

CITY OF GULFPORT, MISSISSIPPI
COMPHRENSIVE ANNUAL FINANCIAL STATEMENT
SEPTEMBER 30, 2005

CITY OF GULFPORT, MISSISSIPPI
 COMPREHENSIVE ANNUAL FINANCIAL STATEMENT
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Introductory Section

November 7, 2006

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

The Comptroller's office 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, 2005. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (a dramatic change in governmental financial reporting.) The new format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the report is accurate in all material respects and is designed to present fairly the financial position and results of operations of the City for Fiscal Year ending September 30, 2005. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Annual Financial Report consists of four parts. **(I) The Introductory Section** includes this transmittal letter, the City's organizational chart, a list of principal City officials, the geographic location of the City, and the certificate of Achievement for Excellence in Financial Reporting awarded for the 2003 CAFR. **(II) The Financial Section** includes: Management's Discussion and Analysis, the basic financial statements (government-wide and fund statements), notes to the financial statements, other required supplementary information (RSI), and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statement schedules. **(III) The Statistical Section** includes several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, generally presented on a multi-year basis. **(IV) Other Financial Information** includes useful schedules and charts that are no longer required to be published as part of the basic financial statements along with schedules required by State statutes.

The City is a member of the Harrison County Wastewater and Solid Waste Management District, a joint venture with other local cities to provide adequate wastewater treatment and solid waste disposal services. The city is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center. A synopsis of the two joint ventures' financial statements for the fiscal year ended September 30, 2005, is included in note 15 of the report.

The Reporting Entity and Services Provided

Incorporated on July 28, 1898, Gulfport is located in South Mississippi in Harrison County. Gulfport is a code-charter municipality operating under a Mayor\Council form of government. The Mayor is full-time and the Council-members are part-time and elected by wards. The Mayor and Council serve concurrent four-year

terms. On July 1, 1997 the City added two additional members to the council as a result of a 1994 annexation bringing the total to seven.

In December 1993 the City annexed 33 square miles north of Gulfport becoming the second largest city in Mississippi with a land area of 62.37 square miles and a population in excess of 70,000. A full range of services are provided including: police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, planning and zoning, recreational and cultural services, and general administrative services.

Economic Conditions

On August 29, 2005, the City of Gulfport was hit by the worst natural disaster ever recorded in American history, Hurricane Katrina. With just one month short of the fiscal year end, the financial impact on the bottom line for the fiscal year being reported will be minimal; however, subsequent years' will be impacted.

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

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

The illustrate Gulfport's growth, the following table represents construction growth both for residential and non-residential.

| Year | Non-Residential Permits Issued | Value | Residential Permits Issued | Value | Total Value Residential & Non-Residential |
|------|--------------------------------|-------------|----------------------------|-------------|---|
| 1995 | 109 | 44,009,982 | 235 | 36,475,107 | 80,485,089 |
| 1996 | 114 | 48,344,467 | 229 | 29,197,221 | 77,541,688 |
| 1997 | 86 | 65,018,000 | 279 | 103,771,000 | 168,789,000 |
| 1998 | 127 | 136,862,454 | 302 | 30,724,941 | 167,587,395 |
| 1999 | 144 | 67,754,000 | 431 | 45,163,000 | 112,917,000 |
| 2000 | 100 | 37,518,632 | 471 | 83,867,868 | 121,386,500 |
| 2001 | 109 | 29,080,483 | 278 | 41,053,650 | 70,134,133 |
| 2002 | 30 | 39,723,000 | 320 | 29,475,000 | 69,198,000 |
| 2003 | 37 | 17,871,610 | 297 | 33,866,664 | 51,738,274 |
| 2004 | 56 | 73,259,467 | 396 | 50,446,011 | 123,705,478 |
| 2005 | 4,878 | 85,353,000 | 1,242 | 13,726,000 | 99,079,000 |

Note: 2005 increase is due to increased activity caused by Hurricane Katrina.

Accomplishments

Public Safety-Crime Prevention

The Gulfport Police Department's fundamental goal is to provide a safe and secure community for both citizens' visitors alike. In our attempts to achieve this goal, the Gulfport Police Department has partnered with various schools, businesses, civic groups and religious organizations in a collaborative effort to enhance the quality of life in our community and go beyond the scope of traditional policing programs.

Public safety accounts for the largest portion of the City's General Fund and makes up \$28.3 million (56%) of the City's \$50 million adopted General Fund Budget for fiscal year ending September 30, 2005. Crime prevention remains a top priority in city government. The total number of full-time sworn police officers is 200 bringing the total number of residents per sworn officer to approximately 380.

Public Safety-Fire Protection

Gulfport continues to set the standard with regards to fire protection. Recognizing the sanctity of life and safety, the Gulfport Fire Department is dedicated to the protection of it's citizens and visitors to our community. The City currently enjoys a class 4-fire rating. With a total of 12 fire stations strategically located throughout the city and 173 personnel, our firefighters can respond to emergencies within two to four minutes.

Thanks to a combination of efficient and innovative management, our police and fire departments are better equipped to help make our streets and our neighborhoods safer.

Leisure Services

The Department of Leisure Services is committed to increasing the quality of life for Gulfport's citizens in the area of culture and recreation. Improvements to City recreation and parks facilities continue to provide participants all across the City with leisure activities year round. The City has completed construction on forty (40) acres of park space off Prudie Circle Drive including four (4) baseball/softball fields and two (2) soccer/football fields. This was a joint project between the City of Gulfport and Harrison County.

The Department of Leisure Services employs 99 full time and part-time individuals and oversees ten divisions which are charged with park maintenance: approximately 540 acres; Athletics: coordination and administration of youth athletic programs; Recreation: coordination administration of after school and summer programs for the youth; Cultural Affairs: administration of special events such as parades, festivals, carnivals, etc. ; Senior Citizen programs: Coordination of programs for our elderly; Cemetery: Maintenance and administration of a City owned cemetery; Building Maintenance: Charged with maintenance and repairs of City owned buildings and public facilities; Horticulture: Management and beautification of City medians and rights of way. The other divisions include Special Populations which program for "persons with disabilities", and the Gulfport Sportsplex, which includes grounds management and programming for the Sportsplex which includes nine baseball/softball fields and four international soccer fields.

The development and operation of the City's Sports Complex continues to be the primary focus. This showcase is approximately 250 acres in size; includes nine lighted and fenced softball/baseball fields complete with a facility control center with restrooms, pavilions, and concessions; and four international size soccer fields. These facilities are designed with state of the art drainage and irrigation systems to insure that play can continue even after a heavy rain.

The Department also went into a lease agreement with Coastal Entertainment Operations (CEO) in 2003. The city provided approximately 18 acres for lease, and CEO has constructed a “world class” water park at the Sportsplex. This welcomed attraction will contribute approximately \$800,000 in additional revenue to the City in the form of lease payments and gate admissions.

Urban Development

The City’s Urban Development Department is charged with building and planning code enforcement. This ranges from ensuring that state, local, and federal building codes are strictly adhered to and that the City’s adopted zoning ordinances are followed. This department is also charged with administering economic development and business retention, and federal block grants which annual funding is approximately \$2 million.

Public Works

The Public Works Division is tasked with providing essential services to the citizens of Gulfport which have a direct impact on their “Quality of Life” each and every day. Major services provided by this division include: drainage system maintenance and improvement, street repair and maintenance, safe traffic flow, and high quality water and environmentally safe wastewater treatment and solid waste disposal.

FUTURE ECONOMIC OUTLOOK

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

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

This accessibility, combined with generally low labor costs and high ratings for quality of life, has helped Gulfport attract new businesses and residents. Cities along the Mississippi Gulf Coast have been ranked in *Money Magazine’s* “Best Places to Live,” *Forbes’* “Best Places to Start A Business,” *Modern Maturity’s* “Best Active Places to Retire,” and *Builder Magazine’s* “hottest housing markets in the United States.” And despite this phenomenal growth, our city still continues to boast an overall cost of living below the national average and is regarded as one of the most affordable urban housing markets in the South. These factors have been instrumental in the attraction and retention of national and international companies to our city.

Financial Information

Accounting System

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

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

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

Budgetary Controls

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

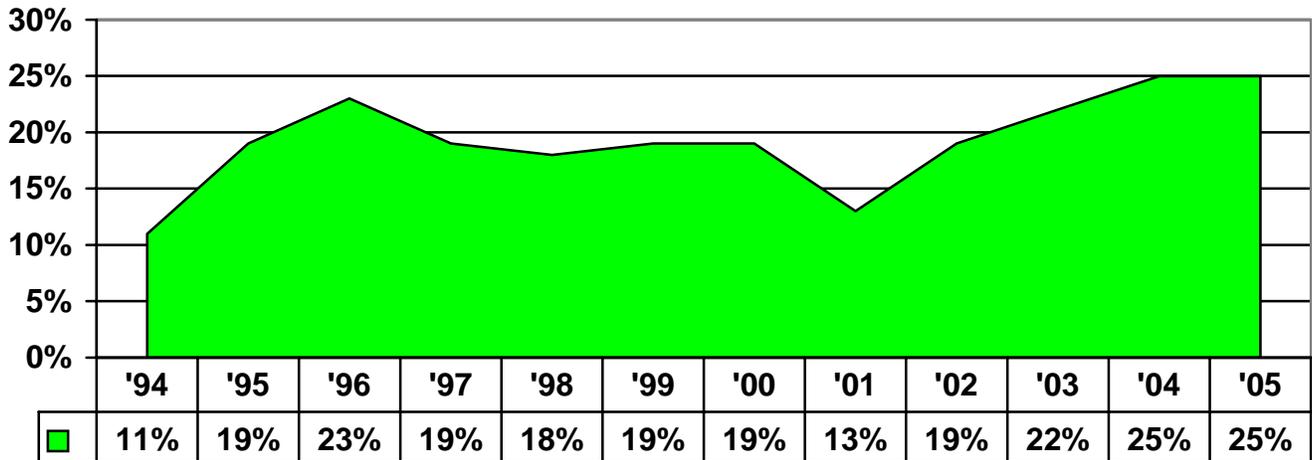
The City maintains an encumbrance accounting system as one budgetary control technique. Encumbrances reserve appropriations, which have been obligated through purchase orders or contractual documents. Encumbered amounts lapse at year end; however, they are generally reappropriated as part of the following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

Status of undesignated Fund Balance – General Fund

Fund balance is a term used in governmental accounting to describe funds that are not obligated and not designated for subsequent years' appropriations. This is comparable to a private sector's retained earnings or an individual's personal savings account. The purpose of these funds is to: 1) stabilize tax rates due to economic slowdowns, 2) provide the City with emergency funds in the event of a natural disaster, and 3) provide the City with a working cash balance for the first three months of the fiscal year until property taxes become due.

As can be seen by reviewing the below graph, the City's undesignated fund balance as a percentage of expenditures was at 25% for FYE 2005. The City's current financial condition is strong and great care has been taken in this budget to ensure that an adequate level of Fund Balance is achieved. Below is a chart showing changes in the status of the City's undesignated fund balance as a percentage of General Fund expenditures.

Status of Fund Balance



Enterprise Funds

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

Debt Administration

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

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Gulfport’s total assessed valuation is 603,327,000; therefore, the 15% limitation equals: \$90,499,050; less GO Bonds outstanding of \$ 24,860,000; plus \$2,171,371 in funds available for debt service principal payment; leaving a margin for further debt issuance of \$ 67,810,421.

Gulfport’s bond rating was upgraded in August 1996 by Moody’s bond rating service from “BAA1” to an “A2” rating.

For more detailed information on the City’s debt, please refer to pages 15 and 16 of Management’s Discussion and Analysis.

Cash Management

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

Risk Management

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

Independent Auditors

The City of Gulfport is required by Section 21-35-31 of the Mississippi Code of 1972 to have an annual audit by independent certified public accountants. In compliance with these requirements, the City selected the firm of Wright, Ward, Hatten, and Guel CPA's to perform the audit for fiscal year ended September 30, 2005. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' rendered an unqualified opinion.

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

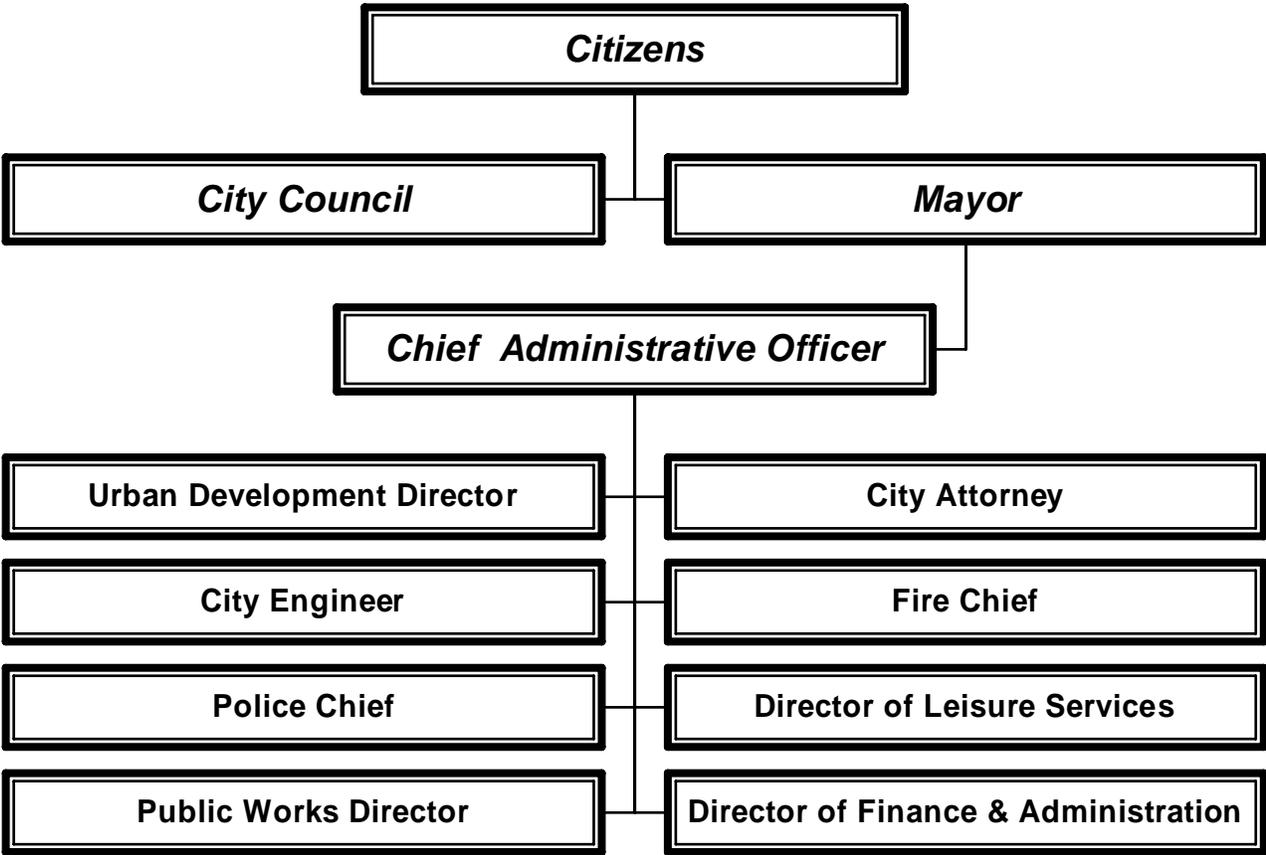
Acknowledgements

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

Respectfully submitted,

Mike Necaise
Director of Administration and Finance

CITY OF GULFPORT ORGANIZATIONAL CHART



CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials
As of September 30, 2004

Elected Officials



Brent Warr
Mayor



Gary Holliman
Councilman, Ward 1



Libby Milner-Roland
Councilwoman, Ward 2



Ella Holmes-Hines
Councilwoman, Ward 3



Jackie Smith
Councilman, Ward 4



Brian Carriere
Councilman, Ward 5



Neil Resh
Councilman, Ward 6

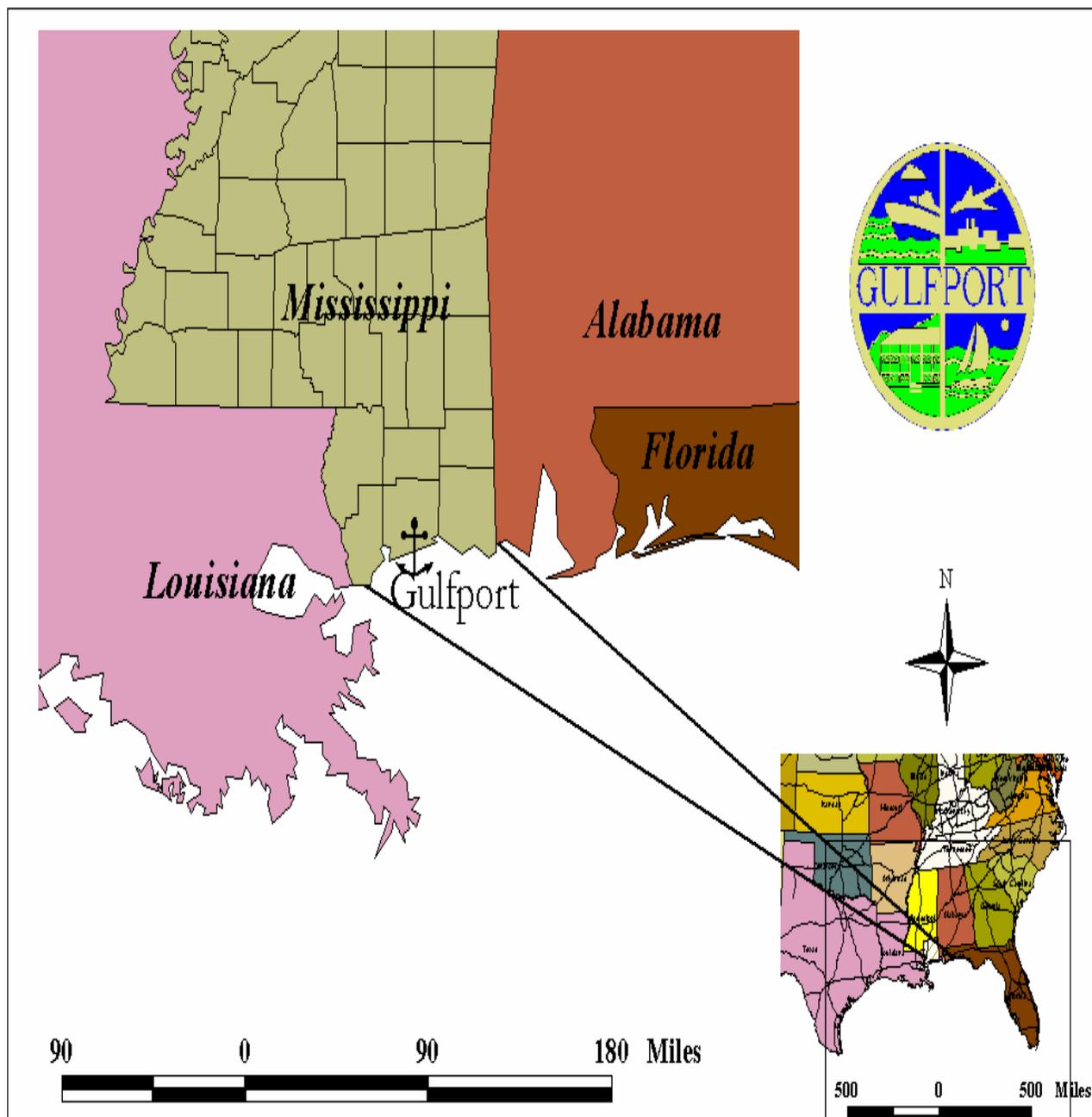


Barbara Nalley
Councilwoman, Ward 7

Appointed Officials

| | | | |
|--------------------------------------|------------------|-----------------------|--------------|
| Chief Administrative Officer | David Nichols | City Attorney | Harry Hewes |
| Police Chief | Alan Weatherford | Fire Chief | Pat Sullivan |
| Leisure Services Director | Edmond Salloum | Public Works Director | Kris Riemann |
| Urban Development Director | Larry Jones | City Engineer | Bill Powell |
| Director of Finance & Administration | Mike Necaie | | |

Geographic Location of Gulfport, Mississippi



Financial Section

WRIGHT, WARD, HATTEN & GUEL

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

Certified Public Accountants

OLD HANCOCK BANK BUILDING

2500 - 14TH STREET

P. O. BOX 129

GULFPORT, MISSISSIPPI 39502

A. L. EVANS, CPA 1929-1959
PAUL L. WRIGHT JR., CPA 1955-1993
HENRY D. WARD, CPA, CONSULTANT
KENNETH M. HATTEN, CPA, CONSULTANT
MICHAEL E. GUEL, CPA, CFP

FAYE CAROLE CLEVELAND, CPA
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July 19, 2006

INDEPENDENT AUDITORS' REPORT

The Members of City Council
and the Honorable Brent Warr, Mayor
Gulfport, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of and for the year ended September 30, 2005, 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.

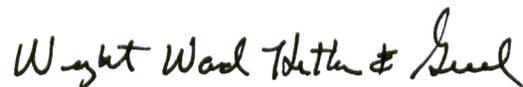
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of September 30, 2005, 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, Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual, and the Analysis of Funding Progress on pages 3 through 18 and 63 through 67 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

In accordance with *Governmental Auditing Standards*, our report dated July 19, 2006, on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover in the *City of Gulfport, Mississippi, Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



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

Management Discussion and Analysis for the City of Gulfport, Ms.

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, 2005. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.

Financial Highlights

The overall financial status of the City of Gulfport has continued to remain strong. This has been accomplished by using sound financial planning, economic growth, and balanced budgeting practices. The City is committed to continued balanced budget practices and implementing long range financial planning.

- ✓ The General Fund operated at essentially breakeven with revenues of \$48,819,776 and expenditures of \$48,725,954 million in 2005 as compared to \$3.8 million of excess revenues over expenditures in 2004.
- ✓ The City's Employee Health Insurance Fund continues to remain solvent with an ending cash balance of \$2 million in 2005. This fund essentially operated at break-even in 2005 with revenues of \$3,684,931 and expenditures of \$3,705,031; while, a slight profit of \$158,000 was generated in the prior 2004 year.
- ✓ The General Fund's unobligated and undesignated fund balance has continued to remain at its highest levels, with fund balance representing 25% of general fund expenses for the year. Fund Balance is a significant resource for the City in that it represents those resources (cash reserves) which are available for appropriation.

Brief Description of the Financial Statements

This annual report consists of a series of financial statements which are presented in a hierarchal structure. The highest level of reporting and most summarized statements are the Statement of Net Assets (i.e. balance sheet) and Statement of Activities (i.e. income statement) contained on pages 19 and 20, respectively. These two statements provide financial information on the government as a whole similar to how private sector companies report their finances. These two statements are the only place within this report where a reader can review the operations and worth of the City of Gulfport as a whole. The entire operations of the City are rolled up to this level of reporting. All of the City's annual revenues and expenses are reported in the Statement of Activities while

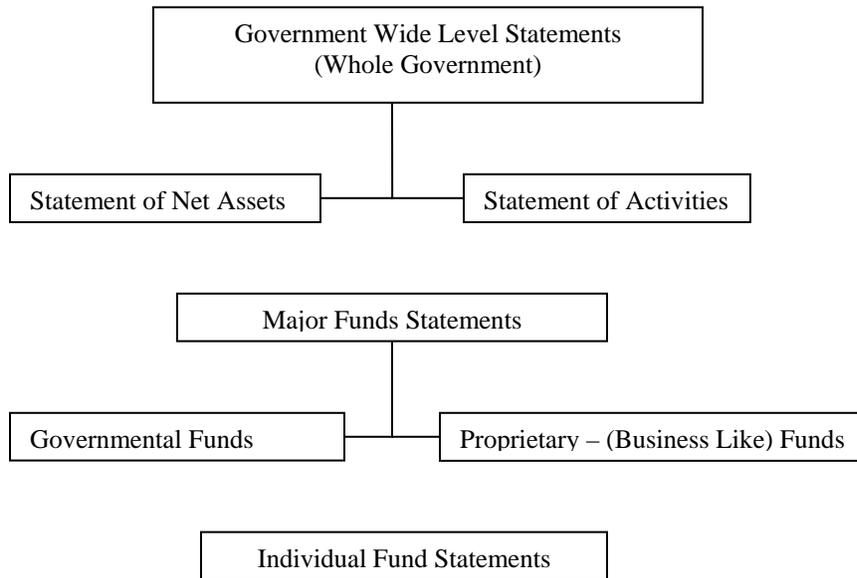
the City's assets and liabilities are reported in the Statement of Net Assets. These two statements answer the question "Is the City as a whole better off or worse off as a result of the year's activities?"

The second tier of financial reporting is the "Major" Fund Financial Statements. The fund financial statements begin on and page 21 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. Two separate statements are issued: one for activities that are of a governmental nature and a separate set of statements are contained for activities that are of a business like 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 21 through 24.

Proprietary Funds – Contain funds existing from fees charged to customers for services provided by the City. Activities relating to the City's Water and Sewer Operations and Joseph T. Jones yacht basin are reported in this section. The financial presentation of these activities are reported on pages 25 through 27 of this report. These financial statements are reported on the full accrual basis – revenues are recognized when earned and measurable. Because both the proprietary fund statements and the government wide statements are reported on the full accrual method of accounting, the total column of the proprietary funds statements are the same contained on the government wide business type activities column of the Statement of Net Assets and Statement of Activities.

Below is a chart illustrating the above mentioned financial reporting model:



Financial Analysis of the City as a Whole

Government Wide Statement of Net Assets

| | Governmental Type Activities | | Business Type Activities | | Total Primary Government | |
|--|------------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Assets: | | | | | | |
| Current and Other Assets | \$57,337,009 | \$37,531,128 | \$6,005,763 | \$10,264,838 | \$63,342,772 | \$47,795,966 |
| Capital Assets | \$204,727,942 | \$208,224,442 | \$93,707,299 | \$79,473,073 | \$298,435,241 | \$287,697,515 |
| Total Assets | \$262,064,951 | \$245,755,570 | \$99,713,062 | \$89,737,911 | \$361,778,013 | \$335,493,481 |
| Liabilities: | | | | | | |
| Current and Other Liabilities | \$25,217,161 | \$6,735,031 | \$5,834,263 | \$5,944,967 | \$31,051,424 | \$12,679,998 |
| Long Term Liabilities | \$34,424,299 | \$37,521,742 | \$69,029,207 | \$63,525,346 | \$103,453,506 | \$101,047,088 |
| Total Liabilities | \$59,641,460 | \$44,256,773 | \$74,863,470 | \$69,470,313 | \$134,504,930 | \$113,727,086 |
| Net Assets: | | | | | | |
| Invested in Capital Assets net of related debt | \$170,877,765 | \$171,665,624 | \$9,070,921 | \$2,679,954 | \$179,948,686 | \$174,345,578 |
| Restricted | \$12,838,584 | \$15,089,330 | \$10,902,875 | \$4,000 | \$23,741,459 | \$15,093,330 |
| Unrestricted | \$18,707,142 | \$14,743,843 | \$4,875,796 | \$17,583,643 | \$23,582,938 | \$32,327,486 |
| Total Net Assets | \$202,423,491 | \$201,498,797 | \$24,849,592 | \$20,267,597 | \$227,273,083 | \$221,766,394 |

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

Analysis of Government Wide Statement of Net Assets

Total Primary Government

The overall financial condition has improved for the City of Gulfport as compared to the previous year. Total assets have increased from \$335 million in 2004 to \$362 million in 2005, representing an increase of \$26.3 million or 8% while total liabilities increased by \$21 million; thus resulting in an overall increase in net assets of \$5.6 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. \$180 million is the book value (net of related debt) of the City's capital assets which represents approximately 80% of the City's total net assets. The below two sections are a breakdown of the Total Primary Government into the two sections entitled Governmental Activities and Business Type Activities.

Governmental Activities

Total assets for Governmental type activities increased by \$16 million, from \$246 million in 2004 to \$262 million in 2005. The majority of this increase is attributed mainly to: **current assets** - an increase of \$18.9 million in cash and cash equivalents in the governmental funds for the 2005 year: from \$28.1 million in 2004 to \$47 million in 2005. This increase in cash for Governmental type activities was mainly the result of the City receiving an advance from FEMA for debris removal relating to Katrina in the amount of \$22 million. **capital assets** - an increase in capital assets of \$10 million was due to the City acquiring \$7.8 million (net of related depreciation) in additional capital assets.

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 \$9.7 million; from \$90 million in 2004 to \$99.7 million in 2005 with current assets decreasing \$4.3 million and capital assets increasing \$14.2 million. This increase is a result of the following: **current assets** - cash and cash equivalents decreased by \$2.8 million, from \$3.3 million in 2004 to \$500,000 in 2005; and **capital assets** increased by \$14.3 million (net of related depreciation.) The reason for increase in cash is that the City raised water and sewer rates in 2004 by approximately 20% which resulted in an operating profit of \$1.7 million in 2004 as compared to a \$1.7 million loss in 2003 for the water and sewer fund. The increase in capital assets is due to the City beginning to address its comprehensive water and sewer master plan which was set forth several years ago. This plan will be discussed further in the section entitled "Current know Facts effecting future financial Issues" which is located on last page of this section.

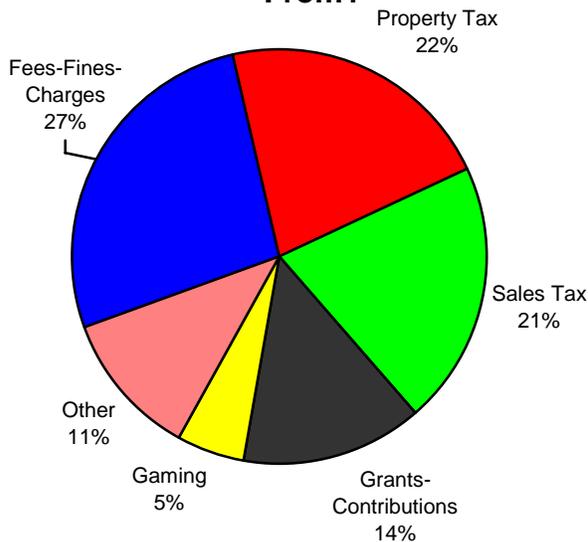
Government Wide Statement of Activities

| | Governmental Activities | | Business Type Activities | | Total Government | |
|---|-------------------------|---------------|--------------------------|--------------|------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Program Revenues: | | | | | | |
| Fees, Fines, Charges for Service | \$3,628,718 | \$5,782,955 | \$20,270,355 | \$21,516,951 | \$23,899,073 | \$27,299,906 |
| Operating Grants and Contributions | \$3,597,605 | \$4,681,718 | | | \$3,597,605 | \$4,681,718 |
| Capital Grants and Contributions | \$6,100,975 | \$3,370,441 | \$2,927,791 | \$346,832 | \$9,028,766 | \$3,717,273 |
| General Revenues: | | | | | | |
| Property Taxes | \$19,320,568 | \$19,378,488 | | | \$19,320,568 | \$19,378,488 |
| Sales Taxes | \$18,228,317 | \$17,518,320 | | | \$18,228,317 | \$17,518,320 |
| Gaming | \$4,591,269 | \$4,806,833 | | | \$4,591,269 | \$4,806,833 |
| Other | \$9,406,712 | \$4,913,304 | \$707,647 | \$171,574 | \$10,114,359 | \$5,084,878 |
| Total Revenues | \$64,874,164 | \$60,452,059 | \$23,905,793 | \$22,035,357 | \$88,779,957 | \$82,487,416 |
| Program Expenses | | | | | | |
| General Government | \$13,373,080 | \$6,226,650 | | | \$13,373,080 | \$6,226,650 |
| Public Safety | \$26,852,781 | \$27,833,130 | | | \$26,852,781 | \$27,833,130 |
| Public Works | \$15,162,787 | \$7,839,497 | | | \$15,162,787 | \$7,839,497 |
| Economic Development | \$1,534,449 | \$1,463,038 | | | \$1,534,449 | \$1,463,038 |
| Culture and Recreation | \$5,267,209 | \$5,097,842 | | | \$5,267,209 | \$5,097,842 |
| Health and Welfare | \$1,599,378 | \$1,576,615 | | | \$1,599,378 | \$1,576,615 |
| Interest on Long Term Debt | \$1,433,310 | \$1,996,914 | | | \$1,433,310 | \$1,996,914 |
| Water and Sewer | | | \$19,799,821 | \$19,752,358 | \$19,799,821 | \$19,752,358 |
| Joseph T. Jones | | | \$297,028 | \$337,477 | \$297,028 | \$337,477 |
| Total Expenses | \$65,222,994 | \$52,033,686 | \$20,096,849 | \$20,089,835 | \$85,319,843 | \$72,123,521 |
| Change in Net Assets before other transactions: | | | | | | |
| Non-operating change in fixed assets | \$1,408,158 | | (\$879,460) | | \$528,698 | |
| Transfers | (\$1,202,000) | | \$1,202,000 | | | |
| Capital contributions | \$1,067,366 | | \$450,511 | | \$1,517,877 | |
| Change in net assets | \$924,694 | \$8,418,373 | \$4,581,995 | \$1,945,522 | \$5,506,689 | \$10,363,895 |
| Net Assets at beginning of year | \$201,498,797 | \$193,080,424 | \$20,267,597 | \$18,322,075 | \$221,766,394 | \$211,402,499 |
| Net assets at end of year | \$202,423,491 | \$201,498,797 | \$24,849,592 | \$20,267,597 | \$227,273,083 | \$221,766,394 |

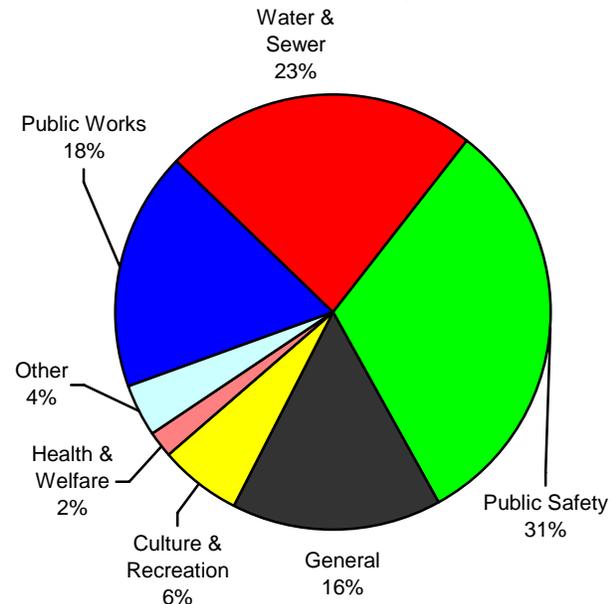
Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones operations.

Analysis of Government Wide Statement of Activities

Where does the City's Money Come From?



How is the Money Used?



Revenues

The City's Total Government wide revenues exceeded its expenses by \$3.5 million in 2005 as compared to expenses exceeding revenues by \$10.4 million in 2004. Total government wide revenue for 2005 was \$88.8 million as compared to \$82.5 million in 2004; representing an increase of \$6.3 million or 8%.

Property Tax – Property tax accounts for 22% of the City's revenues falling second only to charges for services, i.e. water and sewer charges. The City experienced practically no new growth in property taxes for the 2005 year, decreasing \$57,000 which represents less than a 1% decrease.

Sales Tax - Another significant source of revenue for the City is sales tax accounting for 21% of the City's total revenues. Sales tax increased \$700,000 or 4% from the prior year (from \$17.5 to \$18.2 million.) The City of Gulfport continues to put great emphasis in promoting economic development activities in order to lessen the burden of taxes on its citizens.

Charges for Service – is an item included under the classification of “fees, fines, and charges for service. This is the City's number revenue source accounting for 27% of the City's total revenues. This category decreased for the 2005 year; down by \$3.4 million or 12% (from \$27.3 million in 2004 to \$23.9 million in 2005.) This decrease was a direct result of the City waiving water and sewer related charges due to Hurricane Katrina for a six week period.

Grants – The City experienced an increase of \$4.2 million in grants in 2005 (from \$8.4 in 2004 to \$12.6 million in 2005.) Some of this increase is as follows: \$1 million in police grants, \$1.3 million for road upgrades, \$1.8 million in CDBG and HOME grants, and \$2.6 million in water improvements.

Expenses

The City’s total government wide expenses were \$85.3 million in 2005 as compared to \$72.1 million in 2004; representing a \$13.2 million increase. The majority of this increase is related to the loss in City assets damaged by Hurricane Katrina.

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

Governmental Activities - Cost

| | Total Cost of Service | Net Cost of Service |
|------------------------|-----------------------|---------------------|
| Public Works | \$15,162,787 | \$13,397,723 |
| Public Safety | \$26,852,781 | \$25,718,548 |
| Culture and Recreation | \$5,267,209 | \$4,793,184 |
| General Government | \$13,373,080 | \$5,795,000 |
| Economic Development | \$1,534,449 | \$1,498,666 |

Fund Financial Analysis

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

Governmental Funds

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

The General Fund is the primary “governmental fund” and is the main operating fund of the City. Activities that are traditional in nature to governmental entities are reported in this fund: i.e. public safety, public works (operations & maintenance), culture and recreation, economic development, and general government. The General Fund accounts for approximately 55% of the City’s total revenues and 77% of the City’s governmental revenues. Overall, the General Fund’s financial condition improved significantly as evidenced by the numbers below.

General Fund – Financial Summary

| | 2005 | 2004 |
|----------------------------------|--------------|--------------|
| Total Revenues | \$50,420,333 | \$49,116,661 |
| Total Expenditures | \$50,326,511 | \$45,228,625 |
| Excess of Revenues over Expenses | \$93,822 | \$3,888,036 |
| Fund Balance – Beginning Year | \$17,162,813 | \$13,274,777 |
| Fund Balance – Ending Year | \$17,256,635 | \$17,162,813 |

- ✓ The General Fund’s excess of revenues over expenditures and other financing sources was \$93,822 in 2005 as compared to \$3.9 million in 2004. It shall be noteworthy that the City’s General Fund operated essentially at breakeven for 2005.
- ✓ General Fund Cash decreased by \$1 million 2005: from \$15.7 million in 2004 to \$14.7 million in 2005. The City transferred out to other funds \$4.8 million in 2005 for the purpose of capital projects; thus, contributing to the decline in the City’s cash balance.
- ✓ The General Fund’s unreserved fund balance remained essentially unchanged at \$11.3 million for 2005. Unreserved fund balance is extremely important in that it represents that portion of the City’s assets (mainly cash and receivables) that are not designated for expenditures. The purpose of these funds are to 1) stabilize tax rates in an economic downturn, 2) provide the city with resources in the event of a natural disaster, and 3) provide the city with resources for other unforeseen events and or circumstances. The City’s unreserved portion of fund balance as a percentage of general fund expenditures was 25% for years ending 2004 and 2005, which is better than any other year in the City’s past 12 year history.
- ✓ Total General Fund revenues increased slightly by 3%: from \$49.1 million in 2004 to \$50.4 million in 2005.
- ✓ Total General Fund expenditures increased by \$5.1 million or 10%: from \$49.1 million in 2004 to \$50.1 million in 2005. This increase is attributed mainly to the General Fund transferring out \$4.8 million to other funds for the purpose of acquiring and constructing capital projects, mainly water and sewer infrastructure upgrades.

Business-Type Fund

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.

| | 2005 | 2004 |
|------------------------------------|--------------|--------------|
| Revenues: | | |
| Operating | \$20,552,762 | \$21,333,291 |
| Non-Operating | \$2,984,110 | \$122,314 |
| Total Revenues | \$23,536,872 | \$21,455,605 |
| Expenses | \$19,835,411 | \$19,752,358 |
| Income / (Loss) with Capital Grant | \$3,701,461 | \$1,703,247 |
| Less: Capital grant | \$2,927,791 | |
| Income / Loss after Capital Grant | \$773,670 | \$1,703,247 |

The overall financial condition of the City's Water and Sewer Fund worsened in 2005 as compared to 2004. The City's water and sewer operations generated a slight profit of \$774,000 in 2005 as compared to a \$1.7 million profit in 2004. Operating revenues decreased by \$780,529 or 4%. This decrease for 2005 is attributed to the event of Hurricane Katrina. Expenditures remained essentially the same for both years.

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.

General Fund
Summary of Budget to Actual Amounts
Fiscal Year Ending 9-30-2005

| | Original Budget | Revised Budget | Actual Amounts (Budget Basis) |
|---|----------------------|----------------------|----------------------------------|
| Revenues: | | | |
| Property Taxes | \$14,319,471 | \$14,319,468 | \$13,850,860 |
| Sales Tax | \$17,300,000 | \$17,300,000 | \$18,057,278 |
| Intergovernmental | \$1,310,000 | \$1,345,000 | \$1,204,374 |
| Fines and Forfeits | \$1,800,000 | \$1,953,605 | \$2,811,375 |
| Gaming | \$4,700,000 | \$4,700,000 | \$4,868,046 |
| Franchise Taxes | \$2,850,000 | \$2,850,000 | \$2,977,526 |
| Licenses and Permits | \$1,706,000 | \$1,706,000 | \$1,954,028 |
| Other | \$2,067,345 | \$5,121,990 | \$4,605,290 |
| Total Revenues | \$46,052,816 | \$49,296,063 | \$50,328,777 |
| Expenditures: | | | |
| Police | \$16,517,943 | \$18,204,701 | \$16,387,297 |
| Fire | \$10,011,939 | \$10,132,755 | \$9,498,235 |
| Public Works | \$8,256,972 | \$8,621,365 | \$8,056,970 |
| Economic Development | \$1,704,273 | \$1,721,718 | \$1,554,824 |
| Culture and Recreation | \$5,029,383 | \$5,167,044 | \$4,753,612 |
| General Government | \$6,326,764 | \$6,638,615 | \$5,797,109 |
| Other | \$3,290,400 | \$4,828,729 | \$4,788,329 |
| Total Expenditures | \$51,137,674 | \$55,314,927 | \$50,836,376 |
| Excess / (deficit) of Revenues over Expenses | (\$5,084,858) | (\$6,018,864) | (\$507,599) |

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

- ✓ The revenue budget (original versus revised) was amended by \$3.2 million or 7%; original budget of \$46.1 million as compared to the revised budget of \$49.3 million. The majority of this increase represented an increase in sales in assets of \$1.4 million which represented the sale of the City's downtown parking garage with the remaining difference comprised of various grants.
- ✓ The Expenditure Budget was increased by \$4.2 million or 8% for the 2005 year. Some of the major amendments include the following: \$2 million for various police grants and \$1.5 million in transfers out to other funds for infrastructure upgrades.

Overall, the City's General Fund actual revenues for 2005 (budget basis) exceeded the revised budget by \$1 million or 2%; from \$49.3 million in 2004 to \$50.3 million in 2005. Some major factors contributing to this are as follows:

- ✓ Actual sales tax revenue exceeded its budget by \$800,000 or 5%, 2005 budget was \$17.3 million while 2005 actual amount was \$18.1 million.
- ✓ Actual property tax revenue fell short of its budget by \$468,000 or 3%.
- ✓ Actual fines and forfeits exceeded its budget by \$858,000 or 44%.

The City's General Fund actual expenditures fell short of its budgeted expenditures creating a 2005 budget surplus of \$4.3 million in 2005. Actual amounts were \$51 million while budget amounts were \$55.3 million. Major contributing factors for this difference are discussed below:

- ✓ Employee Vacancies – The City's payroll budget (General Fund) for the 2005 year was \$33.7 million while actual 2005 expenditures totaled \$31.5 million; leaving a budget surplus of \$2.2 million. This amount equates to an average vacancy rate of 7%. The City has acknowledged its need for a more aggressive employee recruiting and retention program and is moving forward towards addressing this issue.
- ✓ Capital Outlay – The General Fund budget contained \$2.8 in capital outlay with actual expenditures totaling \$2.2 million; thus, leaving a budget surplus of \$600,000 for the 2005 year.

Capital Assets and Debt Administration

Capital Assets

City of Gulfport
Schedule of Capital Assets
Net of Depreciation

| | Governmental Activities | | Business-Type Activities | | Totals | |
|------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Land | \$25,240,543 | \$24,953,676 | \$212,617 | \$212,616 | \$25,453,160 | \$25,166,292 |
| Buildings | \$5,678,799 | \$10,365,182 | | \$819,148 | \$5,678,799 | \$11,184,330 |
| Improvements | \$369,961 | \$2,242,406 | \$79,097,113 | \$66,739,728 | \$79,467,074 | \$68,982,134 |
| Infrastructure | \$166,748,132 | \$164,976,190 | | | \$166,748,132 | \$164,976,190 |
| Machinery & Eqp. | \$2,996,879 | \$2,875,311 | \$299,620 | \$290,148 | \$3,296,499 | \$3,165,459 |
| Vehicles | \$3,516,725 | \$2,811,677 | \$423,205 | \$449,900 | \$3,939,930 | \$3,261,577 |
| Totals | \$204,551,039 | \$208,224,442 | \$80,032,555 | \$68,511,540 | \$284,583,594 | \$276,735,982 |

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2005 asset values were estimated at \$284,583,594 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 \$7.8 million (after depreciation) as compared to the prior year. See note 7 for more detail information on capital assets.

Depreciation expense for the 2005 year totaled \$7 million and was allocated to the following classes of assets:

Allocation of Depreciation by Major Asset Class

| | |
|---|-------------|
| Buildings | \$336,808 |
| Machinery and Equipment | \$722,451 |
| Vehicles | \$731,781 |
| Infrastructure (roads, bridges, drainage, etc.) | \$2,759,766 |
| Water & Sewer System and J. T. Jones Park | \$982,597 |
| Improvement Other | \$130,828 |

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

Significant increases in capital acquisitions and improvements include:

- ✓ Water and Sewer System Upgrades - \$13.5 million.
- ✓ Roads and Drainage Improvements - \$4 million.

Debt Administration

City of Gulfport
Schedule of Long Term Debt

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Bonds | \$24,860,000 | \$27,225,000 | | | \$24,860,000 | \$27,225,000 |
| Notes | \$8,693,274 | \$9,243,818 | | | \$8,693,274 | \$9,243,818 |
| Capital Leases | \$120,000 | \$490,000 | | | \$120,000 | \$490,000 |
| Compensated Absences | \$1,451,195 | \$1,725,181 | \$10,248 | \$10,673 | \$1,461,443 | \$1,735,854 |
| Claims and Judgements | \$43,000 | \$45,000 | | | \$43,000 | \$45,000 |
| Revenue Bonds and Notes backed by water and sewer fund | | | \$70,961,634 | \$65,823,824 | \$70,961,634 | \$65,823,824 |
| Totals | \$35,167,469 | \$38,728,999 | \$70,971,882 | \$65,834,497 | \$106,139,351 | \$104,563,496 |

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

At year ending 2005, the City had \$106 million in outstanding debt representing a net increase of \$1.6 million or 2% as compared to the prior year. See note 8 of this report for further detail relating to the City's debt.

Current know Facts effecting future financial Issues

Rising Water and Sewer Debt

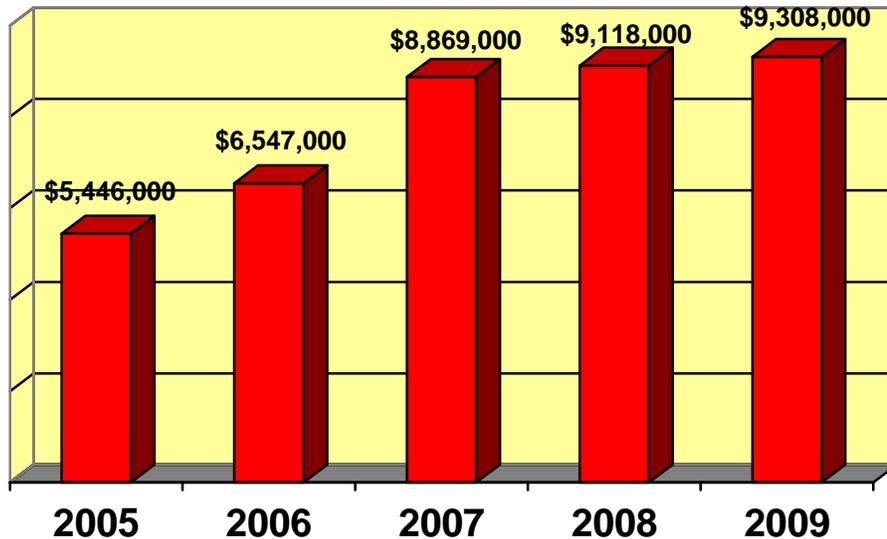
Without a doubt, the greatest financial challenge facing this City will be to find resources available to address an aging water and sewer system. The City has identified approximately \$130 million in needed water and sewer renovations and upgrades: \$80 million sewer and \$50 million water. The City has been mandated by the Environmental Protection Agency (EPA) to put together a long range plan (4 years) to address the sewer issue. On October 7, 2003, the City approved a schedule to complete all remaining sewer projects. This schedule has been approved by EPA and identified \$18 million in sewer projects that would be complete from 2004 – 2008. Upgrades of the water system also remains a critical need in order to sustain the City's fire insurance rating and extend potable water to unserved areas.

Of the \$130 million identified in needed water and sewer upgrades and renovations, approximately \$58 million has been funded while another \$72 million remains unfunded. The City is seeking out federal grants and is prepared to enact the fees and charges necessary to accomplish this task.

As stated previously, the City has either borrowed or committed itself to borrow \$44.5 million since 2004. These funds are from a combination of debt instruments ranging from revenue bonds, GO bonds, and State Revolving Loan Funds

Due to this aggressive borrowing in just a short period of time, debt service payments (principal and interest) in the water and sewer fund is projected to increase from its current 2005 level of \$5.4 million to \$9.3 million in 2009; representing a \$3.9 million or 72% increase (see chart on next page.) This debt increase represents only the \$58 million funded portion of the above described water and sewer master plan and does not include the unfunded portion of \$72 million. This entire increase in debt repayment is unfunded and, absent of any federal or state grants, the city will have to seek out ways to cover this escalating cost.

Future Annual Water and Sewer Debt Projections



Hurricane Katrina Recovery – (Project Management)

Hurricane Katrina devastated Gulfport's coastline on August 29, 2005, just four weeks before the fiscal year ended. Now, with more than one year gone since the storm, Gulfport continues to rebuild and recover. The needs and challenges of Gulfport were great before the storm and have only grown since the storm. The City had an ongoing capital improvement program in excess of \$50 million before Katrina and damages to the City's infrastructure and facilities from Katrina are estimated at \$70 million. Combined, the City will be responsible for managing \$130 million in replacements and repairs to its infrastructure and facilities (i.e. roads, bridges, water & sewer systems, buildings, etc.) This creates a major challenge in that the resources for engineers, architects, and contractors are extremely scarce, which will in turn, create delays in completing work, which will subject the City to price increases due to escalating cost, i.e. CPI index. For example, given an annual CPI increase of 4%, the \$130 million in projects referenced above could increase in cost by as much as \$5.2 million each year. Having projects completed in a timely manner within budget continues to be a significant concern of the City.

Machinery – Equipment – Vehicle Replacements

The City’s machinery, equipment, and vehicles are in desperate need of replacement. As evidenced by the table below, the percent of life remaining for the asset classes of vehicles and machinery was at 51% for the 2005 year end. This statistic entitled “% of life remaining” is important in that it measures the condition of an asset class as a whole. For example, with regards to vehicles, the city has acquired over the years \$19.3 million worth of vehicles (historical cost) and accumulated depreciation has amounted to \$8.8 million. Assuming a 5 year useful life, the table below reflects the assertion that 45% of the City’s vehicle class as a whole has exceeded its useful life. It will be imperative for the City find ways to continuously upgrade its old and outdated machinery and vehicles.

| Asset Class | Acquisition Cost | Accumulated Depreciation | % of Life Remaining |
|-----------------------|------------------|--------------------------|---------------------|
| Machinery & Equipment | \$7,876,000 | \$4,580,000 | 42% |
| Vehicles | \$19,275,000 | \$8,761,000 | 55% |
| Subtotal | \$27,151,000 | \$13,341,000 | 51% |

Contacting the City’s Financial Management

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

Government-Wide Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Statement of Net Assets
September 30, 2005

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and equivalents | \$ 47,011,727 | \$ 1,607,408 | \$ 48,619,135 |
| Cash with fiscal agents | 92,955 | - | 92,955 |
| Investments | 1,382,676 | 245 | 1,382,921 |
| Receivables: | | | |
| Taxes receivable | 2,584,239 | - | 2,584,239 |
| Customer accounts receivable | 2,119 | 1,926,658 | 1,928,777 |
| Grantee loans | 2,322,218 | 1,192,905 | 3,515,123 |
| For other governments | 238,783 | | 238,783 |
| Other receivables | 797,756 | - | 797,756 |
| Internal balances | 54,250 | - | 54,250 |
| Due from other governments | 2,256,012 | 365,256 | 2,621,268 |
| Prepaid expenses | 594,274 | - | 594,274 |
| Restricted cash | - | 913,291 | 913,291 |
| Total current assets | <u>57,337,009</u> | <u>6,005,763</u> | <u>63,342,772</u> |
| Noncurrent Assets | | | |
| Capital assets | | | |
| Land | 25,240,543 | 212,617 | 25,453,160 |
| Infrastructure | 230,136,685 | - | 230,136,685 |
| Buildings | 9,025,432 | - | 9,025,432 |
| Improvements | 1,190,125 | 102,766,664 | 103,956,789 |
| Machinery and equipment | 6,994,741 | 881,913 | 7,876,654 |
| Vehicles | 11,396,314 | 1,304,853 | 12,701,167 |
| Less: Accumulated depreciation | (79,432,801) | (25,133,492) | (104,566,293) |
| Total capital assets | <u>204,551,039</u> | <u>80,032,555</u> | <u>284,583,594</u> |
| Other Noncurrent Assets | | | |
| Cash - water and sewer improvements | - | 9,705,970 | 9,705,970 |
| Deferred charges | 176,903 | 3,968,774 | 4,145,677 |
| Total noncurrent assets | <u>176,903</u> | <u>13,674,744</u> | <u>13,851,647</u> |
| Total Assets | <u>\$ 262,064,951</u> | <u>\$ 99,713,062</u> | <u>\$ 361,778,013</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | \$ 3,204,055 | \$ 914,927 | \$ 4,118,982 |
| Deferred revenues | 18,844,101 | 1,192,905 | 20,037,006 |
| Internal balances | - | 54,250 | 54,250 |
| Due to other governments | 253,067 | - | 253,067 |
| Current portion of long-term liabilities: | | | |
| Accrued interest | 178,931 | 863,407 | 1,042,338 |
| Compensated absences | 29,024 | - | 29,024 |
| Capital lease payable | 120,000 | - | 120,000 |
| Notes payable | 562,983 | 753,774 | 1,316,757 |
| Bonds payable | 2,025,000 | 2,055,000 | 4,080,000 |
| Total current liabilities | <u>25,217,161</u> | <u>5,834,263</u> | <u>31,051,424</u> |
| Noncurrent liabilities | | | |
| Liability for self insurance claims | 1,993,837 | - | 1,993,837 |
| Compensated absences | 1,422,171 | 10,248 | 1,432,419 |
| Notes payable | 8,130,291 | 10,012,860 | 18,143,151 |
| Bonds payable | 22,835,000 | 58,140,000 | 80,975,000 |
| Claims | 43,000 | - | 43,000 |
| Payable from restricted assets | - | 866,099 | 866,099 |
| Total noncurrent liabilities | <u>34,424,299</u> | <u>69,029,207</u> | <u>103,453,506</u> |
| Total Liabilities | <u>59,641,460</u> | <u>74,863,470</u> | <u>134,504,930</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 170,877,765 | 9,070,921 | 179,948,686 |
| Restricted for: | | | |
| Capital improvements | 6,027,899 | 10,898,875 | 16,926,774 |
| Debt service | 2,070,885 | 4,000 | 2,074,885 |
| Specific grant programs | 4,635,850 | - | 4,635,850 |
| Temporarily restricted (donor imposed) | 3,950 | - | 3,950 |
| Permanently restricted | | | |
| Nonexpendable | 100,000 | - | 100,000 |
| Unrestricted | 18,707,142 | 4,875,796 | 23,582,938 |
| Total Net Assets | <u>\$ 202,423,491</u> | <u>\$ 24,849,592</u> | <u>\$ 227,273,083</u> |

CITY OF GULFPORT, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2005

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ (13,373,080) | \$ 2,938,104 | \$ 898,739 | \$ 3,741,236 | \$ (5,795,001) | \$ - | \$ (5,795,001) |
| Public safety | (26,852,781) | 125,732 | 1,008,501 | - | (25,718,548) | - | (25,718,548) |
| Public works | (15,162,787) | - | 135,880 | 1,629,184 | (13,397,723) | - | (13,397,723) |
| Health and welfare | (1,599,378) | 55,076 | 1,554,485 | 730,555 | 740,738 | - | 740,738 |
| Culture and recreation | (5,267,209) | 474,025 | - | - | (4,793,184) | - | (4,793,184) |
| Economic development | (1,534,449) | 35,781 | - | - | (1,498,668) | - | (1,498,668) |
| Interest on long-term debt | (1,433,310) | - | - | - | (1,433,310) | - | (1,433,310) |
| Total governmental activities | <u>(65,222,994)</u> | <u>3,628,718</u> | <u>3,597,605</u> | <u>6,100,975</u> | <u>(51,895,696)</u> | <u>-</u> | <u>(51,895,696)</u> |
| Business-type activities: | | | | | | | |
| Water & Sewer | (19,783,292) | 19,986,265 | (16,529) | 2,927,791 | - | 3,114,235 | 3,114,235 |
| Port | (297,028) | 284,090 | - | - | - | (12,938) | (12,938) |
| Total business-type activities | <u>(20,080,320)</u> | <u>20,270,355</u> | <u>(16,529)</u> | <u>2,927,791</u> | <u>-</u> | <u>3,101,297</u> | <u>3,101,297</u> |
| Total primary government | <u>(85,303,314)</u> | <u>23,899,073</u> | <u>3,581,076</u> | <u>9,028,766</u> | <u>(51,895,696)</u> | <u>3,101,297</u> | <u>(48,794,399)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 5,474,016 | - | 5,474,016 |
| Property taxes, levied for special purposes | | | | | 13,846,552 | - | 13,846,552 |
| Sales taxes | | | | | 18,228,317 | - | 18,228,317 |
| Franchise taxes | | | | | 2,853,831 | - | 2,853,831 |
| Public service taxes | | | | | 1,423,818 | - | 1,423,818 |
| Gaming taxes | | | | | 4,591,269 | - | 4,591,269 |
| Licenses and permits | | | | | 1,974,481 | - | 1,974,481 |
| Unrestricted investment earnings | | | | | 902,931 | 428,359 | 1,331,290 |
| Miscellaneous | | | | | 2,251,651 | 279,288 | 2,530,939 |
| Total general revenues | | | | | <u>51,546,866</u> | <u>707,647</u> | <u>52,254,513</u> |
| Change in net assets before transfers, capital contributions and gain (loss) on sale of assets | | | | | <u>(348,830)</u> | <u>3,808,944</u> | <u>3,460,114</u> |
| Non-operating changes in fixed assets | | | | | 1,408,158 | (879,460) | 528,698 |
| Transfers | | | | | (1,202,000) | 1,202,000 | - |
| Capital contributions | | | | | 1,067,366 | 450,511 | 1,517,877 |
| | | | | | <u>1,273,524</u> | <u>773,051</u> | <u>2,046,575</u> |
| Change in net assets | | | | | 924,694 | 4,581,995 | 5,506,689 |
| Net assets - beginning | | | | | 201,498,797 | 20,267,597 | 221,766,394 |
| Net assets - ending | | | | | <u>\$ 202,423,491</u> | <u>\$ 24,849,592</u> | <u>\$ 227,273,083</u> |

Governmental Fund Financial Statements

Major Funds:

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Balance Sheets
Governmental Funds
September 30, 2005

| | <u>Major Funds</u> | | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------------|---|---|
| | <u>General Fund</u> | <u>Disaster Relief Fund</u> | | |
| Assets | | | | |
| Pooled cash and cash equivalents | \$ 14,707,887 | \$ 19,850,936 | \$ 9,728,798 | \$ 44,287,621 |
| Non-pooled cash and cash equivalents | 195,551 | - | | 195,551 |
| Cash with fiscal agents | - | - | 92,955 | 92,955 |
| Receivables: | | | | |
| Property taxes | 150,616 | - | 58,994 | 209,610 |
| Sales taxes | 1,601,935 | - | - | 1,601,935 |
| Franchise taxes | 631,341 | - | - | 631,341 |
| Gaming fees | 91,053 | - | - | 91,053 |
| Grantee loans | - | - | 2,322,218 | 2,322,218 |
| Privilege licenses | 236,397 | - | - | 236,397 |
| For other governments | 238,783 | - | - | 238,783 |
| Other | 78,978 | - | - | 78,978 |
| Due from other funds | 461,770 | - | 15,976 | 477,746 |
| Due from other governments | 451,138 | 469,311 | 1,335,563 | 2,256,012 |
| Deferred charges | - | - | 98,458 | 98,458 |
| Total assets | \$ 18,845,449 | \$ 20,320,247 | \$ 13,652,962 | \$ 52,818,658 |
| Liabilities and Fund balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 565,557 | \$ 1,452,296 | \$ 657,363 | \$ 2,675,216 |
| Accrued wages payable | 434,751 | - | 2,777 | 437,528 |
| Due to other funds | - | - | 423,496 | 423,496 |
| Due to other governments | 236,397 | - | 16,670 | 253,067 |
| Other liabilities | - | - | 44,423 | 44,423 |
| Deferred revenue | 322,987 | 18,740,831 | 2,454,602 | 21,518,420 |
| Performance bonds payable | 29,122 | - | 16,000 | 45,122 |
| Total Liabilities | 1,588,814 | 20,193,127 | 3,615,331 | 25,397,272 |
| Fund Balance | | | | |
| Reserved for encumbrances | 468,610 | 123,170 | 2,196,796 | 2,788,576 |
| Reserved for donor imposed restrictions | 100,000 | 3,950 | - | 103,950 |
| Unreserved Reported in: | | | | |
| General Fund | 11,267,757 | | | 11,267,757 |
| Designated for subsequent year appropriations | 5,420,268 | | | 5,420,268 |
| Special Revenue | - | - | 1,835,056 | 1,835,056 |
| Capital Projects | - | - | 3,834,408 | 3,834,408 |
| Debt Service | - | - | 2,171,371 | 2,171,371 |
| Total fund balance | 17,256,635 | 127,120 | 10,037,631 | 27,421,386 |
| Total liabilities and fund balance | \$ 18,845,449 | \$ 20,320,247 | \$ 13,652,962 | \$ 52,818,658 |

CITY OF GULFPORT, MISSISSIPPI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2005

| | | |
|---|--------------|-----------------------|
| Total fund balances - governmental funds | | \$ 27,421,386 |
| 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 | | 204,551,039 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds | | 2,674,319 |
| Bond issue costs on long-term debt (net of amortizations) does not require current financial resources and, therefore, is not reported in the funds balance sheet | | 78,445 |
| Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported in the funds balance sheet | | (178,931) |
| Internal Service Funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of Internal Service Funds are included in the governmental activities in the Statement of Net Assets as follows: | | |
| Current assets | 5,040,305 | |
| Accounts payable | (1,766) | |
| Estimated health claims payable | (1,993,837) | 3,044,702 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds | | |
| Due within one year | (2,857,007) | |
| Due in more than one year | (32,310,462) | <u>(35,167,469)</u> |
| Net assets of governmental activities | | <u>\$ 202,423,491</u> |

CITY OF GULFPORT, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2005

| | <u>Major Funds</u> | | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---------------------------------|---|---|
| | <u>General Fund</u> | <u>Disaster Relief Fund</u> | | |
| Revenues: | | | | |
| Taxes | | | | |
| Property | \$ 13,846,552 | \$ - | \$ 5,474,016 | \$ 19,320,568 |
| Sales | 18,228,317 | - | - | 18,228,317 |
| Franchise | 2,853,831 | - | - | 2,853,831 |
| Gaming | 4,591,269 | - | - | 4,591,269 |
| Licenses and permits | 1,854,996 | - | - | 1,854,996 |
| Intergovernmental | 1,481,139 | - | 4,801,401 | 6,282,540 |
| Charges for services | 951,288 | - | - | 951,288 |
| Fines and forfeits | 2,811,375 | - | - | 2,811,375 |
| Interest | 514,894 | - | 291,129 | 806,023 |
| Miscellaneous | 1,686,115 | 3,741,237 | 91,920 | 5,519,272 |
| Total revenues | <u>48,819,776</u> | <u>3,741,237</u> | <u>10,658,466</u> | <u>63,219,479</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 5,738,254 | 1,030,092 | - | 6,768,346 |
| Public safety | 25,872,782 | 1,798,702 | 1,104,604 | 28,776,088 |
| Public works | 8,049,204 | 1,032,490 | 5,671,772 | 14,753,466 |
| Economic development | 1,495,541 | 275,849 | 721,420 | 2,492,810 |
| Culture and recreation | 4,382,401 | 46,235 | 491,193 | 4,919,829 |
| Capital outlay | - | - | 1,028,394 | 1,028,394 |
| Debt service: | | | | |
| Principal | - | - | 3,344,651 | 3,344,651 |
| Interest | - | - | 1,633,099 | 1,633,099 |
| Other | - | - | 7,690 | 7,690 |
| Total expenditures | <u>45,538,182</u> | <u>4,183,368</u> | <u>14,002,823</u> | <u>63,724,373</u> |
| Excess (deficit) of revenues over expenditures | <u>3,281,594</u> | <u>(442,131)</u> | <u>(3,344,357)</u> | <u>(504,894)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 192,399 | - | 4,375,492 | 4,567,891 |
| Transfers out | (4,788,329) | - | (981,562) | (5,769,891) |
| Sale of general fixed assets | 1,408,158 | - | - | 1,408,158 |
| Total other financing sources (uses) | <u>(3,187,772)</u> | <u>-</u> | <u>3,393,930</u> | <u>206,158</u> |
| Changes in fund balance | 93,822 | (442,131) | 49,573 | (298,736) |
| Fund balance - October 1 | 17,162,813 | 569,251 | 9,988,058 | 27,720,122 |
| Fund balance - September 30 | <u>\$ 17,256,635</u> | <u>\$ 127,120</u> | <u>\$ 10,037,631</u> | <u>\$ 27,421,386</u> |

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, 2005

Net changes in fund balances - total governmental funds \$ (298,736)

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

Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year. (3,673,403)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 119,485

The issuance of long-term debt (e.g., bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt. 3,561,530

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. (4,482)

Accrued interest reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 204,271

Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunications, to individual funds.

The net revenue (expense) of internal service funds is reported with governmental activities 1,016,029

Changes in net assets of governmental activities \$ 924,694

Proprietary Fund Financial Statements

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

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

Internal Service Funds are presented in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI
Statement of Net Assets
Proprietary Funds
September 30, 2005

| | Business Type Activities | | | Governmental Activities - Internal Service Funds |
|--|---------------------------------|--|----------------------|---|
| | Water and Sewer | Non-major Fund Joseph T, Jones Park | Totals | |
| Assets | | | | |
| Current assets: | | | | |
| Pooled cash and cash equivalents | \$ - | \$ 542,782 | \$ 542,782 | \$ 2,528,555 |
| Non-pooled cash and cash equivalents | 1,064,625 | - | 1,064,625 | |
| Investments | 245 | | 245 | 1,382,676 |
| Receivables: | | | | |
| Customer accounts (net of allowance for uncollectible accounts) | 1,926,658 | - | 1,926,658 | |
| Other | 1,192,905 | - | 1,192,905 | 534,800 |
| Prepaid insurance | - | - | - | 594,274 |
| Due from other governments | 365,256 | - | 365,256 | |
| Total current assets | <u>4,549,689</u> | <u>542,782</u> | <u>5,092,471</u> | <u>5,040,305</u> |
| Current restricted assets | | | | |
| Pooled cash and cash equivalents | <u>913,291</u> | <u>-</u> | <u>913,291</u> | <u>-</u> |
| Noncurrent assets | | | | |
| Capital assets: | | | | |
| Land | 149,313 | 63,304 | 212,617 | - |
| Improvements other than buildings | 102,667,450 | 99,214 | 102,766,664 | - |
| Machinery and equipment | 881,913 | - | 881,913 | - |
| Vehicles | 1,290,249 | 14,604 | 1,304,853 | - |
| | <u>104,988,925</u> | <u>177,122</u> | <u>105,166,047</u> | <u>-</u> |
| Less accumulated depreciation | (25,031,055) | (102,437) | (25,133,492) | - |
| Total capital assets | <u>79,957,870</u> | <u>74,685</u> | <u>80,032,555</u> | <u>-</u> |
| Other noncurrent assets | | | | |
| Cash - Water and Sewer Improvements | 9,705,970 | - | 9,705,970 | - |
| Deferred charges | 3,968,774 | - | 3,968,774 | - |
| Total other noncurrent assets | <u>13,674,744</u> | <u>-</u> | <u>13,674,744</u> | <u>-</u> |
| Total assets | <u>\$ 99,095,594</u> | <u>\$ 617,467</u> | <u>\$ 99,713,061</u> | <u>\$ 5,040,305</u> |
| Liabilities | | | | |
| Current liabilities (payable from current assets) | | | | |
| Accounts payable | \$ 761,948 | \$ 4,974 | \$ 766,922 | \$ 1,766 |
| Liability for self-insurance claims | - | - | - | 1,993,837 |
| Accrued wages payable | 1,477 | 2,421 | 3,898 | - |
| Accrued interest payable | 863,407 | - | 863,407 | - |
| Due to other funds | 54,250 | - | 54,250 | - |
| Retainage payable | 142,338 | - | 142,338 | - |
| Other liabilities | 1,194,673 | - | 1,194,673 | - |
| Notes payable - current portion | 2,055,000 | - | 2,055,000 | - |
| Bonds payable - current portion | 753,774 | - | 753,774 | - |
| Total current liabilities payable from current assets | <u>5,826,867</u> | <u>7,395</u> | <u>5,834,262</u> | <u>1,995,603</u> |
| Current liabilities (payable from restricted assets) | | | | |
| Meter deposits | 866,099 | - | 866,099 | - |
| Total current liabilities | <u>6,692,966</u> | <u>7,395</u> | <u>6,700,361</u> | <u>1,995,603</u> |
| Noncurrent liabilities | | | | |
| Compensated absences payable | 3,973 | 6,275 | 10,248 | - |
| Bonds payable | 58,140,000 | - | 58,140,000 | - |
| Notes payable | 10,012,860 | - | 10,012,860 | - |
| Total noncurrent liabilities | <u>68,156,833</u> | <u>6,275</u> | <u>68,163,108</u> | <u>-</u> |
| Total liabilities | <u>74,849,799</u> | <u>13,670</u> | <u>74,863,469</u> | <u>1,995,603</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 8,996,236 | 74,685 | 9,070,921 | - |
| Restricted for Capital Improvements | 10,898,875 | | 10,898,875 | |
| Restricted for revenue bond indentures | 4,000 | | 4,000 | - |
| Unrestricted | 4,346,684 | 529,112 | 4,875,796 | 3,044,702 |
| Total net assets | <u>\$ 24,245,795</u> | <u>\$ 603,797</u> | <u>\$ 24,849,592</u> | <u>\$ 3,044,702</u> |

CITY OF GULFPORT, MISSISSIPPI
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2005

| | Business Type Activities | | | Governmental Activities - Internal Service Funds |
|--|---------------------------------|--|------------------------|---|
| | Water and Sewer | Non-major Fund Joseph T, Jones Park | 2005 Totals | |
| Operating Revenues | | | | |
| Intergovernmental | \$ 2,984,110 | \$ - | \$ 2,984,110 | \$ - |
| Employee contributions | - | - | - | 665,912 |
| Retiree contributions | - | - | - | 89,228 |
| Employer contributions | - | - | - | 4,951,960 |
| Insurance claim reimbursements | - | - | - | 675,915 |
| Charges for services | 20,035,680 | 337,129 | 20,372,809 | - |
| Miscellaneous | 103,838 | 146 | 103,984 | - |
| Total operating revenues | <u>23,123,628</u> | <u>337,275</u> | <u>23,460,903</u> | <u>6,383,015</u> |
| Operating Expenses | | | | |
| Personnel services | 107,050 | 176,013 | 283,063 | - |
| Contractual services | 3,048,108 | 74,074 | 3,122,182 | - |
| Material and supplies | 1,073,258 | 3,678 | 1,076,936 | 9,250 |
| Administrative expenses | - | - | - | 187,234 |
| Death benefits paid | - | - | - | 2,000 |
| Premium payments | - | - | - | 1,361,395 |
| Claims paid and changes in estimates | - | - | - | 3,904,014 |
| Other services and charges | 11,732,188 | - | 11,732,188 | - |
| Depreciation | 1,174,911 | - | 1,174,911 | - |
| Amortization | 162,819 | 17,135 | 179,954 | - |
| Bad debts | 164,635 | 26,127 | 190,762 | - |
| Total operating expenses | <u>17,462,969</u> | <u>297,027</u> | <u>17,759,996</u> | <u>5,463,893</u> |
| Operating income (loss) | <u>5,660,659</u> | <u>40,248</u> | <u>5,700,907</u> | <u>919,122</u> |
| Non-operating revenues | | | | |
| Interest income | 413,244 | 15,115 | 428,359 | 96,907 |
| Interest expense | (2,320,322) | - | (2,320,322) | - |
| Loss on assets due to hurricane | (52,120) | (827,340) | (879,460) | - |
| Total nonoperating revenues (expenses) | <u>(1,959,198)</u> | <u>(812,225)</u> | <u>(2,771,423)</u> | <u>96,907</u> |
| Income (loss) before contributions and transfers | 3,701,461 | (771,977) | 2,929,484 | 1,016,029 |
| Capital contributions | 450,511 | - | 450,511 | - |
| Transfers from other funds | 1,202,000 | - | 1,202,000 | - |
| Change in net assets | 5,353,972 | (771,977) | 4,581,995 | 1,016,029 |
| Net assets - October 1 | 18,891,823 | 1,375,774 | 20,267,597 | 2,028,673 |
| Net assets - September 30 | <u>\$ 24,245,795</u> | <u>\$ 603,797</u> | <u>\$ 24,849,592</u> | <u>\$ 3,044,702</u> |

CITY OF GULFPORT, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended September 30, 2005

| | <u>Business Type Activities</u> | | | Governmental Activities - Internal Service Funds |
|---|---------------------------------|--|------------------------|---|
| | <u>Water and Sewer</u> | <u>Non-major Fund Joseph T, Jones Park</u> | <u>2005 Totals</u> | |
| Cash flows from operating activities | | | | |
| Cash received from customers | \$ 21,191,628 | \$ 329,324 | \$ 21,520,952 | \$ - |
| Cash received from other governments | 2,608,798 | - | 2,608,798 | - |
| Cash received from employees and others | - | - | - | 755,140 |
| Cash received from insurance companies | - | - | - | 141,115 |
| Cash received from employer contributions | - | - | - | 4,951,960 |
| Other operating receipts | 103,838 | 146 | 103,984 | - |
| Cash paid to suppliers | (17,650,219) | (83,965) | (17,734,184) | (5,543,627) |
| Cash paid to employees | (107,815) | (176,013) | (283,828) | - |
| Cash received from meter deposits, net | 279,243 | - | 279,243 | - |
| Net cash provided by operating activities | <u>6,425,473</u> | <u>69,492</u> | <u>6,494,965</u> | <u>304,588</u> |
| Cash flows from capital and related financing activities | | | | |
| Acquisition and construction of capital assets | (13,537,743) | - | (13,537,743) | - |
| Disposition of capital assets | (1,001,940) | (10,518) | (1,012,458) | - |
| Proceeds from debt issuance | 57,827,647 | - | 57,827,647 | - |
| Principal paid on revenue bond maturities and notes payable | (52,689,837) | - | (52,689,837) | - |
| Interest paid on bonds and notes payable | (230,322) | - | (230,322) | - |
| Net cash used in capital and related financing activities | <u>(9,632,195)</u> | <u>(10,518)</u> | <u>(9,642,713)</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Purchase of investments | - | - | - | (314,590) |
| Interest received | 413,244 | 15,115 | 428,359 | 96,907 |
| Net cash from investing activities | <u>413,244</u> | <u>15,115</u> | <u>428,359</u> | <u>(217,683)</u> |
| Net increase (decrease) in cash and cash equivalents | (2,793,478) | 74,089 | (2,719,389) | 86,905 |
| Cash and equivalents - October 1 | 14,477,364 | 468,693 | 14,946,057 | 2,441,650 |
| Cash and equivalents - September 30 | <u>\$ 11,683,886</u> | <u>\$ 542,782</u> | <u>\$ 12,226,668</u> | <u>\$ 2,528,555</u> |
| Non-cash and capital related financing activities | | | | |
| Change in fair value of investments | | | | <u>\$ 24,669</u> |

CITY OF GULFPORT, MISSISSIPPI
Statement of Cash Flows (Continued)
Proprietary Funds
For the fiscal year ended September 30, 2005

| | <u>Business Type Activities</u> | | | <u>Governmental Activities - Internal Service Funds</u> |
|--|---------------------------------|--|---------------------------|---|
| | <u>Water and Sewer</u> | <u>Non-major Fund Joseph T, Jones Park</u> | <u>2005 Totals</u> | |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ 5,660,659 | \$ 40,248 | \$ 5,700,907 | \$ 919,122 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation | 1,174,911 | 17,135 | 1,192,046 | - |
| Amortization | 162,819 | | 162,819 | - |
| Bad debts | 164,635 | 26,127 | 190,762 | - |
| (Increase) decrease in assets | | | | |
| Accounts receivable | 292,491 | (7,805) | 284,686 | - |
| Other receivables | 863,457 | | 863,457 | (534,800) |
| Prepaid assets | (1,807,716) | | (1,807,716) | (3,974) |
| Due from other governments | (375,312) | | (375,312) | - |
| Increase (decrease) in liabilities | | | | |
| Accounts payable | (402,311) | (150) | (402,461) | 1,227 |
| Accrued wages payable | (600) | (260) | (860) | - |
| Other liabilities | 413,362 | (5,350) | 408,012 | (76,987) |
| Meter deposit liabilities | 279,243 | | 279,243 | - |
| Compensated absences payable | (165) | (453) | (618) | - |
| Net cash provided by (used in) operating activities | <u>\$ 6,425,473</u> | <u>\$ 69,492</u> | <u>\$ 6,494,965</u> | <u>\$ 304,588</u> |
| Non cash investing, capital and financing activities: | | | | |
| Contributed capital | <u>\$ 450,511</u> | | | |
| Reconciliation of cash and cash equivalents - business-type activities per statement of cash flows to statement of net assets | | | | |
| | <u>Other Assets</u> | <u>Restricted Assets</u> | <u>Current Assets</u> | <u>Total 2005</u> |
| Cash and cash equivalents - October 1 | \$ 10,961,533 | \$ 661,314 | \$ 3,323,210 | \$ 14,946,057 |
| Net increase (decrease) | <u>(1,255,563)</u> | <u>251,977</u> | <u>(1,715,803)</u> | <u>(2,719,389)</u> |
| Cash and cash equivalents - September 30 | <u>\$ 9,705,970</u> | <u>\$ 913,291</u> | <u>\$ 1,607,407</u> | <u>\$ 12,226,668</u> |

Fiduciary Fund Financial Statements

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

| | <u>Agency Funds</u> | | <u>Totals</u> <u>2005</u> |
|----------------------------------|-----------------------------------|------------------------------------|------------------------------|
| | <u>Asset</u> <u>Forfeiture</u> | <u>Coastal</u> <u>Narcotics</u> | |
| Assets | | | |
| Pooled cash and cash equivalents | \$ 38,191 | \$ 191,803 | \$ 229,994 |
| Assets held for disposal | - | 54,787 | 54,787 |
| Total assets | <u>38,191</u> | <u>246,590</u> | <u>284,781</u> |
| Liabilities | | | |
| Due to other governments | 38,191 | 246,590 | 284,781 |
| Total liabilities | <u>38,191</u> | <u>246,590</u> | <u>\$ 284,781</u> |

CITY OF GULFPORT, MISSISSIPPI
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Years Ended September 30, 2005

| | Balance at 10/01/04 | Additions | Deletions | Balance at 09/30/05 |
|---|------------------------|------------------|-------------|------------------------|
| <u>Asset Forfeiture Fund</u> | | | | |
| Assets | | | | |
| Cash | \$ 139,483 | \$ 52,320 | \$ - | \$ 191,803 |
| Asset held for disposal | 35,590 | 19,197 | - | 54,787 |
| Total assets | <u>\$ 175,073</u> | <u>\$ 71,517</u> | <u>\$ -</u> | <u>\$ 246,590</u> |
| Liabilities | | | | |
| Due to other governments | <u>\$ 175,073</u> | <u>\$ 71,517</u> | <u>\$ -</u> | <u>\$ 246,590</u> |
| <u>Coastal Narcotics Task Force</u> | | | | |
| Assets | | | | |
| Cash | <u>\$ 25,048</u> | <u>\$ 13,143</u> | <u>\$ -</u> | <u>\$ 38,191</u> |
| Liabilities | | | | |
| Due to other governments | <u>\$ 25,048</u> | <u>\$ 13,143</u> | <u>\$ -</u> | <u>\$ 38,191</u> |
| <u>Total Agency Funds</u> | | | | |
| Assets | | | | |
| Cash | \$ 164,531 | \$ 65,463 | | \$ 229,994 |
| Asset held for disposal | 35,590 | 19,197 | | 54,787 |
| Total assets | <u>\$ 200,121</u> | <u>\$ 84,660</u> | <u>\$ -</u> | <u>\$ 284,781</u> |
| Liabilities | | | | |
| Due to other governments | <u>\$ 200,121</u> | <u>\$ 84,660</u> | <u>\$ -</u> | <u>\$ 284,781</u> |

Notes to the Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

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

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainders of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2005.

B. Financial Reporting Entity

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

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

C. Basis of Presentation

Governmental-wide Financial Statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements -

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

Governmental Funds –

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

General Fund

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

Disaster Relief Fund

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

Proprietary Funds –

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

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 Basic Financial Statements
For Year Ended September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Measurement Focus/Basis of Accounting

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

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

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

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

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 displayed on their respective balance sheet as "pooled cash and cash equivalents", some of which are restricted assets. In addition, non-pooled cash is separately held and reflected in their respective funds as "non-pooled cash and cash equivalents".

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

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

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

F. Receivables

All trade receivables are shown net of an allowance for uncollectibles. An allowance in the amount of \$4,716,038 at September 30, 2005 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, 2005 is \$74,758.

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

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

K. Capital Assets

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

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

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

L. Net Assets

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

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

The fund equity reserves for donor-imposed restrictions, debt service, encumbrances, are discussed in Note 10. The fund equity designation for subsequent year's expenditures primarily represents Streets and Drainage, Parks and Recreation and General Public Facilities fund balances specifically identified for capital outlays.

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

O. Post Employment Health Care Benefits

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

P. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division by June 1 each year.
3. The Finance Division reviews expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
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.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

8. The budget is formally amended in July each year, if necessary. However, budget revisions are made throughout the year (prior to July), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types.

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

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

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

NOTE 3: PROPERTY, GAMING AND SALES TAX REVENUES

(A) Property Tax

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

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

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

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, 2005 was 34.00 mills or \$34.00 per \$1,000 of assessed valuation.

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

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

(B) Gaming Tax Revenues

In the early part of 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In May of 1993, the first casino opened in Gulfport. As of September 30, 2005 there were two casinos operating within the City. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4 to .8 percent. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the City's governmental funds for fiscal years ended September 30:

| | <u>2005</u> | | <u>2004</u> | |
|---------------------------|----------------------|---|-----------------------|---|
| | <u>Total</u> | <u>City of Gulfport's Share</u> | <u>Total</u> | <u>City of Gulfport's Share</u> |
| Local casino revenue | 206,940,265 x3.2% | | 216,662,296 x 3.2% | |
| Local option tax levy | 6,622,088 | 3,973,253 | 6,933,193 | 4,159,916 |
| Local share of state levy | 618,016 | 618,016 | 647,177 | 647,177 |
| Total gaming taxes | 7,240,104 | 4,591,269 | 7,580,370 | 4,807,093 |
| Plus privilege licenses | 356,400 | 356,400 | 365,283 | 365,283 |
| Total gaming revenues | <u>7,596,504</u> | <u>4,947,669</u> | <u>7,945,653</u> | <u>5,172,376</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

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 \$18,228,317 of sales tax revenue.

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

(A) Cash and Other Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was reported in the governmental funds, proprietary funds, and fiduciary funds was as follows:

| | |
|--|----------------------|
| Unrestricted Cash: | |
| Governmental funds | \$ 44,483,172 |
| Proprietary funds – business-type activities | 1,607,407 |
| Proprietary funds – governmental activities | 2,528,555 |
| Fiduciary funds | <u>229,994</u> |
| Total Unrestricted | <u>48,849,128</u> |
| Restricted Cash: | |
| Proprietary funds – business-type activities | <u>913,291</u> |
| Other Asset | |
| Proprietary funds – business-type activities | <u>9,705,970</u> |
| Total Cash | <u>\$ 59,468,389</u> |

The bank balance was \$75,092,080.

Cash in Water and Sewer Improvements in the proprietary funds statements in the amount of \$9,705,970 is classified as an Other Asset as to not distort working capital.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, the City's bank balance was not exposed to custodial credit risk.

(B) Investments

Investing is performed in accordance with investment policies complying with State Statutes (See Note 1.IV.A). As of June 30, 2005 the City had the following investments:

| <u>Investment Type</u> | <u>Maturities (in years)</u> | <u>Fair Value</u> | <u>Rating</u> |
|---|----------------------------------|---------------------------|---------------|
| Internal Service Fund: | | | |
| Federated U.S. Cash Reserves Mutual Funds | less than 1 | \$1,382,676 | AA |
| Water and Sewer Fund: | | | |
| Daily Income Govt. II | less than 1 | <u>245</u> | AA |
| Total Investments | | <u><u>\$1,382,921</u></u> | |

At September 30, 2005, 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 Federated U.S. Cash Reserves Mutual Funds. A summary of the City's investments at September 30, 2005 is as follows:

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2005, the City's investments were all issued and explicitly guaranteed by the U.S. government.

(C) Cash with Fiscal Agents

The carrying amount of the city's cash with fiscal agents held by financial institutions was \$92,955. The entire amount was insured or collateralized with securities held by the financial institutions in the city's name.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 5: RECEIVABLES

The combined balance sheet of the City includes the following receivables at September 30, 2005:

| | General Fund | Non-Major Governmental Funds | Internal Service Fund |
|---|-------------------------|---|--------------------------------------|
| <u>Governmental Activities</u> | | | |
| Taxes receivable: | | | |
| Property taxes | \$ 150,616 | \$ 58,994 | \$ - |
| Sales taxes | 1,601,935 | - | - |
| Franchise taxes | 631,341 | - | - |
| Gaming fees | 91,053 | - | - |
| Grantee loans | - | - | - |
| For other governments | 238,783 | - | - |
| Other receivables: | | | |
| Insurance reimbursement | | - | 534,800 |
| Privilege licenses | 236,397 | - | - |
| Miscellaneous | 78,978 | - | - |
| Grantee loans: | | | |
| HUD Rehab loans | - | 2,230,255 | - |
| Rental Rehab loans | - | 91,963 | - |
| Total receivables | \$ 3,029,103 | \$ 2,381,212 | \$ 534,800 |
| | | | Water and Sewer Fund |
| <u>Business Type Activities</u> | | | |
| Accounts receivable: | | | |
| Water & sewer utility charges | | | \$ 6,642,696 |
| Harbor berth rentals | | | 74,758 |
| Total gross receivables | | | 6,717,454 |
| Less: allowance for uncollectibles | | | 4,790,796 |
| Net total customer accounts receivable | | | \$ 1,926,658 |
| Loan Receivable | | | 1,192,905 |
| | | | 3,119,563 |

The City has received certain grant awards for community and economic development from the U.S. Department of Housing and Urban Development (HUD) and the State of Mississippi for the purposes of providing certain loan programs. These loans, included in the above receivables summary as Grantee Loans, are described as follows:

Rehabilitation Loans - The purpose of this grant is to provide home improvement loans to qualifying individuals. At September 30, 2005, there were 55 individual loans outstanding totaling \$685,137 bearing interest at rates primarily between 0% and 3% depending on the type of loan.

Economic Development Loans - The purpose of this grant is to provide economic development loans to new businesses in the City that meet specific requirements established by the grant. At September 30, 2005, there were two loans outstanding totaling \$1,545,118 bearing interest at 3% per annum.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 5: RECEIVABLES (Continued)

Rental Rehabilitation Loans - The purpose of this grant is to provide rehabilitation loans to owners renovating low to moderate-income rental housing units. At September 30, 2005, there were 3 loans outstanding totaling \$91,963 with an interest rate of 3% per annum.

The City has designated the principal and interest payments on these to be used for additional loans and, accordingly, have been recorded as deferred revenue until the program is terminated and the remaining funds returned to the grantor or taken into income.

The City has not provided an allowance for uncollectible loans due to the revolving nature of the programs. Activity in the programs for the year is as follows:

| | Rehab Loans | Programs Economic Development Loans | Rental Rehab Loans | Total |
|----------------------------|------------------------|--|-----------------------------------|---------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Balance, October 1, 2004 | \$ 740,213 | \$ 1,545,118 | \$ 91,963 | \$ 2,377,294 |
| | (55,076) | - | - | (55,076) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Balance September 30, 2005 | <u>\$ 685,137</u> | <u>\$ 1,545,118</u> | <u>\$ 91,963</u> | <u>\$ 2,322,218</u> |

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at September 30, 2005 is as follows:

| | Due from Other Funds | Due to Other Funds |
|----------------------|---------------------------------|-------------------------------|
| | <u> </u> | <u> </u> |
| Major Funds | | |
| General Fund | \$ 461,770 | \$ - |
| Water and Sewer Fund | - | 54,250 |
| Nonmajor Funds | <u>15,976</u> | <u>423,496</u> |
| Totals | <u>\$ 477,746</u> | <u>\$ 477,746</u> |

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

In addition to the above interfund loans, the following transfers were made between funds during the year ended September 30, 2005:

| | Transfers to Other Funds | Transfers from Other Funds |
|----------------------|-------------------------------------|---------------------------------------|
| | <u> </u> | <u> </u> |
| Major Funds | | |
| General Fund | \$ 4,788,329 | \$ 192,399 |
| Water and Sewer Fund | | 1,202,000 |
| Nonmajor Funds | <u>981,562</u> | <u>4,375,492</u> |
| Totals | <u>\$ 5,769,891</u> | <u>\$ 5,769,891</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES (Continued)

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

The City's Water & Sewer Fund and Joseph T. Jones Fund (business-type funds) pay a management fee to the General Fund to cover various costs such as administrative salaries, occupancy costs, etc. Such fees totaled \$91,670 for the year ended September 30, 2005 and has been included in "Charges for Services" revenue on the General Fund and in "Other Services and Charges" expenditures on the Water & Sewer Fund and the Joseph T. Jones Fund.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

| | Balance October 1 | Additions | Deletions | Balance September 30 |
|--|----------------------|--------------|---------------|-------------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 24,953,676 | \$ 286,867 | \$ - | \$ 25,240,543 |
| Total capital assets not being depreciated | 24,953,676 | 286,867 | - | 25,240,543 |
| Capital assets being depreciated | | | | |
| Buildings | 15,391,055 | 159,450 | (6,525,073) | 9,025,432 |
| Improvements | 2,931,741 | 468,719 | (2,210,335) | 1,190,125 |
| Infrastructure | 225,604,978 | 5,064,843 | (533,136) | 230,136,685 |
| Machinery & Equipment | 6,379,953 | 738,114 | (123,326) | 6,994,741 |
| Vehicles | 10,459,662 | 1,470,879 | (534,227) | 11,396,314 |
| Total capital assets being depreciated | 260,767,389 | 7,902,005 | (9,926,097) | 258,743,297 |
| Less accumulated depreciation for: | | | | |
| Buildings | (5,025,873) | (318,809) | 1,998,049 | (3,346,633) |
| Improvements | (689,335) | (130,828) | - | (820,163) |
| Infrastructure | (60,628,788) | (2,759,766) | - | (63,388,554) |
| Machinery & Equipment | (3,504,642) | (659,093) | 165,873 | (3,997,862) |
| Vehicles | (7,647,985) | (603,649) | 372,045 | (7,879,589) |
| Total accumulated depreciation | (77,496,623) | (4,472,145) | 2,535,967 | (79,432,801) |
| Total capital assets being depreciated, net | 183,270,766 | 3,429,860 | (7,390,130) | 179,310,496 |
| Governmental activities - capital assets, net | \$208,224,442 | \$ 3,716,727 | \$(7,390,130) | \$ 204,551,039 |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 7: CAPITAL ASSETS (Continued)

| | Balance October 1 | Additions | Deletions | Balance September 30 |
|---|----------------------|---------------------|---------------------|-------------------------|
| <u>Business-type activities</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 212,617 | \$ - | \$ - | \$ 212,617 |
| Total capital assets not being depreciated | <u>212,617</u> | <u>-</u> | <u>-</u> | <u>212,617</u> |
| Capital assets being depreciated | | | | |
| Buildings | 1,059,673 | - | (1,059,673) | - |
| Improvements | 89,426,682 | 13,339,982 | - | 102,766,664 |
| Machinery & Equipment | 908,308 | - | (26,395) | 881,913 |
| Vehicles | 1,252,445 | 197,761 | (145,353) | 1,304,853 |
| Total capital assets being depreciated | <u>92,647,108</u> | <u>13,537,743</u> | <u>(1,231,421)</u> | <u>104,953,430</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (240,525) | (17,999) | 258,524 | - |
| Improvements | (22,686,954) | (982,597) | - | (23,669,551) |
| Machinery & Equipment | (618,160) | (63,358) | 99,225 | (582,293) |
| Vehicles | (802,545) | (128,132) | 49,029 | (881,648) |
| Total accumulated depreciation | <u>(24,348,184)</u> | <u>(1,192,086)</u> | <u>406,778</u> | <u>(25,133,492)</u> |
| Total capital assets being depreciated, net | <u>68,298,924</u> | <u>12,345,657</u> | <u>(824,643)</u> | <u>79,819,938</u> |
| Governmental activities - capital assets, net | <u>\$ 68,511,541</u> | <u>\$12,345,657</u> | <u>\$ (824,643)</u> | <u>\$ 80,032,555</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 251,324 |
| Police | 393,227 |
| Fire | 386,697 |
| Public works | 3,255,748 |
| Culture and recreation | 139,522 |
| Health and welfare | 42,583 |
| Economic development | 3,044 |
| Total depreciation expense – governmental activities | <u>\$ 4,472,145</u> |
| Business-type activities | |
| Water and sewer | \$ 1,174,911 |
| Joseph T. Jones memorial park | 17,175 |
| Total depreciation expense – business-type activities | <u>\$ 1,192,086</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 7: CAPITAL ASSETS (Continued)

Asset impairment:

GASB Statement No. 42, Accounting and Financial Reporting For Impairment of Capital Assets and for Insurance Recoveries, issued November 2003, will be effective for the City beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner. The City has elected early implementation of this statement due to Hurricane Katrina causing significant damage to assets on August 29, 2005.

Definition of Impairment

GASB 42 defines asset impairment as a *significant, unexpected decline in the service utility* of a capital asset. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. That is, at the time the capital asset was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the capital asset. Service utility, in turn, is defined as the usable capacity that a capital asset was expected to provide at its acquisition.

The asset impairment caused by Hurricane Katrina was estimated using the restoration cost approach. The Restoration cost approach derives the amount of impairment from the estimated cost to restore the utility of the capital asset to its original condition, exclusive of any amount attributable to improvements and additions. This method requires applying a damage ratio to the carrying value of the capital asset to determine the relative portion of the capital asset that should be written off. A summary of estimated asset impairments is as follows:

Buildings:

| | |
|-----------------------------------|--------------------|
| Governmental activities: | |
| General government | \$519,508 |
| Fire | 189,110 |
| Public works | 353,148 |
| Culture and recreation | 459,033 |
| Economic development | <u>62,227</u> |
| Total impairment loss – buildings | <u>\$1,583,026</u> |

Infrastructure:

| | |
|--|--------------------|
| Governmental activities: | |
| Public works | <u>\$2,743,471</u> |
| Total impairment loss – infrastructure | <u>\$2,743,471</u> |

| | |
|---|--------------------|
| Total impairment loss included in operating expenses of the governmental activities | <u>\$4,326,497</u> |
|---|--------------------|

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 8: LONG-TERM DEBT

(A) Governmental Activities

Transactions for the Year Ended September 30, 2005 are summarized as follows:

| Governmental Activities | Payable at 10/01/04 | Additions | Reductions | Payable at 09/30/05 | Due in one year |
|--------------------------|------------------------|-------------|---------------------|------------------------|---------------------|
| General obligation bonds | \$ 26,825,000 | - | \$ 1,965,000 | \$ 24,860,000 | \$ 2,025,000 |
| School district bonds | 400,000 | - | 400,000 | - | - |
| Notes payable | 9,243,818 | - | 550,544 | 8,693,274 | 562,983 |
| Capital leases | 490,000 | - | 370,000 | 120,000 | 120,000 |
| Compensated absences | 1,725,181 | - | 273,986 | 1,451,195 | 29,024 |
| Claims and judgments | 45,000 | - | 2,000 | 43,000 | - |
| | <u>\$ 38,728,999</u> | <u>\$ -</u> | <u>\$ 3,561,530</u> | <u>\$ 35,167,469</u> | <u>\$ 2,737,007</u> |

(1) General Obligation and School District Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for City and School District activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City remains contingently liable on all school bond obligations issued prior to 1987, although debt service requirements are financed from school bond and interest tax millage.

For the year ended September 30, 2005, the School District paid \$444,000 of principal and interest on these bonds. Such payments have been reflected in the City's General Bond and Interest Fund as intergovernmental revenue and debt service expenditures. The City reflects the outstanding portion of such obligations within its General Long-Term Debt due to its contingent obligation for such debt and because the School District has not reflected such debt within its annual financial statements. Debt obligations of the School District issued subsequent to 1986 pledge the full faith and credit of the School District only and, therefore, are not reflected in these financial statements.

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

| Purpose | Original Amount | Issue Date | Interest Rate | Outstanding Amount | Due in one year |
|------------------------|----------------------|---------------|------------------|-----------------------|-----------------------|
| G/O refunding issue | \$ 1,895,000 | 09/12/95 | 7.00 - 7.80 | \$ 650,000 | \$ 205,000 |
| G/O public improvement | 8,500,000 | 08/01/96 | 4.75 - 6.60 | 420,000 | 420,000 |
| G/O public improvement | 6,000,000 | 07/01/98 | 4.40 - 6.00 | 4,565,000 | 250,000 |
| G/O public improvement | 1,000,000 | 05/01/00 | 5.20 | 575,000 | 100,000 |
| G/O refunding issue | 9,580,000 | 12/01/02 | 2.00 - 5.00 | 7,905,000 | 820,000 |
| G/O public improvement | 5,000,000 | 04/01/03 | 3.50 - 4.25 | 4,675,000 | 175,000 |
| G/O refunding issue | 6,160,000 | 08/05/04 | 2.00 - 4.05 | 6,070,000 | 55,000 |
| | <u>\$ 38,135,000</u> | | | <u>\$ 24,860,000</u> | <u>\$ 2,025,000</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 8: LONG-TERM DEBT (continued)

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

| Year Ending September 30 | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| 2006 | 2,025,000 | 1,015,700 | 3,040,700 |
| 2007 | 2,125,000 | 926,266 | 3,051,266 |
| 2008 | 2,230,000 | 845,620 | 3,075,620 |
| 2009 | 2,100,000 | 757,310 | 2,857,310 |
| 2010 | 2,210,000 | 669,845 | 2,879,845 |
| 2011-2015 | 9,565,000 | 1,998,831 | 11,563,831 |
| 2016-2020 | 3,550,000 | 559,919 | 4,109,919 |
| 2021-2023 | <u>1,055,000</u> | <u>90,645</u> | <u>1,145,645</u> |
| Totals | <u>\$ 24,860,000</u> | <u>\$ 6,864,136</u> | <u>\$ 31,724,136</u> |

Prior year defeased bonds:

In August 2004, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2005, \$5,710,000 of bonds outstanding is considered defeased.

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

(2) General Obligation Notes

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

| Description | Issue Date | Interest Rate | Outstanding Amount | Due in one year |
|--|---------------|-----------------------|-----------------------|--------------------|
| State of Mississippi CAP Revolving Fund 15-year note , \$992,903 to construct fire stations in the annexed area | 08/04/97 | 3.70% | \$ 489,743 | \$ 63,426 |
| State of Mississippi CAP Revolving Fund 15-year note, \$425,000, to construct fire stations in the annexed area | 08/04/97 | 3.70% | 225,528 | 29,207 |
| Hancock Bank, Mississippi Development Promissory Note, \$10,000,000 authorized. Proceeds of \$589,489 reported on TBMA - The Bond Market Bond Market Association Index | 12/01/00 | 1.05% over TBMA | <u>7,978,002</u> | <u>470,350</u> |
| Total | | | <u>\$ 8,693,273</u> | <u>\$ 562,983</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 8: LONG-TERM DEBT (continued)

The annual debt service requirements to maturity for the general obligation notes are as follows:

| <u>Year Ending September 30,</u> | <u>Principle</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|---------------------|---------------------|----------------------|
| 2006 | \$ 562,983 | \$ 262,966 | \$ 825,949 |
| 2007 | 571,441 | 245,369 | 816,810 |
| 2008 | 570,086 | 227,641 | 797,727 |
| 2009 | 573,840 | 209,777 | 783,617 |
| 2010 | 577,735 | 191,772 | 769,507 |
| 2011-2015 | 2,562,685 | 704,917 | 3,267,602 |
| 2016-2020 | 2,351,751 | 345,750 | 2,697,501 |
| 2021-2024 | <u>922,753</u> | <u>47,195</u> | <u>969,948</u> |
| Totals | <u>\$ 8,693,274</u> | <u>\$ 2,235,387</u> | <u>\$ 10,928,661</u> |

(3) General Capital Lease Obligation

The City has entered into a lease agreement as lessee for financing the acquisition of a new signage at the Sportsplex complex. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The following lease obligation is currently outstanding:

| <u>Description</u> | <u>Original Amount</u> | <u>Issue Date</u> | <u>Effective Interest Rate</u> | <u>Outstanding Present Value</u> |
|--------------------|----------------------------|-----------------------|--|--|
| Sportsplex signage | 600,000 | 10/1/01 | 3.596% | <u>120,000</u> |
| Total | | | | <u>\$ 120,000</u> |

These leased assets are included in Equipment under General and Culture and Recreation.

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2005:

| <u>Year Ending September 30</u> | <u>Total</u> |
|---|-------------------|
| 2006 | <u>\$ 124,315</u> |
| Total | <u>\$ 124,315</u> |
| Less amount representing interest | (4,315) |
| Present value of future minimum lease payments | <u>\$ 120,000</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 8: LONG-TERM DEBT (Continued)

(5) 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 \$29,024 of the accrued liability of \$1,451,195 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.

(6) 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, 2005, a total of 43 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$43,000 has been included in the General Long-Term Debt at September 30, 2005. None of the liability for these benefits is estimated to be paid within one year.

(7) 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, 2005, the amount of outstanding general obligation bonded debt was equal to 4% of the latest property assessments.

(8) 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, 2005, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$96,903,676. These bonds do not constitute a liability of the City, are not a charge against its general credit or taxing powers and, accordingly, are not included in the City's General Long-Term Debt. However, as more fully discussed at Note 15, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 8: LONG-TERM DEBT (Continued)

(B) Business-type Activities

The following changes occurred in long-term debt liabilities reported in the Enterprise Funds for the year ended September 30, 2005:

| Business-type activities | Payable at 10/01/04 | Additions | Reductions | Payable at 09/30/05 | Due in one year |
|--------------------------|------------------------|--------------------|----------------------|------------------------|--------------------|
| General Obligation Bonds | \$55,715,000 | \$ 6,575,000 | \$ 52,095,000 | \$60,195,000 | \$2,055,000 |
| Notes payable | 10,108,824 | 1,252,647 | 594,837 | 10,766,634 | 753,774 |
| Compensated absences | 10,673 | - | 425 | 10,248 | - |
| Total | <u>\$65,834,497</u> | <u>\$7,827,647</u> | <u>\$ 52,690,262</u> | <u>\$70,971,882</u> | <u>\$2,808,774</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, 2005 are as follows:

| Purpose | Original Amount | Issue Date | Interest Rate | Outstanding Amount | Due in one year |
|---|---------------------|---------------|------------------|-----------------------|---------------------|
| Water and Sewer - | | | | | |
| General Obligation Bonds | \$ 6,000,000 | 12/01/96 | 7.00 - 7.80 | \$ 840,000 | \$ 265,000 |
| General Obligation Refunding Bonds | 6,440,000 | 08/01/98 | 4.75 - 6.60 | 3,420,000 | 610,000 |
| General Obligation Refunding Bonds | 3,810,000 | 12/02/04 | 3.00 - 3.85 | 3,810,000 | 40,000 |
| General Obligation Refunding Bonds | 5,200,000 | 04/14/05 | 4.00 - 4.25 | 5,200,000 | 165,000 |
| General Obligation Revenue Refunding Bonds | 47,565,000 | 04/07/05 | 2.63 - 4.34 | 46,925,000 | 975,000 |
| | <u>\$69,015,000</u> | | | <u>\$ 60,195,000</u> | <u>\$ 2,055,000</u> |

Bonded debt service requirements to maturity are as follows:

| Year Ended September 30 | Principal | Interest | Total |
|----------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 2,055,000 | \$ 3,062,058 | \$ 5,117,058 |
| 2007 | 2,520,000 | 2,856,449 | 5,376,449 |
| 2008 | 2,660,000 | 2,727,780 | 5,387,780 |
| 2009 | 2,825,000 | 2,602,480 | 5,427,480 |
| 2010 | 2,935,000 | 2,475,608 | 5,410,608 |
| 2011-2016 | 12,855,000 | 10,551,769 | 23,406,769 |
| 2015-2020 | 15,835,000 | 7,050,898 | 22,885,898 |
| 2021-2025 | 16,565,000 | 2,709,595 | 19,274,595 |
| 2025-2027 | 1,935,000 | 131,625 | 2,066,625 |
| Total | <u>\$ 60,185,000</u> | <u>\$ 34,168,262</u> | <u>\$ 94,353,262</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 8: LONG-TERM DEBT (Continued)

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

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

On December 30, 2005 – The City issued \$3,810,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,755,000 of water & sewer revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$190,717. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$303,029 and resulted in an economic gain of \$196,969.

On July 10, 2005 – The City issued \$47,565,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$46,225,000 of water & sewer revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$5,911,250. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$1,446,181 and resulted in an economic gain of \$946,360.

(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.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 8: LONG-TERM DEBT (Continued)

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, 2005 is as follows:

| Purpose | Original Amount | Issue Date | Interest Rate | Outstanding Amount | Due in One year |
|-------------------------------|---------------------|---------------|------------------|-----------------------|--------------------|
| State Revolving Fund Loans | \$33,868,422 | various | 3.0 - 4.5 | \$10,236,563 | \$724,124 |
| MS Development Bank | 598,489 | various | % of prime | 530,071 | 29,650 |
| Total | <u>\$34,466,911</u> | | | <u>\$10,766,634</u> | <u>\$753,774</u> |

Annual debt service requirements to maturity for the above noted obligations are as follows:

| Year Ended September 30 | Principal | Interest | Total |
|----------------------------|---------------------|---------------------|---------------------|
| 2006 | \$ 753,774 | \$ 279,585 | \$ 1,033,359 |
| 2007 | 782,922 | 257,800 | 1,040,722 |
| 2008 | 807,059 | 232,740 | 1,039,799 |
| 2009 | 832,063 | 206,813 | 1,038,876 |
| 2010 | 857,962 | 179,918 | 1,037,880 |
| 2011-2016 | 3,418,910 | 519,212 | 3,938,122 |
| 2015-2020 | 1,743,557 | 230,747 | 1,974,304 |
| 2021-2025 | 1,563,032 | 65,041 | 1,628,073 |
| 2025-2027 | 7,354 | 302 | 7,656 |
| Total | <u>\$10,766,633</u> | <u>\$ 1,972,158</u> | <u>\$12,738,791</u> |

NOTE 9: OTHER INDIVIDUAL FUND DISCLOSURES

A listing of the individual funds that have an excess of expenditures over budget, including amounts of the excess, is as follows:

The Disaster Relief Fund has an excess of expenditures over budget in the amount of \$2,474,182. and the Debt Service Fund has an excess of expenditures over budgt in the amount of \$430,440. This is in violation of state law. However, the city has no liability associated with this violation. The Special Revenue funds are not in violation of state law since additional tax receipts from the prior year were collected and dispersed at year-end.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 10: FUND RESERVES

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

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

Restricted funds – donor imposed - The city received \$100,000 for the senior citizens. The principal cannot be expended . The city also received \$3,950 from various organizations for the disaster relief efforts of the City after Hurricane Katrina. These funds are temporarily restricted for specific purposes.

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

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

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

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 Basic Financial Statements
For Year Ended September 30, 2005

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) | |
| All employees except police and fire | 325,000 |
| Police and fire employees | 350,000 |
| Annual aggregate risk of loss through deductibles | 1,896,453 |
| Specific excess coverage in force | Statutory |
| <u>Employee Health Insurance</u> | |
| Per occurrence deductible (SIR) | 125,000 |
| Annual aggregate risk of loss through deductibles | 4,302,183 |
| <u>General and Other Liability Coverage</u> | |
| Per occurrence deductible (SIR) | 100,000 |
| Annual aggregate risk of loss through deductibles | 810,000 |
| Specific excess coverage in force (no aggregate limitation) | 1,000,000/Occurrence |
| <u>Property Coverage</u> | |
| Windstorm | 2 % of value of building |
| All other perils | 100,000/Occurrence |
| Specific excess coverage in force | |
| Windstorm | 25,590,987 |
| All other perils | 34,610,342 |

(B) Claims Liability

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

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 12: RISK MANAGEMENT (continued)

(C) Unpaid Claims Liabilities

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2002 to September 30, 2005:

| | Claims Contingency Fund (Workers' Compensation and Tort Claims) | Group Life and Health Fund (Health Care Claims) |
|---|---|--|
| Liability balance, October 1, 2003 | \$ 1,671,447 | \$ 385,395 |
| Claims and changes in estimates | 127,210 | 2,731,063 |
| Claims payments | (65,228) | (2,779,063) |
| Liability balance, September 30, 2004 | 1,733,429 | 337,395 |
| Claims and changes in estimates | 781,814 | 3,199,187 |
| Claims payments | (613,102) | (3,290,912) |
| Liability balance, September 30, 2005 | \$ 1,902,141 | \$ 245,670 |
| Assets available to pay claims at September 30, 2005 | \$ 1,892,144 | \$ 2,017,321 |

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: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

(A) Status of Grants

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, 2005:

| Grant Number | Award Amount | Funds Drawn and Expended | Balance of Award |
|-----------------|-----------------|--------------------------------|---------------------|
| B-03-MC-28-0002 | 952,000 | 952,000 | - |
| B-04-MC-28-0002 | 928,000 | 803,974 | 124,026 |
| Totals | \$ 1,880,000 | \$ 1,755,974 | \$ 124,026 |

(B) Section 108 Loan/Economic Development

In 1988, the City obtained a Section 108 loan from the Department of Housing and Urban Development (HUD) in the amount of \$1,000,000. Proceeds of the loan were used for the acquisition of 158 acres of property in connection with the City's Urban Development Project. Although the loan has since been repaid, program income from the sale of parcels of the property is required to be used for property improvements in connection with the project.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 13: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (continued)

In 1989, approximately 22 acres of the property was sold to a developer for the construction of a new Food World grocery store. The project was completed in fiscal year 1994. A loan was issued to the developer in the amount of \$1,000,000 with interest to accrue over the first four years of the project. The note is to be repaid over twenty years and bears an average interest rate of 3.75%. The accrued interest of \$115,065 was added to the principal balance in 1994. The outstanding balance on the note at September 30, 2005 totaled \$945,118.

During fiscal year ending September 30, 2000, the City entered into an agreement to lend a developer \$600,000 under an Urban Development Action Grant (UDAG) from the United States Department Housing and Urban Development (HUD). The term of the loan is 15 years, bearing an interest rate of 0% for the first 5 years and 4% for the remaining years. No payments are required for the first five years, with equal monthly installments due over the next 15 years. The outstanding balance on the note at September 30, 2005 totaled \$600,000.

During 1995, the City received \$1,650,701 from the sale of 116 acres of the remaining property. The City incurred \$1,468,868 of infrastructure improvements through September 30, 1996, and an additional \$193,833 in fiscal year 1997. No amounts were spent in fiscal year 2004.

(C) Loan Programs

Under the CDBG Program, the City makes installment and deferred loans to eligible homeowners and other eligible parties. These loan programs have been described at Note 5.

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) Contract Commitments

Construction Contracts - The following significant contracts were outstanding at September 30, 2005.

| Infrastructure Projects | Contract Amount | Expended at 09/30/05 | Outstanding Commitment |
|---------------------------------------|---------------------|-------------------------|---------------------------|
| Three Rivers Road | \$ 1,077,980 | \$ 485,091 | \$ 592,889 |
| Louisiana Avenue Drainage | 189,393 | 22,727 | 166,666 |
| Darby Street Drainage | 133,037 | 58,536 | 74,501 |
| North Central Gulfport Water System . | 791,355 | 472,260 | 319,095 |
| Fritz Creek/John Ross | 7,232,733 | 194,044 | 7,038,689 |
| Totals | <u>\$ 9,424,498</u> | <u>\$ 1,232,658</u> | <u>\$ 8,191,840</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 14: OTHER COMMITMENTS AND CONTINGENCIES (continued)

Service Contracts - In February 1999, the City entered into a service contract with OPTECH, Inc. to provide customer billing, maintenance and other services necessary for the proper operation of the City's water facilities, and the management, maintenance and repairs to the City's sewer collection system and lift stations. OPTECH, Inc. is responsible for all labor, chemicals, parts, supplies, etc. The City renewed the contract for four years which calls for annual amounts of \$5,891,623, \$6,068,371, \$6,250,423, and \$6,437,936 for years ending September 30, 2003, 2004, 2005, and 2006 respectively.

(C) Litigation

The City is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$1,902,141 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 13 for the treatment of claims incurred but not reported and other tort liability information.

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

I. JOINT VENTURES

(1) Memorial Hospital At Gulfport (MHG)

MHG is an acute care, not-for-profit community hospital jointly owned by the City and the Gulfport-West Harrison County Hospital District. The Board of Trustees of MHG pursuant to section 41-13-15 et operates it. seq. Mississippi Code of 1972, as amended. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District. The following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2005, a copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

BALANCE SHEET

| <u>ASSETS</u> | |
|-------------------------------------|-----------------------|
| Current assets | \$ 101,558,188 |
| Non-current assets | 114,785,643 |
| Property, plant and equipment (net) | 138,085,233 |
| Other assets | <u>1,702,566</u> |
| Total assets | <u>\$ 356,131,630</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | |
| Current liabilities | \$ 37,933,141 |
| Long-term liabilities | 102,298,446 |
| Net assets | <u>215,900,043</u> |
| Total liabilities and net assets | <u>\$ 356,131,630</u> |

STATEMENT OF REVENUES AND EXPENSES

| | |
|--------------------------|---------------------|
| Operating revenues | \$ 247,589,342 |
| Operating expense | (236,600,303) |
| Non-operating (expenses) | <u>(2,759,958)</u> |
| Net income | <u>\$ 8,229,081</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

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

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

(2) Harrison County Wastewater and Solid Waste Management District

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

The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2005, a complete copy of which is on file at the administrative offices of the District which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

BALANCE SHEET

| | |
|--|-----------------------|
| <u>ASSETS</u> | |
| Current assets | \$ 2,664,028 |
| Restricted assets | 26,933,270 |
| Property, plant and equipment (net) | 81,679,420 |
| Deferred charges | <u>3,729,416</u> |
| Total assets | <u>\$ 115,006,134</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | |
| <u>LIABILITIES</u> | |
| Current, unrestricted | \$ 3,244,815 |
| Current, restricted | 5,424,662 |
| Long-term liabilities | <u>116,349,042</u> |
| Total liabilities | 125,018,519 |
| <u>FUND EQUITY</u> | <u>(10,012,385)</u> |
| Total liabilities and fund equity | <u>\$ 115,006,134</u> |

STATEMENT OF REVENUES AND EXPENSES

| | |
|----------------------------------|-----------------------|
| Operating revenues | \$ 15,776,214 |
| Operating expenses | (15,791,335) |
| Depreciation and amortization | (4,639,877) |
| Non-operating revenues (expense) | <u>(874,696)</u> |
| Net loss | <u>\$ (5,529,694)</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

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

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

Water and Sewer Enterprise Fund

| | |
|---|---------------------|
| Statement of Revenues, Expenses and Changes in Retained Earnings Other services and charges (solid waste and wastewater treatment charges) | <u>\$ 8,580,106</u> |
|---|---------------------|

II. JOINTLY GOVERNED ORGANIZATIONS

(1) Harrison County Library System

On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Gulfport Public Library, the City of Biloxi, 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. However, the County Library Board that stipulates the amount of funds needed from the participating municipalities and various other funding sources approves a budget every year. The City contributed \$509,645 for the year ended September 30, 2005. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year.

(2) Gulfport-Biloxi Regional Airport Authority

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

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 16: RETIREMENT PLANS

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

(A) Public Employees' Retirement System

1. Plan Description and Provisions

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

2. Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2005, 2004 and 2003 were \$2,428,330, \$2,172,318, and \$2,103,127, respectively equal to the required contributions for each year.

3. Trend Information

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

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

1. General

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At September 30, 2005, the date of the most recent actuarial verification available, the MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF GULFPORT, MISSISSIPPI
Notes to Basic Financial Statements
For Year Ended September 30, 2005

NOTE 16: RETIREMENT PLANS (continued)

2. Memberships and Benefit Provision

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

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

3. Funding Policy and Annual Pension Costs

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

During the year ended September 30, 2005, contributions totaling \$1,097,702 (\$1,079,199 employer and \$18,503 employee) was made in accordance with contribution requirements.

(C) Deferred Compensation Plan

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

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2005 and 2004, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$2,296,934 and \$2,013,420, respectively.

NOTE 17: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2004, have been reclassified to conform with the presentation of June 30, 2005, amounts



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Required Supplementary Information

CITY OF GULFPORT, MISSISSIPPI
Required Supplementary Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Years Ended September 30, 2005

| <i>General Fund</i> | | | | |
|----------------------|-------------------|-------------------|---------------------------|---|
| | Budget | | Actual Budget Basis | Variance with Final Budget Favorable (Unfavorable) |
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | | | | |
| Property | \$ 14,319,471 | \$ 14,319,468 | \$ 13,850,860 | \$ (468,608) |
| Sales | 17,300,000 | 17,300,000 | 18,057,278 | 757,278 |
| Franchise | 2,850,000 | 2,850,000 | 2,977,526 | 127,526 |
| Gaming | 4,700,000 | 4,700,000 | 4,868,046 | 168,046 |
| Licenses and permits | 1,706,000 | 1,706,000 | 1,954,028 | 248,028 |
| Intergovernmental | 1,310,000 | 1,345,000 | 1,204,374 | (140,626) |
| Charges for services | 1,010,237 | 938,156 | 909,672 | (28,484) |
| Fines and forfeits | 1,800,000 | 1,953,605 | 2,811,375 | 857,770 |
| Interest | 100,000 | 100,000 | 514,894 | 414,894 |
| Miscellaneous | 929,108 | 2,464,477 | 1,580,167 | (884,310) |
| Total revenues | <u>46,024,816</u> | <u>47,676,706</u> | <u>48,728,220</u> | <u>1,051,514</u> |
| Expenditures: | | | | |
| General government | | | | |
| Personnel services | 3,960,885 | 3,956,904 | 3,757,606 | 199,298 |
| Supplies | 201,020 | 261,414 | 193,722 | 67,692 |
| Other services | 1,792,682 | 1,985,552 | 1,631,716 | 353,836 |
| Capital outlay | 372,177 | 434,745 | 214,065 | 220,680 |
| Total | <u>6,326,764</u> | <u>6,638,615</u> | <u>5,797,109</u> | <u>841,506</u> |
| Police | | | | |
| Personnel services | 13,668,589 | 14,026,994 | 12,745,683 | 1,281,311 |
| Supplies | 1,510,200 | 1,804,600 | 1,588,374 | 216,226 |
| Other services | 1,239,154 | 1,735,325 | 1,468,326 | 266,999 |
| Capital outlay | 100,000 | 637,782 | 584,914 | 52,868 |
| Total | <u>16,517,943</u> | <u>18,204,701</u> | <u>16,387,297</u> | <u>1,817,404</u> |
| Fire | | | | |
| Personnel services | 9,052,761 | 8,945,852 | 8,618,098 | 327,754 |
| Supplies | 349,600 | 407,007 | 358,717 | 48,290 |
| Other services | 264,768 | 338,093 | 297,297 | 40,796 |
| Capital outlay | 344,810 | 441,803 | 224,123 | 217,680 |
| Total | <u>10,011,939</u> | <u>10,132,755</u> | <u>9,498,235</u> | <u>634,520</u> |
| Public works | | | | |
| Personnel services | 2,000,655 | 2,059,342 | 1,966,179 | 93,163 |
| Supplies | 1,527,480 | 1,493,757 | 1,401,596 | 92,161 |
| Other services | 4,153,160 | 4,265,657 | 3,951,405 | 314,252 |
| Capital outlay | 575,677 | 802,609 | 737,790 | 64,819 |
| Total | <u>8,256,972</u> | <u>8,621,365</u> | <u>8,056,970</u> | <u>564,395</u> |
| Economic development | | | | |
| Personnel services | 1,318,489 | 1,318,489 | 1,282,349 | 36,140 |
| Supplies | 43,201 | 43,201 | 23,895 | 19,306 |
| Other services | 277,997 | 277,997 | 188,110 | 89,887 |
| Capital outlay | 64,586 | 82,031 | 60,470 | 21,561 |
| Total | <u>1,704,273</u> | <u>1,721,718</u> | <u>1,554,824</u> | <u>166,894</u> |

(Continued on next page)

CITY OF GULFPORT, MISSISSIPPI
Required Supplementary Information
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (continued)
General Fund
For the Fiscal Years Ended September 30, 2005

| | <i>General Fund</i> | | | Variance with Final Budget Favorable (Unfavorable) |
|---|----------------------|----------------------|------------------------------------|---|
| | Budget | | Actual Budget Basis | |
| | Original | Final | | |
| Culture and recreation | | | | |
| Personnel services | 3,367,731 | 3,414,272 | 3,134,990 | 279,282 |
| Supplies | 599,631 | 585,631 | 560,742 | 24,889 |
| Other services | 762,021 | 804,621 | 727,529 | 77,092 |
| Capital outlay | 300,000 | 362,520 | 330,351 | 32,169 |
| Total | <u>5,029,383</u> | <u>5,167,044</u> | <u>4,753,612</u> | <u>413,432</u> |
| Total expenditures | <u>47,847,274</u> | <u>50,486,198</u> | <u>46,048,047</u> | <u>4,438,151</u> |
| Excess (deficit) of revenues over expenditures | <u>(1,822,458)</u> | <u>(2,809,492)</u> | <u>2,680,173</u> | <u>5,489,665</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 192,399 | 192,399 | - |
| Transfers out | (3,290,400) | (4,828,729) | (4,788,329) | 40,400 |
| Sale of general fixed assets | 28,000 | 1,426,958 | 1,408,158 | (18,800) |
| Total other financing sources (uses) | <u>(3,262,400)</u> | <u>(3,209,372)</u> | <u>(3,187,772)</u> | <u>21,600</u> |
| Changes in fund balance | (5,084,858) | (6,018,864) | (507,599) | 5,511,265 |
| Fund balance - October 1 | 17,162,813 | 17,162,813 | 17,162,813 | |
| Fund balance - September 30 | <u>\$ 12,077,955</u> | <u>\$ 11,143,949</u> | <u>\$ 16,655,214</u> | <u>\$ 5,511,265</u> |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Disaster Relief Fund
For the Fiscal Years Ended September 30, 2005

| | <i>2005</i> | | | |
|-----------------------------|-------------------|-------------------|------------------------------------|---|
| | Budget | | Actual Budget Basis | Variance with Final Budget Favorable (Unfavorable) |
| | Original | Final | | |
| Revenues: | | | | |
| Miscellaneous | \$ 737,625 | \$ 737,625 | \$ 22,136,196 | \$ 21,398,571 |
| Total revenues | <u>737,625</u> | <u>737,625</u> | <u>22,136,196</u> | <u>21,398,571</u> |
| Expenditures | | | | |
| General government | | | | |
| Personnel services | - | - | 118,742 | (118,742) |
| Supplies | 85,798 | 85,798 | 33,214 | 52,584 |
| Other services | 684,800 | 684,800 | 632,177 | 52,623 |
| Total | <u>770,598</u> | <u>770,598</u> | <u>784,133</u> | <u>(13,535)</u> |
| Police | | | | |
| Personnel services | - | - | 1,748,607 | (1,748,607) |
| Supplies | - | - | 30,873 | (30,873) |
| Other services | - | - | 7,816 | (7,816) |
| Total | <u>-</u> | <u>-</u> | <u>1,787,296</u> | <u>(1,787,296)</u> |
| Fire | | | | |
| Personnel services | - | - | - | - |
| Supplies | - | - | 10,662 | (10,662) |
| Other services | - | - | 744 | (744) |
| Total | <u>-</u> | <u>-</u> | <u>11,406</u> | <u>(11,406)</u> |
| Public works | | | | |
| Personnel services | - | - | 138,480 | (138,480) |
| Supplies | - | - | 21,282 | (21,282) |
| Other services | - | - | 465,963 | (465,963) |
| Total | <u>-</u> | <u>-</u> | <u>625,725</u> | <u>(625,725)</u> |
| Economic development | | | | |
| Personnel services | - | - | 32,751 | (32,751) |
| Supplies | - | - | 3,469 | (3,469) |
| Total | <u>-</u> | <u>-</u> | <u>36,220</u> | <u>(36,220)</u> |
| Total expenditures | <u>770,598</u> | <u>770,598</u> | <u>3,244,780</u> | <u>(2,474,182)</u> |
| Changes in fund balance | (32,973) | (32,973) | 18,891,416 | 18,924,389 |
| Fund balance - October 1 | 569,251 | 569,251 | 569,251 | |
| Fund balance - September 30 | <u>\$ 536,278</u> | <u>\$ 536,278</u> | <u>\$ 19,460,667</u> | <u>\$ 18,924,389</u> |

CITY OF GULFPORT, MISSISSIPPI
Notes to Required Supplementary Information
Reconciliation of Budget to GAAP
Major Governmental Funds
For the Fiscal Years Ended September 30, 2005

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

| | General Fund | Disaster Fund |
|--|---------------|---------------|
| Sources of financial resources | | |
| Actual amounts (budgetary basis) | \$ 48,728,220 | \$ 22,136,196 |
| 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. | 91,556 | (18,394,959) |
| Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 48,819,776 | 3,741,237 |
| Uses of financial resources | | |
| Actual amounts (budgetary basis) | 46,048,047 | 3,244,780 |
| 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. | (509,865) | 938,588 |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | \$ 45,538,182 | \$ 4,183,368 |

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

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

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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Supplementary Information

General Fund Supplementary Schedules

CITY OF GULFPORT, MISSISSIPPI
General Fund
Comparative Balance Sheets
September 30, 2005

| | <u>2005</u> | <u>2004</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Pooled cash and cash equivalents | \$ 14,707,887 | \$ 15,694,776 |
| Non-pooled cash and cash equivalents | 195,551 | 191,520 |
| Receivables: | | |
| Property taxes | 150,616 | 130,758 |
| Sales taxes | 1,601,935 | 1,430,895 |
| Franchise taxes | 631,341 | 755,036 |
| Gaming fees | 91,053 | 367,830 |
| Gaming privilege licenses | - | 125,700 |
| Privilege licenses | 236,397 | 115,380 |
| For other governments | 238,783 | 212,231 |
| Other | 78,978 | 57,244 |
| Due from other funds | 461,770 | 499,004 |
| Due from other governments | 451,138 | 51,962 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 18,845,449</u> | <u>\$ 19,632,336</u> |
| | | |
| Liabilities and Fund balance | | |
| Liabilities | | |
| Accounts payable | \$ 565,557 | \$ 1,690,144 |
| Accrued wages payable | 434,751 | 342,824 |
| Due to other governments | 236,397 | 212,231 |
| Deferred revenue | 322,987 | 203,502 |
| Performance bonds payable | 29,122 | 20,822 |
| | <u> </u> | <u> </u> |
| Total Liabilities | <u>1,588,814</u> | <u>2,469,523</u> |
| | | |
| Fund Balance | | |
| Reserved for encumbrances | 468,610 | 396,765 |
| Restricted funds - donor imposed | 100,000 | 100,000 |
| Unreserved - | 11,267,757 | 11,581,190 |
| Designated for subsequent year apporpriations | 5,420,268 | 5,084,858 |
| | <u> </u> | <u> </u> |
| Total fund balance | <u>17,256,635</u> | <u>17,162,813</u> |
| | | |
| Total liabilities and fund balance | <u>\$ 18,845,449</u> | <u>\$ 19,632,336</u> |

CITY OF GULFPORT, MISSISSIPPI
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Years Ended September 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|---|----------------------|----------------------|
| Revenues: | | |
| Taxes | | |
| Property | \$ 13,846,552 | \$ 13,920,879 |
| Sales | 18,228,317 | 17,518,320 |
| Franchise | 2,853,831 | 2,934,983 |
| Gaming | 4,591,269 | 4,806,833 |
| Licenses and permits | 1,854,996 | 2,005,366 |
| Intergovernmental | 1,481,139 | 2,806,497 |
| Charges for services | 951,288 | 1,171,136 |
| Fines and forfeits | 2,811,375 | 2,606,454 |
| Interest | 514,894 | 255,179 |
| Miscellaneous | 1,686,115 | 1,026,231 |
| Total revenues | <u>48,819,776</u> | <u>49,051,878</u> |
| Expenditures | | |
| Current: | | |
| General government | 5,738,254 | 5,850,447 |
| Public safety | 25,872,782 | 25,715,504 |
| Public works | 8,049,204 | 7,376,398 |
| Economic development | 1,495,541 | 1,432,846 |
| Culture and recreation | 4,382,401 | 4,569,568 |
| Total expenditures | <u>45,538,182</u> | <u>44,944,763</u> |
| Excess (deficit) of revenues over expenditures | <u>3,281,594</u> | <u>4,107,115</u> |
| Other financing sources (uses) | | |
| Transfers in | 192,399 | - |
| Transfers out | (4,788,329) | (283,862) |
| Sale of general fixed assets | 1,408,158 | 64,783 |
| Total other financing sources (uses) | <u>(3,187,772)</u> | <u>(219,079)</u> |
| Changes in Fund Balance | 93,822 | 3,888,036 |
| Fund balance - October 1 | 17,162,813 | 13,274,777 |
| Fund balance - September 30 | <u>\$ 17,256,635</u> | <u>\$ 17,162,813</u> |

Supplementary Information

Major Special Revenue Fund
Disaster Relief Fund
Supplementary Schedules

CITY OF GULFPORT, MISSISSIPPI
Disaster Relief Fund
Comparative Balance Sheets
September 30, 2005

| | 2005 | 2004 |
|---|---------------|------------|
| Assets | | |
| Pooled cash and cash equivalents | \$ 19,850,936 | \$ 456,350 |
| Due from other governments | 469,311 | 126,499 |
| Total assets | \$ 20,320,247 | \$ 582,849 |
| Liabilities and Fund balance | | |
| Liabilities | | |
| Accounts payable | \$ 1,452,296 | \$ 13,598 |
| Deferred revenue | 18,740,831 | - |
| Total Liabilities | 20,193,127 | 13,598 |
| Fund Balance | | |
| Reserved for encumbrances | 123,170 | 43,857 |
| Restricted funds - donor imposed | 3,950 | |
| Unreserved | - | 525,394 |
| Total fund balance | 127,120 | 569,251 |
| Total liabilities and fund balance | \$ 20,320,247 | \$ 582,849 |

CITY OF GULFPORT, MISSISSIPPI
Disaster Relief Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Years Ended September 30, 2005 and 2004

| | 2005 | 2004 |
|------------------------------|--------------|------------|
| Revenues: | | |
| Miscellaneous | \$ 3,741,237 | \$ 386,942 |
| Total revenues | 3,741,237 | 386,942 |
| Expenditures | | |
| General government | 1,030,092 | 160,678 |
| Public safety | 1,798,702 | - |
| Public works | 1,032,490 | - |
| Economic development | 275,849 | - |
| Culture and recreation | 46,235 | - |
| Total expenditures | 4,183,368 | 160,678 |
| Changes in fund balance | (442,131) | 226,264 |
| Fund balance - October 1 | 569,251 | 342,987 |
| Fund balance - September 30 | \$ 127,120 | \$ 569,251 |

Supplementary Information

Nonmajor Governmental Funds Combining Financial Statements

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Non-Major Governmental Funds
Combining Balance Sheet
September 30, 2005

| | Special Revenue | | | | | Capital Projects | | | | | Debt Service | 2005 Total Other Governmental Funds | | |
|-------------------------------------|--------------------------|-----------------------|-----------------------|---------------------------------|-----------------|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---------------------|-------------------------------------|------------------------------|-----------------------|
| | Forfeitures and Seizures | Police Traffic Safety | Community Development | Police and Fireman's Retirement | Library | Flood Acquisition Program | 1993 Public Improvement Fund | 1996 Public Improvement Fund | 1998 Public Improvement Fund | 2001 Public Improvement Fund | | | 2003 Public Improvement Fund | Capital Projects Fund |
| Assets | | | | | | | | | | | | | | |
| Pooled cash and cash equivalents | \$ 176,669 | \$ 66,376 | \$ 474,478 | \$ - | \$ - | \$ 518,676 | \$ - | \$ 57,966 | \$ 133,236 | \$ 403,242 | \$ 2,139,064 | \$ 3,674,977 | \$ 2,084,114 | \$ 9,728,798 |
| Cash with fiscal agents | - | - | - | - | - | - | - | - | - | - | - | - | 92,955 | 92,955 |
| Receivables | | | | | | | | | | | | | | |
| Property taxes | - | - | - | 11,367 | 5,303 | - | - | - | - | - | - | - | 42,324 | 58,994 |
| Grantee Loans | - | - | 2,322,218 | - | - | - | - | - | - | - | - | - | - | 2,322,218 |
| Due from other funds | - | - | - | - | - | - | - | - | - | - | - | - | 15,976 | 15,976 |
| Due from other governments | - | 1,920 | 267,250 | - | - | 785,083 | - | - | - | - | - | 281,310 | - | 1,335,563 |
| Deferred charges | - | - | - | - | - | 98,458 | - | - | - | - | - | - | - | 98,458 |
| Total assets | <u>176,669</u> | <u>68,296</u> | <u>3,063,946</u> | <u>11,367</u> | <u>5,303</u> | <u>1,402,217</u> | <u>-</u> | <u>57,966</u> | <u>133,236</u> | <u>403,242</u> | <u>2,139,064</u> | <u>3,956,287</u> | <u>2,235,369</u> | <u>13,652,962</u> |
| Liabilities and Fund balance | | | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | | | |
| Accounts payable | 1,568 | - | 47,376 | - | - | - | - | 158 | - | - | 274,103 | 272,201 | 61,957 | 657,363 |
| Accrued wages payable | - | - | 2,777 | - | - | - | - | - | - | - | - | - | - | 2,777 |
| Due to other funds | - | - | 421,455 | - | - | - | - | - | - | - | - | - | 2,041 | 423,496 |
| Due to other governments | - | - | - | 11,367 | 5,303 | - | - | - | - | - | - | - | - | 16,670 |
| Other liabilities | - | - | 44,423 | - | - | - | - | - | - | - | - | - | - | 44,423 |
| Deferred revenue | - | - | 2,354,168 | - | - | - | - | - | - | - | - | 100,434 | - | 2,454,602 |
| Performance bonds payable | - | - | 1,000 | - | - | - | - | - | - | - | - | 15,000 | - | 16,000 |
| Total Liabilities | <u>1,568</u> | <u>-</u> | <u>2,871,199</u> | <u>11,367</u> | <u>5,303</u> | <u>-</u> | <u>-</u> | <u>158</u> | <u>-</u> | <u>-</u> | <u>274,103</u> | <u>387,635</u> | <u>63,998</u> | <u>3,615,331</u> |
| Fund Balance | | | | | | | | | | | | | | |
| Reserved for encumbrances | 247 | - | 3,058 | - | - | - | - | 4,972 | - | 10,484 | 397,033 | 1,781,002 | - | 2,196,796 |
| Reserved for special revenue | 174,854 | 68,296 | 189,689 | - | - | 1,402,217 | - | - | - | - | - | - | - | 1,835,056 |
| Reserved for capital projects | - | - | - | - | - | - | - | 52,836 | 133,236 | 392,758 | 1,467,928 | 1,787,650 | - | 3,834,408 |
| Reserved for debt service | - | - | - | - | - | - | - | - | - | - | - | - | 2,171,371 | 2,171,371 |
| Total fund balance | <u>175,101</u> | <u>68,296</u> | <u>192,747</u> | <u>-</u> | <u>-</u> | <u>1,402,217</u> | <u>-</u> | <u>57,808</u> | <u>133,236</u> | <u>403,242</u> | <u>1,864,961</u> | <u>3,568,652</u> | <u>2,171,371</u> | <u>10,037,631</u> |
| Total liabilities and fund balance | <u>\$ 176,669</u> | <u>\$ 68,296</u> | <u>\$ 3,063,946</u> | <u>\$ 11,367</u> | <u>\$ 5,303</u> | <u>\$ 1,402,217</u> | <u>\$ -</u> | <u>\$ 57,966</u> | <u>\$ 133,236</u> | <u>\$ 403,242</u> | <u>\$ 2,139,064</u> | <u>\$ 3,956,287</u> | <u>\$ 2,235,369</u> | <u>\$ 13,652,962</u> |

CITY OF GULFPORT, MISSISSIPPI
Other Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2005

| | Special Revenue | | | | | Capital Projects | | | | | Debt Service | 2005 Total Other Governmental Funds | | |
|--------------------------------------|--------------------------|-----------------------|-----------------------|---------------------------------|----------------|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---------------------|-------------------------------------|------------------------------|-----------------------|
| | Forfeitures and Seizures | Police Traffic Safety | Community Development | Police and Fireman's Retirement | Library | Flood Acquisition Program | 1993 Public Improvement Fund | 1996 Public Improvement Fund | 1998 Public Improvement Fund | 2001 Public Improvement Fund | | | 2003 Public Improvement Fund | Capital Projects Fund |
| Revenues: | | | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ 1,064,655 | \$ 491,193 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,918,168 | \$ 5,474,016 |
| Intergovernmental | 212,282 | - | 1,609,562 | - | - | 730,555 | - | - | - | - | - | 1,765,064 | 483,938 | 4,801,401 |
| Interest | 6,338 | 1,808 | 16,507 | - | - | 10,695 | - | 2,161 | 3,632 | 17,107 | 84,942 | 74,108 | 73,831 | 291,129 |
| Miscellaneous | - | 1,920 | - | - | - | - | - | - | - | - | - | 90,000 | - | 91,920 |
| Total revenues | <u>218,620</u> | <u>3,728</u> | <u>1,626,069</u> | <u>1,064,655</u> | <u>491,193</u> | <u>741,250</u> | <u>-</u> | <u>2,161</u> | <u>3,632</u> | <u>17,107</u> | <u>84,942</u> | <u>1,929,172</u> | <u>4,475,937</u> | <u>10,658,466</u> |
| Expenditures | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | |
| Public safety | 39,949 | - | - | 1,064,655 | - | - | - | - | - | - | - | - | - | 1,104,604 |
| Public works | - | - | - | - | - | 23,056 | 19,489 | 36,274 | - | 75,762 | 1,265,934 | 4,251,257 | - | 5,671,772 |
| Health and welfare | - | - | 721,420 | - | - | - | - | - | - | - | - | - | - | 721,420 |
| Culture and recreation | - | - | - | - | 491,193 | - | - | - | - | - | - | - | - | 491,193 |
| Capital outlay | 145,735 | - | 882,659 | - | - | - | - | - | - | - | - | - | - | 1,028,394 |
| Debt service: | | | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - | - | - | 3,344,651 | 3,344,651 |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | 1,633,099 | 1,633,099 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | 7,690 | 7,690 |
| Total expenditures | <u>185,684</u> | <u>-</u> | <u>1,604,079</u> | <u>1,064,655</u> | <u>491,193</u> | <u>23,056</u> | <u>19,489</u> | <u>36,274</u> | <u>-</u> | <u>75,762</u> | <u>1,265,934</u> | <u>4,251,257</u> | <u>4,985,440</u> | <u>14,002,823</u> |
| Excess of revenues over expenditures | <u>32,936</u> | <u>3,728</u> | <u>21,990</u> | <u>-</u> | <u>-</u> | <u>718,194</u> | <u>(19,489)</u> | <u>(34,113)</u> | <u>3,632</u> | <u>(58,655)</u> | <u>(1,180,992)</u> | <u>(2,322,085)</u> | <u>(509,503)</u> | <u>(3,344,357)</u> |
| Other financing sources (uses) | | | | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 72,137 | - | - | 53,400 | - | 4,249,955 | - | 4,375,492 |
| Transfers out | - | - | - | - | - | - | - | - | - | (225,026) | (464,137) | (292,399) | - | (981,562) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>72,137</u> | <u>-</u> | <u>-</u> | <u>(171,626)</u> | <u>(464,137)</u> | <u>3,957,556</u> | <u>-</u> | <u>3,393,930</u> |
| Change in fund balance | <u>32,936</u> | <u>3,728</u> | <u>21,990</u> | <u>-</u> | <u>-</u> | <u>718,194</u> | <u>52,648</u> | <u>(34,113)</u> | <u>3,632</u> | <u>(230,281)</u> | <u>(1,645,129)</u> | <u>1,635,471</u> | <u>(509,503)</u> | <u>49,573</u> |
| Fund balance - October 1 | <u>142,165</u> | <u>64,568</u> | <u>170,757</u> | <u>-</u> | <u>-</u> | <u>684,023</u> | <u>(52,648)</u> | <u>91,921</u> | <u>129,604</u> | <u>633,523</u> | <u>3,510,090</u> | <u>1,933,181</u> | <u>2,680,874</u> | <u>9,988,058</u> |
| Fund balance - September 30 | <u>\$ 175,101</u> | <u>\$ 68,296</u> | <u>\$ 192,747</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,402,217</u> | <u>\$ -</u> | <u>\$ 57,808</u> | <u>\$ 133,236</u> | <u>\$ 403,242</u> | <u>\$ 1,864,961</u> | <u>\$ 3,568,652</u> | <u>\$ 2,171,371</u> | <u>\$ 10,037,631</u> |

Supplementary Information

Individual Fund Comparative Schedules of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Special Revenue Funds

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

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

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

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Forfeitures and Seizures Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Forfeitures and Seizures Fund</i> | | | | | |
|---|--------------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Taxes | | | | | | |
| Intergovernmental | \$ 221,101 | \$ 212,282 | \$ (8,819) | \$ 57,005 | \$ 55,147 | \$ (1,858) |
| Interest | - | 6,338 | 6,338 | - | 2,084 | 2,084 |
| Total revenues | <u>221,101</u> | <u>218,620</u> | <u>(2,481)</u> | <u>57,005</u> | <u>57,231</u> | <u>226</u> |
| Expenditures: | | | | | | |
| Public safety | 98,938 | 39,949 | 58,989 | 92,926 | 47,331 | 45,595 |
| Capital outlay | 256,370 | 145,735 | 110,635 | 119,237 | 30,400 | 88,837 |
| Total expenditures | <u>355,308</u> | <u>185,684</u> | <u>169,624</u> | <u>212,163</u> | <u>77,731</u> | <u>134,432</u> |
| Excess (deficit) of revenues over expenditures | <u>(134,207)</u> | <u>32,936</u> | <u>167,143</u> | <u>(155,158)</u> | <u>(20,500)</u> | <u>134,658</u> |
| Other financing sources (uses) | | | | | | |
| Sale of general fixed assets | - | - | - | 2,093 | 2,093 | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,093</u> | <u>2,093</u> | <u>-</u> |
| Changes in fund balance | (134,207) | 32,936 | 167,143 | (153,065) | (18,407) | 134,658 |
| Fund balance - October 1 | <u>142,165</u> | <u>142,165</u> | <u>-</u> | <u>160,572</u> | <u>160,572</u> | <u>-</u> |
| Fund balance - September 30 | <u>\$ 7,958</u> | <u>\$ 175,101</u> | <u>\$ 167,143</u> | <u>\$ 7,507</u> | <u>\$ 142,165</u> | <u>\$ 134,658</u> |

CITY OF GULFPORT, MISSISSIPPI
Police Traffic Safety Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Police Traffic Safety Fund</i> | | | | | |
|-----------------------------|-----------------------------------|------------------|-----------------|------------------|------------------|-----------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Taxes | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 9,394 | \$ 6,248 | \$ (3,146) |
| Interest | - | 1,808 | 1,808 | - | 1,019 | 1,019 |
| Miscellaneous | 3,836 | 1,920 | (1,916) | - | - | - |
| Total revenues | <u>3,836</u> | <u>3,728</u> | <u>(108)</u> | <u>9,394</u> | <u>7,267</u> | <u>(2,127)</u> |
| Expenditures | | | | | | |
| Public safety | 2,036 | - | 2,036 | 8,284 | 6,248 | 2,036 |
| Total expenditures | <u>2,036</u> | <u>-</u> | <u>2,036</u> | <u>8,284</u> | <u>6,248</u> | <u>2,036</u> |
| Changes in fund balance | <u>1,800</u> | <u>3,728</u> | <u>1,928</u> | <u>1,110</u> | <u>1,019</u> | <u>(91)</u> |
| Fund balance - October 1 | 64,568 | 64,568 | - | 63,549 | 63,549 | - |
| Fund balance - September 30 | <u>\$ 66,368</u> | <u>\$ 68,296</u> | <u>\$ 1,928</u> | <u>\$ 64,659</u> | <u>\$ 64,568</u> | <u>\$ (91)</u> |

CITY OF GULFPORT, MISSISSIPPI
Community Development Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Community Development Fund</i> | | | | | |
|---|-----------------------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Intergovernmental | \$ 5,203,411 | \$ 1,609,562 | \$ (3,593,849) | \$ 5,138,454 | \$ 2,123,944 | \$ (3,014,510) |
| Interest | - | 16,507 | 16,507 | - | 6,803 | 6,803 |
| Miscellaneous | - | - | - | - | 28,903 | 28,903 |
| Total revenues | <u>5,203,411</u> | <u>1,626,069</u> | <u>3,577,342</u> | <u>5,138,454</u> | <u>2,159,650</u> | <u>(2,978,804)</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | 279,629 | 140,413 | 139,216 |
| Public works | - | - | - | 959,332 | 297,144 | 662,188 |
| Economic development | - | - | - | 36,250 | 8,400 | 27,850 |
| Health and welfare | 1,770,723 | 721,420 | 1,049,303 | 3,467,564 | 1,581,289 | 1,886,275 |
| Capital outlay | 1,449,536 | 882,659 | 566,877 | - | 99 | (99) |
| Total expenditures | <u>3,220,259</u> | <u>1,604,079</u> | <u>1,616,180</u> | <u>4,742,775</u> | <u>2,027,345</u> | <u>2,715,430</u> |
| Excess (deficit) of revenues over expenditures | <u>1,983,152</u> | <u>21,990</u> | <u>(1,961,162)</u> | <u>395,679</u> | <u>132,305</u> | <u>(263,374)</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 40,400 | - | (40,400) | - | - | - |
| Total other financing sources (uses) | <u>40,400</u> | <u>-</u> | <u>40,400</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Changes in fund balance | 2,023,552 | 21,990 | 2,001,562 | 395,679 | 132,305 | (263,374) |
| Fund balance - October 1 | <u>170,757</u> | <u>170,757</u> | <u>-</u> | <u>38,452</u> | <u>38,452</u> | <u>-</u> |
| Fund balance - September 30 | <u>\$ 2,194,309</u> | <u>\$ 192,747</u> | <u>\$ 2,001,562</u> | <u>\$ 434,131</u> | <u>\$ 170,757</u> | <u>\$ (263,374)</u> |

CITY OF GULFPORT, MISSISSIPPI
Police and Fireman's Retirement Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Police and Fireman's Retirement Fund</i> | | | | | |
|-----------------------------|---|------------------|------------------|------------------|------------------|--------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Taxes | | | | | | |
| Property | \$ 1,199,969 | \$ 1,064,655 | \$ (135,314) | \$ 1,039,777 | \$ 1,058,950 | \$ 19,173 |
| Intergovernmental | - | - | - | 27,647 | 30,598 | 2,951 |
| Total revenues | <u>1,199,969</u> | <u>1,064,655</u> | <u>(135,314)</u> | <u>1,067,424</u> | <u>1,089,548</u> | <u>22,124</u> |
| Expenditures | | | | | | |
| Public safety | 1,199,969 | 1,064,655 | 135,314 | 1,067,424 | 1,100,078 | (32,654) |
| Total expenditures | <u>1,199,969</u> | <u>1,064,655</u> | <u>135,314</u> | <u>1,067,424</u> | <u>1,100,078</u> | <u>(32,654)</u> |
| Change in fund balance | - | - | - | - | (10,530) | (10,530) |
| Fund balance - October 1 | - | - | - | 10,530 | 10,530 | - |
| Fund balance - September 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,530</u> | <u>\$ -</u> | <u>\$ (10,530)</u> |

CITY OF GULFPORT, MISSISSIPPI
Library Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Library Fund</i> | | | | | |
|-----------------------------|---------------------|----------------|-----------------|-----------------|----------------|-------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Taxes | | | | | | |
| Property | \$ 513,079 | \$ 491,193 | \$ (21,886) | \$ 486,704 | \$ 490,457 | \$ 3,753 |
| Intergovernmental | - | - | - | 12,941 | 14,275 | 1,334 |
| Total revenues | <u>513,079</u> | <u>491,193</u> | <u>(21,886)</u> | <u>499,645</u> | <u>504,732</u> | <u>5,087</u> |
| Expenditures | | | | | | |
| Culture and recreation | 513,079 | 491,193 | 21,886 | 499,645 | 509,645 | (10,000) |
| Total expenditures | <u>513,079</u> | <u>491,193</u> | <u>21,886</u> | <u>499,645</u> | <u>509,645</u> | <u>(10,000)</u> |
| Changes in fund balance | - | - | - | - | (4,913) | (4,913) |
| Fund balance - October 1 | - | - | - | 4,913 | 4,913 | - |
| Fund balance - September 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,913</u> | <u>\$ -</u> | <u>\$ (4,913)</u> |

CITY OF GULFPORT, MISSISSIPPI
Flood Acquisition Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Flood Acquisition Fund</i> | | | | | |
|---|-------------------------------|----------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Intergovernmental | \$ 305,317 | \$ 730,550 | \$ 425,238 | \$ 2,000,098 | \$ 2,056,799 | \$ 56,701 |
| Interest | - | 10,695 | 10,695 | - | 4,700 | 4,700 |
| Total revenues | <u>305,317</u> | <u>741,250</u> | <u>435,933</u> | <u>2,000,098</u> | <u>2,061,499</u> | <u>61,401</u> |
| Expenditures | | | | | | |
| Public works | 488,061 | 23,056 | 465,005 | - | - | - |
| Capital outlay | 1,556,745 | - | 1,556,745 | 2,044,805 | 1,774,673 | 270,132 |
| Total expenditures | <u>2,044,806</u> | <u>23,056</u> | <u>2,021,750</u> | <u>2,044,805</u> | <u>1,774,673</u> | <u>270,132</u> |
| Excess (deficit) of revenues over expenditures | <u>(1,739,489)</u> | <u>718,194</u> | <u>2,457,683</u> | <u>(44,707)</u> | <u>286,826</u> | <u>331,533</u> |
| Other financing sources (uses) | | | | | | |
| Bond proceeds | - | - | - | 960,169 | 1,117,572 | 157,403 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>960,169</u> | <u>1,117,572</u> | <u>157,403</u> |
| Changes in fund balance | <u>(1,739,489)</u> | <u>718,914</u> | <u>2,457,683</u> | <u>915,462</u> | <u>1,404,398</u> | <u>488,936</u> |
| Fund balance - October 1 | <u>684,023</u> | <u>684,023</u> | <u>-</u> | <u>(720,375)</u> | <u>(720,375)</u> | <u>-</u> |
| Fund balance - September 30 | <u><u>\$ (1,055,466)</u></u> | <u><u>\$ 1,402,217</u></u> | <u><u>\$ 2,457,683</u></u> | <u><u>\$ 195,087</u></u> | <u><u>\$ 684,023</u></u> | <u><u>\$ 488,936</u></u> |

Supplementary Information

Individual Fund Comparative Schedules of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Capital Projects Funds

1993 Public Improvements Fund – This fund is used to account for streets and drainage projects throughout the City of Gulfport, Mississippi’s jurisdiction which are being financed with the City’s 1993 general obligation bond issue.

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

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

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

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

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

CITY OF GULFPORT, MISSISSIPPI
1993 Public Improvement Capital Project Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>1993 Public Improvement Fund</i> | | | | | |
|---|-------------------------------------|-----------------|------------------|---------------------|--------------------|------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Interest | \$ - | \$ - | \$ - | \$ - | \$ 2,691 | \$ 2,691 |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,691</u> | <u>2,691</u> |
| Expenditures | | | | | | |
| Public works | 84,908 | 19,489 | 65,419 | 293,992 | 208,444 | 85,548 |
| Total expenditures | <u>84,908</u> | <u>19,489</u> | <u>65,419</u> | <u>293,992</u> | <u>208,444</u> | <u>85,548</u> |
| Excess (deficit) of revenues over expenditures | <u>(84,908)</u> | <u>(19,489)</u> | <u>65,419</u> | <u>(293,992)</u> | <u>(205,753)</u> | <u>88,239</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 72,137 | 72,137 | - | - | - | - |
| Total other financing sources (uses) | <u>72,137</u> | <u>72,137</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Changes in fund balance | (12,771) | 52,648 | 65,419 | (293,992) | (205,753) | 88,239 |
| Fund balance - October 1 | <u>(52,647)</u> | <u>(52,648)</u> | | <u>153,106</u> | <u>153,106</u> | <u>-</u> |
| Fund balance - September 30 | <u>\$ (65,418)</u> | <u>\$ -</u> | <u>\$ 65,419</u> | <u>\$ (140,886)</u> | <u>\$ (52,647)</u> | <u>\$ 88,239</u> |

CITY OF GULFPORT, MISSISSIPPI
1996 Public Improvement Capital Project Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>1996 Public Improvement Fund</i> | | | | | |
|---|-------------------------------------|------------------|------------------|--------------------|------------------|-------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Interest | \$ - | \$ 2,161 | \$ 2,161 | | \$ 1,643 | \$ 1,643 |
| Miscellaneous | - | - | - | 115,000 | 115,000 | - |
| Total revenues | <u>-</u> | <u>2,161</u> | <u>2,161</u> | <u>115,000</u> | <u>116,643</u> | <u>1,643</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Public works | 119,928 | 36,274 | 83,654 | 178,738 | 60,625 | 118,113 |
| Total expenditures | <u>119,928</u> | <u>36,274</u> | <u>83,654</u> | <u>178,738</u> | <u>60,625</u> | <u>118,113</u> |
| Excess (deficit) of revenues over expenditures | <u>(119,928)</u> | <u>(34,113)</u> | <u>85,815</u> | <u>(63,738)</u> | <u>56,018</u> | <u>119,756</u> |
| Other financing sources (uses) | | | | | | |
| Bond proceeds | - | - | - | - | 6,179,867 | 6,179,867 |
| Payment-defeasance of bonds | - | - | - | - | (174,699) | (174,699) |
| Bond issue costs | - | - | - | - | (6,005,168) | (6,005,168) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Changes in fund balance | (119,928) | (34,113) | 85,815 | (63,738) | 56,018 | 119,756 |
| Fund balance - October 1 | 91,921 | 91,921 | - | 35,903 | 35,903 | - |
| Fund balance - September 30 | <u>\$ (28,007)</u> | <u>\$ 57,808</u> | <u>\$ 85,815</u> | <u>\$ (27,835)</u> | <u>\$ 91,921</u> | <u>\$ 119,756</u> |

CITY OF GULFPORT, MISSISSIPPI
1998 Public Improvement Capital Project Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>1998 Public Improvement Fund</i> | | | | | |
|-----------------------------|-------------------------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
| | 2005 | | | 2004 | | |
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Revenues: | | | | | | |
| Interest | \$ - | \$ 3,632 | \$ 3,632 | \$ - | \$ 2,058 | \$ 2,058 |
| Total revenues | <u>-</u> | <u>3,632</u> | <u>3,632</u> | <u>-</u> | <u>2,058</u> | <u>2,058</u> |
| Expenditures | | | | | | |
| Public works | 23 | - | 23 | 23 | - | 23 |
| Total expenditures | <u>23</u> | <u>-</u> | <u>23</u> | <u>23</u> | <u>-</u> | <u>23</u> |
| Changes in fund balance | (23) | 3,632 | 3,655 | (23) | 2,058 | 2,081 |
| Fund balance - October 1 | 129,604 | 129,604 | - | 127,546 | 127,546 | - |
| Fund balance - September 30 | <u>\$ 129,581</u> | <u>\$ 133,236</u> | <u>\$ 3,655</u> | <u>\$ 127,523</u> | <u>\$ 129,604</u> | <u>\$ 2,081</u> |

CITY OF GULFPORT, MISSISSIPPI
2001 Public Improvement Capital Project Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>2001 Public Improvement Fund</i> | | | | | |
|---|-------------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 110,000 | \$ 110,000 | \$ - |
| Interest | - | 17,107 | 17,107 | - | 7,685 | 7,685 |
| Total revenues | <u>-</u> | <u>17,107</u> | <u>17,107</u> | <u>110,000</u> | <u>117,685</u> | <u>7,685</u> |
| Expenditures | | | | | | |
| Public works | 425,042 | 75,762 | 349,280 | 1,530,683 | 934,015 | 596,668 |
| Total expenditures | <u>425,042</u> | <u>75,762</u> | <u>349,280</u> | <u>1,530,683</u> | <u>934,015</u> | <u>596,668</u> |
| Excess (deficit) of revenues over expenditures | <u>(425,042)</u> | <u>(58,655)</u> | <u>366,387</u> | <u>(1,420,683)</u> | <u>(816,330)</u> | <u>604,353</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 53,400 | 53,400 | - | 23,862 | 23,862 | - |
| Bond proceeds | | | | 808,979 | 804,160 | (4,819) |
| Transfers out | <u>(225,026)</u> | <u>(225,026)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(171,626)</u> | <u>(171,626)</u> | <u>-</u> | <u>832,841</u> | <u>828,022</u> | <u>(4,819)</u> |
| Changes in fund balance | (596,668) | (230,281) | 366,387 | (587,842) | 11,692 | 599,534 |
| Fund balance - October 1 | <u>633,523</u> | <u>633,523</u> | <u>-</u> | <u>621,831</u> | <u>621,831</u> | <u>-</u> |
| Fund balance - September 30 | <u>\$ 36,855</u> | <u>\$ 403,242</u> | <u>\$ 366,387</u> | <u>\$ 33,989</u> | <u>\$ 633,523</u> | <u>\$ 599,534</u> |

CITY OF GULFPORT, MISSISSIPPI
2003 Public Improvement Capital Project Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>2003 Public Improvement Fund</i> | | | | | |
|---|-------------------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ 56,829 | \$ 56,829 |
| Interest | - | 84,942 | 84,942 | - | - | - |
| Total revenues | <u>-</u> | <u>84,942</u> | <u>84,942</u> | <u>-</u> | <u>56,829</u> | <u>56,829</u> |
| Expenditures | | | | | | |
| Public works | 2,970,387 | 1,265,934 | 1,704,453 | 4,410,711 | 988,281 | 3,422,430 |
| Total expenditures | <u>2,970,387</u> | <u>1,265,934</u> | <u>1,704,453</u> | <u>4,410,711</u> | <u>988,281</u> | <u>3,422,430</u> |
| Excess (deficit) of revenues over expenditures | <u>(2,970,387)</u> | <u>(1,180,992)</u> | <u>1,789,395</u> | <u>(4,410,711)</u> | <u>(931,452)</u> | <u>3,479,259</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | - | 200,000 | 200,000 | - |
| Transfers out | <u>(464,137)</u> | <u>(464,137)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other other financing sources (uses) | <u>(464,137)</u> | <u>(464,137)</u> | <u>-</u> | <u>200,000</u> | <u>200,000</u> | <u>-</u> |
| Changes in fund balance | (3,434,524) | (1,645,129) | 1,789,395 | (4,210,711) | (731,452) | 3,479,259 |
| Fund balance - October 1 | <u>3,510,090</u> | <u>3,510,090</u> | <u>-</u> | <u>4,241,542</u> | <u>4,241,542</u> | <u>-</u> |
| Fund balance - September 30 | <u>\$ 75,566</u> | <u>\$ 1,864,961</u> | <u>\$ 1,789,395</u> | <u>\$ 30,831</u> | <u>\$ 3,510,090</u> | <u>\$ 3,479,259</u> |

CITY OF GULFPORT, MISSISSIPPI
Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Capital Projects Fund</i> | | | | | |
|---|------------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Intergovernmental | \$ 5,297,979 | \$ 1,765,064 | \$ (35,327,715) | \$ 2,551,304 | \$ 237,747 | \$ (2,313,557) |
| Interest | - | 74,108 | 74,108 | - | 35,541 | 35,541 |
| Miscellaneous | 90,000 | 90,000 | - | 3,833 | - | (3,833) |
| Total revenues | <u>5,387,979</u> | <u>1,929,172</u> | <u>(3,458,807)</u> | <u>2,555,137</u> | <u>273,288</u> | <u>(2,281,849)</u> |
| Expenditures | | | | | | |
| Public works | 11,311,863 | 4,251,257 | 7,060,606 | 4,810,069 | 751,783 | 4,058,286 |
| Total expenditures | <u>11,311,863</u> | <u>4,251,257</u> | <u>7,060,606</u> | <u>4,810,069</u> | <u>751,783</u> | <u>4,058,286</u> |
| Excess (deficit) of revenues over expenditures | <u>(5,923,884)</u> | <u>2,322,085</u> | <u>3,601,799</u> | <u>(2,254,932)</u> | <u>(478,495)</u> | <u>1,776,437</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 4,249,955 | 4,249,955 | - | 60,000 | 60,000 | - |
| Transfers out | (292,399) | (292,399) | - | - | - | - |
| Total other financing sources (uses) | <u>3,957,556</u> | <u>3,957,556</u> | <u>-</u> | <u>60,000</u> | <u>60,000</u> | <u>-</u> |
| Changes in fund balance | (1,966,328) | 1,635,471 | 3,601,799 | (2,194,932) | (418,495) | 1,776,437 |
| Fund balance - October 1 | <u>1,933,181</u> | <u>1,933,181</u> | <u>-</u> | <u>2,351,676</u> | <u>2,351,676</u> | <u>-</u> |
| Fund balance - September 30 | <u>\$ (33,147)</u> | <u>\$ 3,568,652</u> | <u>\$ 3,601,799</u> | <u>\$ 156,744</u> | <u>\$ 1,933,181</u> | <u>\$ 1,776,437</u> |

Supplementary Information

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

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

CITY OF GULFPORT, MISSISSIPPI
Debt Service Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Debt Service Fund</i> | | | | | |
|-----------------------------|--------------------------|---------------------|--------------------|---------------------|---------------------|------------------|
| | 2005 | | | 2004 | | |
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Revenues: | | | | | | |
| Taxes | | | | | | |
| Property | \$ 4,090,000 | \$ 3,918,168 | \$ (171,832) | \$ 4,024,221 | \$ 3,908,202 | \$ (116,019) |
| Intergovernmental | - | 483,938 | 483,938 | 94,581 | 632,827 | 538,246 |
| Interest | - | 73,831 | 73,831 | | 45,014 | 45,014 |
| Miscellaneous | - | - | - | 141,576 | | (141,576) |
| Total revenues | <u>4,090,000</u> | <u>4,475,937</u> | <u>385,937</u> | <u>4,260,378</u> | <u>4,586,043</u> | <u>325,665</u> |
| Expenditures | | | | | | |
| Debt service: | | | | | | |
| Principal | 2,870,000 | 3,344,651 | (474,651) | 2,571,890 | 2,820,319 | (248,429) |
| Interest | 1,685,000 | 1,633,099 | 51,901 | 1,950,610 | 1,951,663 | (1,053) |
| Other | - | 7,690 | (7,690) | 16,000 | 5,352 | 10,648 |
| Total expenditures | <u>4,555,000</u> | <u>4,985,440</u> | <u>(430,440)</u> | <u>4,538,500</u> | <u>4,777,334</u> | <u>(238,834)</u> |
| Changes in fund balance | <u>(465,000)</u> | <u>(509,503)</u> | <u>(44,503)</u> | <u>(278,122)</u> | <u>(191,291)</u> | <u>86,831</u> |
| Fund balance - October 1 | <u>2,680,874</u> | <u>2,680,874</u> | <u>-</u> | <u>2,872,165</u> | <u>2,872,165</u> | <u>-</u> |
| Fund balance - September 30 | <u>\$ 2,215,874</u> | <u>\$ 2,171,371</u> | <u>\$ (44,503)</u> | <u>\$ 2,594,043</u> | <u>\$ 2,680,874</u> | <u>\$ 86,831</u> |



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Supplementary Information

Enterprise Funds

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

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

CITY OF GULFPORT, MISSISSIPPI
Comparative Balance Sheets
Enterprise Funds
September 30, 2005 and 2004

| | Business Type Activities - Enterprise Funds | | | |
|--|--|---------------------------------|----------------------|----------------------|
| | Water and Sewer | Joseph T, Jones Park | 2005 | 2004 |
| Assets | | | | |
| Current assets: | | | | |
| Pooled cash and cash equivalents | \$ - | \$ 542,782 | \$ 542,782 | \$ 3,322,210 |
| Non-pooled cash and cash equivalents | 1,064,625 | - | 1,064,625 | 1,000 |
| Investments | 245 | - | 245 | 245 |
| Receivables: | | | | |
| Customer accounts (net of allowance for uncollectible accounts) | 1,926,658 | - | 1,926,658 | 2,226,955 |
| Customer accounts accrued but not billed | - | - | - | 863,457 |
| Other | 1,192,905 | - | 1,192,905 | 988,857 |
| Due from other governments | 365,256 | - | 365,256 | 93,992 |
| Total current assets | 4,549,689 | 542,782 | 5,092,471 | 7,496,716 |
| Current restricted assets | | | | |
| Pooled cash and cash equivalents | 913,291 | - | 913,291 | 661,314 |
| Noncurrent assets | | | | |
| Capital assets: | | | | |
| Land | 149,313 | 63,304 | 212,617 | 212,616 |
| Building | - | - | - | 1,059,673 |
| Improvements other than buildings | 102,667,450 | 99,214 | 102,766,664 | 89,426,682 |
| Machinery and equipment | 881,913 | - | 881,913 | 908,308 |
| Vehicles | 1,290,249 | 14,604 | 1,304,853 | 1,252,445 |
| | 104,988,925 | 177,122 | 105,166,047 | 92,859,724 |
| Less accumulated depreciation | (25,031,055) | (102,437) | (25,133,492) | (24,348,184) |
| Total capital assets | 79,957,870 | 74,685 | 80,032,555 | 68,511,540 |
| Other noncurrent assets | | | | |
| Cash - Water and Sewer Improvements | 9,705,970 | - | 9,705,970 | 10,961,533 |
| Deferred charges | 3,968,774 | - | 3,968,774 | 2,161,058 |
| Total other noncurrent assets | 13,674,744 | - | 13,674,744 | 13,122,591 |
| Total assets | \$ 99,095,594 | \$ 617,467 | \$ 99,713,061 | \$ 89,792,161 |
| Liabilities | | | | |
| Current liabilities (payable from current assets) | | | | |
| Accounts payable | \$ 761,948 | \$ 4,974 | \$ 766,922 | \$ 1,169,384 |
| Accrued wages payable | 1,477 | 2,421 | 3,898 | 4,951 |
| Accrued interest payable | 863,407 | - | 863,407 | 808,796 |
| Due to other funds | 54,250 | - | 54,250 | 54,251 |
| Retainage payable | 142,338 | - | 142,338 | 142,338 |
| Other liabilities | 1,194,673 | - | 1,194,673 | 841,271 |
| Notes payable - current portion | 2,055,000 | - | 2,055,000 | 1,700,000 |
| Bonds payable - current portion | 753,774 | - | 753,774 | 616,913 |
| Total current liabilities payable from current assets | 5,826,867 | 7,395 | 5,834,262 | 5,337,904 |
| Current liabilities (payable from restricted assets) | | | | |
| Meter deposits | 866,099 | - | 866,099 | 661,314 |
| Total current liabilities | 6,692,966 | 7,395 | 6,700,361 | 5,999,218 |
| Noncurrent liabilities | | | | |
| Compensated absences payable | 3,973 | 6,275 | 10,248 | 10,673 |
| Bonds payable | 58,140,000 | - | 58,140,000 | 54,015,000 |
| Notes payable | 10,012,860 | - | 10,012,860 | 9,499,673 |
| Total noncurrent liabilities | 68,156,833 | 6,275 | 68,163,108 | 63,525,346 |
| Total liabilities | 74,849,799 | 13,670 | 74,863,469 | 69,524,564 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 8,996,236 | 74,685 | 9,070,921 | 2,679,954 |
| Restricted for revenue bond indentures | 4,000 | - | 4,000 | 4,000 |
| Unrestricted | 15,245,559 | 529,112 | 15,774,671 | 17,583,643 |
| Total net assets | \$ 24,245,795 | \$ 603,797 | \$ 24,849,592 | \$ 20,267,597 |

CITY OF GULFPORT, MISSISSIPPI
Comparative Schedule of Revenues, Expenses and
Changes in Net Assets
Enterprise Funds
For the Fiscal Years Ended September 30, 2005 and 2004

| | Business Type Activities - Enterprise Funds | | | |
|--|--|---------------------------------|----------------------|----------------------|
| | Water and Sewer | Joseph T, Jones Park | 2005 | 2004 |
| Operating Revenues | | | | |
| Intergovernmental | \$ 2,984,110 | \$ - | \$ 2,984,110 | \$ 91,775 |
| Charges for services | 20,035,680 | 337,129 | 20,372,809 | 21,516,605 |
| Miscellaneous | 103,838 | 146 | 103,984 | 346 |
| Total operating revenues | <u>23,123,628</u> | <u>337,275</u> | <u>23,460,903</u> | <u>21,608,726</u> |
| Operating Expenses | | | | |
| Personnel services | 107,050 | 176,013 | 283,063 | 305,239 |
| Contractual services | 3,048,108 | 74,074 | 3,122,182 | 2,746,931 |
| Material and supplies | 1,073,258 | 3,678 | 1,076,936 | 1,071,061 |
| Other services and charges | 11,732,188 | - | 11,732,188 | 10,685,892 |
| Depreciation | 1,174,911 | - | 1,174,911 | 1,647,130 |
| Amortization | 162,819 | 17,135 | 179,954 | 117,268 |
| Bad debts | 164,635 | 26,127 | 190,762 | 237,014 |
| Total operating expenses | <u>17,462,969</u> | <u>297,027</u> | <u>17,759,996</u> | <u>16,810,535</u> |
| Operating income (loss) | <u>5,660,659</u> | <u>40,248</u> | <u>5,700,907</u> | <u>4,798,191</u> |
| Non-operating revenues | | | | |
| Interest income | 413,244 | 15,115 | 428,359 | 171,574 |
| Interest expense | (2,320,322) | - | (2,320,322) | (3,279,224) |
| Loss on assets due to hurricane | (52,120) | (827,340) | (879,460) | 30,539 |
| Total nonoperating revenues (expenses) | <u>(1,959,198)</u> | <u>(812,225)</u> | <u>(2,771,423)</u> | <u>(3,077,111)</u> |
| Income (loss) before contributions and transfers | 3,701,461 | (771,977) | 2,929,484 | 1,721,080 |
| Capital contributions | 450,511 | - | 450,511 | 224,518 |
| Transfers from other funds | 1,202,000 | - | 1,202,000 | - |
| Change in net assets | 5,353,972 | (771,977) | 4,581,995 | 1,945,598 |
| Net assets - October 1 | 18,891,823 | 1,375,774 | 20,267,597 | 18,322,075 |
| Net assets - September 30 | <u>\$ 24,245,795</u> | <u>\$ 603,797</u> | <u>\$ 24,849,592</u> | <u>\$ 20,267,673</u> |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Comparative Cash Flows
Enterprise Funds
For the fiscal years ended September 30, 2005 and 2004

| | Business Type Activities | | | |
|---|---------------------------------|---------------------------------|----------------------|----------------------|
| | Water and Sewer | Joseph T. Jones Park | 2005 | 2004 |
| Cash flows from operating activities | | | | |
| Cash received from customers | \$ 21,191,628 | \$ 329,324 | \$ 21,520,952 | \$ 21,849,395 |
| Cash received from other governments | 2,608,798 | - | 2,608,798 | 134,731 |
| Other operating receipts | 103,838 | 146 | 103,984 | 346 |
| Cash paid to suppliers | (17,650,219) | (83,965) | (17,734,184) | (14,117,128) |
| Cash paid to employees | (107,815) | (176,013) | (283,828) | (302,759) |
| Cash received from meter deposits, net | 279,243 | - | 279,243 | 126,701 |
| Net cash provided by operating activities | <u>6,425,473</u> | <u>69,492</u> | <u>6,494,965</u> | <u>7,691,286</u> |
| Cash flows from capital and related financing activities | | | | |
| Acquisition and construction of capital assets | (13,537,743) | - | (13,537,743) | (6,660,476) |
| Disposition of capital assets | (1,001,940) | (10,518) | (1,012,458) | - |
| Proceeds from debt issuance | 57,827,647 | - | 57,827,647 | 4,335,035 |
| Principal paid on revenue bond maturities and notes payable | (52,689,837) | - | (52,689,837) | (1,945,439) |
| Interest paid on bonds and notes payable | (230,322) | - | (230,322) | (3,268,139) |
| Proceeds from the sale of assets | - | - | - | 30,539 |
| Net cash used in capital and related financing activities | <u>(9,632,195)</u> | <u>(10,518)</u> | <u>(9,642,713)</u> | <u>(7,508,480)</u> |
| Cash flows from investing activities | | | | |
| Interest received | 413,244 | 15,115 | 428,359 | 171,574 |
| Net cash from investing activities | <u>413,244</u> | <u>15,115</u> | <u>428,359</u> | <u>171,574</u> |
| Net increase (decrease) in cash and cash equivalents | (2,793,478) | 74,089 | (2,719,389) | 354,380 |
| Cash and equivalents - October 1 | 14,477,364 | 468,693 | 14,946,057 | 14,591,677 |
| Cash and equivalents - September 30 | <u>\$ 11,683,886</u> | <u>\$ 542,782</u> | <u>\$ 12,226,668</u> | <u>\$ 14,946,057</u> |

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

| | | | | |
|--|---------------------|------------------|---------------------|---------------------|
| Operating income (loss) | \$ 5,660,659 | \$ 40,248 | \$ 5,700,907 | \$ 4,798,115 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation | 1,174,911 | 17,135 | 1,192,046 | 1,647,130 |
| Amortization | 162,819 | - | 162,819 | 117,268 |
| Bad debts | 164,635 | 26,127 | 190,762 | 237,014 |
| (Increase) decrease in assets | | | | |
| Accounts receivable | 292,491 | (7,805) | 284,686 | 332,790 |
| Other receivables | 863,457 | - | 863,457 | (775,946) |
| Prepaid assets | (1,807,716) | - | (1,807,716) | - |
| Due from other governments | (375,312) | - | (375,312) | 42,956 |
| Increase (decrease) in liabilities | | | | |
| Accounts payable | (402,311) | (150) | (402,461) | 332,921 |
| Accrued wages payable | (600) | (260) | (860) | 1,365 |
| Other liabilities | 413,362 | (5,350) | 408,012 | 829,857 |
| Meter deposit liabilities | 279,243 | - | 279,243 | 126,701 |
| Compensated absences payable | (165) | (453) | (618) | 1,115 |
| Net cash provided by (used in) operating activities | <u>\$ 6,425,473</u> | <u>\$ 69,492</u> | <u>\$ 6,494,965</u> | <u>\$ 7,691,286</u> |

Non cash investing, capital and financing activities:

| | | | | |
|---------------------|-------------------|-------------|-------------------|-------------------|
| Contributed capital | <u>\$ 450,511</u> | <u>\$ -</u> | <u>\$ 450,511</u> | <u>\$ 224,518</u> |
|---------------------|-------------------|-------------|-------------------|-------------------|

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

| | Other Assets | Restricted Assets | Current Assets | Total 2005 |
|--|-------------------------|------------------------------|---------------------------|-----------------------|
| Cash and cash equivalents - October 1 | \$ 10,961,533 | \$ 661,314 | \$ 3,323,210 | \$ 14,946,057 |
| Net increase (decrease) | (1,255,563) | 251,977 | (1,715,803) | (2,719,389) |
| Cash and cash equivalents - September 30 | <u>\$ 9,705,970</u> | <u>\$ 913,291</u> | <u>\$ 1,607,407</u> | <u>\$ 12,226,668</u> |

CITY OF GULFPORT, MISSISSIPPI
Comparative Balance Sheets
Water and Sewer Enterprise Fund
September 30, 2005

| | 2005 | 2004 |
|--|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Pooled cash and cash equivalents | \$ - | \$ 2,853,517 |
| Non-pooled cash and cash equivalents | 1,064,625 | 1,000 |
| Investments | 245 | 245 |
| Receivables: | | |
| Customer accounts (net of allowance for uncollectible accounts) | 1,926,658 | 2,219,149 |
| Customer accounts accrued but not billed | | 863,457 |
| Other | 1,192,905 | 988,857 |
| Due from other governments | 365,256 | 93,992 |
| Total current assets | 4,549,689 | 7,020,217 |
| Current restricted assets | | |
| Pooled cash and cash equivalents | 913,291 | 661,314 |
| Noncurrent assets | | |
| Capital assets: | | |
| Land | 149,313 | 149,313 |
| Buildings | | 139,619 |
| Improvements other than buildings | 102,667,450 | 88,580,900 |
| Machinery and equipment | 881,913 | 908,308 |
| Vehicles | 1,290,249 | 1,229,581 |
| | 104,988,925 | 91,007,721 |
| Less accumulated depreciation | (25,031,055) | (23,415,340) |
| Total capital assets | 79,957,870 | 67,592,381 |
| Other noncurrent assets | | |
| Cash - Water and Sewer Improvements | 9,705,970 | 10,961,533 |
| Deferred charges | 3,968,774 | 2,161,058 |
| Total other noncurrent assets | 13,674,744 | 13,122,591 |
| Total assets | \$ 99,095,594 | \$ 88,396,503 |
| Liabilities | | |
| Current liabilities (payable from current assets) | | |
| Accounts payable | \$ 761,948 | \$ 1,164,259 |
| Accrued wages payable | 1,477 | 2,077 |
| Accrued interest payable | 863,407 | 808,796 |
| Due to other funds | 54,250 | 54,251 |
| Retainage payable | 142,338 | 142,338 |
| Other liabilities | 1,194,673 | 835,921 |
| Notes payable - current portion | 2,055,000 | 616,913 |
| Bonds payable - current portion | 753,774 | 1,700,000 |
| Total current liabilities payable from current assets | 5,826,867 | 5,324,555 |
| Current liabilities (payable from restricted assets) | | |
| Meter deposits | 866,099 | 661,314 |
| Total current liabilities | 6,692,966 | 5,985,869 |
| Noncurrent liabilities | | |
| Compensated absences payable | 3,973 | 4,138 |
| Bonds payable | 58,140,000 | 54,015,000 |
| Notes payable | 10,012,860 | 9,499,673 |
| Total noncurrent liabilities | 68,156,833 | 63,518,811 |
| Total liabilities | 74,849,799 | 69,504,680 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 8,996,236 | 1,760,795 |
| Restricted for revenue bond indentures | 4,000 | 4,000 |
| Unrestricted | 15,245,559 | 17,127,028 |
| Total net assets | \$ 24,245,795 | \$ 18,891,823 |

CITY OF GULFPORT, MISSISSIPPI
Comparative Schedule of Revenues, Expenses and
Changes in Net Assets
Water & Sewer Enterprise Fund
For the Fiscal Year Ended September 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|----------------------|----------------------|
| Operating Revenues | | |
| Intergovernmental | \$ 2,984,110 | \$ 91,775 |
| Charges for services | - | |
| Water and sewer billings | 9,984,094 | 10,279,355 |
| Sewer treatment billings | 2,492,006 | 2,763,677 |
| Wastewater debt billings | 3,940,599 | 4,209,972 |
| Garbage collections | 2,962,013 | 3,184,255 |
| Connection charges | 111,881 | 138,841 |
| Fire hydrant rental charges | 49,418 | 17,773 |
| Other charges and service | 495,669 | 575,655 |
| Miscellaneous | 103,838 | - |
| Total operating revenues | <u>23,123,628</u> | <u>21,261,303</u> |
| Operating Expenses | | |
| Personnel services | 107,050 | 91,320 |
| Contractual services | 3,048,108 | 2,746,931 |
| Material and supplies | 1,073,258 | 1,064,339 |
| Other services and charges | 11,732,188 | 10,599,972 |
| Depreciation | 1,174,911 | 1,628,730 |
| Amortization | 162,819 | 117,268 |
| Bad debts | 164,635 | 224,574 |
| Total operating expenses | <u>17,462,969</u> | <u>16,473,134</u> |
| Operating income (loss) | <u>5,660,659</u> | <u>4,788,169</u> |
| Non-operating revenues | | |
| Interest income | 413,244 | 163,763 |
| Interest expense | (2,320,322) | (3,279,224) |
| Loss on assets due to hurricane | (52,120) | - |
| Gain (loss) on sale of capital assets | - | 30,539 |
| Total nonoperating revenues (expenses) | <u>(1,959,198)</u> | <u>(3,084,922)</u> |
| Income (loss) before contributions and transfers | 3,701,461 | 1,703,247 |
| Capital contributions | 450,511 | 224,518 |
| Transfers from other funds | <u>1,202,000</u> | <u>-</u> |
| Change in net assets | 5,353,972 | 1,927,765 |
| Net assets - October 1 | <u>18,891,823</u> | <u>16,964,058</u> |
| Net assets - September 30 | <u>\$ 24,245,795</u> | <u>\$ 18,891,823</u> |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Comparative Cash Flows
Water and Sewer Enterprise Fund
For the fiscal years ended September 30, 2005 and 2004

| | Water and Sewer Fund | |
|---|-----------------------------|----------------------|
| | 2005 | 2004 |
| Cash flows from operating activities | | |
| Cash received from customers | \$ 21,191,628 | \$ 21,513,473 |
| Cash received from other governments | 2,608,798 | 134,731 |
| Cash received from other operating receipts | 103,838 | - |
| Cash paid to suppliers | (17,650,219) | (14,020,884) |
| Cash paid to employees | (107,815) | (89,842) |
| Cash received from meter deposits, net | 279,243 | 126,701 |
| Net cash provided by operating activities | <u>6,425,473</u> | <u>7,664,179</u> |
| Cash flows from capital and related financing activities | | |
| Acquisition and construction of capital assets | (13,537,743) | (6,660,476) |
| Disposition of capital assets | (1,001,940) | - |
| Proceeds from debt issuance | 57,827,647 | 4,335,035 |
| Principal paid on revenue bond maturities and notes payable | (52,689,837) | (1,945,439) |
| Interest paid on bonds and notes payable | (230,322) | (3,268,139) |
| Proceeds from sale of assets | - | 30,539 |
| Net cash used in capital and related financing activities | <u>(9,632,195)</u> | <u>(7,508,480)</u> |
| Cash flows from investing activities | | |
| Interest received | 413,244 | 163,763 |
| Net cash from investing activities | <u>413,244</u> | <u>163,763</u> |
| Net increase (decrease) in cash and cash equivalents | (2,793,478) | 319,462 |
| Cash and equivalents - October 1 | <u>14,477,364</u> | <u>14,157,902</u> |
| Cash and equivalents - September 30 | <u>\$ 11,683,886</u> | <u>\$ 14,477,364</u> |

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

| | | |
|--|---------------------|---------------------|
| Operating income (loss) | \$ 5,660,659 | \$ 4,788,169 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 1,174,911 | 1,628,730 |
| Amortization | 162,819 | 117,268 |
| Bad debts | 164,635 | 224,574 |
| (Increase) decrease in assets | | |
| Accounts receivable | 292,491 | 343,945 |
| Other receivables | 863,457 | (775,946) |
| Prepaid assets | (1,807,716) | - |
| Due from other governments | (375,312) | 42,956 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (402,311) | 335,989 |
| Accrued wages payable | (600) | 1,358 |
| Other liabilities | 413,362 | 830,315 |
| Meter deposit liabilities | 279,243 | 126,701 |
| Compensated absences payable | (165) | 120 |
| Net cash provided by (used in) operating activities | <u>\$ 6,425,473</u> | <u>\$ 7,664,179</u> |

Non cash investing, capital and financing activities:

| | | |
|---------------------|-------------------|-------------------|
| Contributed capital | <u>\$ 450,511</u> | <u>\$ 224,518</u> |
|---------------------|-------------------|-------------------|

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

| | Other Assets | Restricted Assets | Current Assets | Total 2005 |
|--|---------------------|----------------------|---------------------|----------------------|
| Cash and cash equivalents - October 1 | \$ 10,961,533 | \$ 661,314 | \$ 2,854,517 | \$ 14,477,364 |
| Net increase (decrease) | (1,255,563) | 251,971 | (1,789,892) | (2,793,484) |
| Cash and cash equivalents - September 30 | <u>\$ 9,705,970</u> | <u>\$ 913,285</u> | <u>\$ 1,064,625</u> | <u>\$ 11,683,880</u> |

CITY OF GULFPORT, MISSISSIPPI
Water and Sewer Enterprise Fund
Comparative Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Water and Sewer Fund</i> | | | | | |
|--|-----------------------------|---------------------|-------------------|------------------------|---------------------|----------------------|
| | 2005 | | | 2004 | | |
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Operating Revenues | | | | | | |
| Intergovernmental | \$ 1,686,153 | \$ 2,984,110 | \$ 1,297,957 | \$ 1,074,775 | \$ 91,775 | \$ (983,000) |
| Charges for services | | | | | | |
| Water and sewer billings | 11,654,863 | 9,984,094 | (1,670,769) | 10,713,000 | 10,279,355 | (433,645) |
| Sewer treatment billings | 2,695,000 | 2,492,006 | (202,994) | 2,490,000 | 2,763,677 | 273,677 |
| Wastewater debt billings | 4,395,000 | 3,940,599 | (454,401) | 3,970,000 | 4,209,972 | 239,972 |
| Garbage collections | 3,000,000 | 2,962,013 | (37,987) | 3,000,000 | 3,184,255 | 184,255 |
| Connection charges | 135,000 | 111,881 | (23,119) | 135,000 | 138,841 | 3,841 |
| Fire hydrant rental charges | 45,000 | 49,418 | 4,418 | 14,000 | 17,773 | 3,773 |
| Other charges and service | 393,000 | 495,669 | 102,669 | 445,000 | 575,655 | 130,655 |
| Miscellaneous | 47,200 | 103,838 | 56,638 | - | - | - |
| Total operating revenues | <u>24,051,216</u> | <u>23,123,628</u> | <u>(927,588)</u> | <u>21,841,775</u> | <u>21,261,303</u> | <u>(580,472)</u> |
| Operating Expenses | | | | | | |
| Personnel services | 140,772 | 107,050 | 33,722 | 90,059 | 91,320 | (1,261) |
| Contractual services | 35,389,086 | 3,048,108 | 32,340,978 | 3,065,695 | 2,746,931 | 318,764 |
| Material and supplies | 1,180,088 | 1,073,258 | 106,830 | 1,149,011 | 1,064,339 | 84,672 |
| Other services and charges | 18,199,910 | 11,732,188 | 6,467,722 | 36,199,447 | 10,599,972 | 25,599,475 |
| Capital outlay | 13,560,000 | 12,816,000 | 744,000 | 13,539,348 | 6,881,933 | 6,657,415 |
| Total operating expenses | <u>68,469,856</u> | <u>28,776,604</u> | <u>39,693,252</u> | <u>54,043,560</u> | <u>21,384,495</u> | <u>32,659,065</u> |
| Operating income (loss) | <u>(44,418,640)</u> | <u>(5,652,976)</u> | <u>38,765,664</u> | <u>(32,201,785)</u> | <u>(123,192)</u> | <u>32,078,593</u> |
| Non-operating revenues | | | | | | |
| Interest income | 100,000 | 413,244 | 313,244 | 50,000 | 163,763 | 113,763 |
| Loan proceeds | - | 56,575,000 | 56,575,000 | (113,658) | 4,335,035 | 4,448,693 |
| Note proceeds | - | 1,252,647 | 1,252,647 | - | - | - |
| Payments to defeased debt escrow | - | (49,526,814) | 49,526,814 | - | - | - |
| Loss on assets due to hurricane | - | (52,120) | 52,120 | - | - | - |
| Gain (loss) on sale of capital assets | - | - | - | 28,823 | 30,539 | 1,716 |
| Debt service | | | | | | |
| Principal | (2,493,784) | (3,163,023) | 669,239 | (2,145,374) | (1,945,439) | 199,935 |
| Interest and charges | (3,614,000) | (2,320,322) | 1,293,678 | (3,402,474) | (3,279,224) | 123,250 |
| Total nonoperating revenues expenses) | <u>(6,007,784)</u> | <u>3,178,612</u> | <u>9,186,396</u> | <u>(5,582,683)</u> | <u>(695,326)</u> | <u>4,887,357</u> |
| Income (loss) before contributions and transfers | (50,426,424) | (2,474,364) | 47,952,060 | (37,784,468) | (818,518) | 36,965,950 |
| Capital contributions | | 450,511 | 450,511 | | 224,518 | 224,518 |
| Transfers from other funds | 1,202,000 | 1,202,000 | - | - | - | - |
| Change in net assets | <u>\$ (49,224,424)</u> | <u>\$ (821,853)</u> | <u>48,402,571</u> | <u>\$ (37,784,468)</u> | <u>\$ (594,000)</u> | <u>\$ 37,190,468</u> |
| Reconciliation of change of net assets | | | | | | |
| Change in net asset budgetary basis | | \$ (821,853) | | | | |
| Depreciation, amortization, and bad debt | | (1,502,365) | | | | |
| Add capital outlay | | 12,816,000 | | | | |
| Less bond proceeds | | (56,575,000) | | | | |
| Less note proceeds | | (1,252,647) | | | | |
| Add payments to defeased debt escrow | | 49,526,814 | | | | |
| Add principal payments | | <u>3,163,023</u> | | | | |
| Change in net asset per financials | | <u>\$ 5,353,972</u> | | | | |

CITY OF GULFPORT, MISSISSIPPI
Comparative Balance Sheets
Joseph T. Jones Memorial Park Enterprise Fund
September 30, 2005

| | 2005 | 2004 |
|--|-------------|--------------|
| Assets | | |
| Current assets: | | |
| Pooled cash and cash equivalents | \$ 542,782 | \$ 468,693 |
| Receivables: | | |
| Customer accounts (net of allowance for uncollectible accounts) | - | 7,806 |
| Total current assets | 542,782 | 476,499 |
| Capital assets: | | |
| Land | 63,304 | 63,303 |
| Buildings | | 920,054 |
| Improvements other than buildings | 99,214 | 845,782 |
| Vehicles | 14,604 | 22,864 |
| | 177,122 | 1,852,003 |
| Less accumulated depreciation | (102,437) | (932,844) |
| Total capital assets | 74,685 | 919,159 |
| Total assets | \$ 617,467 | \$ 1,395,658 |
| Liabilities | | |
| Current liabilities (payable from current assets) | | |
| Accounts payable | \$ 4,974 | \$ 5,125 |
| Accrued wages payable | 2,421 | 2,874 |
| Other liabilities | | 5,350 |
| Total current liabilities | 7,395 | 13,349 |
| Noncurrent liabilities | | |
| Compensated absences payable | 6,275 | 6,535 |
| Total noncurrent liabilities | 6,275 | 6,535 |
| Total liabilities | 13,670 | 19,884 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 74,685 | 919,159 |
| Unrestricted | 529,112 | 456,615 |
| Total net assets | \$ 603,797 | \$ 1,375,774 |

CITY OF GULFPORT, MISSISSIPPI
Comparative Schedule of Revenues, Expenses and
Changes in Net Assets
Joseph T. Jones Memorial Park Enterprise Fund
For the Fiscal Year Ended September 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-------------------|---------------------|
| Operating Revenues | | |
| Charges for services | \$ 337,129 | \$ 347,077 |
| Miscellaneous | 146 | 346 |
| Total operating revenues | <u>337,275</u> | <u>347,423</u> |
| Operating Expenses | | |
| Personnel services | 176,013 | 213,919 |
| Contractual services | 74,074 | 6,722 |
| Material and supplies | 3,678 | 85,920 |
| Other services and charges | - | 76 |
| Depreciation | 17,135 | 18,400 |
| Bad debts | 26,127 | 12,440 |
| Total operating expenses | <u>297,027</u> | <u>337,477</u> |
| Operating income (loss) | <u>40,248</u> | <u>9,946</u> |
| Non-operating revenues | | |
| Interest income | 15,115 | 7,811 |
| Loss on assets due to hurricane | (827,340) | - |
| Total nonoperating revenues (expenses) | <u>(812,225)</u> | <u>7,811</u> |
| Change in net assets | (771,977) | 17,757 |
| Net assets - October 1 | <u>1,375,774</u> | <u>1,358,017</u> |
| Net assets - September 30 | <u>\$ 603,797</u> | <u>\$ 1,375,774</u> |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Comparative Cash Flows
Joseph T. Jones Memorial Park Enterprise Fund
For the fiscal years ended September 30, 2005 and 2004

| | Joseph T. Jones Memorial Park | |
|--|--------------------------------------|-------------|
| | 2005 | 2004 |
| Cash flows from operating activities | | |
| Cash received from customers | \$ 329,324 | \$ 335,922 |
| Cash received from other operating receipts | 146 | 346 |
| Cash paid to suppliers | (83,965) | (96,244) |
| Cash paid to employees | (176,013) | (212,917) |
| Net cash provided by operating activities | 69,492 | 27,107 |
| Cash flows from capital and related financing activities | | |
| Disposition of capital assets | (10,518) | - |
| Net cash used in capital and related financing activities | (10,518) | - |
| Cash flows from investing activities | | |
| Interest received | 15,115 | 7,811 |
| Net cash from investing activities | 15,115 | 7,811 |
| Net increase (decrease) in cash and cash equivalents | 74,089 | 34,918 |
| Cash and equivalents - October 1 | 468,693 | 433,775 |
| Cash and equivalents - September 30 | \$ 542,782 | \$ 468,693 |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ 40,248 | \$ 9,946 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 17,135 | 18,400 |
| Bad debts | 26,127 | 12,440 |
| (Increase) decrease in assets | | |
| Accounts receivable | (7,805) | (11,155) |
| Increase (decrease) in liabilities | | |
| Accounts payable | (150) | (3,068) |
| Accrued wages payable | (260) | 7 |
| Other liabilities | (5,350) | (458) |
| Compensated absences payable | (453) | 995 |
| Net cash provided by (used in) operating activities | \$ 69,492 | \$ 27,107 |

CITY OF GULFPORT, MISSISSIPPI
Joseph T. Jones Memorial Park Enterprise Fund
Comparative Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Joseph T. Jones Memorial Park</i> | | | | | |
|---|--------------------------------------|---------------------|---------------------|---------------------|------------------|-------------------|
| | 2005 | | | 2004 | | |
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Operating Revenues | | | | | | |
| Charges for services | \$ 330,000 | \$ 337,129 | \$ 7,129 | \$ 255,000 | \$ 347,077 | \$ 92,077 |
| Miscellaneous | - | 146 | 146 | - | 346 | 346 |
| Total operating revenues | <u>330,000</u> | <u>337,275</u> | <u>7,275</u> | <u>255,000</u> | <u>347,423</u> | <u>92,423</u> |
| | | | - | | | |
| Operating Expenses | | | | | | |
| Personnel services | 320,508 | 176,013 | 144,495 | 219,763 | 213,919 | 5,844 |
| Contractual services | 125,853 | 74,074 | 51,779 | - | - | - |
| Material and supplies | 21,761 | 3,678 | 18,083 | 17,388 | 6,722 | 10,666 |
| Other services and charges | 1,627 | - | 1,627 | 106,353 | 85,920 | 20,433 |
| Capital outlay | - | - | - | 181,000 | 76 | 180,924 |
| Depreciation | - | 17,135 | (17,135) | - | 18,400 | (18,400) |
| Bad debts | - | 26,127 | (26,127) | - | 12,440 | (12,440) |
| Total operating expenses | <u>469,749</u> | <u>297,027</u> | <u>172,722</u> | <u>524,504</u> | <u>337,477</u> | <u>187,027</u> |
| Operating income (loss) | <u>(139,749)</u> | <u>40,248</u> | <u>179,997</u> | <u>(269,504)</u> | <u>9,946</u> | <u>279,450</u> |
| Non-operating revenues | | | | | | |
| Interest income | 10,000 | 15,115 | 5,115 | 15,000 | 7,811 | (7,189) |
| Loss on assets due to hurricane | - | (827,340) | (827,340) | - | - | - |
| Total nonoperating revenues (expenses) | <u>10,000</u> | <u>(812,225)</u> | <u>(822,225)</u> | <u>15,000</u> | <u>7,811</u> | <u>(7,189)</u> |
| Change in net assets | <u>\$ (129,749)</u> | <u>\$ (771,977)</u> | <u>\$ (642,228)</u> | <u>\$ (254,504)</u> | <u>\$ 17,757</u> | <u>\$ 272,261</u> |



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Supplementary Information

Internal Service Funds

Group Life and Health Fund – This fund is used to account for the accumulation and allocation of costs associated with providing health care and life insurance benefits for the City of Gulfport, Mississippi's employees.

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

CITY OF GULFPORT, MISSISSIPPI
Internal Service Funds
Combining Balance Sheets
For the Fiscal Years Ended September 30, 2005
(With Comparative Totals for the Fiscal Year Ended September 30, 2004)

| | Group Life and Health | Claims Contingency | Totals | |
|-------------------------------------|--------------------------------------|-------------------------------|------------------|------------------|
| | | | 2005 | 2004 |
| Assets | | | | |
| Pooled cash and cash equivalents | \$ 2,017,454 | \$ 511,101 | \$ 2,528,555 | \$ 2,441,650 |
| Investments | - | 1,382,676 | 1,382,676 | 1,070,403 |
| Accounts Receivable | - | 534,800 | 534,800 | - |
| Prepaid insurance | - | 594,274 | 594,274 | 590,300 |
| Total assets | 2,017,454 | 3,022,851 | 5,040,305 | 4,102,353 |
| Liabilities | | | | |
| Accounts payable | 133 | 1,633 | 1,766 | 2,856 |
| Liability for self-insurance claims | 429,120 | 1,564,717 | 1,993,837 | 2,070,824 |
| Total Liabilities | 429,253 | 1,566,350 | 1,995,603 | 2,073,680 |
| Net assets | | | | |
| Unrestricted | \$ 1,588,201 | \$ 1,456,501 | \$ 3,044,702 | \$ 2,028,673 |

CITY OF GULFPORT, MISSISSIPPI
Internal Service Funds
Combining Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
For the Fiscal Years Ended September 30, 2005
(With Comparative Totals for the Fiscal Year Ended September 30, 2004)

| | Group Life and Health | Claims Contingency | Totals | |
|--------------------------------------|--------------------------------------|-------------------------------|---------------------|---------------------|
| | | | 2005 | 2004 |
| Operating Revenues | | | | |
| Employee contributions | \$ 665,912 | \$ - | \$ 665,912 | \$ 603,986 |
| Retiree contributions | 89,228 | - | 89,228 | 93,913 |
| Employer contributions | 2,789,142 | 2,162,818 | 4,951,960 | 4,617,028 |
| Insurance claim reimbursements | 79,373 | 596,542 | 675,915 | 22,397 |
| Total operating revenues | <u>3,623,655</u> | <u>2,759,360</u> | <u>6,383,015</u> | <u>5,337,324</u> |
| Operating Expenses | | | | |
| Contractual services | - | 9,250 | 9,250 | 9,250 |
| Administrative expenses | 119,019 | 68,215 | 187,234 | 214,753 |
| Death benefits paid | - | 2,000 | 2,000 | 2,000 |
| Premium payments | 295,100 | 1,066,295 | 1,361,395 | 1,125,857 |
| Claims paid | <u>3,290,912</u> | <u>613,102</u> | <u>3,904,014</u> | <u>3,360,356</u> |
| Total operating expenses | <u>3,705,031</u> | <u>1,758,862</u> | <u>5,463,893</u> | <u>4,712,216</u> |
| Operating income (loss) | <u>(81,376)</u> | <u>1,000,498</u> | <u>919,122</u> | <u>625,108</u> |
| Non-operating revenues (expenses) | | | | |
| Interest income | <u>61,276</u> | <u>35,631</u> | <u>96,907</u> | <u>46,945</u> |
| Total non-operating income (loss) | <u>61,276</u> | <u>35,631</u> | <u>96,907</u> | <u>46,945</u> |
| Change in net assets | (20,100) | 1,036,129 | 1,016,029 | 672,053 |
| Net assets - October 1 | <u>1,608,301</u> | <u>420,372</u> | <u>2,028,673</u> | <u>1,356,620</u> |
| Net assets - September 30 | <u>\$ 1,588,201</u> | <u>\$ 1,456,501</u> | <u>\$ 3,044,702</u> | <u>\$ 2,028,673</u> |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Comparative Cash Flows
Claim Contingency Internal Service Fund
For the fiscal years ended September 30, 2005 and 2004

| | <u>Group Life and Health</u> | <u>Claims Contingency</u> | <u>Totals</u> | |
|--|--------------------------------------|-------------------------------|---------------------|---------------------|
| | | | <u>2005</u> | <u>2004</u> |
| Cash flows from operating activities | | | | |
| Cash received from employees and others | \$ 755,140 | \$ - | \$ 755,140 | \$ 697,899 |
| Cash received from insurance companies | 79,373 | 61,742 | 141,115 | 22,947 |
| Cash received from employer contributions | 2,789,142 | 2,162,818 | 4,951,960 | (4,889,403) |
| Cash paid to suppliers | (3,613,238) | (1,930,389) | (5,543,627) | 4,617,028 |
| Net cash provided by operating activities | <u>10,417</u> | <u>294,171</u> | <u>304,588</u> | <u>448,471</u> |
| Cash flows from investing activities | | | | |
| Sale of investments | | (314,590) | (314,590) | 100,000 |
| Purchase of investments | | - | - | (115,000) |
| Interest received | 61,276 | 35,631 | 96,907 | 44,689 |
| Net cash from investing activities | <u>61,276</u> | <u>(278,959)</u> | <u>(217,683)</u> | <u>29,689</u> |
| Net increase (decrease) in cash and cash equivalents | 71,693 | 15,212 | 86,905 | 478,160 |
| Cash and equivalents - October 1 | <u>1,945,761</u> | <u>495,889</u> | <u>2,441,650</u> | <u>1,963,490</u> |
| Cash and equivalents - September 30 | <u>\$ 2,017,454</u> | <u>\$ 511,101</u> | <u>\$ 2,528,555</u> | <u>\$ 2,441,650</u> |
| Non-cash and capital related financing activities | | | | |
| Change in fair value of investments | <u>\$ -</u> | <u>\$ 24,669</u> | <u>\$ 24,669</u> | <u>\$ (18,915)</u> |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ (81,376) | \$ 1,000,498 | \$ 919,122 | \$ 625,108 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| (Increase) decrease in assets | | | | |
| Other receivables | | (534,800) | (534,800) | 7,551 |
| Prepaid assets | | (3,974) | (3,974) | (168,171) |
| Increase (decrease) in liabilities | | | | |
| Accounts payable | 68 | 1,159 | 1,227 | (29,999) |
| Other liabilities | 91,725 | (168,712) | (76,987) | 13,982 |
| Net cash provided by (used in) operating activities | <u>\$ 10,417</u> | <u>\$ 294,171</u> | <u>\$ 304,588</u> | <u>\$ 448,471</u> |

CITY OF GULFPORT, MISSISSIPPI
Group Life and Health Internal Service Fund
Comparative Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Group Life and Health Fund</i> | | | | | |
|--------------------------------------|-----------------------------------|---------------------|-------------------|---------------------|---------------------|------------------|
| | 2005 | | | 2004 | | |
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Operating Revenues | | | | | | |
| Employee contributions | \$ 660,000 | \$ 665,912 | \$ 5,912 | \$ - | \$ 603,986 | \$ 603,986 |
| Retiree contributions | 87,000 | 89,228 | 2,228 | - | 93,913 | 93,913 |
| Employer contributions | 2,757,669 | 2,789,142 | 31,473 | 3,215,448 | 2,590,382 | (625,066) |
| Insurance claim reimbursements | - | 79,373 | 79,373 | - | - | - |
| Total operating revenues | <u>3,504,669</u> | <u>3,623,655</u> | <u>118,986</u> | <u>3,215,448</u> | <u>3,288,281</u> | <u>72,833</u> |
| Operating Expenses | | | | | | |
| Administrative expenses | 158,800 | 119,019 | 39,781 | 300 | 141,141 | (140,841) |
| Premium payments | 303,750 | 295,100 | 8,650 | - | 232,423 | (232,423) |
| Claims paid | 3,340,500 | 3,290,912 | 49,588 | 3,146,700 | 2,779,063 | 367,637 |
| Total operating expenses | <u>3,803,050</u> | <u>3,705,031</u> | <u>98,019</u> | <u>3,147,000</u> | <u>3,152,627</u> | <u>(5,627)</u> |
| Operating income (loss) | <u>(298,381)</u> | <u>(81,376)</u> | <u>217,005</u> | <u>68,448</u> | <u>135,654</u> | <u>67,206</u> |
| Non-operating revenues (expenses) | | | | | | |
| Interest income | <u>20,000</u> | <u>61,276</u> | <u>41,276</u> | <u>10,000</u> | <u>22,402</u> | <u>12,402</u> |
| Total non-operating income (loss) | <u>20,000</u> | <u>61,276</u> | <u>41,276</u> | <u>10,000</u> | <u>22,402</u> | <u>12,402</u> |
| Change in net assets | (278,381) | (20,100) | 258,281 | 78,448 | 158,056 | 79,608 |
| Net assets - October 1 | 1,608,301 | 1,608,301 | - | 1,450,245 | 1,450,245 | - |
| Net assets - September 30 | <u>\$ 1,329,920</u> | <u>\$ 1,588,201</u> | <u>\$ 258,281</u> | <u>\$ 1,528,693</u> | <u>\$ 1,608,301</u> | <u>\$ 79,608</u> |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Comparative Cash Flows
Group Life and Health Internal Service Fund
For the fiscal years ended September 30, 2005 and 2004

| | Group Health and Life | |
|---|------------------------------|----------------------------|
| | 2005 | 2004 |
| Cash flows from operating activities | | |
| Cash received from employees and others | \$ 755,140 | \$ 697,899 |
| Cash received from insurance companies | 79,373 | - |
| Cash received from employer contributions | 2,789,142 | (3,145,562) |
| Cash paid to suppliers | (3,613,238) | 2,590,382 |
| Net cash provided by operating activities | <u>10,417</u> | <u>142,719</u> |
| Cash flows from investing activities | | |
| Interest received | <u>61,276</u> | <u>22,402</u> |
| Net cash from investing activities | <u>61,276</u> | <u>22,402</u> |
| Net increase (decrease) in cash and cash equivalents | 71,693 | 165,121 |
| Cash and equivalents - October 1 | <u>1,945,761</u> | <u>1,780,640</u> |
| Cash and equivalents - September 30 | <u><u>\$ 2,017,454</u></u> | <u><u>\$ 1,945,761</u></u> |

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

| | | |
|--|------------------|-------------------|
| Operating income (loss) | \$ (81,376) | \$ 183,653 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| (Increase) decrease in assets | | |
| Accounts receivable | | 7,001 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 68 | 65 |
| Other liabilities | <u>91,725</u> | <u>(48,000)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 10,417</u> | <u>\$ 142,719</u> |

CITY OF GULFPORT, MISSISSIPPI
Claims Contingency Internal Service Fund
Comparative Schedule of Revenues, Expenses and
Changes in Net Assets - Budget and Actual
For the Fiscal Years Ended September 30, 2005 and 2004

| | <i>Claims Contingency Fund</i> | | | | | |
|-----------------------------------|--------------------------------|---------------------|---------------------|--------------------|-------------------|-------------------|
| | 2005 | | | 2004 | | |
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Operating Revenues | | | | | | |
| Employer contributions | \$ 2,119,680 | \$ 2,162,818 | \$ 43,138 | \$ 2,083,092 | \$ 2,026,646 | \$ (56,446) |
| Insurance claim reimbursements | - | 596,542 | 596,542 | - | 22,397 | 22,397 |
| Total operating revenues | <u>2,119,680</u> | <u>2,759,360</u> | <u>639,680</u> | <u>2,083,092</u> | <u>2,049,043</u> | <u>(34,049)</u> |
| Operating Expenses | | | | | | |
| Contractual services | - | 9,250 | (9,250) | - | 9,250 | (9,250) |
| Administrative expenses | 100,900 | 68,215 | 32,685 | - | 73,612 | (73,612) |
| Death benefits paid | 5,000 | 2,000 | 3,000 | - | 2,000 | (2,000) |
| Premium payments | 1,100,000 | 1,066,295 | 33,705 | - | 893,434 | (893,434) |
| Claims paid | 957,600 | 613,102 | 344,498 | 2,122,000 | 567,310 | 1,554,690 |
| Total operating expenses | <u>2,163,500</u> | <u>1,758,862</u> | <u>404,638</u> | <u>2,122,000</u> | <u>1,545,606</u> | <u>576,394</u> |
| Operating income (loss) | <u>(43,820)</u> | <u>1,000,498</u> | <u>1,044,318</u> | <u>(38,908)</u> | <u>503,437</u> | <u>542,345</u> |
| Non-operating revenues (expenses) | | | | | | |
| Interest income | <u>50,000</u> | <u>35,631</u> | <u>(14,369)</u> | <u>50,000</u> | <u>24,543</u> | <u>(25,457)</u> |
| Total non-operating income (loss) | <u>50,000</u> | <u>35,631</u> | <u>(14,369)</u> | <u>50,000</u> | <u>24,543</u> | <u>(25,457)</u> |
| Change in net assets | 6,180 | 1,036,129 | 1,029,949 | 11,092 | 527,980 | 516,888 |
| Net assets - October 1 | 420,372 | 420,372 | - | (107,608) | (107,608) | - |
| Net assets - September 30 | <u>\$ 426,552</u> | <u>\$ 1,456,501</u> | <u>\$ 1,029,949</u> | <u>\$ (96,516)</u> | <u>\$ 420,372</u> | <u>\$ 516,888</u> |

CITY OF GULFPORT, MISSISSIPPI
Schedule of Comparative Cash Flows
Claim Contingency Internal Service Fund
For the fiscal years ended September 30, 2005 and 2004

| | Claim Contingency | |
|--|--------------------------|--------------------|
| | 2005 | 2004 |
| Cash flows from operating activities | | |
| Cash received from insurance companies | \$ 61,742 | \$ 22,947 |
| Cash received from employer contributions | 2,162,818 | (1,743,841) |
| Cash paid to suppliers | (1,930,389) | 2,026,646 |
| Net cash provided by operating activities | <u>294,171</u> | <u>305,752</u> |
| Cash flows from investing activities | | |
| Sale of investments | (314,590) | 100,000 |
| Purchase of investments | - | (115,000) |
| Interest received | 35,631 | 22,287 |
| Net cash from investing activities | <u>(278,959)</u> | <u>7,287</u> |
| Net increase (decrease) in cash and cash equivalents | 15,212 | 313,039 |
| Cash and equivalents - October 1 | 495,889 | 182,850 |
| Cash and equivalents - September 30 | <u>\$ 511,101</u> | <u>\$ 495,889</u> |
| Non-cash and capital related financing activities | | |
| Change in fair value of investments | <u>\$ 24,669</u> | <u>\$ (18,915)</u> |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ 1,000,498 | \$ 441,455 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| (Increase) decrease in assets | | |
| Other receivables | (534,800) | 550 |
| Prepaid assets | (3,974) | (168,171) |
| Increase (decrease) in liabilities | | |
| Accounts payable | 1,159 | (30,064) |
| Other liabilities | (168,712) | 61,982 |
| Net cash provided by (used in) operating activities | <u>\$ 294,171</u> | <u>\$ 305,752</u> |



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Supplementary Information

Fiduciary Funds

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

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

CITY OF GULFPORT, MISSISSIPPI
Combining Balance Sheet
Fiduciary Funds
September 30, 2005
(With Comparative Totals September 30, 2004)

| | Asset Forfeiture | Coastal Narcotics | Agency Funds | |
|----------------------------------|-----------------------------|------------------------------|---------------------|-------------------|
| | | | Totals | |
| | | | 2005 | 2004 |
| Assets | | | | |
| Pooled cash and cash equivalents | \$ 38,191 | \$ 191,803 | \$ 229,994 | \$ 164,531 |
| Assets held for disposal | - | 54,787 | 54,787 | 35,590 |
| Total assets | <u>38,191</u> | <u>246,590</u> | <u>284,781</u> | <u>200,121</u> |
| Liabilities | | | | |
| Due to other governments | 38,191 | 246,590 | 284,781 | 200,121 |
| Total liabilities | <u>38,191</u> | <u>246,590</u> | <u>\$ 284,781</u> | <u>\$ 200,121</u> |



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Statistical and Economic Data

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

TABLE I
(Unaudited)

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

| Fiscal Year | General Government | Public Safety | Public Works | Economic Development | Health & Welfare | Culture and Recreation | Capital Outlay | Debt Service | Total |
|----------------|-----------------------|------------------|-----------------|-------------------------|---------------------|------------------------------|-------------------|-----------------|--------|
| 1996 | 3,906 | 17,962 | 7,413 | 115 | 431 | 2,665 | 11,054 | 3,662 | 47,208 |
| 1997 | 4,613 | 21,019 | 9,427 | 106 | 170 | 2,864 | 6,667 | 4,099 | 48,965 |
| 1998 | 4,445 | 20,552 | 7,213 | 80 | 173 | 3,414 | 5,245 | 4,268 | 45,390 |
| 1999 | 7,216 | 21,318 | 6,789 | 100 | 30 | 3,783 | 10,062 | 4,241 | 53,539 |
| 2000 | 5,624 | 23,369 | 7,017 | 1,662 | 86 | 4,330 | 7,735 | 3,836 | 53,659 |
| 2001 | 6,309 | 27,574 | 6,517 | 92 | 366 | 4,647 | 12,911 | 3,598 | 62,014 |
| 2002 | 7,251 | 25,666 | 7,027 | 86 | 750 | 4,732 | 9,662 | 4,027 | 59,201 |
| 2003(2) | 6,743 | 26,996 | 7,905 | 1,453 | 639 | 4,877 | 9,293 | 4,086 | 61,992 |
| 2004 | 5,991 | 26,396 | 7,674 | 1,441 | 1,581 | 5,079 | 4,748 | 4,772 | 57,682 |
| 2005 | 6,768 | 28,776 | 14,753 | 2,493 | - | 4,920 | 1,028 | 4,986 | 63,724 |

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

SOURCE: Prior audit reports.

TABLE II
(Unaudited)

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

| Fiscal Year | Property Taxes | Sales Taxes | Franchise Taxes | Gaming Taxes | Fines and Forfeits | Licenses and Permits | Inter- Governmental | (3) Charges for Services | Interest and Miscellaneous | Total |
|----------------|-------------------|----------------|--------------------|-----------------|--------------------------|----------------------------|------------------------|-----------------------------------|----------------------------------|--------|
| 1996 | 15,128 | 11,746 | 2,010 | 3,372 | 2,249 | 859 | 4,968 | 765 | 949 | 42,046 |
| 1997 | 16,081 | 12,478 | 2,053 | 3,446 | 1,924 | 821 | 5,808 | 656 | 1,190 | 44,457 |
| 1998 | 16,232 | 13,111 | 2,150 | 3,422 | 1,539 | 1,117 | 5,205 | 698 | 1,178 | 44,652 |
| 1999 | 16,515 | 15,583 | 2,260 | 3,718 | 2,377 | 1,454 | 9,230 | 710 | 1,286 | 53,133 |
| 2000 | 17,190 | 16,147 | 2,487 | 4,217 | 2,232 | 1,331 | 7,182 | 833 | 1,289 | 52,908 |
| 2001 | 15,852 | 16,241 | 2,792 | 4,241 | 2,251 | 1,187 | 9,354 | 998 | 1,391 | 54,307 |
| 2002 | 16,247 | 16,477 | 2,771 | 4,398 | 1,938 | 1,092 | 9,113 | 1,021 | 956 | 54,013 |
| 2003(4) | 19,309 | 17,002 | 2,833 | 4,478 | 1,965 | 1,784 | 9,093 | 1,204 | 1,136 | 58,804 |
| 2004 | 19,378 | 17,518 | 2,935 | 4,807 | 2,606 | 2,005 | 8,074 | 1,171 | 1,978 | 60,472 |
| 2005 | 19,321 | 18,228 | 2,854 | 4,591 | 2,811 | 1,855 | 6,283 | 951 | 6,325 | 63,219 |

- (1) Includes all Governmental Fund types.
- (2) Begin initial collections of realty, personal, and public taxes of the annexed area.
- (3) Includes garbage collection fee for 1992 through 1993.
- (4) Presented on modified accrual basis.

SOURCE: Prior audit reports.

TABLE III
(Unaudited)

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

| Fiscal Year | Revenue from Total Levy (2) | Current Collections | Percent Current Collected | Delinquent Collections | Total Tax Collections (3) | Ratio Total Collected to Levy | Outstanding Delinquent Taxes | Ratio Delinquent to Total Levy |
|-------------|-----------------------------|---------------------|---------------------------|------------------------|---------------------------|-------------------------------|------------------------------|--------------------------------|
| 1996 | 26,797 | 26,543 | 99.1% | 197 | 26,740 | 99.8% | 254 | 0.9% |
| 1997 | 30,048 | 29,802 | 99.2% | 325 | 30,127 | 100.3% | 246 | 0.8% |
| 1998 | 30,354 | 30,058 | 99.0% | 170 | 30,228 | 99.6% | 296 | 1.0% |
| 1999 | 31,353 | 31,040 | 99.0% | 208 | 31,248 | 99.7% | 313 | 1.0% |
| 2000 | 32,157 | 31,907 | 99.2% | 389 | 32,296 | 100.4% | 250 | 0.8% |
| 2001 | 32,263 | 31,928 | 99.0% | 187 | 32,115 | 99.5% | 335 | 1.0% |
| 2002 | 33,053 | 32,451 | 98.2% | 466 | 32,917 | 99.6% | 326 | 1.0% |
| 2003 | 34,039 | 33,702 | 99.0% | 370 | 34,072 | 100.1% | 337 | 1.0% |
| 2004 | 36,665 | 36,302 | 99.0% | 318 | 36,620 | 99.9% | 363 | 1.0% |
| 2005 | 37,875 | 36,560 | 96.5% | 205 | 36,765 | 97.1% | 1,315 | 3.5% |

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

SOURCE: Prior audit reports.

TABLE IV
(Unaudited)

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

| Fiscal Year | Real Property | | Personal Property | | Utilities | | Vehicles | | Totals | | % Assessed Increase (Decrease) |
|-------------|----------------|--------------|-------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|--------------------------------|
| | Assessed Value | Actual Value | Assessed Value | Actual Value | Assessed Value | Actual Value | Assessed Value | Actual Value | Assessed Value | Actual Value | |
| 1996 | 195,412 | 1,428,450 | 43,524 | 290,160 | 103,576 | 690,507 | 50,440 | 168,133 | 392,952 | 2,577,250 | 2.3% |
| 1997 | 205,576 | 1,502,749 | 72,754 | 485,027 | 94,122 | 627,480 | 52,050 | 173,500 | 424,502 | 2,788,756 | 8.0% |
| 1998 | 211,456 | 1,545,731 | 50,105 | 334,033 | 92,646 | 617,640 | 59,662 | 198,873 | 413,869 | 2,696,277 | -2.5% |
| 1999 | 215,135 | 1,572,624 | 56,063 | 373,753 | 93,052 | 620,347 | 63,700 | 212,333 | 427,950 | 2,779,058 | 3.4% |
| 2000 | 218,333 | 1,596,001 | 55,753 | 371,687 | 97,460 | 649,733 | 67,663 | 225,543 | 439,209 | 2,842,965 | 2.6% |
| 2001(3) | 331,352 | 2,422,164 | 69,630 | 464,200 | 98,258 | 655,053 | 71,847 | 239,490 | 571,087 | 3,780,907 | 30.0% |
| 2002 | 338,110 | 2,471,564 | 72,083 | 480,553 | 100,695 | 671,300 | 71,199 | 237,330 | 582,087 | 3,860,748 | 1.9% |
| 2003 | 345,892 | 2,528,450 | 70,049 | 466,993 | 99,520 | 663,467 | 82,392 | 274,640 | 597,853 | 3,933,550 | 2.7% |
| 2004 | 351,143 | 2,566,835 | 68,437 | 456,247 | 103,000 | 686,667 | 72,356 | 241,187 | 594,936 | 3,950,935 | -0.5% |
| 2005 | 358,165 | 2,618,165 | 69,806 | 465,373 | 103,000 | 686,667 | 72,356 | 241,187 | 603,327 | 4,011,392 | 1.4% |

(1) Assessment rates are as follows:

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

PERSONAL PROPERTY - Assessed at 15% of actual value.

UTILITIES - Assessed at 15% of actual value.

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

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

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

SOURCE: Prior audit reports.

TABLE V
(Unaudited)

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

| Fiscal Year | City of Gulfport | | | Harrison County | | | Gulfport School District | | | Grand Total Millage |
|----------------|----------------------|-----------------|------------------|----------------------|-----------------|------------------|--------------------------|-----------------|------------------|---------------------------|
| | Operating Millage | Debt Millage | Total Millage | Operating Millage | Debt Millage | Total Millage | Operating Millage | Debt Millage | Total Millage | |
| 1996 | 32.0 | 9.0 | 41.0 | 40.4 | 3.0 | 43.4 | 44.5 | 8.3 | 52.8 | 137.2 |
| 1997 | 32.6 | 8.4 | 41.0 | 40.4 | 3.0 | 43.4 | 46.0 | 15.8 | 61.8 | 146.2 |
| 1998 | 34.9 | 6.1 | 41.0 | 41.4 | 2.0 | 43.4 | 48.1 | 13.7 | 61.8 | 146.2 |
| 1999 | 33.5 | 7.5 | 41.0 | 41.3 | 2.1 | 43.4 | 49.6 | 12.2 | 61.8 | 146.2 |
| 2000 | 33.5 | 7.5 | 41.0 | 40.0 | 3.4 | 43.4 | 50.0 | 11.8 | 61.8 | 146.2 |
| 2001* | 22.2 | 7.5 | 29.7 | 32.8 | 3.4 | 36.2 | 43.6 | 9.1 | 52.7 | 118.6 |
| 2002 | 22.6 | 7.1 | 29.7 | 32.4 | 3.3 | 35.7 | 45.6 | 9.1 | 53.7 | 119.1 |
| 2003 | 23.8 | 7.4 | 34.0 | 32.9 | 2.8 | 35.7 | 35.7 | 7.6 | 54.9 | 124.6 |
| 2004 | 24.2 | 7.0 | 34.0 | 33.5 | 2.2 | 35.7 | 50.3 | 7.6 | 57.9 | 127.6 |
| 2005 | 24.1 | 7.0 | 34.0 | 33.4 | 2.3 | 35.7 | 20.3 | 7.6 | 57.9 | 127.6 |

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

SOURCE: Harrison County Chancery Clerk's Office.

TABLE VI
(Unaudited)

CITY OF GULFPORT, MISSISSIPPI
PRINCIPAL TAXPAYERS
2004 TAX ROLL
(Amounts Expressed in Thousands)

| Taxpayer | Type of Business | (1) 2003 Assessed Valuation | Percentage of Total Assessed Valuation |
|---|-------------------------|--------------------------------------|---|
| Mississippi Power & Light | Electrical Utility | \$ 90,332 | 14.97% |
| Grand Casino, Inc. | Gaming Industry | 42,746 | 7.09% |
| Bell South | Communications Utility | 12,666 | 2.10% |
| Copa Casino | Gaming Industry | 5,851 | 0.97% |
| Cross Roads Center | Retail Industry | 4,678 | 0.78% |
| HCA Realty | Real Estate Industry | 4,212 | 0.70% |
| Hancock Bank | Financial Institution | 3,370 | 0.56% |
| Prime Outlets - Gulfport Factory Outlet Shops | Retail Industry | 2,093 | 0.35% |
| Gulf Condos | Condominium Development | 2,085 | 0.35% |
| E I Dupont | Chemicals Industry | 1,887 | 0.31% |
| Total | | 169,920 | 28.16% |
| All other taxpayers | | 433,408 | 71.84% |
| Total all assessments | | \$ 603,328 | 100.0% |

(1) Assessed valuation taken from 2003 Realty, Personal Property, and Public Utility tax rolls collected in fiscal year 2004.

TABLE VII
(Unaudited)

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

| <u>Fiscal Year</u> | <u>Estimated Population</u> | <u>Assessed Value (1)</u> | <u>Gross Bonded Debt (2)</u> | <u>(3) Less: Debt Service Fund</u> | <u>Net Bonded Debt</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt per Capita</u> |
|--------------------|-----------------------------|---------------------------|------------------------------|------------------------------------|------------------------|---|-----------------------------------|
| 1996 | 70 | 392,952 | 24,900 | 485 | 24,415 | 6.21% | 349 |
| 1997 | 71 | 424,502 | 24,065 | 296 | 23,769 | 5.60% | 335 |
| 1998 | 71 | 413,869 | 35,445 | 274 | 35,171 | 8.50% | 495 |
| 1999 | 71 | 427,950 | 27,725 | 424 | 27,301 | 6.38% | 385 |
| 2000 | 71 | 439,209 | 27,375 | 766 | 26,609 | 6.06% | 375 |
| 2001 | 71 | 571,087 | 26,060 | 1,666 | 24,394 | 4.27% | 344 |
| 2002 | 71 | 582,087 | 24,722 | 2,208 | 22,514 | 3.87% | 317 |
| 2003 | 74 | 597,853 | 28,180 | 2,905 | 25,275 | 4.23% | 342 |
| 2004 | 77 | 594,936 | 26,825 | 2,683 | 24,142 | 4.06% | 314 |
| 2005 | 77 | 603,327 | 24,860 | 2,171 | 22,689 | 3.76% | 295 |

(1) From Table 4.

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

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

SOURCE: Prior audit reports.

TABLE VIII
(Unaudited)

CITY OF GULFPORT, MISSISSIPPI
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT TO TOTAL
GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)

| Fiscal Year | General Obligation Bonds (1) | | Total Debt Service | Total Governmental Expenditures (2) | Ratio of Debt Service to General Governmental Expenditures |
|----------------|------------------------------|----------|--------------------------|---|--|
| | Principal | Interest | | | |
| 1996 | 785 | 887 | 1,672 | 47,208 | 3.54% |
| 1997 | 835 | 1,328 | 2,163 | 48,965 | 4.42% |
| 1998 | 1,060 | 1,270 | 2,330 | 45,390 | 5.13% |
| 1999 | 1,280 | 1,734 | 3,014 | 53,487 | 5.64% |
| 2000 | 1,350 | 1,419 | 2,769 | 52,687 | 5.26% |
| 2001 | 1,315 | 1,394 | 2,709 | 62,014 | 4.37% |
| 2002 | 1,338 | 1,319 | 2,657 | 59,201 | 4.49% |
| 2003 | 960 | 1,069 | 2,029 | 61,992 | 3.27% |
| 2004 | 7,515 | 1,260 | 8,775 | 57,682 | 15.21% |
| 2005 | 2,365 | 1,799 | 4,164 | 63,724 | 6.53% |

(1) School District General Obligation bonds are not included. Does not include refinancing

(2) From Table 1.

SOURCE: Prior audit reports.

CITY OF GULFPORT, MISSISSIPPI
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2005
(Amounts Expressed in Thousands)

| <u>Jurisdiction</u> | <u>Net General Obligation Bonded Debt Outstanding</u> | <u>Amount Applicable to Government</u> | <u>Percentage Applicable to Government</u> |
|------------------------------|---|--|--|
| Direct: | | | |
| City of Gulfport (1) | <u>\$ 24,860</u> | <u>\$ 24,860</u> | 100.00% |
| Overlapping: | | | |
| Harrison County | 124,085 | 46,231 | 37.26% |
| Gulfport School District (2) | <u>20,310</u> | <u>20,310</u> | 100.00% |
| Total overlapping | <u>144,395</u> | <u>66,541</u> | |
| Total all | <u><u>\$ 169,255</u></u> | <u><u>\$ 91,401</u></u> | |

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

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

TABLE X
(Unaudited)

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

| Year | Gross Revenues | Operating Expenses (1) | Net Revenue Available for Debt Service | Debt Service Requirements (2) | | | Coverage |
|------|----------------|------------------------|--|-------------------------------|----------|-------|----------|
| | | | | Principal | Interest | Total | |
| 1996 | 9,653 | 6,561 | 3,092 | 658 | 771 | 1,429 | 2.16 |
| 1997 | 10,830 | 7,429 | 3,401 | 688 | 737 | 1,425 | 2.39 |
| 1998 | 11,194 | 9,564 | 1,630 | 351 | 291 | 642 | 2.54 |
| 1999 | 14,477 | 11,199 | 3,278 | 365 | 277 | 642 | 5.11 |
| 2000 | 15,396 | 13,778 | 1,618 | 379 | 1,257 | 1,636 | 0.99 |
| 2001 | 15,750 | 14,193 | 1,557 | 389 | 2,131 | 2,520 | 0.62 |
| 2002 | 18,309 | 15,344 | 2,965 | 719 | 2,831 | 3,550 | 1.12 |
| 2003 | 17,558 | 15,199 | 2,359 | 1,163 | 2,810 | 3,973 | 0.59 |
| 2004 | 21,261 | 14,208 | 7,053 | 1,141 | 2,810 | 3,951 | 1.79 |
| 2005 | 23,124 | 15,961 | 7,163 | 2,340 | 607 | 2,947 | 2.43 |

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

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

SOURCE: Prior audit reports.

TABLE XI
(Unaudited)

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

| <u>Fiscal Year</u> | <u>Estimated Population (1)</u> | <u>Per Capita Income (2)</u> | <u>School Enrollment (3)</u> | <u>Unemployment Rate (2)</u> |
|--------------------|---------------------------------|------------------------------|------------------------------|------------------------------|
| 1996 | 70,310 | 19,644 | 6,127 | 6.00% |
| 1997 | 71,363 | 20,285 | 6,287 | 4.00% |
| 1998 | 71,363 | 21,828 | 6,400 | 3.90% |
| 1999 | 71,127 | 19,007 | 6,339 | 3.30% |
| 2000 | 71,127 | 19,166 | 6,263 | 3.60% |
| 2001 | 71,500 | 17,899 | 6,281 | 4.40% |
| 2002 | 72,000 | 18,155 | 6,202 | 4.20% |
| 2003 | 74,000 | 25,074 | 6,018 | 4.00% |
| 2004 | 77,000 | 18,381 | 6,219 | 4.10% |
| 2005 | 77,000 | 19,832 | 6,166 | 6.20% |

(1) City Planning Department estimates.

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

(3) Gulfport School District.

TABLE XII
(Unaudited)

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

| Fiscal Year | Actual Property Value (1) | Non-Residential Construction | | Residential Construction | | Bank Deposits (2) |
|----------------|---------------------------------|---------------------------------|---------|-----------------------------|---------|----------------------|
| | | Number of Units | Value | Number of Units | Value | |
| 1996 | 1,428,450 | 114 | 48,344 | 229 | 29,197 | 877,617 |
| 1997 | 1,502,749 | 86 | 65,018 | 279 | 103,771 | 954,806 |
| 1998 | 1,545,731 | 127 | 136,862 | 302 | 30,725 | 925,428 |
| 1999 | 1,572,624 | 144 | 67,754 | 431 | 45,163 | 979,193 |
| 2000 | 1,596,001 | 100 | 37,519 | 471 | 83,868 | 1,031,526 |
| 2001 | 2,422,164 | 109 | 29,080 | 278 | 41,054 | 1,012,830 |
| 2002 | 2,471,564 | 30 | 39,723 | 320 | 29,475 | 2,005,708 |
| 2003 | 2,528,450 | 37 | 17,871 | 297 | 33,867 | 2,128,681 |
| 2004 | 2,566,835 | 56 | 73,259 | 396 | 50,466 | 2,188,000 |
| 2005 | 2,618,165 | 4,878 | 85,353 | 1,242 | 13,726 | 2,234,000 |

- (1) Total real property value from Table 4.
- (2) Includes: Banks, Credit Unions and Savings and Loan Institutions.
- (3) Increase due to annexation.

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

TABLE XIII
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2005**

| | |
|---|---------------|
| GENERAL: | |
| Date of incorporation | 1898 |
| Form of government | Mayor/Council |
| Population estimate | 77,000 |
| Area in square miles | 62 |
| Number of employees (excluding Police and Fire) | 305 |
| FACILITIES AND SERVICES: | |
| Miles of streets | 569 |
| Number of street lights | 6,000 |
| RECREATION: | |
| Community centers | 6 |
| Fitness centers | 1 |
| Recreation centers | 2 |
| Senior citizen center | - |
| Parks | 31 |
| Sportsplex | 3 |
| Park acreage | 600 |
| Ball fields | 38 |
| Tennis courts | 7 |
| Lighted walking tracks | 6 |
| Water front piers | 5 |
| Small craft harbor (40 acres) | 0 slips |
| Public boat launch ramps | 12 |
| FIRE PROTECTION: | |
| Number of stations | 12 |
| Number of fire personnel and officers | 173 |
| Number of calls answered | 10,862 |
| Number of inspections conducted | 1,161 |
| Current fire insurance rating | 4 |
| POLICE PROTECTION: | |
| Number of stations | 4 |
| Number of full time sworn officers | 180 |
| Number of non sworn officers | 71 |
| Number of residents per sworn officer | 428 |
| Arrests | 11,694 |
| Traffic violations | 19,499 |
| WATER SYSTEM: | |
| Miles of water mains | 331 |
| Number of service connections | 25,695 |
| Number of fire hydrants | 3,094 |
| Daily average consumption in gallons | 7,064,172 |
| Average gallons pumped per day | 10,926,460 |
| Storage capacity in gallons | 5,171,000 |
| OTHER STATISTICS: | |
| Education (served by city school system): | |
| Enrollment 03-04 school year | 6,166 |
| Elementary schools | 7 |
| Middle schools | 2 |
| High schools | 1 |
| Alternative school (The Learning Center) | 1 |
| Community College | 1 |
| Median age of City population | 36.8 |
| Harrison County unemployment rate | 22.80% |
| City of Gulfport unemployment rate | 6.20% |
| State of Mississippi unemployment rate | 9.40% |