ 4,566,807	\$ 3,220	\$ 188,770	\$ 4,758,797
Community development	-	298,336	-	298,336
Capital projects	618,462	-	-	618,462
Debt service	2,646,055	-	-	2,646,055
Non-major funds	615,002	1,459,061	-	2,074,063
Total governmental funds	<u>8,446,326</u>	<u>1,760,617</u>	<u>188,770</u>	<u>10,395,713</u>
Proprietary funds:				
Business-type activities:				
Water & sewer	1,801,115	1,200	1,779,760	3,582,075
Joseph T. Jones park	3,456	-	37,551	41,007
Total business-type	<u>1,804,571</u>	<u>1,200</u>	<u>1,817,311</u>	<u>3,623,082</u>
Governmental-type activities:				
Group health & life	-	1,243,942	-	1,243,942
Claims contingency	-	2,417,873	-	2,417,873
Total governmental-type	<u>-</u>	<u>3,661,815</u>	<u>-</u>	<u>3,661,815</u>
Fiduciary funds	<u>-</u>	<u>327,767</u>	<u>-</u>	<u>327,767</u>
Total cash and cash equivalents	<u>\$ 10,250,897</u>	<u>\$ 5,751,399</u>	<u>\$ 2,006,081</u>	<u>\$ 18,008,377</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

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

The Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation. At September 30, 2012, none of the City's bank balance of \$19,841,052 was exposed to custodial credit risk.

**(B) Investments**

At September 30, 2012, the City's surplus funds that were not invested in overnight sweep repurchase agreements (considered short term and reported above as cash) were invested in Hancock Horizon Government Money Market Mutual funds. A summary of the City's investments is as follows:

	Rate of Interest	Amount
Business-Type Activities:		
Hancock Horizon Government Money		
Market Mutual	N/A	\$ 950,325

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

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 5: RECEIVABLES**

The Statement of Net Assets includes the following receivables at September 30, 2012:

Taxes receivable:	
Property taxes	\$ 170,632
Sales taxes	1,473,044
Franchise taxes	1,036,062
Gaming fees	148,122
Privilege licenses	345,239
Total taxes receivable	<u>3,173,099</u>
Customer accounts receivable:	
Water & sewer utility charges (billed)	8,511,748
Customer accounts, earned but unbilled	1,530,111
Harbor berth rentals	63,063
Less: allowance for doubtful accounts	<u>(6,494,914)</u>
Total customer accounts receivable, net	<u>3,610,008</u>
Due from other governments:	
Federal	18,237,212
State	1,201,597
Local	173,031
Total due from other governments	<u>19,611,840</u>
Other receivables:	
Leases	31,452
Alarm licenses	17,425
Motor vehicle privilege tax	10,335
ABC licenses	10,575
County road tax	20,270
Parking	129
	<u>\$ 90,186</u>

The City funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* reported in the general fund in the amount of \$430,855 was for assessments not yet due.

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

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

The City transfers funds from the General Fund to pay for capital projects incurred. Capital expenditures made from insurance revenues in the amount of \$13,023 were transferred from the internal service fund to the capital projects fund for proper allocation of expenditures. The composition of interfund balances at September 30, 2012 is as follows:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
<b>Governmental Funds</b>		
General fund:		
Disaster relief fund	\$ 2,975,857	\$ -
Community development fund	793,044	-
Water and sewer fund	38,274	-
Debt service fund	2,041	-

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**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

Group Life and Health fund	-	1,500,000
Disaster relief fund:		
General fund	-	2,975,857
Capital projects fund	-	11,500,000
Debt Service fund	-	1,500,000
Community development fund:		
General fund	-	793,044
Capital projects fund:		
Disaster relief fund	11,500,000	-
Debt service fund:		
Disaster relief fund	1,500,000	-
Water and sewer fund	15,976	-
General fund	-	2,041
 <b>Enterprise Funds</b>		
Water and sewer fund:		
Joseph T Jones fund	308,523	-
General fund	-	38,274
Debt service fund	-	15,976
Joseph T Jones fund:		
Water and sewer fund	-	308,523
Group life and health fund:		
General fund	1,500,000	-
	<b>\$ 18,633,715</b>	<b>\$ 18,633,715</b>
	<b>Transfer</b>	<b>Transfer</b>
	<b>In</b>	<b>Out</b>
 <b>Governmental Funds</b>		
General fund:		
Group life and health fund	\$ 470,000	\$ -
Capital projects fund	-	563,410
Joseph T Jones fund	-	182,234
Community development fund:		
Water and sewer fund	-	154,081
Capital project fund:		
General fund	563,410	-
2001 public improvement fund	100,000	-
Water and sewer fund	47,172	-
Claims contingency fund	13,023	-
Water and sewer fund	-	355,717
Joseph T Jones fund	-	143,587
1998 public improvement fund:		
Water and sewer fund	-	64,309
2001 public improvement fund:		
Capital projects fund	-	100,000
2003 public improvement fund:		
Water and sewer fund	-	128,469

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

*Enterprise Funds*

Water and sewer fund:

Capital projects fund	355,717	-
Community development fund	154,080	-
1998 public improvement fund	64,309	-
2003 public improvement fund	128,469	-
Capital projects fund	-	47,172

Joseph T Jones fund:

Capital projects fund	143,588	-
General fund	182,234	-

Group health and life fund:

General fund	-	470,000
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Claims contingency fund:

Capital projects fund	-	13,023
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<u>\$ 2,222,002</u>	<u>\$ 2,222,002</u>
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**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance October 1	Additions	Deletions	Adjustments	Balance Sept 30
<b><u>Governmental activities:</u></b>					
Capital assets not being depreciated					
Land and improvements	\$ 32,341,801	\$ 3,798	\$ -	\$ 33,991	\$ 32,379,590
Construction in progress	55,967,667	12,411,273	(36,707,382)	1,407,753	33,079,311
Total capital assets not being depreciated	88,309,468	12,415,071	(36,707,382)	1,441,744	65,458,901
Capital assets being depreciated					
Buildings	29,286,459	35,551,752	(524,950)	972,036	65,285,297
Improvements	6,973,199	1,603,073	-	-	8,576,272
Infrastructure	255,005,646	4,741,536	-	(18,431)	259,728,751
Machinery & Equipment	8,195,243	333,152	(211,716)	94,781	8,411,460
Vehicles	17,564,913	772,268	(694,794)	(65,579)	17,576,808
Total capital assets being depreciated	317,025,460	43,001,781	(1,431,460)	982,807	359,578,588
Less accumulated depreciation for:					
Buildings	6,647,133	3,347,240	(169,948)	94,887	9,919,312
Improvements	1,865,145	453,334	-	339,567	2,658,046
Infrastructure	81,455,840	3,243,570	-	74	84,699,484
Machinery & Equipment	5,644,716	545,805	(155,049)	108,317	6,143,789
Vehicles	12,039,987	1,128,701	(617,058)	136,034	12,687,664
Total accumulated depreciation	107,652,821	8,718,650	(942,055)	678,879	116,108,295
Total capital assets being depreciated, net	209,372,639	34,283,131	(489,405)	303,928	243,470,293
Governmental activities capital assets, net	\$ 297,682,107	\$ 46,698,202	\$ (37,196,787)	\$ 1,745,672	\$ 308,929,194

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 7: CAPITAL ASSETS**

Adjustments made are relative to physical inventory taken by the City. The depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,874,154
Public safety	1,240,588
Public works	3,969,081
Culture and recreation	606,827
Health and welfare	1,379
Economic development	<u>26,621</u>
Total depreciation expense – governmental activities	<u>\$ 8,718,650</u>

	Balance October 1	Additions	Deletions	Adjustments	Balance Sept 30
<b><u>Business-type activities:</u></b>					
Capital assets not being depreciated					
Land	\$ 16,951,832	\$ -	\$ -	\$ (33,991)	\$ 16,917,841
Construction in progress	<u>36,414,293</u>	<u>1,315,635</u>	<u>(34,093,955)</u>	<u>(66,487)</u>	<u>3,569,486</u>
Total capital assets not being depreciated	<u>53,366,125</u>	<u>1,315,635</u>	<u>(34,093,955)</u>	<u>(100,478)</u>	<u>20,487,327</u>
Capital assets being depreciated					
Buildings	3,498,000	2,428,635	-	8,813	5,935,448
Infrastructure	233,628,983	39,682,933	-	-	273,311,916
Machinery & Equipment	1,837,376	881,474	-	(18,945)	2,699,905
Vehicles	<u>2,538,231</u>	<u>-</u>	<u>-</u>	<u>(13,053)</u>	<u>2,525,178</u>
Total capital assets being depreciated	<u>241,502,590</u>	<u>42,993,042</u>	<u>-</u>	<u>(23,185)</u>	<u>284,472,447</u>
Less accumulated depreciation for:					
Buildings	50	245,759	-	174,798	420,607
Infrastructure	42,196,271	6,981,819	-	(139,248)	49,038,842
Machinery & Equipment	928,535	192,860	-	65,471	1,186,866
Vehicles	<u>1,923,990</u>	<u>182,519</u>	<u>-</u>	<u>31,617</u>	<u>2,138,126</u>
Total accumulated depreciation	<u>45,048,846</u>	<u>7,602,957</u>	<u>-</u>	<u>132,638</u>	<u>52,784,441</u>
Total capital assets being depreciated, net	<u>196,453,744</u>	<u>35,390,085</u>	<u>-</u>	<u>(155,823)</u>	<u>231,688,006</u>
Business activities capital assets, net	<u>\$ 249,819,869</u>	<u>\$36,705,720</u>	<u>\$(34,093,955)</u>	<u>\$ (256,301)</u>	<u>\$ 252,175,333</u>

Adjustments made are relative to physical inventory taken by the City. The depreciation expense was charged as direct expense to programs of the primary government as follows:

Business-type activities:	
Water and sewer	\$ 5,463,046
Joseph T. Jones memorial park	2,052,662
Gulfport Redevelopment Commission	<u>87,250</u>
Total depreciation expense - business-type activities	<u>\$ 7,602,957</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 8: SHORT-TERM DEBT**

The City obtained a \$10 million line of credit with a local bank for cash flow purposes and plans to repay this money as outstanding FEMA collections are received.

Description	Issue Date	Interest Rate	Outstanding Amount	Due in one year
Bancorp South Line of Credit Note \$10 M	6/30/2011	Prime	\$ 5,000,000	\$ 5,000,000

**NOTE 9: LONG-TERM DEBT**

**(A) Governmental Activities**

Transactions for the Year Ended September 30, 2012 are summarized as follows:

Governmental Activities	Payable at 10/01/11	Additions	Reductions	Payable at 09/30/12	Due in one year
General obligation bonds	\$ 21,005,000	\$ -	\$ (2,660,000)	\$ 18,345,000	\$ 2,800,000
Notes payable	18,864,278	10,000,000	(837,844)	28,026,434	1,340,350
Compensated absences	2,276,177	1,239,839	(1,288,535)	2,227,481	1,063,562
Claims and judgments	36,000	-	-	36,000	-
	<u>\$ 42,181,455</u>	<u>\$ 11,239,839</u>	<u>\$ (4,786,379)</u>	<u>\$ 48,634,915</u>	<u>\$ 5,203,912</u>

**(1) General Obligation Bonds**

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

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

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one Year
G/O public improvement	\$ 6,000,000	7/1/1998	4.40 - 6.00%	\$ 2,510,000	\$ 365,000
G/O refunding issue	9,580,000	12/1/2002	2.00 - 5.00%	1,195,000	1,195,000
G/O public improvement	5,000,000	4/1/2003	3.50 - 4.25%	3,280,000	235,000
G/O refunding issue	6,160,000	8/5/2004	2.00 - 4.05%	2,690,000	630,000
G/O public improvement	10,000,000	11/1/2007	3.75 - 5.30%	8,670,000	375,000
	<u>\$ 36,740,000</u>			<u>\$ 18,345,000</u>	<u>\$ 2,800,000</u>

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 9: LONG-TERM DEBT (Continued)**

Year Ended September 30	Principal	Interest	Total
2013	\$ 2,800,000	\$ 723,028	\$ 3,523,028
2014	1,690,000	621,958	2,311,958
2015	1,765,000	545,978	2,310,978
2016	1,845,000	466,080	2,311,080
2017	1,185,000	423,318	1,608,318
2018-2022	4,675,000	1,294,910	5,969,910
2023-2027	3,645,000	472,754	4,117,754
2028-2031	740,000	13,875	753,875
Total	<u>\$ 18,345,000</u>	<u>\$ 4,561,901</u>	<u>\$ 22,906,901</u>

(2) General Obligation Notes

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

Description	Issue Date	Interest Rate	Outstanding Amount	Due in one year
Special Community Disaster Loan, FEMA 5-year note, \$13,373,122, to help offset operating costs due to Hurricane Katrina	various	2.75%	\$ 3,373,122	\$ -
Hancock Bank, Mississippi Development Promissory Note, \$10,000,000 authorized.		1.05% over		
TBMA - The Bond Market Assoc Index Bancorp South, Mississippi Development Promissory Note, \$10,000,000 Public Improvement Projects	12/1/2000	TBMA	4,653,312	470,350
	6/28/2012	4.00%	10,000,000	870,000
Total general obligation notes			<u>\$ 28,026,434</u>	<u>\$ 1,340,350</u>

The special community disaster loan was deferred for an additional 5 years until 1/2/2016. The above notes annual debt service requirements to maturity are as follows:

Year Ended September 30	Principal	Interest	Total
2013	\$ 1,340,350	\$ 389,924	\$ 1,730,274
2014	1,370,350	371,589	1,741,939
2015	1,395,350	339,478	1,734,828
2016	14,798,472	3,759,432	18,557,904
2017	1,450,350	273,657	1,724,007
2018-2022	7,461,146	697,916	8,159,062
2023-2027	210,416	7,137	217,553
Total	<u>\$ 28,026,434</u>	<u>\$ 5,839,133</u>	<u>\$ 33,865,567</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 9: LONG-TERM DEBT (Continued)**

(3) Claims and Judgments

The City has a commitment to pay life insurance benefits of \$1,000 upon the death of each retiree included in the Firemen's and Policemen's Disability and Relief Plan. The City elected to cancel its insurance policy covering such claims and self-insure these benefits. As a result, a total of \$85,000 was recorded for the 85 remaining retirees receiving benefits effective October 1, 1992. As of September 30, 2012, a total of 36 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$36,000 has been included in the General Long-Term Debt at September 30, 2012. None of the liability for these benefits is estimated to be paid within one year.

(4) Compensated Absences

The City's policies relative to compensated absences, method of computing accrued liabilities and reporting are discussed at Note 1. It is estimated that in the governmental-type activities: \$1,063,562 of the accrued liability of \$2,227,481 and in the business-type activities: \$20,014 of \$39,147 for compensated absences will be paid within one year. The General Fund has been used in prior years to liquidate the liability for compensated absences.

(5) Legal Debt Margin

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded debt during a year can be no greater than 15% of assessed value of the taxable property within the city, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2012 the amount of outstanding general obligation bonded debt was equal to 2.4% of the latest property assessments.

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Gulfport's total assessed valuation is \$749,094,016; therefore, the 15% debt limitation equals \$112,364,102. After reduction for GO Bonds outstanding of \$18,345,000, and increased by \$4,134,783 available in the debt service fund, the City's remaining margin for further debt issuance is \$98,153,885.

(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, 2012 the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$79,536,399. 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, 2012:

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 9: LONG-TERM DEBT (Continued)**

Business-type activities	Payable at 10/01/11	Additions	Reductions	Payable at 09/30/12	Due in one year
General Obligation Bonds	\$ 52,735,000	\$ -	\$ (3,275,000)	\$ 49,460,000	\$ 3,425,000
Notes payable	32,745,141	-	( 2,124,935)	30,620,206	2,083,155
Compensated absences	10,306	51,484	(22,643)	39,147	20,014
Total	<u>\$ 85,490,447</u>	<u>\$ 51,484</u>	<u>\$ (5,422,578)</u>	<u>\$ 80,119,353</u>	<u>\$ 5,528,169</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, 2012 are as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one Year
<b>Water and Sewer:</b>					
General Obligation Refunding Bonds	\$ 3,810,000	12/2/2004	3.00 - 3.85 %	\$ 2,215,000	\$ 405,000
General Obligation Revenue Bonds	5,200,000	4/14/2005	4.00 - 4.25 %	3,865,000	225,000
General Obligation Refunding Bonds	47,565,000	4/7/2005	2.63 - 4.34 %	36,410,000	1,895,000
General Obligation Revenue Bonds	9,500,000	6/1/2009	3.34%	6,970,000	900,000
	<u>\$ 66,075,000</u>			<u>\$ 49,460,000</u>	<u>\$ 3,425,000</u>

Bonded debt service requirements to maturity are as follows:

Year Ended September 30	Principal	Interest	Total
2013	\$ 3,425,000	\$ 2,351,314	\$ 5,776,314
2014	3,585,000	2,197,467	5,782,467
2015	3,935,000	2,036,263	5,971,263
2016	4,130,000	1,856,988	5,986,988
2017	4,310,000	1,668,937	5,978,937
2018-2022	18,825,000	5,560,859	24,385,859
2023-2027	11,250,000	1,160,113	12,410,113
Total	<u>\$ 49,460,000</u>	<u>\$ 16,831,941</u>	<u>\$ 66,291,941</u>

**Prior year defeased bonds:**

In July 2005, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City placed the proceeds from the refunding issues in an irrevocable escrow account with Peoples Bank to ensure payment of debt service on the refunded bonds. The entire remaining amount of outstanding debt totaling \$38,235,000 was retired during the current fiscal year from the escrow account.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 9: LONG-TERM DEBT (Continued)**

(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, 2012 is as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in One year
State Revolving Fund Loans	\$ 44,534,555	various	3.0 - 4.5	\$27,311,996	\$ 2,053,505
Community Disaster Loan	2,985,689	various	2.74%	2,985,689	-
MS Development Bank	598,489	various	% of prime	322,521	29,650
<b>Total</b>	<b>\$ 48,875,360</b>			<b>\$30,620,206</b>	<b>\$ 2,083,155</b>

The community disaster loan was deferred an additional 5 years until 1/2/2016.

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

Year Ended September 30	Principal	Interest	Total
2013	\$ 2,083,155	\$ 483,281	\$ 2,566,437
2014	1,908,326	439,440	2,347,766
2015	1,731,665	153,863	1,885,528
2016	4,710,825	920,071	5,630,897
2017	1,755,047	342,243	2,097,290
2018-2022	9,242,682	1,229,921	10,472,603
2023-2027	8,885,696	404,673	9,290,369
2028-2032	302,809	1,606	304,415
<b>Total</b>	<b>\$30,620,206</b>	<b>\$ 3,975,099</b>	<b>\$34,595,305</b>

**NOTE 10: FUND BALANCE DISCLOSURES**

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 10: FUND BALANCE DISCLOSURES (Continued)**

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

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

**Assigned** – amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Council or by an official or body to which the City Council delegates authority. The City has no assigned fund balances reported at this time.

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

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

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

**NOTE 11: UNEMPLOYMENT COMPENSATION FUND**

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

**NOTE 12: RISK MANAGEMENT**

**(A) Description**

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

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, 2012**

**NOTE 12: RISK MANAGEMENT (Continued)**

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

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

<u>Workers' Compensation</u>	
Per occurrence deductible (SIR)	\$750,000
Annual aggregate risk of loss through deductibles	\$2,807,448
Specific excess coverage in force	Statutory
<u>Employee Health Insurance</u>	
Per occurrence deductible (SIR)	\$125,000
Annual aggregate risk of loss through deductibles	No Limit
<u>General and Other Liability Coverage</u>	
Per occurrence deductible (SIR)	\$100,000
Annual aggregate risk of loss through deductibles	\$700,000
Specific excess coverage in force (no aggregate limitation)	\$1,000,000/Occurrence
<u>Property Coverage</u>	
Named Windstorm	10% per location
All Other Wind	\$100,000
All other perils	\$50,000/Occurrence
Wind on Water Towers	no coverage
Specific excess coverage in force	
Buildings	\$74,611,681
Contents	\$3,686,775
Signs	\$768,400

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**(B) Claims Liability**

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

**(C) Unpaid Claims Liabilities**

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2010 to September 30, 2012:

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 12: RISK MANAGEMENT (Continued)**

	Claims Contingency	Group Life and Health
Liability balance, October 1, 2010	\$ 1,920,000	\$ 744,323
Claims and changes in estimates	2,599,601	3,492,887
Claims payments	(1,779,601)	(4,126,987)
Liability balance, September 30, 2011	2,740,000	744,323
Claims and changes in estimates	2,728,117	3,848,328
Claims payments	(2,098,117)	(4,359,528)
Liability balance, September 30, 2012	<u>\$ 3,370,000</u>	<u>\$ 233,123</u>
Assets available to pay claims at September 30, 2012	<u>\$ 2,398,642</u>	<u>\$ 2,734,242</u>

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

**NOTE 13: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT GRANT PROGRAMS**

The City receives annual entitlement grants from the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of grant awards at September 30, 2012:

**(A) Community Development Entitlement Grants**

Grant Number	Award Amount	Funds Drawn and Expended in FY 2012	Funds Drawn and Expended in prior years	Balance of Awards
B-09-MC-28-0002	\$ 748,224	\$ 308,478	\$ 439,746	\$ -
B-10-MC-28-0002	816,959	816,959	-	-
B-11-MC-28-0002	682,026	233,998	-	448,028
	<u>\$ 2,247,209</u>	<u>\$ 1,359,435</u>	<u>\$ 439,746</u>	<u>\$ 448,028</u>

**(B) Home Investment Partnership Program**

Grant Number	Award Amount	Funds Drawn and Expended in FY 2012	Funds Drawn and Expended in prior years	Balance of Awards
B-06-MC-28-0002	\$ 774,398	\$ 34,611	\$ 739,787	\$ -
B-07-MC-28-0002	768,297	75,349	692,948	-
B-08-MC-28-0002	729,637	214,378	51,234	464,025
B-09-MC-28-0002	825,293	55,548	-	769,745
B-10-MC-28-0002	820,532	-	-	820,532
B-11-MC-28-0002	720,856	-	-	720,856
	<u>\$ 4,639,013</u>	<u>\$ 379,886</u>	<u>\$ 1,483,969</u>	<u>\$ 2,775,158</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 14: OTHER COMMITMENTS AND CONTINGENCIES**

**(A) Federal Grants**

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

**(B) Litigation**

The City is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$2,740,000 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 11 for the treatment of claims incurred but not reported and other tort liability information.

**(C) Contract Commitments**

*Construction Contracts* - The following significant contracts were outstanding at September 30, 2012.

	Contract Amount	Expended to Date	Remaining Contract
Seaway Road Widening	\$ 7,115,630	\$ 5,352,533	\$ 1,763,097
Fire Station #7	2,418,430	2,349,113	69,317
Downtown Streetscape	7,592,308	5,589,682	2,002,626
Municipal Complex Phase II	1,861,501	298,742	1,562,759
Ship Island Boat Terminal	567,268	132,578	434,690
West Harbor Expansion	1,530,644	908,187	622,457
Loren D Height Drainage Imp	1,179,945	725,543	454,402
Debuys Road Improvements	161,387	132,720	28,667
Barksdale Pavilion	6,005,996	5,793,978	212,018
Creosote Road/Three Rivers	567,503	455,157	112,346
Amplitheatre Tensil Pavilion	1,499,354	1,268,364	230,990
Jones Park Improvements	10,269,250	10,072,714	196,536
Utility Relocation SR 601	6,957,554	3,486,136	3,471,418
	<u>\$ 47,726,770</u>	<u>\$ 36,565,447</u>	<u>\$ 11,161,323</u>

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

**NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

**A. JOINT VENTURES**

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

**(1) Memorial Hospital at Gulfport (MHG)**

MHG is an acute care, not-for-profit community hospital jointly owned by the City and the Gulfport-West Harrison County Hospital District. The Board of Trustees of MHG pursuant to section 41-13-15 et seq. Mississippi Code of 1972, as amended operates it. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District.

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

The following is a synopsis of MHG's most recent audited financial statements as of and for the year ended September 30, 2012, a copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

**BALANCE SHEET**

<b><u>ASSETS</u></b>	
Current assets	\$ 138,989,043
Non current cash and investments	130,241,632
Capital assets, net	157,248,142
Other assets	1,887,539
Total assets	428,366,356
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
<b><u>LIABILITIES</u></b>	
Current liabilities	40,283,828
Long-term liabilities	76,661,399
Total liabilities	116,945,227
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	77,711,743
Restricted net assets	21,276,288
Unrestricted net assets	212,433,097
Total net assets	311,421,128
Total liabilities and net assets	\$ 428,366,355

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

Operating revenue	\$ 365,731,564
Operating expenses	342,299,334
Depreciation and amortization	21,059,848
Nonoperating revenues, net	(2,327,187)
Change in net assets	\$ 45,195

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

**(2) Harrison County Utility Authority**

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

The following is a synopsis of the Authority's most recent audited financial statements as of and for the year ended September 30, 2012, a complete copy of which is on file at the administrative offices of the Authority which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

**BALANCE SHEET**

<u>ASSETS</u>	
Current assets	\$ 9,209,109
Restricted assets	33,175,251
Capital assets, net	280,192,251
Other assets	29,942,396
Total assets	352,519,007
<u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Current liabilities	8,748,898
Current liabilities from restricted assets	19,396,744
Long-term liabilities	141,364,773
Total liabilities	169,510,415
<u>NET ASSETS</u>	
Invested in capital assets, net	
of related debt	163,783,005
Restricted net assets	20,075,467
Unrestricted net assets	(849,880)
Total net assets	183,008,592
Total liabilities and net assets	\$ 352,519,007

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

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

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

Water and Sewer Enterprise Fund

Statement of Revenues, Expenses and changes  
in Net Assets:

Contractual services (solid waste, wastewater debt, and wastewater treatment charges)	<u>\$ 12,157,722</u>
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**B. JOINTLY GOVERNED ORGANIZATIONS**

***Gulfport-Biloxi Regional Airport Authority***

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

***Harrison County Library System***

On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$303,692 for the year ended September 30, 2012. The amount budgeted for the City for the fiscal year ended September 30, 2013 is \$303,692. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City does not have an ongoing financial responsibility.

**NOTE 16: RETIREMENT PLANS**

***I. Defined Benefit Plans***

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

**A. Membership and Benefit Provisions**

**(1) Public Employee's Retirement System**

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 16: RETIREMENT PLANS (Continued)**

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

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

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

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

**(2) Municipal Retirement Systems:**

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At September 30, 2011, the date of the most recent actuarial verification available, the MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. Benefit provisions are established by Section 21-29, Articles 1,3,5,7, Mississippi Code Annotated (1972), and annual local and private legislation and may be amended only by the State of Mississippi Legislature.

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 16: RETIREMENT PLANS (continued)**

**B. Actuarial Asset Valuation**

By statute, actuarial valuations of PERS must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2012. 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, 2011. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

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

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

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

	<u>PERS</u>	<u>MRS</u>
Contribution rates:		
State	14.26%	N/A
Other employers	N/A	1.49 - 8.26 mills
Plan members	9.00%	7.00% - 10.00%
Annual pension costs	\$768,914	\$18,576
Employer contributions made	\$768,914	\$22,793
Actuarial valuation date	June 30, 2012	Sept. 30, 2011
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level	Level
	percent open	dollar closed
Remaining amortization period	30 years	23.0 years
Asset valuation method	5-year	5-year
	smoothed market	smoothed market
Actuarial assumptions		
Investment rate of return	8.00%	8.00%
Wage inflation rate	4.25%	4.25%
Projected salary increases	4.50% - 20.00%	4.50% - 6.00%
Increases in benefits after retirement *	3.00%	2.00% - 3.75%
Proposed annual employer contribution rates beginning July 1, 2013	15.75%	-

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

**D. Three-year Trend Information**

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 16: RETIREMENT PLANS (continued)**

Fiscal Years Ending	Contributions	
	PERS	MRS
2010	\$ 3,181,382	\$ 1,375,214
2011	3,365,904	1,545,190
2012	3,529,220	1,259,233

**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, 2012 financial report.

Ten-year historical trend information showing MRS' progress in accumulating sufficient assets to pay benefits when due is presented in a table in the required supplemental information section of this report. The most recent actuarial report for MRS is September 30, 2012.

**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, 2012 and 2011, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$4,657,940 and \$4,137,610, respectively.

**NOTE 17: OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to the Basic Financial Statements**  
**For Year Ended September 30, 2012**

**NOTE 18: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments reflected on the Government-Wide Statement of Activities and on the Proprietary Statement of Revenues, Expenses and Changes in Net Assets are the results of the City performing a physical inventory, and a correction of reporting deferred debt charges in the proprietary funds as follows:

Governmental Activities	
Physical Inventory Adjustment	\$ 1,745,672
Business-Type Activities	
Physical Inventory Adjustment	<u>(256,301)</u>
Net Prior Period Adjustments	<u>\$ 1,489,371</u>

**NOTE 19: SUBSEQUENT EVENTS**

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

Management has evaluated subsequent events through February 28, 2013, the date on which the financial statements were available to be issued.



# Gulfport

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# Required Supplemental Information

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**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplemental 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, 2012**

	<i>General Fund</i>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual Budget Basis</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
<b>Taxes</b>				
Property	\$ 18,010,000	\$ 18,010,000	\$ 18,451,424	\$ 441,424
Sales	19,100,000	19,100,000	19,090,842	(9,158)
Franchise	4,300,000	4,300,000	3,551,938	(748,062)
Gaming	3,200,000	3,200,000	3,225,709	25,709
Licenses and permits	1,319,000	1,319,000	1,114,936	(204,064)
Intergovernmental	3,116,536	4,360,078	3,147,703	(1,212,375)
Charges for services	2,204,000	2,315,046	1,513,677	(801,369)
Fines and forfeits	2,400,000	2,400,000	1,931,800	(468,200)
Interest	50,000	50,000	24,018	(25,982)
Miscellaneous	134,000	171,193	131,240	(39,953)
<b>Total revenues</b>	<b>53,833,536</b>	<b>55,225,317</b>	<b>52,183,287</b>	<b>(3,042,030)</b>
<b>Expenditures:</b>				
<b>General government</b>				
Personnel services	4,926,899	4,926,806	4,653,013	273,793
Supplies	157,626	156,846	105,506	51,340
Other services	2,983,828	3,079,877	2,378,846	701,031
Capital outlay	-	64,190	29,384	34,806
<b>Total</b>	<b>8,068,353</b>	<b>8,227,719</b>	<b>7,166,749</b>	<b>1,060,970</b>
<b>Police</b>				
Personnel services	14,797,104	15,103,137	14,471,204	631,933
Supplies	1,175,384	1,426,211	1,371,387	54,824
Other services	2,299,128	2,340,400	2,247,671	92,729
Capital outlay	-	84,616	73,595	11,021
<b>Total</b>	<b>18,271,616</b>	<b>18,954,364</b>	<b>18,163,857</b>	<b>790,507</b>
<b>Fire</b>				
Personnel services	11,239,053	11,085,053	11,021,333	63,720
Supplies	343,773	454,851	413,791	41,060
Other services	411,980	534,780	502,900	31,880
Capital outlay	-	258,935	258,935	-
<b>Total</b>	<b>11,994,806</b>	<b>12,333,619</b>	<b>12,196,959</b>	<b>136,660</b>
<b>Public works</b>				
Personnel services	1,820,344	1,854,692	1,846,621	8,071
Supplies	1,391,338	1,381,838	1,306,275	75,563
Other services	5,584,086	5,540,760	5,148,608	392,152
Capital outlay	-	53,920	31,420	22,500
<b>Total</b>	<b>8,795,768</b>	<b>8,831,210</b>	<b>8,332,924</b>	<b>498,286</b>
<b>Urban and economic development</b>				
Personnel services	1,929,147	1,929,146	1,806,797	122,349
Supplies	46,855	46,855	34,799	12,056
Other services	390,922	459,504	550,036	(90,532)
Capital outlay	-	-	-	-
<b>Total</b>	<b>2,366,924</b>	<b>2,435,505</b>	<b>2,391,632</b>	<b>43,873</b>

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplemental 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, 2012**

	<i>General Fund</i>			
	Budget		Actual Budget Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Culture and recreation				
Personnel services	3,171,870	3,293,670	3,214,227	79,443
Supplies	714,566	772,646	694,825	77,821
Other services	1,114,143	1,711,897	1,483,397	228,500
Capital outlay	-	8,530	6,529	2,001
Total	<u>5,000,579</u>	<u>5,786,743</u>	<u>5,398,978</u>	<u>387,765</u>
 Total expenditures	 <u>54,498,046</u>	 <u>56,569,160</u>	 <u>53,651,099</u>	 <u>2,918,061</u>
 Excess (deficit) of revenues over expenditures	 <u>(664,510)</u>	 <u>(1,343,843)</u>	 <u>(1,467,812)</u>	 <u>(123,969)</u>
 Other financing sources (uses)				
Proceeds of loans	-	-	-	-
Sale of capital assets	-	-	459,703	459,703
Transfers in	470,000	472,079	472,079	-
Transfers out	<u>(139,204)</u>	<u>(199,126)</u>	<u>(745,644)</u>	<u>(546,518)</u>
Total other financing sources (uses)	<u>330,796</u>	<u>272,953</u>	<u>186,138</u>	<u>(86,815)</u>
 Changes in fund balance	 (333,714)	 (1,070,890)	 (1,281,674)	 (210,784)
 Fund balance - October 1	 3,400,000	 3,100,000	 5,203,910	
Fund balance - September 30	<u>\$ 3,066,286</u>	<u>\$ 2,029,110</u>	<u>\$ 3,922,236</u>	<u>\$ (210,784)</u>

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplemental Information**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Disaster Relief Special Revenue Fund**  
**Major Governmental Funds**  
**For the Fiscal Years Ended September 30, 2012**

	<i>Disaster Relief Fund</i>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Intergovernmental	\$ 49,551,213	\$ 75,369,459	\$ 17,864,468	\$ (57,504,991)
Total revenues	<u>49,551,213</u>	<u>75,369,459</u>	<u>17,864,468</u>	<u>(57,504,991)</u>
Expenditures:				
General government				
Supplies	36,421	36,421	-	36,421
Other services	880,383	1,386,473	513,109	873,364
Total	<u>916,804</u>	<u>1,422,894</u>	<u>513,109</u>	<u>909,785</u>
Public safety				
Supplies	162,403	165,685	152,687	12,998
Other services	649,357	662,147	609,298	52,849
Capital outlay	56,801	56,801	-	56,801
Total	<u>868,561</u>	<u>884,633</u>	<u>761,985</u>	<u>122,648</u>
Public works				
Personnel services	223,232	223,232	141,215	82,017
Supplies	1,593,546	1,593,546	458	1,593,088
Other services	8,141,669	16,084,689	4,833,240	11,251,449
Capital outlay	35,763,475	33,000,402	10,690,293	22,310,109
Total	<u>45,721,922</u>	<u>50,901,869</u>	<u>15,665,206</u>	<u>35,236,663</u>
Economic development				
Other services	212,444	234,955	234,955	-
Total	<u>212,444</u>	<u>234,955</u>	<u>234,955</u>	<u>-</u>
Culture and recreation				
Supplies	41,057	41,057	-	41,057
Other services	5,790,425	4,886,128	1,612,204	3,273,924
Total	<u>5,831,482</u>	<u>4,927,185</u>	<u>1,612,204</u>	<u>3,314,981</u>
Total expenditures	<u>53,551,213</u>	<u>58,371,536</u>	<u>18,787,459</u>	<u>39,584,077</u>
Excess (deficit) of revenues over expenditures	(4,000,000)	16,997,923	(922,991)	(17,920,914)
Fund balance - October 1	-	-	-	-
Fund balance - September 30	<u>\$ (4,000,000)</u>	<u>\$ 16,997,923</u>	<u>\$ (922,991)</u>	<u>\$ (17,920,914)</u>

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Community Development Special Revenue Fund**  
**Major Governmental Funds**  
**For the Fiscal Year Ended September 30, 2012**

	<i>Community Development Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 12,828,367	\$ 19,946,991	\$ 9,099,524	\$ (10,847,467)
Interest	-	-	1,916	1,916
Total revenues	<u>12,828,367</u>	<u>19,946,991</u>	<u>9,101,440</u>	<u>(10,845,551)</u>
Expenditures:				
Health and welfare	3,601,120	5,726,951	2,241,307	3,485,644
Capital outlay	9,227,247	12,487,516	5,178,613	7,308,903
Total expenditures	<u>12,828,367</u>	<u>18,214,467</u>	<u>7,419,920</u>	<u>10,794,547</u>
Excess (deficit) of revenues over expenditures	-	1,732,524	1,681,520	(51,004)
Fund balance - October 1	-	-	293,470	
Fund balance - September 30	<u>\$ -</u>	<u>\$ 1,732,524</u>	<u>\$ 1,974,990</u>	<u>\$ (51,004)</u>

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

**CITY OF GULFPORT**  
**Notes to the Required Supplemental Information and**  
**Reconciliation of Budget to GAAP – Major Governmental Funds**  
**For the Fiscal Year Ended September 30, 2012**

Note 1: Budgetary Presentation:

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

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

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

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

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

	<b>General Fund</b>	<b>Disaster Relief Fund</b>	<b>Community Development Fund</b>
<b>Sources of financial resources</b>			
Actual revenues (budgetary basis)	\$ 52,183,287	\$ 17,864,468	\$ 9,101,440
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.	(263,019)	(13,523,140)	(4,124,920)
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	51,920,268	4,341,328	8,026,014
<b>Uses of financial resources:</b>			
Actual expenditures (budgetary basis)	53,651,099	18,787,459	7,419,920
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.	1,155,761	(14,446,131)	452,009
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 54,806,860	\$ 4,341,328	\$ 7,871,929

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) Entry Age ( b )</b>	<b>Unfunded AAL (UAAAL) ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Annual Covered Payroll ( c )</b>	<b>Unfunded AAL as a Percentage of Covered Payroll (b-a) /c)</b>
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%
9/30/2008	11,242	22,193	10,951	50.7%	156	7019.9%
9/30/2009	10,926	22,696	11,770	48.1%	165	7133.3%
9/30/2010	10,349	22,297	11,948	46.4%	165	7241.2%
9/30/2011	10,337	21,146	10,809	48.9%	164	6590.9%
9/30/2012	9,704	20,965	11,261	46.3%	88	12796.6%

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.

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# Supplemental Information

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## Nonmajor Governmental Funds Combining Financial Statements

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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, 2012**

	<u>Special Revenue</u>		<u>Capital Projects</u>				<u>Total Other Governmental Funds</u>
	<u>Forfeitures and Seizures</u>	<u>Police and Fireman's Retirement</u>	<u>1996 Public Improvement Fund</u>	<u>1998 Public Improvement Fund</u>	<u>2001 Public Improvement Fund</u>	<u>2003 Public Improvement Fund</u>	
<b>Assets</b>							
Cash and cash equivalents	\$ 1,459,061	\$ -	\$ 9,486	\$ 73,376	\$ 227,989	\$ 304,151	\$ 2,074,063
Receivables							
Property taxes	-	8,621	-	-	-	-	8,621
<b>Total assets</b>	<u>1,459,061</u>	<u>8,621</u>	<u>9,486</u>	<u>73,376</u>	<u>227,989</u>	<u>304,151</u>	<u>2,082,684</u>
<b>Liabilities and Fund balance</b>							
<b>Liabilities</b>							
Accounts payable	572	-	-	-	-	-	572
Due to other governments	-	8,621	-	-	-	-	8,621
<b>Total Liabilities</b>	<u>572</u>	<u>8,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,193</u>
<b>Fund Balance</b>							
Restricted for drug enforcement	1,458,489	-	-	-	-	-	1,458,489
Restricted for capital projects	-	-	9,486	73,376	227,989	304,151	615,002
<b>Total fund balance</b>	<u>1,458,489</u>	<u>-</u>	<u>9,486</u>	<u>73,376</u>	<u>227,989</u>	<u>304,151</u>	<u>2,073,491</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,459,061</u>	<u>\$ 8,621</u>	<u>\$ 9,486</u>	<u>\$ 73,376</u>	<u>\$ 227,989</u>	<u>\$ 304,151</u>	<u>\$ 2,082,684</u>

*See Independent Auditors' Report*

**CITY OF GULFPORT, MISSISSIPPI**  
**Non-major Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended September 30, 2012**

	<u>Special Revenue</u>		<u>Capital Projects</u>				<u>Total Other Governmental Funds</u>
	<u>Forfeitures and Seizures</u>	<u>Police and Fireman's Retirement</u>	<u>1996 Public Improvement Fund</u>	<u>1998 Public Improvement Fund</u>	<u>2001 Public Improvement Fund</u>	<u>2003 Public Improvement Fund</u>	
Revenues							
Taxes:							
Property	\$ -	\$ 1,214,206	\$ -	\$ -	\$ -	\$ -	\$ 1,214,206
Intergovernmental	552,595	45,027	-	-	-	-	597,622
Interest Income	9,816	-	23	223	775	836	11,673
Total revenues	<u>562,411</u>	<u>1,259,233</u>	<u>23</u>	<u>223</u>	<u>775</u>	<u>836</u>	<u>1,823,501</u>
Expenditures							
Current:							
Public safety	67,822	1,259,233	-	-	-	-	1,327,055
Public works	-	-	-	3,360	-	-	3,360
Culture and recreation	-	-	-	-	5,919	-	5,919
Capital outlay:							
Public safety	442,130	-	-	-	-	-	442,130
Public works	-	-	-	-	-	-	-
Total expenditures	<u>509,952</u>	<u>1,259,233</u>	<u>-</u>	<u>3,360</u>	<u>5,919</u>	<u>-</u>	<u>1,778,464</u>
Excess of revenues over (under) expenditures	<u>52,459</u>	<u>-</u>	<u>23</u>	<u>(3,137)</u>	<u>(5,144)</u>	<u>836</u>	<u>45,037</u>
Other financing sources (uses)							
Sale of fixed assets	10,665	-	-	-	-	-	10,665
Transfers out	-	-	-	(64,309)	(100,000)	(128,469)	(292,778)
Total other financing sources (uses)	<u>10,665</u>	<u>-</u>	<u>-</u>	<u>(64,309)</u>	<u>(100,000)</u>	<u>(128,469)</u>	<u>(282,113)</u>
Change in fund balance	63,124	-	23	(67,446)	(105,144)	(127,633)	(237,076)
Fund balance - October 1	<u>1,395,365</u>	<u>-</u>	<u>9,463</u>	<u>140,822</u>	<u>333,133</u>	<u>431,784</u>	<u>2,310,567</u>
Fund balance - September 30	<u>\$ 1,458,489</u>	<u>\$ -</u>	<u>\$ 9,486</u>	<u>\$ 73,376</u>	<u>\$ 227,989</u>	<u>\$ 304,151</u>	<u>\$ 2,073,491</u>

*See Independent Auditors' Report*

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# Supplemental Information

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

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Forfeitures and Seizures Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2012**

	<i>Forfeitures and Seizures Fund</i>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Intergovernmental	\$ -	\$ 540,369	\$ 552,595	\$ 12,226
Interest	-	4,695	9,816	5,121
Total revenues	-	545,064	562,411	17,347
Expenditures:				
Public safety	1,298,687	1,940,400	1,112,805	827,595
Total expenditures	1,298,687	1,940,400	1,112,805	827,595
Excess (deficit) of revenues over expenditures	(1,298,687)	(1,395,336)	(550,394)	844,942
Other financing sources (uses)				
Sale of general fixed assets	-	10,665	10,665	-
Total other financing sources (uses)	-	10,665	10,665	-
Changes in fund balance	(1,298,687)	(1,384,671)	(539,729)	844,942
Fund balance - October 1	1,298,687	1,384,671	1,395,365	-
Fund balance - September 30	\$ -	\$ -	\$ 855,636	\$ 844,942

*See Independent Auditors' Report*

**CITY OF GULFPORT, MISSISSIPPI**  
**Police and Fireman's Retirement Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2012**

<i>Police and Fireman's Retirement Fund</i>				<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Taxes	\$ 1,206,100	\$ 1,206,100	\$ 1,214,206	\$ 8,106
Intergovernmental	34,600	34,600	45,027	10,427
Total revenues	1,240,700	1,240,700	1,259,233	18,533
 Expenditures:				
Public safety	1,240,700	1,240,700	1,259,233	(18,533)
Total expenditures	1,240,700	1,240,700	1,259,233	(18,533)
Changes in fund balance	-	-	-	-
Fund balance - October 1	-	-	-	-
Fund balance - September 30	\$ -	\$ -	\$ -	\$ -

*See Independent Auditors' Report*

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# Supplemental Information

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

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

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

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

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

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Capital Projects Funds**  
**Combining Schedule of Revenue, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2012**

	Budget		Non-Major Funds				Major Fund	Total Actual	Variance with Final Budget Favorable (Unfavorable)
			1996 Pubic Improvement Fund	1998 Pubic Improvement Fund	2001 Pubic Improvement Fund	2003 Pubic Improvement Fund	Capital Projects Fund		
	Original	Final							
Revenues:									
Intergovernmental	\$ 12,428,031	\$ 11,744,546	\$ -	\$ -	\$ -	\$ -	\$ 2,018,767	\$ 2,018,767	\$ (9,725,779)
Interest	-	-	23	223	775	836	5,488	7,345	7,345
Miscellaneous	685,791	240,695	-	-	-	-	-	-	(240,695)
Total revenues	13,113,822	11,985,241	23	223	775	836	2,024,255	2,026,112	(9,959,129)
Expenditures:									
Capital Projects	30,406,849	26,396,807	-	67,969	5,919	128,469	3,791,351	3,993,708	22,403,099
Total expenditures	30,406,849	26,396,807	-	67,969	5,919	128,469	3,791,351	3,993,708	22,403,099
Excess (deficit) of revenues over expenditures	(17,293,027)	(14,411,566)	23	(67,746)	(5,144)	(127,633)	(1,767,096)	(1,967,596)	12,443,970
Other financing sources (uses)									
Bond Proceeds	14,000,000	10,550,000	-	-	-	-	10,305,823	10,305,823	(244,177)
Bond Issue Costs	-	-	-	-	-	-	(221,898)	(221,898)	(221,898)
Transfers out	-	(100,000)	-	-	(100,000)	-	-	(100,000)	-
Transfers in	-	710,582	-	-	-	-	710,582	710,582	-
Sale of general fixed assets	-	600,000	-	-	-	-	600,000	600,000	-
Total other financing sources (uses)	14,000,000	10,450,000	-	-	(100,000)	-	10,083,925	9,983,925	(466,075)
Changes in fund balance	(3,293,027)	(3,961,566)	23	(67,746)	(105,144)	(127,633)	8,316,829	8,016,329	11,977,895
Fund balance - October 1	3,293,027	3,961,566	9,462	152,292	333,132	431,784	3,548,314	4,474,984	-
Fund balance - September 30	\$ -	\$ -	\$ 9,485	\$ 84,546	\$ 227,988	\$ 304,151	\$ 11,865,143	\$ 12,491,313	\$ 11,977,895

*See Independent Auditors' Report*

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# Supplemental Information

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

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

**CITY OF GULFPORT, MISSISSIPPI**  
**Debt Service Fund**  
**(Major Fund)**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2012**

	<i>Debt Service Fund</i>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Property taxes	\$ 4,886,000	\$ 4,886,000	\$ 4,881,725	\$ (4,275)
Intergovernmental	140,000	140,000	181,872	41,872
Interest	-	-	7,458	7,458
Total revenues	<u>5,026,000</u>	<u>5,026,000</u>	<u>5,071,055</u>	<u>45,055</u>
Expenditures:				
Debt service:				
Principal	3,496,000	3,496,000	3,498,178	(2,178)
Interest	1,300,000	1,300,000	1,279,377	20,623
Other	20,000	20,000	7,675	12,325
Total expenditures	<u>4,816,000</u>	<u>4,816,000</u>	<u>4,785,230</u>	<u>30,770</u>
Excess (deficit) of revenues over expenditures	210,000	210,000	285,825	75,825
Fund balance - October 1	3,500,000	3,500,000	3,913,841	-
Fund balance - September 30	<u>\$ 3,710,000</u>	<u>\$ 3,710,000</u>	<u>\$ 4,199,666</u>	<u>\$ 75,825</u>

*See Independent Auditors' Report*

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# Supplemental Information

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Proprietary Funds  
Governmental-type Activities  
Internal Service Funds

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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, 2012**

	Government-type Activities		
	Group Life and Health	Claims Contingency	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,243,942	\$ 2,417,873	\$ 3,661,815
Receivable - others	9,995	-	9,995
Due from other funds	1,500,000	-	1,500,000
Prepaid insurance	-	971,358	971,358
Total assets	2,753,937	3,389,231	6,143,168
<b>Liabilities</b>			
Accounts payable	9,700	19,231	28,931
Liability for self-insurance claims	233,123	3,370,000	3,603,123
Total Liabilities	242,823	3,389,231	3,632,054
<b>Net assets</b>			
Unrestricted	\$ 2,511,114	\$ -	\$ 2,511,114

*See Independent Auditors' Report*

**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, 2012**

	<b>Government-type Activities</b>		
	<b>Group Life and Health</b>	<b>Claims Contingency</b>	<b>Total</b>
Operating Revenues			
Employee contributions	\$ 1,206,868	\$ -	\$ 1,206,868
Retiree contributions	217,317	-	217,317
Employer contributions	4,386,113	3,411,855	7,797,968
Insurance claim reimbursements	39,211	9,971	49,182
Total operating revenues	<u>5,849,509</u>	<u>3,421,826</u>	<u>9,271,335</u>
Operating Expenses			
Administrative expenses	163,674	98,889	262,563
Contractual services	221,461	80,066	301,527
Premium payments	477,669	1,679,751	2,157,420
Claims paid	4,359,528	2,098,117	6,457,645
Total operating expenses	<u>5,222,332</u>	<u>3,956,823</u>	<u>9,179,155</u>
Operating income (loss)	<u>627,177</u>	<u>(534,997)</u>	<u>92,180</u>
Non-operating revenues (expenses)			
Transfers out	(470,000)	(13,023)	(483,023)
Interest income	3,465	31,960	35,425
Total non-operating income (loss)	<u>(466,535)</u>	<u>18,937</u>	<u>(447,598)</u>
Change in net assets	160,642	(516,060)	(355,418)
Net assets - October 1	<u>2,350,472</u>	<u>516,060</u>	<u>2,866,532</u>
Net assets - September 30	<u>\$ 2,511,114</u>	<u>\$ -</u>	<u>\$ 2,511,114</u>

*See Independent Auditors' Report*

**CITY OF GULFPORT, MISSISSIPPI**  
**Proprietary Funds - Government-type activities**  
**Combining Statement of Cash Flows**  
**For the Fiscal Years ended September 30, 2012**

	<b>Government-type Activities</b>		
	<b>Group Life and Health</b>	<b>Claims Contingency</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from employees and others	\$ 1,424,185	\$ -	\$ 1,424,185
Cash received from insurance claims	29,216	9,971	39,187
Cash received from employer contributions	4,386,113	3,411,855	7,797,968
Cash paid to suppliers	(5,098,557)	(3,547,788)	(8,646,345)
Net cash provided (used) by operating activities	<u>740,957</u>	<u>(125,962)</u>	<u>614,995</u>
<b>Cash flows from non-operating activities</b>			
Cash transferred to other governmental funds	(470,000)	(13,023)	(483,023)
Net cash used by non-operating activities	<u>(470,000)</u>	<u>(13,023)</u>	<u>(483,023)</u>
<b>Cash flows from investing activities</b>			
Investment transactions, net	-	1,855,372	1,855,372
Interest received	3,465	31,960	35,425
Net cash from investing activities	<u>3,465</u>	<u>1,887,332</u>	<u>1,890,797</u>
<b>Net increase in cash and cash equivalents</b>	274,422	1,748,347	2,022,769
<b>Cash and equivalents - October 1</b>	969,520	669,526	1,639,046
<b>Cash and equivalents - September 30</b>	<u>\$ 1,243,942</u>	<u>\$ 2,417,873</u>	<u>\$ 3,661,815</u>

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

Operating income (loss)	\$ 627,177	\$ (534,997)	\$ 92,180
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets			
Receivable - others	(9,995)	-	(9,995)
Prepaid insurance	-	(50,680)	(50,680)
Increase (decrease) in liabilities			
Accounts payable	875	(170,285)	(169,410)
Other liabilities	122,900	630,000	752,900
Net cash provided by (used in) operating activities	<u>\$ 740,957</u>	<u>\$ (125,962)</u>	<u>\$ 614,995</u>

*See Independent Auditors' Report*

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# Supplemental Information

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## Fiduciary Funds Combining Schedule

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

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

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

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

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

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**CITY OF GULFPORT, MISSISSIPPI**  
**Fiduciary Funds**  
**Combining Statement of Assets and Liabilities**  
**September 30, 2012**

	<b>Agency Funds</b>				<b>Totals</b>
	<b>Asset Forfeiture</b>	<b>Coastal Narcotics</b>	<b>Flexible Spending Account</b>	<b>Payroll Clearing</b>	
<b>Assets</b>					
Cash and cash equivalents	\$ 182,213	\$ 31,288	\$ 21,035	\$ 93,231	\$ 327,767
Assets held for disposal	54,350	-	-	-	54,350
Total assets	<u>236,563</u>	<u>31,288</u>	<u>21,035</u>	<u>93,231</u>	<u>382,117</u>
<b>Liabilities</b>					
Payable to other governments	7,174	-	-	-	7,174
Payable to others	-	-	-	93,231	93,231
Assets held in trust	229,389	31,288	21,035	-	281,712
Total liabilities	<u>\$ 236,563</u>	<u>\$ 31,288</u>	<u>\$ 21,035</u>	<u>\$ 93,231</u>	<u>\$ 382,117</u>

**See Independent Auditors' Report**

**CITY OF GULFPORT, MISSISSIPPI**  
**Fiduciary Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended September 30, 2012**

	Balance at 10/01/11	Additions	Deductions	Balance at 09/30/12
<b><u>Asset Forfeiture Fund</u></b>				
Assets				
Cash	\$ 421,678	\$ 64,911	\$ 304,376	\$ 182,213
Assets held for disposal	54,350	-	-	54,350
Total assets	<u>403,631</u>	<u>64,911</u>	<u>304,376</u>	<u>236,563</u>
Liabilities				
Payable to other governments	156,009	7,174	156,009	7,174
Assets held in trust	320,019	64,911	155,541	229,389
Total liabilities	<u>476,028</u>	<u>72,085</u>	<u>311,550</u>	<u>236,563</u>
<b><u>Coastal Narcotics Task Force</u></b>				
Assets				
Cash	34,442	14,695	17,849	31,288
Liabilities				
Assets held in trust	34,442	14,695	17,849	31,288
<b><u>Flexible Spending Account</u></b>				
Assets				
Cash	11,909	66,335	57,209	21,035
Liabilities				
Assets held in trust	11,909	66,335	57,209	21,035
<b><u>Tax Collector Clearing</u></b>				
Assets				
Cash	-	51,294,772	51,294,772	-
Liabilities				
Payable to other governments	-	51,294,772	51,294,772	-
<b><u>Payroll Clearing</u></b>				
Assets				
Cash	113,401	60,357,382	60,377,552	93,231
Liabilities				
Payable to others	113,401	60,357,382	60,377,552	93,231
<b><u>Total Agency Funds</u></b>				
Assets				
Cash	581,430	111,798,095	112,051,758	327,767
Asset held for disposal	54,350	-	-	54,350
Total assets	<u>635,780</u>	<u>111,798,095</u>	<u>112,051,758</u>	<u>382,117</u>
Liabilities				
Payable to other governments	156,009	51,301,946	51,450,781	7,174
Payable to others	113,401	60,357,382	60,377,552	93,231
Assets held in trust	366,370	145,941	230,599	281,712
Total liabilities	<u>\$ 635,780</u>	<u>\$ 111,805,269</u>	<u>\$ 112,058,932</u>	<u>\$ 382,117</u>

*See Independent Auditors' Report*



**Gulfport**  
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City of Gulfport  
Net Assets by Component  
Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 270,930,882	\$ 266,185,951	\$ 249,085,367	\$ 241,003,147
Restricted	16,137,281	5,797,855	9,827,643	23,399,810
Unrestricted	(5,417,753)	(2,647,738)	(6,373,773)	(7,464,868)
Total governmental activities net assets	<u>\$ 281,650,410</u>	<u>\$ 269,336,068</u>	<u>\$ 252,539,237</u>	<u>\$ 256,938,089</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 174,576,166	\$ 166,696,100	\$ 132,528,012	\$ 70,723,443
Restricted	952,325	952,230	952,121	968,050
Unrestricted	3,570,295	4,723,104	2,378,590	11,971,135
Total business-type activities net assets	<u>\$ 179,098,786</u>	<u>\$ 172,371,434</u>	<u>\$ 135,858,723</u>	<u>\$ 83,662,628</u>
Primary government				
Invested in capital assets, net of related debt	\$ 445,507,048	\$ 432,882,051	\$ 381,613,379	\$ 311,726,590
Restricted	17,089,606	6,750,085	10,779,764	24,367,860
Unrestricted	(1,847,458)	2,075,366	(3,995,183)	4,506,267
Total primary government net assets	<u>\$ 460,749,196</u>	<u>\$ 441,707,502</u>	<u>\$ 388,397,960</u>	<u>\$ 340,600,717</u>

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

Fiscal Year					
2008*	2007*	2006*	2005	2004	2003
\$ 189,599,451	\$ 188,696,228	\$ 174,441,181	\$ 170,877,765	\$ 171,665,624	\$ 168,887,356
32,297,576	12,457,697	7,293,203	12,838,584	2,780,874	4,288,017
831,049	33,437,718	30,408,172	18,707,142	27,052,299	19,905,051
<u>\$ 222,728,076</u>	<u>\$ 234,591,643</u>	<u>\$ 212,142,556</u>	<u>\$ 202,423,491</u>	<u>\$ 201,498,797</u>	<u>\$ 193,080,424</u>
\$ 54,599,249	\$ 35,870,524	\$ 27,883,405	\$ 9,070,921	\$ 2,679,954	\$ (168,187)
4,000	4,000	4,000	4,000	4,000	4,000
14,425,629	20,910,904	19,295,222	15,774,671	17,583,643	17,966,708
<u>\$ 69,028,878</u>	<u>\$ 56,785,428</u>	<u>\$ 47,182,627</u>	<u>\$ 24,849,592</u>	<u>\$ 20,267,597</u>	<u>\$ 17,802,521</u>
\$ 244,198,700	\$ 224,566,752	\$ 202,324,586	\$ 179,948,686	\$ 174,345,578	\$ 168,719,169
32,301,576	12,461,697	7,297,203	12,842,584	2,784,874	4,292,017
15,256,678	54,348,622	49,703,394	34,481,813	44,635,942	37,871,759
<u>\$ 291,756,954</u>	<u>\$ 291,377,071</u>	<u>\$ 259,325,183</u>	<u>\$ 227,273,083</u>	<u>\$ 221,766,394</u>	<u>\$ 210,882,945</u>

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

	Fiscal Year			
	2012	2011	2010	2009
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 18,182,129	\$ 15,002,455	\$ 15,267,846	\$ 18,333,058
Public safety	29,205,705	27,707,275	28,908,909	32,637,921
Public works	12,482,311	11,084,442	12,235,926	14,365,217
Health and welfare	796,205	582,936	4,482,187	11,783,880
Economic development	2,122,547	2,081,041	2,289,992	2,662,668
Culture & recreation	5,793,659	5,134,626	4,387,803	5,036,165
Interest on long-term debt	1,677,536	1,413,236	1,564,971	1,772,771
<b>Total governmental activities expense</b>	<b>70,260,092</b>	<b>63,006,011</b>	<b>69,137,634</b>	<b>86,591,680</b>
<b>Business-type activities</b>				
Water and sewer	26,919,694	23,546,942	23,445,985	22,380,910
Joseph T. Jones park	2,947,134	164,346	104,380	87,597
Gulfport redevelopment commission	87,250	-	-	-
Interest on long-term debt	3,023,463	3,364,280	3,494,899	3,730,167
<b>Total business-type activities expense</b>	<b>32,977,541</b>	<b>27,075,568</b>	<b>27,045,264</b>	<b>26,198,674</b>
<b>Total primary government expenses</b>	<b>\$ 103,237,633</b>	<b>\$ 90,081,579</b>	<b>\$ 96,182,898</b>	<b>\$ 112,790,354</b>
<b>Program Revenue</b>				
<b>Governmental activities:</b>				
Charges for services:				
General government	\$ 4,157,208	\$ 4,614,756	\$ 3,703,025	\$ 3,726,883
Public safety	113,522	150,421	28,761	123,813
Public works	14,161	55,885	-	-
Health and welfare	-	-	-	-
Economic development	-	34,593	63,988	255,731
Culture & recreation	598,271	550,700	771,647	494,019
Operating grants and contributions	2,664,936	3,625,390	8,564,497	15,924,930
Capital grants and contributions	20,047,920	18,384,916	14,959,682	18,696,556
<b>Total governmental activities program revenues</b>	<b>27,596,018</b>	<b>27,416,661</b>	<b>28,091,600</b>	<b>39,221,932</b>
<b>Business-type activities:</b>				
Charges for services:				
Water and sewer	30,245,886	28,604,172	24,210,429	22,892,554
Joseph T. Jones park	520,896	11,647	11,647	7,817
Operating grants and contributions	-	-	-	-
Capital grants and contributions	8,138,942	29,957,733	52,615,994	24,267,954
<b>Total business-type activities program revenues</b>	<b>38,905,724</b>	<b>58,573,552</b>	<b>76,838,070</b>	<b>47,168,325</b>
<b>Total primary government program revenues</b>	<b>\$ 66,501,742</b>	<b>\$ 85,990,213</b>	<b>\$ 104,929,670</b>	<b>\$ 86,390,257</b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (42,664,074)	\$ (35,589,350)	\$ (41,046,034)	\$ (47,369,748)
Business-type activities	5,928,183	31,497,984	49,792,806	20,969,651
<b>Total primary government net expense</b>	<b>\$ (36,735,891)</b>	<b>\$ (4,091,366)</b>	<b>\$ 8,746,772</b>	<b>\$ (26,400,097)</b>

Continued

## Schedule 2

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 16,816,296	\$ 8,539,671	\$ 18,702,277	\$ 13,373,080	\$ 6,226,650	\$ 6,860,506
35,181,734	30,122,550	26,943,482	26,852,781	27,833,130	27,739,871
17,911,142	27,428,901	77,057,446	15,162,787	7,839,497	17,725,458
2,607,893	810,198	2,130,531	1,599,378	1,576,615	641,419
2,468,356	2,276,098	1,067,096	1,534,449	1,463,038	1,390,045
11,753,574	9,227,708	4,067,029	5,267,209	5,097,842	4,890,495
2,355,672	1,445,005	1,459,237	1,433,310	1,996,914	1,542,641
<u>89,094,667</u>	<u>79,850,131</u>	<u>131,427,098</u>	<u>65,222,994</u>	<u>52,033,686</u>	<u>60,790,435</u>
21,052,322	13,116,774	14,744,671	17,462,970	16,473,134	16,905,947
110,805	124,458	141,971	297,028	337,477	339,255
-	-	-	-	-	-
3,424,425	2,635,721	3,063,214	2,320,322	3,279,224	3,374,757
<u>24,587,552</u>	<u>15,876,953</u>	<u>17,949,856</u>	<u>20,080,320</u>	<u>20,089,835</u>	<u>20,619,959</u>
<u>\$ 113,682,219</u>	<u>\$ 95,727,084</u>	<u>\$ 149,376,954</u>	<u>\$ 85,303,314</u>	<u>\$ 72,123,521</u>	<u>\$ 81,410,394</u>
\$ 1,770,822	\$ 2,576,853	\$ 3,239,223	\$ 2,938,104	\$ 3,588,145	\$ 2,948,605
161,265	166,858	61,861	125,732	237,099	253,935
-	-	-	-	-	4,675
46,647	10,982	52,896	55,076	-	-
392,246	50,674	41,839	35,781	1,379,602	1,180,199
41,809	336,540	469,549	474,025	578,109	565,701
856,785	4,756,775	4,147,269	3,597,605	4,681,718	3,827,898
17,270,909	28,536,146	76,682,952	6,100,975	3,370,441	3,549,266
<u>20,540,483</u>	<u>36,434,828</u>	<u>84,695,589</u>	<u>13,327,298</u>	<u>13,835,114</u>	<u>12,330,279</u>
22,196,429	20,571,100	19,320,980	19,986,265	21,169,528	17,751,755
10,139	5,714	4,618	284,090	347,423	371,866
-	-	-	(16,529)	-	136,948
255,260	806,099	513,514	2,927,791	346,832	1,493,199
<u>22,461,828</u>	<u>21,382,913</u>	<u>19,839,112</u>	<u>23,181,617</u>	<u>21,863,783</u>	<u>19,753,768</u>
<u>\$ 43,002,311</u>	<u>\$ 57,817,741</u>	<u>\$ 104,534,701</u>	<u>\$ 36,508,915</u>	<u>\$ 35,698,897</u>	<u>\$ 32,084,047</u>
\$ (68,554,184)	\$ (43,415,303)	\$ (46,731,509)	\$ (51,895,696)	\$ (38,198,572)	\$ (48,460,156)
(2,125,724)	5,505,960	1,889,256	3,101,297	1,773,948	(866,191)
<u>\$ (70,679,908)</u>	<u>\$ (37,909,343)</u>	<u>\$ (44,842,253)</u>	<u>\$ (48,794,399)</u>	<u>\$ (36,424,624)</u>	<u>\$ (49,326,347)</u>

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JAN 27 2014

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

	Fiscal Year			
	2012	2011	2010	2009
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental activities:</b>				
Taxes:				
Property taxes, levied for general purposes	\$ 18,457,067	\$ 18,061,388	\$ 17,410,169	\$ 16,609,515
Property taxes, levied for special purposes	6,095,931	6,315,051	7,048,312	6,801,634
Sales tax	19,002,874	19,230,296	18,741,574	20,131,945
Franchise taxes	3,606,682	3,638,352	3,942,293	3,828,900
Gaming taxes	3,142,387	3,198,977	3,221,427	3,316,175
Licenses and permits	1,110,574	1,342,133	1,362,510	1,695,450
Unrestricted grants and contributions	1,980,424	825,581	523,802	968,885
Insurance proceeds	-	214,664	309,856	3,264,814
Gain (Loss) on Disposal of Capital Assets	580,963	(126,609)	(20,349,579)	(1,850,914)
Investment Earnings & Misc	237,067	141,165	3,737,998	25,322,512
Transfers	(981,225)	(3,882,228)	(1,765,333)	(3,439,783)
<b>Total governmental activities</b>	<b>53,232,744</b>	<b>48,958,770</b>	<b>34,183,029</b>	<b>76,649,133</b>
<b>Business-type activities</b>				
Insurance Proceeds	-	-	-	524,471
Gain (Loss) on Disposal of Capital Assets	-	(2,971)	(81,167)	(47,347)
Investment Earnings & Misc	74,245	119,166	189,350	2,863,010
Transfers	981,225	3,882,228	1,765,333	3,439,783
<b>Total business-type activities</b>	<b>1,055,470</b>	<b>3,998,423</b>	<b>1,873,516</b>	<b>6,779,917</b>
<b>Total primary government</b>	<b>\$ 54,288,214</b>	<b>\$ 52,957,193</b>	<b>\$ 36,056,545</b>	<b>\$ 83,429,050</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 10,568,670	\$ 13,369,420	\$ (6,863,005)	\$ 29,279,385
Business-type activities	6,983,653	35,496,407	51,666,322	27,749,568
<b>Total primary government</b>	<b>\$ 17,552,323</b>	<b>\$ 48,865,827</b>	<b>\$ 44,803,317</b>	<b>\$ 57,028,953</b>

## Schedule 2 (Continued)

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 14,120,511	\$ 12,623,050	\$ 16,144,033	\$ 13,846,552	\$ 13,920,879	\$ 13,654,704
6,046,362	6,894,400	6,439,702	5,474,016	5,457,609	5,654,383
21,834,653	24,039,616	26,980,191	18,228,317	17,518,320	17,002,238
3,634,007	3,284,355	3,254,940	2,853,831	2,934,983	2,832,711
3,524,542	2,847,942	289,678	4,591,269	4,806,833	4,477,760
2,228,349	2,803,830	2,822,085	1,974,481	-	-
1,049,367	2,937,024	3,104,638	1,423,818	-	-
11,759,304	3,514,865	2,835,835	-	-	-
-	-	-	1,408,158	-	-
5,903,789	8,059,656	2,948,584	4,221,948	1,978,321	1,136,586
(13,410,267)	(1,140,348)	(5,253,000)	(1,202,000)	-	-
<u>56,690,617</u>	<u>65,864,390</u>	<u>59,566,686</u>	<u>52,820,390</u>	<u>46,616,945</u>	<u>44,758,382</u>
-	486,747	-	-	-	-
-	-	-	(879,460)	-	-
958,907	2,469,746	15,190,779	1,158,158	171,574	195,204
<u>13,410,267</u>	<u>1,140,348</u>	<u>5,253,000</u>	<u>1,202,000</u>	<u>-</u>	<u>-</u>
<u>14,369,174</u>	<u>4,096,841</u>	<u>20,443,779</u>	<u>1,480,698</u>	<u>171,574</u>	<u>195,204</u>
<u>\$ 71,059,791</u>	<u>\$ 69,961,231</u>	<u>\$ 80,010,465</u>	<u>\$ 54,301,088</u>	<u>\$ 46,788,519</u>	<u>\$ 44,953,586</u>
\$ (11,863,567)	\$ 22,449,087	\$ 12,835,177	\$ 924,694	\$ 8,418,373	\$ (3,701,774)
<u>12,243,450</u>	<u>9,602,801</u>	<u>22,333,035</u>	<u>4,581,995</u>	<u>1,945,522</u>	<u>(670,987)</u>
<u>\$ 379,883</u>	<u>\$ 32,051,888</u>	<u>\$ 35,168,212</u>	<u>\$ 5,506,689</u>	<u>\$ 10,363,895</u>	<u>\$ (4,372,761)</u>

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

	Fiscal Year			
	2012	2011	2010	2009
<b>General Fund</b>				
Restricted for:				
Drug enforcement	\$ 28,499	\$ 28,499	\$ 28,499	\$ 28,499
Senior citizens program	100,000	100,000	100,000	100,000
Assigned for:				
Subsequent year appropriations	-	-	-	4,775,590
Unassigned	2,372,878	5,075,411	5,183,946	627,799
<b>Total general fund</b>	<b>\$ 2,501,377</b>	<b>\$ 5,203,910</b>	<b>\$ 5,312,445</b>	<b>\$ 5,531,888</b>
<b>All Other Governmental Funds</b>				
Restricted for:				
Drug enforcement	\$ 1,458,489	\$ 1,395,365	\$ 2,030,276	\$ 3,114,542
Debt service	4,134,783	3,844,021	3,662,817	5,791,001
Urban development	295,988	295,984	132,398	406,792
Capital projects	9,504,520	2,240,691	5,643,041	14,239,250
Hurricane repairs	-	-	-	1,152,092
Unassigned	2,741,032	-	-	-
Nonspendable for prepaids	64,883	69,820	72,582	76,257
<b>Total all other governmental funds</b>	<b>\$ 18,199,695</b>	<b>\$ 7,845,881</b>	<b>\$ 11,541,114</b>	<b>\$ 24,779,934</b>

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100,000	100,000	100,000	100,000	100,000	100,000
8,028,176	15,873,704	17,737,034	5,420,268	5,084,858	1,381,770
4,256,005	13,680,477	20,304,378	11,736,367	12,547,206	11,501,804
<u>\$ 12,384,181</u>	<u>\$ 29,654,181</u>	<u>\$ 38,141,412</u>	<u>\$ 17,256,635</u>	<u>\$ 17,732,064</u>	<u>\$ 12,983,574</u>
\$ 2,886,966	\$ 2,070,426	\$ 1,601,608	\$ 243,397	\$ 206,733	\$ 224,121
10,104,287	4,037,526	2,528,093	2,171,371	2,680,874	2,872,165
51,505	286,358	876,804	1,594,964	854,780	38,452
20,313,242	10,446,352	4,375,266	6,027,899	6,245,671	7,531,604
-	8,842,822	1,924,800	127,120	-	-
-	-	-	-	-	-
79,757	-	-	-	-	-
<u>\$ 33,435,757</u>	<u>\$ 25,683,484</u>	<u>\$ 11,306,571</u>	<u>\$ 10,164,751</u>	<u>\$ 9,988,058</u>	<u>\$ 10,666,342</u>

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

	Fiscal Year			
	2012	2011	2010	2009
<b>Revenues</b>				
Taxes				
Property	\$ 24,552,998	\$ 24,376,439	\$ 24,458,481	\$ 23,411,149
Sales	19,002,874	19,230,296	18,741,574	20,131,945
Franchise	3,606,682	3,638,352	3,942,293	3,828,900
Gaming	3,142,387	3,197,977	3,221,427	3,316,175
Licenses and permits	1,110,574	1,342,133	1,362,510	1,695,450
Intergovernmental	21,082,548	22,835,887	24,047,981	34,908,729
Charges for service	1,527,177	1,502,856	985,498	952,901
Fines & Forfeits	1,931,800	2,548,171	2,202,505	2,673,324
Miscellaneous	201,646	75,847	459,499	1,054,812
<b>Total revenues</b>	<b>76,158,686</b>	<b>78,747,958</b>	<b>79,421,768</b>	<b>91,973,385</b>
<b>Expenditures</b>				
General government	7,187,596	7,228,142	7,279,026	8,706,354
Public safety	32,448,262	30,667,009	33,477,490	35,626,715
Public works	9,728,428	8,276,579	8,809,717	10,923,312
Health and welfare	892,706	678,278	4,547,682	11,817,385
Economic development	2,428,878	2,370,885	2,551,983	2,954,131
Culture & recreation	5,894,727	4,887,580	4,767,819	5,181,386
Capital Outlay	15,098,742	20,708,636	26,012,668	26,364,288
Debt Service				
Principal	3,497,844	3,748,258	3,725,430	3,572,981
Interest	1,279,711	1,055,136	1,209,078	1,391,971
Other	7,675	9,165	8,165	15,453
<b>Total expenditures</b>	<b>78,464,569</b>	<b>79,629,668</b>	<b>92,389,058</b>	<b>106,553,976</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,305,883)</b>	<b>(881,710)</b>	<b>(12,967,290)</b>	<b>(14,580,591)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Debt	10,000,000	-	-	-
Payment of refunded Debt	-	-	-	-
Insurance Proceeds	-	214,664	309,856	3,264,815
Sale of Capital Assets	1,070,368	106,085	139,929	65,170
Transfers in	1,193,605	773,380	4,323,038	9,927,865
Transfers out	(1,691,807)	(4,017,187)	(5,263,796)	(14,185,375)
<b>Total other financing sources (uses)</b>	<b>10,572,166</b>	<b>(2,923,058)</b>	<b>(490,973)</b>	<b>(927,525)</b>
<b>Net change in fund balance</b>	<b>\$ 8,266,283</b>	<b>\$ (3,804,768)</b>	<b>\$ (13,458,263)</b>	<b>\$ (15,508,116)</b>
<b>Debt service as a percentage of   noncapital expenditures</b>	<b>7.54%</b>	<b>8.15%</b>	<b>7.43%</b>	<b>6.19%</b>

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 20,166,873	\$ 19,517,450	\$ 22,583,735	\$ 19,320,568	\$ 19,378,488	\$ 19,309,087
21,834,653	24,039,616	26,980,191	18,228,317	17,518,320	17,002,238
3,634,007	3,284,355	3,254,940	2,853,831	2,934,983	2,832,711
3,524,542	2,847,942	289,678	4,591,269	4,806,833	4,477,760
2,228,349	2,803,830	2,927,373	1,854,996	2,005,366	1,783,718
19,177,061	32,943,601	82,516,606	10,023,777	8,074,082	9,093,203
953,699	848,659	965,700	951,288	1,171,136	1,204,168
1,888,998	1,393,749	2,077,765	2,811,375	2,606,454	1,965,229
4,406,741	7,097,624	2,947,093	2,584,058	1,978,321	1,136,586
<u>77,814,923</u>	<u>94,776,826</u>	<u>144,543,081</u>	<u>63,219,479</u>	<u>60,473,983</u>	<u>58,804,700</u>
9,284,515	7,445,333	12,420,732	6,768,346	5,990,860	6,743,365
36,821,619	29,929,880	28,835,838	28,776,088	26,395,649	26,996,385
14,597,641	25,713,928	76,660,811	14,753,466	7,673,542	7,904,706
2,654,150	786,880	1,493,555	-	1,581,289	639,332
2,687,131	2,238,014	1,513,720	2,492,810	1,441,246	1,452,673
11,838,803	9,210,288	5,153,071	4,919,829	5,079,213	4,876,593
14,125,668	12,690,199	2,497,235	1,028,394	4,748,320	9,293,255
3,394,376	3,028,101	2,707,970	3,344,651	2,820,319	2,643,638
1,311,173	1,286,601	1,472,265	1,633,099	1,951,663	1,442,812
6,201	9,715	10,376	7,690	180,051	132,688
<u>96,721,277</u>	<u>92,338,939</u>	<u>132,765,573</u>	<u>63,724,373</u>	<u>57,862,152</u>	<u>62,125,447</u>
<u>(18,906,354)</u>	<u>2,437,887</u>	<u>11,777,508</u>	<u>(504,894)</u>	<u>2,611,831</u>	<u>(3,320,747)</u>
11,209,465	1,790,535	13,373,122	-	8,101,599	6,079,779
-	-	-	-	(6,005,168)	-
767,530	3,239,585	2,835,835	-	-	-
441,620	127,023	-	1,408,158	66,876	36,902
21,084,020	17,789,011	944,476	4,567,891	283,862	211,125
<u>(24,114,008)</u>	<u>(19,494,359)</u>	<u>(6,197,476)</u>	<u>(5,769,891)</u>	<u>(283,862)</u>	<u>(211,125)</u>
<u>9,388,627</u>	<u>3,451,795</u>	<u>10,955,957</u>	<u>206,158</u>	<u>2,163,307</u>	<u>6,116,681</u>
<u>\$ (9,517,727)</u>	<u>\$ 5,889,682</u>	<u>\$ 22,733,465</u>	<u>\$ (298,736)</u>	<u>\$ 4,775,138</u>	<u>\$ 2,795,934</u>

5.70%

5.42%

3.21%

7.94%

8.98%

7.73%

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JAN 27 2014

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

Fiscal Year	Real Property (1)(2)(3)		Personal Property		Utilities		Automobiles		Total		Assessed to Actual
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
2012	\$ 466,503	\$ 3,410,110	\$ 83,309	\$ 555,393	\$ 129,334	\$ 862,227	\$ 69,948	\$ 233,160	\$ 749,094	\$ 5,060,890	14.80%
2011	459,746	3,360,716	80,905	539,367	125,478	836,520	73,952	246,507	740,081	4,983,110	14.85%
2010	438,057	3,202,171	86,117	574,113	122,200	814,667	83,028	276,760	729,402	4,867,711	14.98%
2009	433,240	3,166,959	87,524	583,493	111,864	745,760	86,752	289,173	719,380	4,785,386	15.03%
2008	330,443	2,415,519	73,554	490,360	109,811	732,073	91,125	303,750	604,933	3,941,702	15.35%
2007	307,011	2,244,232	57,473	383,153	109,051	727,007	90,733	302,443	564,268	3,656,836	15.43%
2006	373,202	2,728,085	77,395	515,967	110,104	734,027	77,425	258,083	638,126	4,236,161	15.06%
2005	358,165	2,618,165	69,806	465,373	103,000	686,667	72,356	241,187	603,327	4,011,392	15.04%
2004	351,143	2,566,835	68,437	456,247	103,000	686,667	72,356	241,187	594,936	3,950,935	15.06%
2003	345,892	2,528,450	70,049	466,993	99,520	663,467	82,392	274,640	597,853	3,933,550	15.20%

- (1) Class 1 - residential, owner occupied is assessed at 10% of true value  
Class 2 - commercial is assessed at 15% of true value  
Above schedule uses estimated combined assessment ratio of 13.68% for real property
- (2) Fiscal Year 2005 and 2009 real property figures reflect completion of real property reappraisal by Harrison County
- (3) Fiscal year 2006 reflects a decrease due to damage resulting from Hurricane Katrina

Source: Harrison County Tax Assessor

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

Fiscal Year	City of Gulfport			Harrison County			Gulfport School District			Grand Total Millage
	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
2012	27.0	7.0	34.0	30.5	5.4	35.9	53.6	7.3	60.9	130.8
2011	27.0	7.0	34.0	30.5	5.4	35.9	53.0	7.9	60.9	130.8
2010	25.7	8.3	34.0	31.0	4.9	35.9	50.3	7.6	57.9	127.8
2009	25.8	8.2	34.0	31.3	4.4	35.7	50.3	7.6	57.9	127.6
2008	26.0	8.0	34.0	32.9	3.4	36.3	50.3	7.6	57.9	128.2
2007	24.1	9.9	34.0	33.5	3.0	36.5	50.3	7.6	57.9	128.4
2006	27.0	7.0	34.0	33.4	3.1	36.5	50.3	7.6	57.9	128.4
2005	27.0	7.0	34.0	33.4	2.3	35.7	50.3	7.6	57.9	127.6
2004	27.0	7.0	34.0	33.5	2.2	35.7	50.3	7.6	57.9	127.6
2003	26.6	7.4	34.0	32.9	2.8	35.7	47.3	8.1	55.4	125.1

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

Source: Harrison County Tax Collector

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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Mississippi Power & Light	\$ 111,270	1	14.85%	\$ 78,028	1	15.14%
Gulfside Casino Partnership	19,149	2	2.56%			
Bell South	8,712	3	1.16%	14,757	3	2.86%
CrossRoads Center	5,794	4	0.77%	5,309	4	1.03%
Hancock Bank	4,858	5	0.65%	2,816	5	0.55%
HCA Realty	4,717	6	0.63%			
Harrison-Gulfport LLC	3,212	7	0.43%			
Future Pipe Industries, LLC	2,649	8	0.35%			
E.I. Dupont	2,614	9	0.35%	1,780	10	0.35%
Avondale Enterprises Inc	2,440	10	0.33%			
Grand Casino				41,952	2	8.14%
Copa Casino				2,473	6	0.48%
Gulfport Factory Shops				2,120	7	0.41%
Halter Marine				1,981	8	0.38%
Garden Park Hospital				1,950	9	0.38%
<b>Total</b>	<b>\$ 165,415</b>		<b>22.08%</b>	<b>\$ 153,166</b>		<b>29.72%</b>

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 45,675	\$ 42,829	93.77%	200	\$ 43,029	94.21%
2011	45,642	42,620	93.38%	233	42,853	93.89%
2010	45,051	43,157	95.80%	193	43,350	96.22%
2009	42,882	40,952	95.50%	393	41,345	96.42%
2008	35,733	33,694	94.29%	452	34,146	95.56%
2007	35,260	30,654	86.94%	634	31,288	88.74%
2006	42,158	37,578	89.14%	658	38,236	90.70%
2005	37,875	36,560	96.53%	205	36,765	97.07%
2004	36,665	36,302	99.01%	318	36,620	99.88%
2003	34,039	33,332	97.92%	370	33,702	99.01%

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government Debt	Percentage of Personal Income	Total Debt Per Capita
	General Obligation Bonds	Capital Leases	Other General Obligation Debt	General Obligation Revenue Bonds	State Revolving Loans	Other Debt			
2012	\$ 18,345	\$ -	\$ 28,026	\$ 49,460	\$ 27,312	\$ 3,308	\$ 126,451	16.48%	\$ 1.87
2011	21,005	326	23,538	52,735	29,407	3,338	130,349	13.78%	1.92
2010	23,535	961	19,122	55,875	31,533	3,368	134,394	15.19%	1.90
2009	26,070	1,572	19,701	59,625	33,611	3,397	143,976	14.06%	2.04
2008	28,480	2,159	20,277	52,950	35,640	3,427	142,933	13.28%	2.03
2007	20,710	2,725	20,875	55,610	34,551	3,456	137,927	12.38%	2.00
2006	22,835	-	21,503	58,140	27,772	2,530	132,780	12.86%	1.96
2005	24,860	120	8,693	60,195	10,237	530	104,635	18.95%	1.43
2004	26,825	490	9,243	55,715	9,549	568	102,390	17.95%	1.41
2003	28,180	860	7,892	57,205	5,828	409	100,374	24.98%	1.40

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

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross General Obligation Bonds	Less Debt Service Funds	Net GO Bonded Debt	Percentage of Assessed Taxable Value of Property	Net Bonded Debt Per Capita
2012	69.2	\$ 749,094	\$ 18,345	\$ 4,135	\$ 14,210	1.90%	\$ 205
2011	67.8	740,081	21,005	3,914	17,091	2.31%	252
2010	70.8	729,402	23,535	3,735	19,800	2.71%	280
2009	70.7	719,380	26,070	5,867	20,203	2.81%	286
2008	70.4	604,933	28,480	10,184	18,296	3.02%	260
2007	68.9	564,268	20,710	7,926	12,784	2.27%	186
2006	67.6	638,126	22,835	3,525	19,310	3.03%	286
2005	73.3	603,327	24,860	2,171	22,689	3.76%	310
2004	72.7	594,936	26,825	2,681	24,144	4.06%	332
2003	71.7	597,853	28,180	2,872	25,308	4.23%	353

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

City of Gulfport  
 Direct and Overlapping Governmental Activities Debt  
 As of September 30, 2012  
*(amounts expressed in thousands)*

<b>Jurisdiction</b>	<b><u>Net General Obligation Bonded Debt Outstanding</u></b>	<b><u>Estimated Share of Overlapping Debt</u></b>	<b><u>Estimated Percentage Applicable (2)</u></b>
Direct:			
City of Gulfport (1)	<u>\$ 14,210</u>	<u>\$ 14,210</u>	100.00%
Overlapping:			
Harrison County	157,035	57,446	36.58%
Gulfport School District	<u>8,090</u>	<u>8,090</u>	100.00%
Total overlapping	<u>165,125</u>	<u>65,536</u>	
 Total all	 <u>\$ 179,335</u>	 <u>\$ 79,746</u>	

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

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City.

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

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt Limit (15%)	\$ 112,364	\$ 111,012	\$ 109,410	\$ 107,907	\$ 90,740	\$ 84,640	\$ 95,719	\$ 90,500	\$ 89,240	\$ 89,678
Total net GO debt applicable to limit	14,210	17,091	19,800	20,203	18,296	12,784	19,310	22,689	24,144	25,308
Legal debt margin	<u>\$ 98,154</u>	<u>\$ 93,921</u>	<u>\$ 89,610</u>	<u>\$ 87,704</u>	<u>\$ 72,444</u>	<u>\$ 71,856</u>	<u>\$ 76,409</u>	<u>\$ 67,811</u>	<u>\$ 65,096</u>	<u>\$ 64,370</u>
Total net debt applicable to the limit as a percentage of the debt limit	12.65%	15.40%	18.10%	18.72%	20.16%	15.10%	20.17%	25.07%	27.06%	28.22%

**Legal Debt Margin Calculated  
 for Fiscal Year 2012**

Assessed Value	\$ 749,094	
Debt limit (15% of assessed value)		112,364
Debt applicable to limit:		
General obligation bonds		(18,345)
Debt service funds available		<u>4,135</u>
Legal debt margin		<u>\$ 98,154</u>

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

Fiscal Year	Water and Sewer Gross Revenue	Water and Sewer (2) Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements (1)			Coverage
				Principal	Interest	Total	
2012	\$ 30,282	\$ 21,172	\$ 9,110	\$ 1,800	\$ 1,985	\$ 3,785	240.69%
2011	28,700	18,394	10,306	1,710	2,075	3,785	272.29%
2010	24,348	18,879	5,469	1,620	2,160	3,780	144.68%
2009	23,040	18,758	4,282	1,545	2,236	3,781	113.25%
2008	22,347	17,808	4,539	1,470	2,310	3,780	120.08%
2007*	21,853	9,480	12,373	1,395	2,376	3,771	328.11%
2006	19,411	11,914	7,497	975	2,429	3,404	220.24%
2005	23,124	15,961	7,163	1,510	1,877	3,387	211.49%
2004	21,261	14,208	7,053	705	2,601	3,306	213.34%
2003	17,558	15,199	2,359	649	2,340	2,989	78.92%

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

(2) Operating expenses are exclusive of depreciation and amortization

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

City of Gulfport  
Demographic and Economic Statistics  
Last Ten Calendar Years

Fiscal Year	Estimated Population (1)	Per Capita Personal Income (2)	School (3) Enrollment	Unemployment Rate (4)
2012	69,220	\$ 20,845	5,699	9.90%
2011	67,793	17,963	5,659	10.40%
2010	70,794	20,417	5,609	9.40%
2009	70,732	20,243	5,232	7.60%
2008	70,372	18,978	5,341	5.40%
2007	68,959	17,079	5,065	6.20%
2006	67,578	17,079	6,166	16.60%
2005	73,272	19,832	6,219	6.20% *
2004	72,670	18,381	6,018	4.10%
2003	71,695	25,074	6,202	4.00%

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

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

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

(4) Mississippi Employment Security Commission

\* Hurricane Katrina occurred August 29, 2005

City of Gulfport  
Principal Employers  
Last Four Fiscal Years

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

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

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

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

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

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

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

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

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

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

<u>Function/Program</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Police</b>				
Stations	2	2	2	3
Patrol Units	63	72	79	80
<b>Fire Stations</b>	12	12	12	12
<b>Public Works</b>				
Streets (miles)	614.0	614.0	614.0	602.3
Street lights	9,543	9,356	8,030	9,101
Traffic signals	110	110	110	100
<b>Parks and Recreations</b>				
Acreage	600	600	600	600
Playgrounds	19	19	19	19
Ballfields	38	38	38	38
Tennis courts	7	7	7	7
Parks	31	31	31	31
Community centers	11	14	14	14
Waterfront piers	6	6	6	6
Boat launch ramps	14	14	14	14
Small craft harbor slips *	319	319	-	-
<b>Water</b>				
Water mains (miles)	412.0	409.0	401.0	365.5
Fire hydrants	3,559	3,538	2,793	3,398
Storage capacity (gallons)	6,550,000	5,550,000	5,550,000	5,108,000
<b>Wastewater</b>				
Sanitary sewer (miles)	500.00	499.00	492.00	307.84
Storm sewer (miles)	50.00	499.00	492.00	307.84
Treatment capacity (gallons)	30,905,833	20,235,000	21,000,000	23,500,000

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

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

City of Gulfport  
Schedule of Surety Bonds  
September 30, 2011

NAME AND POSITION	AMOUNT	EXPIRES
Kenneth L. Casey, Sr., Councilman, Ward 1	\$ 100,000	7/6/2013
Olivia M. Roland, Councilwoman Ward 2	100,000	10/5/2013
Ella Jean Holmes-Hines, Councilwoman Ward 3	100,000	7/6/2013
F.B. "Rusty" Walker, IV, Councilman Ward 4	100,000	7/6/2013
Richard "Ricky" Dombrowski, Councilman, Ward 5	100,000	7/6/2013
Robert "R. Lee" Flowers, II, Councilman, Ward 6	100,000	7/6/2013
Cara L. Pucheu, Councilwoman Ward 7	100,000	7/6/2013
George A. Schloegel, Mayor	100,000	7/6/2013
John R. Kelly, Chief Administrator Officer	50,000	3/17/2013
Mike E. Necaise, Director of Administrative Finance/City Clerk	50,000	12/15/2012
Helen Eve Fasler, Deputy City Clerk	50,000	9/8/2013
Kathy E. Johnson, Clerk of Council	50,000	6/22/2013
Odell Thompson Jr., Court Administrator	50,000	3/19/2013
Patrick Alan Weatherford, Police Chief	50,000	2/6/2013

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**Special Audit Reports**

**City of Gulfport  
Gulfport, Mississippi**

**Fiscal Year Ended September 30, 2012**

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**CITY OF GULFPORT, MISSISSIPPI**  
Special Audit Reports  
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For the Fiscal Year Ended September 30, 2012

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**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the 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, 2012, which collectively comprise the City of Gulfport, Mississippi's basic financial statements and have issued our report thereon dated February 28, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Gulfport, Mississippi is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Gulfport, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gulfport, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gulfport, Mississippi's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (2012-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gulfport, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Gulfport, Mississippi's management response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Culumber, Harvey & Associates, P.A.*

Culumber, Harvey & Associates, P.A.  
Certified Public Accountants  
Gulfport, MS

February 28, 2013

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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH THE REQUIREMENTS OF THE MUNICIPAL  
COMPLIANCE QUESTIONNAIRE**

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

We have audited the financial statements of the governmental 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, 2012, which collectively comprise City of Gulfport, Mississippi's basic financial statements and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

*Culumber, Harvey & Associates, P.A.*

Culumber, Harvey & Associates, P.A.  
Certified Public Accountants  
Gulfport, MS

February 28, 2013

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited City of Gulfport, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Gulfport, Mississippi's major federal programs for the year ended September 30, 2012. City of Gulfport, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Gulfport, Mississippi's management. Our responsibility is to express an opinion on City of Gulfport, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Gulfport, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Gulfport, Mississippi's compliance with those requirements.

In our opinion, City of Gulfport, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2, 2012-3, 2012-4, and 2012-5.

Internal Control Over Compliance

Management of Gulfport, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Gulfport, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the

purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gulfport, Mississippi's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-2, 2013-2, 2012-4 and 2012-5. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Gulfport's management's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Gulfport's response and, accordingly, we express no opinion on the response.

#### Summary of Expenditures of Federal Awards

We have audited the financial statements of the City of Gulfport, Mississippi, as of and for the year ended September 30, 2012, and have issued our report hereon dated February 28, 2013. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis are required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Culumber, Harvey & Associates P.A.*

Culumber, Harvey & Associates, P.A.  
Certified Public Accountants  
Gulfport, MS

February 28, 2013

**CITY OF GULFPORT, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Grant/ Pass-Through Entity ID Number	Federal Expenditure Amount FYE 2012
<b>U.S. Department of Agriculture</b>			
Natural Resources Conservation Services			
Direct Program:			
ARRA-Emergency Watershed Protection Program	10.923	68-4423-7-1740	\$ 370,730
Total U.S. Department of Agriculture			<u>370,730</u>
<b>U.S. Department of Interior</b>			
National Park Service			
Pass through Mississippi Department of Marine Resources:			
Jones Park Educational Pavilion	15.426	MMOM404000	2,345,994
Biloxi River Estates	15.426	MMOM404000	20,492
Pass through Mississippi Department of Archives and History			
Historic Preservation Fund Grants-In-Aid - Centennial Museum	15.904	HRG MS-06-302	191,206
Total U.S. Department of Interior			<u>2,557,692</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Planning and Development			
CDBG-Entitlement Grants Cluster			
ARRA-Community Development Block Entitlement Grants	14.253	B-09-MY-28-0002	-
Community Development Block Entitlement Grants	14.218	B-05-MC-28-0002	1,264,461
Total CDBG-Entitlement Grants Cluster			<u>1,264,461</u>
Home Investment Partnership Program	14.239	M-06-07-DC-28-0200	521,483
Pass-thru Mississippi Development Authority:			
CDBG Grants Cluster			
Community Development Block Grants-Small Craft Harbor	14.228	R-109-202-03-KCR	677,301
Community Development Block Grants-Master Dev	14.228	R-103-202-02-KP	15,368
Community Development Block Grants-Streetscapes	14.228	R-103-202-02-KCR	836
Community Development Block Grants-Comprehensive Plan	14.228	R-103-202-01-KP	36,985
Community Development Block Grants-Municipal Complex	14.228	R-109-202-04-KCR	184,674
Community Development Block Grants-Downtown Arts Building	14.228	R-109-202-05-KCR	504,437
Community Development Block Grants-Seaway Road	14.228	R-103-202-01-KED	742,340
Community Development Block Grants-West Harbor Expansion	14.228	R-109-202-06-KCR	3,423,907
Community Development Block Grants-Façade	14.228	R-103-202-01-KCR	2,281
Total CDBG Grants Cluster			<u>5,588,129</u>
Total U.S. Department of Housing and Urban Development			<u>7,374,073</u>
<b>U.S. Department of Transportation</b>			
Federal Highway Administration			
Passed-through Mississippi Department of Transportation			
ARRA-Highway Planning & Construction-Creosote	20.205	STP-9122-00-002	30,769
ARRA-Highway Planning & Construction-Seaway	20.205	STP-9178-00-001	54,350
ARRA-Highway Planning & Construction-Dedeaux	20.205		506,039
Utility Relocation	20.205	SR601 SEC005	117,749
Utility Relocation	20.205	SR601 SEC007	12,210
Utility Relocation	20.205	STP-GAI-1145-00 (008)	7,871
Highway 90 Street Lighting	20.205		66,306
ARRA-Highway Planning & Construction-Safe Routes 07	20.205	SRSP-0200-00-028	12,291
Total Federal Highway Administration			<u>807,585</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Grant/ Pass-Through Entity ID Number	Federal Expenditure Amount FYE 2012
<b>National Highway Traffic Safety Administration</b>			
Passed-through Mississippi Department of Public Safety			
Highway Safety Cluster			
Alcohol Impaired Driving Countermeasures Incentive I	20.601	12-TA-2141	169,363
Occupant Protection Grant 2011	20.601	11-OP-2141	3,136
Occupant Protection Grant 2012	20.601	12-OP-2141	30,034
Underage Drinking	16.727	10-UA-2141	893
Underage Drinking	16.727	11-UA-2141	8,980
Total National Highway Traffic Safety Administration			<u>212,406</u>
Total U.S. Department of Transportation			<u>1,019,991</u>
<b>U.D. Department of Justice</b>			
Bureau of Justice Assistance			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	14,925
Project Safe Neighborhood	16.609	2008-GP-CX-4077	18,590
Total Bureau of Justice Assistance			<u>33,515</u>
Violence Against Women Office			
Pass-thru program:			
ARRA-Violence Against Women Formula Grants-VAWA Courts	16.588	11-SP-2141	12,942
ARRA-Violence Against Women Formula Grants-VAWA Courts	16.588	10-SL-2141	42,833
ARRA-Violence Against Women Formula Grants-VAWA Courts	16.588	09-WC-2142	28,353
ARRA-Violence Against Women Formula Grants-MS	16.588	10-SP-2141	44,449
Total Violence Against Women Office			<u>128,577</u>
Office of Community Oriented Policing Services			
Direct Program:			
ARRA-Public Safety Partnership and Community Policing-COPS	16.710	2009-RK-WX-0502	204,928
Total Office of Community Oriented Policing Services			<u>204,928</u>
Total U.S. Department of Justice			<u>367,020</u>
<b>U.S. Department of Homeland Security</b>			
Pass-through Mississippi Emergency Management Agency			
Disaster Grants- Public Assistance-Hurricane Katrina	97.036	FEMA-1604-DR-MS	18,635,727
Disaster Grants- Public Assistance-Hurricane Isaac	97.036	FEMA-4081-DR-MS	151,732
Assistance to Firefighters Grant	97.044	EMW-2011-FO-009122	196,200
Law Enforcement Terrorism Prevention Programs Initiative	97.067	10-LE-202	45,000
Total U.S. Department of Homeland Security			<u>19,028,659</u>
<b>U.S. Department of Energy</b>			
ARRA-Energy Efficiency and Conservative Block Grant	81.128	DE-SC0002772	256,342
Total U.S. Department of Energy			<u>256,342</u>
<b>Office of National Drug Control Policy</b>			
High Intensity Drug Trafficking Areas Program	95.001	HIDTA G-10-GC-0003A	2,186
High Intensity Drug Trafficking Areas Program	95.001	HIDTA G-11-GC-0003A	3,154
Total Office of National Drug Control Policy			<u>5,340</u>
<b>Environmental Protection Agency</b>			
ARRA-Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	68-0103-0-1-304	45,846
			<u>45,846</u>
Total For All Federal Awards			<u>\$ 31,025,693</u>

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**CITY OF GULFPORT, MISSISSIPPI**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Gulfport, Mississippi, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2: Sub-recipients**

The City of Gulfport, Mississippi provided federal awards to sub-recipients for 2012 as follows:

Program Title	Federal CFDA Number	Amount Provided
Community Development Block Grant	14.218	\$ 98,773

**Note 3: Federal Loans**

The City of Gulfport, Mississippi has the following federal loans outstanding as of September 30, 2012:

Program Title	CFDA Number	Current Year Expenditures	Unpaid Loan Balance	Original Loan Amount
<u>Environmental Protection Agency</u>				
Passed-through Mississippi Department of Environmental Quality for sewer improvements and pollution control:				
SRF-C280743020	66.458	-	\$ 146,078	\$ 3,016,717
SRF-C2807430320	66.458	-	335,467	2,818,618
SRF-C2807430410	66.458	-	240,509	1,417,932
SRF-C2807430500	66.458	-	2,113,717	3,329,424
SRF-C2807430600	66.458	-	6,323,357	8,093,778
SRF-C2807430702	66.458	-	1,476,009	2,214,059
SRF-C2807430800	66.458	-	11,970,558	16,394,997
SRF-C2807430900	66.458	-	4,706,301	5,826,958
		-	<u>\$ 27,311,996</u>	<u>\$ 43,112,483</u>
<u>U.S. Department of Homeland Security</u>				
Direct Loan Programs:				
Community Disaster Loan Program	97.03	-	16,358,811	16,358,811
		-	<u>\$ 16,358,811</u>	<u>\$ 16,358,811</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2012**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued on the financial statements:                              | Unqualified |
| 2. Material Noncompliance relating to the financial statements                               | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |

**Federal Awards:**

- |   |             |
|---|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:  | Unqualified |
| 5. Internal control over major programs:  |             |
| a. Material weakness(es) identified?  | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses?  | Yes         |
| 6. Any audit finding(s) reported as required by Section 510(a) of Circular A-133?   | Yes         |
| 7. Federal programs identified as major programs:   |             |
| a. U.S. Department of Interior<br>CFDA # 15.426   |             |
| b. U.S. Department of Housing and Urban Development/CDBG Entitlement Grants<br>CFDA # 14.218  |             |
| c. U.S. Department of Housing and Urban Development/CDBG Grants<br>CFDA # 14.228  |             |
| d. U.S. Department of Transportation/Highway Planning and Construction<br>CFDA # 20.205   |             |
| 8. The Dollar threshold to distinguish between type A and type B programs:  | \$ 933,792  |
| 9. Auditee qualified as a low risk auditee?   | Yes         |
| 10. Prior year fiscal year audit findings(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133? | No          |

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**CITY OF GULFPORT, MISSISSIPPI**  
Summary of Findings and Questioned Costs  
September 30, 2012

**Section 2 – Financial Statements Findings**

*Finding 2012-1:* Grants management

*Criteria and Condition:* Grants are not being properly managed.

*Context:* See Federal Award Findings and Questioned Costs in Section 3.

*Cause:* There is a lack of oversight of grants by the City.

*Effect:* Internal controls are not functioning properly to ensure the City is in compliance with grant requirements.

*Recommendation:* We recommend that the City appoint a Grants Administrator that will be accountable for all federal grants awarded to the City.

*Management Response:* The City recognizes the problem and will endeavor to correct the situation.

**Section 3 – Federal Award Findings and Questioned Costs**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

*Finding 2012-2:* Community Development Block Grant – CFDA No. 14.228

*Criteria and Condition:* Costs are not verified as allowable prior to expenditure.

*Context:* A test of cash management revealed that funds requested for reimbursement were not received. Upon further examination it was discovered that the costs were not allowable.

*Cause:* The lack of oversight of grants by the City resulted in spending funds on unallowed costs.

*Effect:* \$98,631 of costs were not reimbursed as a result of not verifying allowable costs prior to expenditure.

*Recommendation:* Appropriate procedures should be established to ensure proper approval of expenditures. These procedures should provide for appropriate review and approval by the Grants Administrator.

*Management Response:* The City recognizes the problem and will endeavor to correct the situation.

**CITY OF GULFPORT, MISSISSIPPI**  
Summary of Findings and Questioned Costs  
September 30, 2012

DEPARTMENT OF INTERIOR

*Finding 2012-3:* National Park Service Grant – CFDA No. 15.426

*Criteria and Condition:* Budget amendments are not prepared as needed. This caused allowable costs to remain unreimbursed. The City does not closely monitor grant budgets and expenditures.

*Context:* A test of cash management revealed that allowable costs were not requested for reimbursement and necessary budget amendments were not requested.

*Cause:* This was due to lack of requested budget amendments. The total budget had remaining funds available but specific line items were completely expended.

*Effect:* \$28,965 of costs were not reimbursed due to lack of processing budget amendments.

*Recommendation:* Appropriate procedures should be established to ensure all approved expenditures are reimbursed and that budgets are amended as needed. These procedures should provide for appropriate review and approval by the Grants Administrator.

*Management Response:* The City recognizes the problem and will endeavor to correct the situation.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

*Finding 2012-4:* Community Development Block Grants – CFDA No. 14.218

*Criteria and Condition:* Requests for reimbursements are not submitted on a timely basis.

*Context:* A test of cash management revealed that requests for reimbursement are submitted several months after the expenditures.

*Cause:* This was due to lack of oversight by the responsible party.

*Effect:* The City is not receiving reimbursements timely.

*Recommendation:* Appropriate procedures should be established to ensure all approved expenditures are reimbursed timely. These procedures should provide for appropriate review and approvals by the Grants Administrator.

*Management Response:* The City recognizes the problem and will endeavor to correct the situation.

**CITY OF GULFPORT, MISSISSIPPI**  
Summary of Findings and Questioned Costs  
September 30, 2012

DEPARTMENT OF TRANSPORTATION

*Finding 2012-5:* Highway 90 Street Lighting Grant – CFDA No. 20.205

*Criteria and Condition:* Davis-Bacon Act requirements were not met by the City.

*Context:* A test of compliance with the Davis-Bacon Act revealed the City did not verify prevailing wage rates requirements were met.

*Cause:* The City did not verify prevailing wages were paid as required by the Davis-Bacon Act.

*Effect:* The City paid a contractor that was in violation of the Davis-Bacon Act \$66,306. As a result, the City could not be reimbursed until the contractor settled the dispute with the Department of Labor. There was a seven month delay in receiving reimbursement.

*Recommendation:* Appropriate procedures should be established to ensure all contractors are in compliance with the Davis-Bacon Act. These procedures should provide for appropriate review and approval by the Grants Administrator.

*Management Response:* The City recognizes the problem and will endeavor to correct the situation.

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