

**CITY OF GULFPORT
COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

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

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	viii
Listing of City Officials	ix
Geographic Location	x
FINANCIAL SECTION	
Independent Auditor's Report	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Government Funds	
Balance Sheet	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds	
Statement of Net Assets	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets	26
Statement of Cash Flows – Proprietary Funds	27
Fiduciary Funds	
Statement of Fiduciary Net Assets – Agency Funds	29
Notes to the Financial Statements	31
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Disaster Relief Fund	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Development Fund	64
Note to Required Supplementary Information:	
Reconciliation of Budget to GAAP – Major Governmental Funds	65
Mississippi Municipal Retirement System (MMRS) Analysis of Funding Progress	66

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

	Page
Supplementary Information	
Non-Major Governmental Funds Combining Financial Schedules	
Combining Balance Sheet	67
Combining Income Statement	68
Individual Funds Comparative Schedules of Revenues, Expenditures and Changes in Fund Balance – Non Major Governmental Funds:	
Special Revenue Funds	
Forfeiture and Seizures Fund	69
Public Traffic Safety Fund	70
Police and Fireman's Retirement Fund	71
Library Fund	72
Flood Acquisition Fund	73
Capital Projects Funds	
1996 Public Improvement Fund	75
1998 Public Improvement Fund	76
2001 Public Improvement Fund	77
2003 Public Improvement Fund	78
Capital Projects Fund	79
Debt Service Fund	81
Proprietary Fund Supplementary Schedules	
Business-type Activities	
Combining Statement of Net Assets	83
Combining Statement of Revenues, Expenses and Changes in Net Assets	84
Combining Statement of Cash Flows	85
Government-type Activities	
Combining Statement of Net Assets	87
Combining Statement of Revenues, Expenses and Changes in Net Assets	88
Combining Statement of Cash Flows	89
Statistical and Economic Data	91

Introductory Section

November 11, 2007

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

The Department of Administration and Finance is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gulfport, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2006. 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, 2006. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City is a member of the Harrison County Wastewater and Solid Waste Management District, a joint venture with other local cities to provide adequate wastewater treatment and solid waste disposal services. The city is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center. A synopsis of the two joint ventures' financial statements for the fiscal year ended September 30, 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 80,000. A full range of services are provided including: police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, planning and zoning, recreational and cultural services, and general administrative services.

Economic Conditions

On August 29, 2005, the City of Gulfport was hit by the worst natural disaster ever recorded in American history, Hurricane Katrina. With the 2006 fiscal year beginning just 30 days after this event, the financial impact on the bottom line for the fiscal year being reported will be significantly impacted.

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

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

To 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
2006	1,170	192,113,005	2,602	113,764,869	305,877,874

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 \$29.8 million (59%) of the City's \$51 million adopted General Fund Budget for fiscal year ending September 30, 2006. 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.

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

Due to Gulfport's strategic location coupled with the recent destruction from Hurricane Katrina, it has become the "retail hub" of the South. Fortunately for Gulfport, its retail shopping base remained essentially intact post Katrina which translated into huge growth in sales tax. To evidence this, Gulfport's post Katrina Sales Tax boom was 48%; with revenues increasing from pre-Katrina levels of \$18.2 million to \$27 million post Katrina.

Financial Information

Accounting System

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

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

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

Budgetary Controls

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

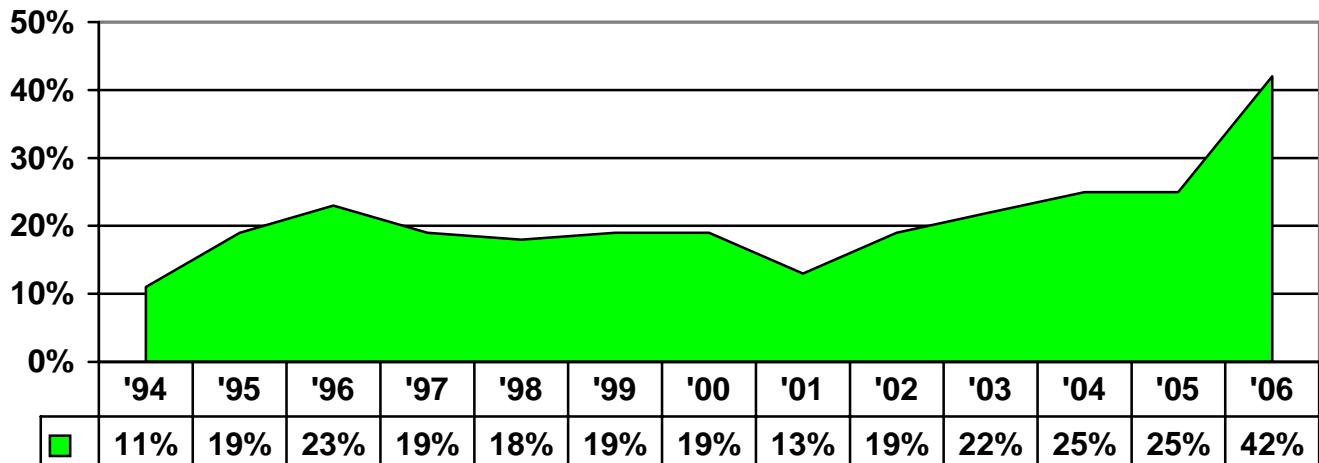
The City maintains an encumbrance accounting system as one budgetary control technique. Encumbrances reserve appropriations, which have been obligated through purchase orders or contractual documents. Encumbered amounts lapse at year end; however, they are generally reappropriated as part of the following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

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 42% for FYE 2006. 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 \$610,706,000; therefore, the 15% limitation equals: \$91,605,900; less GO Bonds outstanding of \$22,835,000, leaving a margin for further debt issuance of \$68,770,900.

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 45 through 50 of the Notes to the Financial Statements.

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, 2006. 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

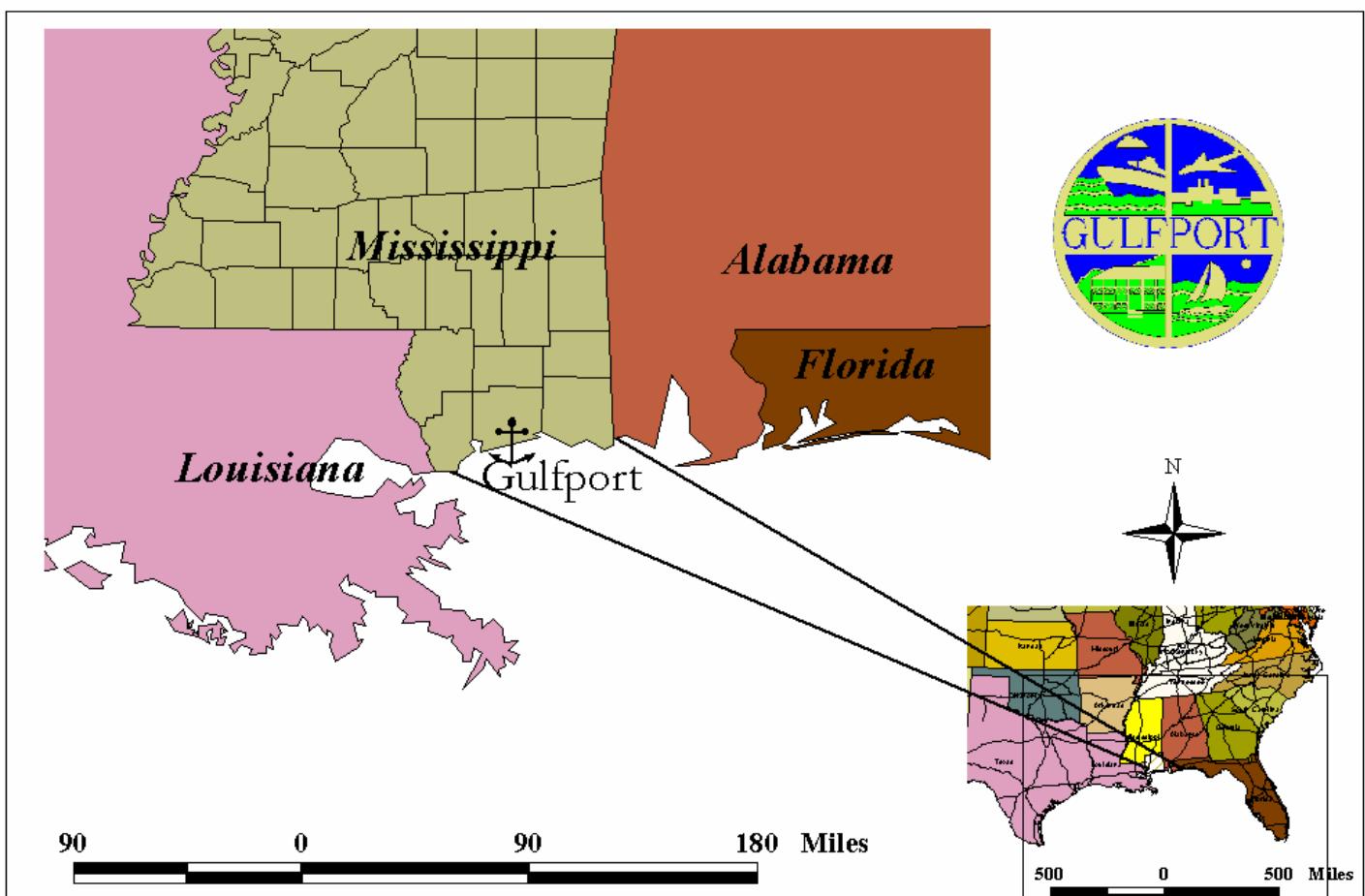


Barbara Nalley
Councilwoman, Ward 7

Appointed Officials

Chief Administrative Officer	John Kelly	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 Necaise		

Geographic Location of Gulfport, Mississippi



Financial Section

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(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

PAUL L. WRIGHT JR., CPA 1955-1993

HENRY D. WARD, CPA, 1949-2006

KENNETH M. HATTEN, CPA, CONSULTANT

MICHAEL E. GUEL, CPA, CFP®

FAYE CAROLE CLEVELAND, CPA

SANDE W. HENTGES, CPA

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April 13, 2007

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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 18, Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual on pages 61 through 65, and the Analysis of Funding Progress on page 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

In accordance with *Governmental Auditing Standards*, our report dated June 19, 2007, 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

Wright Ward Hatten & Guel

City of Gulfport, Mississippi Management Discussion and Analysis

Introduction

This section is a required component of the City's Comprehensive Annual Financial Report and should be read in conjunction with the City's transmittal letter at the front of this report and the City's financial statements which immediately follow this section . As management of the City of Gulfport, Mississippi, we offer this narrative and analysis of the financial activities for fiscal year ending September 30, 2006. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.

Financial Highlights

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

- ✓ The City's Employee Health Insurance Fund continues to remain solvent with an ending cash balance of \$1.6 million in 2006 as compared to \$2 million in 2005. This fund is beginning to experience operating deficits with an operating loss of \$321,000 in 2006; while, it essentially operating at break-even in 2005.
- ✓ The General Fund's unobligated and undesignated fund balance has continued to remain at its highest levels, with fund balance representing 42% of general fund expenses for the year. Unreserved Fund Balance was \$19.9 million for 2006 while General Fund expenses were \$47.1 million for the same year. Fund Balance is a significant resource for the City in that it represents those resources (cash reserves) which are available for appropriation. The City of Gulfport's General Fund ended the 2006 year in the best financial position in recent history!
- ✓ The General Fund had revenues of \$56.8 million and expenditures of \$47.1 million.
- ✓ The City spent \$74.3 million towards disaster recovery relating to Hurricane Katrina damages and repairs.

Brief Description of the Financial Statements

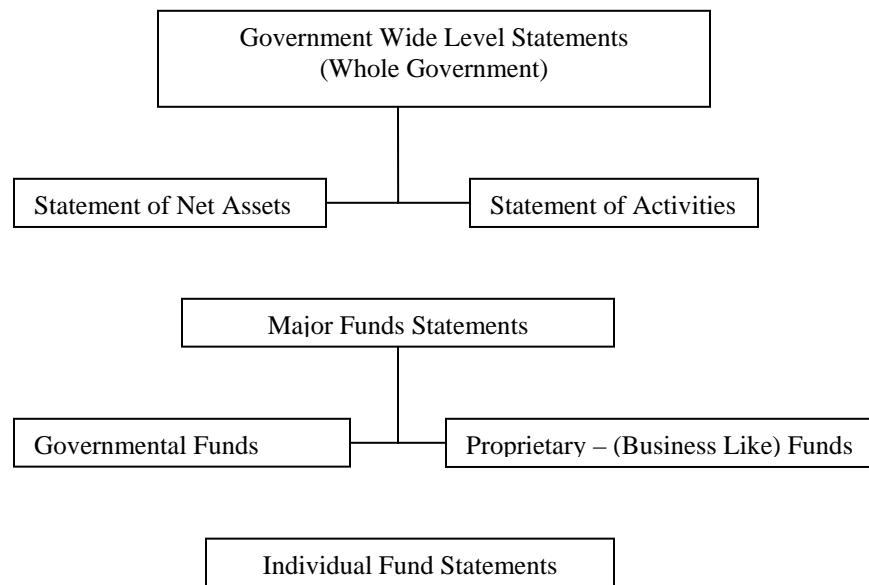
This annual report consists of a series of financial statements which are presented in a hierarchical structure. The highest level of reporting and most summarized statements are the Statement of Net Assets (i.e. balance sheet) and Statement of Activities (i.e. income statement) contained on pages 19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

The second tier of financial reporting is the "Major" Fund Financial Statements. The fund financial statements begin on page 21 and provide detailed information about the City's most significant funds. Funds are accounting entities used to track specific funding sources and uses for particular programs. Individual funds are either established by law or set up for management purposes. 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. Government Fund Financial Statements are contained on pages 21 – 24.

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

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	
	2006	2005	2006	2005	2006	2005
Assets:						
Current Assets	\$79,314,231	\$57,337,009	\$10,770,119	\$6,005,763	\$90,084,350	\$63,342,772
Capital Assets	205,406,485	204,551,039	116,325,389	80,032,555	321,731,874	284,583,594
Noncurrent Assets	73,962	176,903	16,261,911	13,674,744	16,335,873	13,851,647
Total Assets	284,794,678	262,064,951	143,357,419	99,713,062	428,152,097	361,778,013
Liabilities:						
Current and Other Liabilities	27,394,900	25,217,161	11,046,115	5,834,263	38,441,015	31,051,424
Long Term Liabilities	45,257,222	34,424,299	85,128,677	69,029,207	130,385,899	103,453,506
Total Liabilities	72,652,122	59,641,460	96,174,792	74,863,470	168,826,914	134,504,930
Net Assets:						
Invested in Capital Assets net of related debt	161,068,059	170,877,765	27,883,405	9,070,921	188,951,464	179,948,686
Restricted	7,293,203	12,838,584	4,000	10,902,875	7,297,203	23,741,459
Unrestricted	43,781,294	18,707,142	19,295,222	4,875,796	63,076,516	23,582,938
Total Net Assets	\$212,142,556	\$202,423,491	\$47,182,627	\$24,849,592	\$259,325,183	\$227,273,083

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 \$362 million in 2005 to \$428 million in 2006, representing an increase of \$66 million or 18% while total liabilities increased by \$34 million; thus resulting in an overall increase in net assets of \$32 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. \$322 million is the book value (net of related depreciation) of the City's capital assets which represents approximately 75% 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 \$23 million, from \$262 million in 2005 to \$285 million in 2006. The majority of this increase is attributed mainly to: **current assets** – the City's current assets increased significantly in 2006 by \$22 million or 39%. Current assets for 2005 totaled \$57 million while 2006 current assets were \$79 million. The increase was mainly attributed to an increase in "due from other governments" which represents uncollected FEMA proceeds relating to Hurricane Katrina that are certain to be collected by the City. This FEMA system is a reimbursable one whereby the City spends its funds first and then seeks reimbursement from FEMA. This item increased by \$24.7 million as compared to the previous 2005 year.

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 \$43 million or 43%; from \$100 million in 2005 to \$143 million in 2006 with current assets increasing \$4.7 million and capital assets increasing \$36 million and other non-current assets increasing \$2.7 million.. This increase is a result of the following: **current assets** - cash and cash equivalents increased by \$1 million, from \$1.6 million in 2005 to \$2.6 million in 2006; and **capital assets** increased by \$36 million (net of related depreciation). The increase in capital assets is due to the City beginning to address it's 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 page 16 of this section.

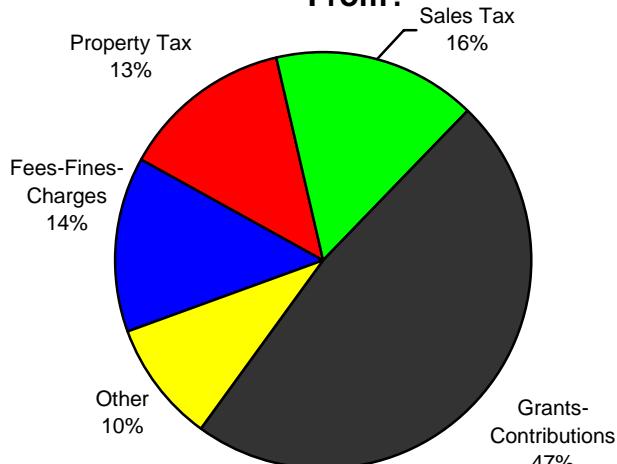
Government Wide Statement of Activities

	Governmental Activities		Business Type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Fees, Fines, and Charges for Service	\$ 3,865,368	\$ 3,628,718	\$ 19,325,598	\$ 20,270,355	\$ 23,190,966	\$ 23,899,073
Operating Grants and Contributions	4,147,269	3,597,605			4,147,269	3,597,605
Capital Grants and Contributions	76,682,952	6,100,975	513,514	2,927,791	77,196,466	9,028,766
General Revenues:						
Property Taxes	22,583,735	19,320,568			22,583,735	19,320,568
Sales Taxes	26,980,191	18,228,317			26,980,191	18,228,317
Gaming	289,678	4,591,269			289,678	4,591,269
Other	14,966,082	9,406,712	1,081,572	707,647	16,047,654	10,114,359
Total Revenues	149,515,275	64,874,164	20,920,684	23,905,793	170,435,959	88,779,957
Program Expenses						
General Government	18,702,277	13,373,080			18,702,277	13,373,080
Public Safety	26,943,482	26,852,781			26,943,482	26,852,781
Public Works	77,057,446	15,162,787			77,057,446	15,162,787
Economic Development	1,067,096	1,534,449			1,067,096	1,534,449
Culture and Recreation	4,067,029	5,267,209			4,067,029	5,267,209
Health and Welfare	2,130,531	1,599,378			2,130,531	1,599,378
Interest on Long Term Debt	1,459,237	1,433,310			1,459,237	1,433,310
Water and Sewer		17,807,885	19,799,821	17,807,885	19,799,821	
Joseph T. Jones		141,971	297,028	141,971	297,028	
Total Expenses	131,427,098	65,222,994	17,949,856	20,096,849	149,376,954	85,319,843
Change in Net Assets before other transactions:	18,088,177	(348,830)	2,970,828	3,808,944	21,059,005	3,460,114
Non-operating change in fixed assets		1,408,158		(879,460)		528,698
Transfers	(5,253,000)	(1,202,000)	5,253,000	1,202,000		
Capital contributions		1,067,366	14,109,207	450,511	14,109,207	1,517,877
Change in net assets						
Net Assets at beginning of year - Adjusted	12,835,177	924,694	22,333,035	4,581,995	35,168,212	5,506,689
Net assets at end of year	199,307,379	201,498,797	24,849,592	20,267,597	224,156,971	221,766,394
	\$212,142,556	\$202,423,491	\$47,182,627	\$24,849,592	\$259,325,183	\$227,273,083

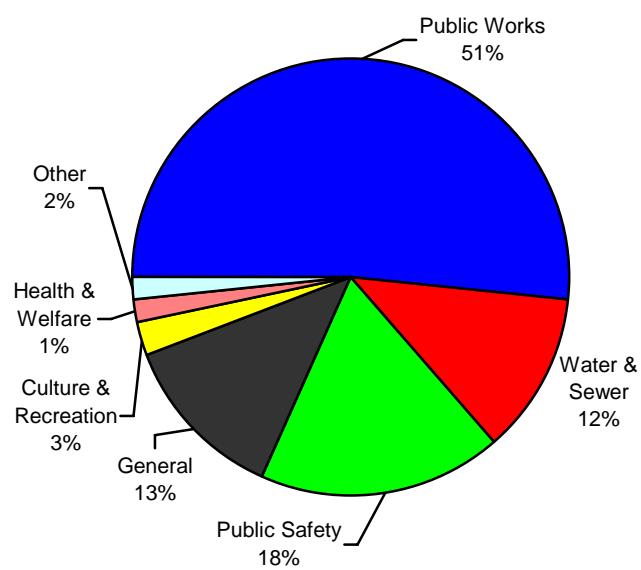
Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones operations.

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 \$21.1 million in 2006 as compared to \$3.5 million in 2005. Total government wide revenue for 2006 was \$170 million as compared to \$88.8 million in 2005; representing an increase of \$81.2 million or 91%.

Property Tax – Property tax accounts for 13% of the City's revenues falling third to grants and sales tax. The City experienced moderate growth in property taxes for the 2006 year, increasing 17% or \$3.3 million.

Sales Tax - Another significant source of revenue for the City is sales tax accounting for 16% of the City's total revenues. Sales tax increased \$8.8 million or 48% from the prior year (from \$18.2 to \$27 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. Also, a major contributing factor to the increase in this revenue source has been the "Hurricane Katrina Effect." With all of the destruction along the coastline, Gulfport was extremely fortunate to have its sales tax base located within the central part of the City out of harms way. Due to this, Gulfport became the retail shopping hub of the south.

Grants – The City experienced an increase of \$68.2 million in capital grants in 2006 (from \$9 million in 2005 to \$77.2 million in 2006). The majority of this increase is due to the City receiving FEMA disaster related funds to repair damaged or destroyed facilities caused by Hurricane Katrina. For the 2006 year, the City received \$76.1 million in federal funds for the above related purpose.

Expenses

The City's total government wide expenses were \$149.4 million in 2006 as compared to \$85.3 million in 2005; representing a \$64.1 million increase. The majority of this increase is related to \$74.3 million in expenditures relating to the City's Disaster Relief Fund that was used to record and expend resources associated with recovery efforts relating to Hurricane Katrina.

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

Governmental Activities - Cost

	Total Cost of Service	Net Cost of Service
Public Works	\$ 77,057,446	\$ 370,530
Public Safety	26,943,482	25,792,291
Culture and Recreation	4,067,029	3,597,480
General Government	18,702,277	14,044,797
Health and Welfare	2,130,531	441,917
Economic Development	1,067,096	1,025,257
Total	\$129,967,861	\$ 45,272,272

Fund Financial Analysis

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

Governmental Funds

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

The General Fund is the primary “governmental fund” and is the main operating fund of the City. Activities that are traditional in nature to governmental entities are reported in this fund: i.e. public safety, public works (operations & maintenance), culture and recreation, health and welfare, economic development, and general government. The General Fund accounts for approximately 33% of the City's total revenues and 38% 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

	2006	2005
Total Revenues	\$56,841,410	\$48,819,776
Total Expenditures	47,058,848	45,538,182
Excess of Revenues over Expenses	9,782,562	3,281,594
Other Financing Sources / Uses	11,102,215	(3,187,772)
Fund Balance – Beginning Year	17,256,635	17,162,813
Fund Balance – Ending Year	<u>\$38,141,412</u>	<u>\$17,256,635</u>

- ✓ The General Fund's excess of revenues over expenditures was \$9.8 million in 2006 as compared to \$3.3 million in 2005.
- ✓ General Fund assets increased by \$23 million from \$19 million in 2005 to \$42 million in 2006. The City's cash remained relatively constant while due from other funds increased by \$20 million.
- ✓ The General Fund's unreserved fund balance increased significantly in 2006, from \$11.3 million in 2005 to \$20 million in 2006. 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 43% for year ending 2006 and 25% for 2005, which is better than any other year in the City's recorded history!
- ✓ Total General Fund revenues increased significantly by 16%: from \$48.8 million in 2005 to \$56.8 million in 2006. This was due to the post Hurricane Katrina boom in sales tax revenue which increased sales tax by \$8.8 million.
- ✓ Total General Fund expenditures increased by \$1.5 million or 3%: from \$45.5 million in 2005 to \$47 million in 2006.

Business-Type Funds

Water and Sewer Fund

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

Water and Sewer Fund Condensed Statement of Revenues and Expenses

	2006	2005
Operating Revenues	\$19,411,260	\$23,123,628
Operating Expenses	14,744,671	17,462,969
Operating income / (loss)	<hr/> 4,666,589	<hr/> 5,660,659
Non Operating Items:		
Interest Expense	(3,063,214)	(2,320,322)
Other	<hr/> 20,847,300	<hr/> 2,013,635
Change in Net Assets	<hr/> <hr/> \$22,450,675	<hr/> <hr/> \$5,353,972

The overall financial condition of the City's Water and Sewer Fund increased significantly in 2006 as compared to 2005. The City's water and sewer income from operations generated a profit of \$4.6 million in 2006 as compared to \$5.6 million in the previous 2005 year. Important to remember is that income from operations does not include interest expense as this is reported in the non operating items. The City experienced a decrease in operating revenues in 2006, from \$23.1 million to \$19.4 million. This decrease is due to the City not billing for the first month of the 2006 fiscal year as Hurricane Katrina cleanup was still being accomplished.

General Fund Budgetary Highlights

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

Summary of Budget to Actual Amounts Fiscal Year Ending September 30, 2006

	Original Budget	Revised Budget	Actual Amounts (Budget Basis)
--	--------------------	-------------------	----------------------------------

Revenues:

Property Taxes	\$14,499,000	\$14,499,000	\$15,703,488
Sales Tax	18,480,000	18,480,000	26,618,672
Intergovernmental	1,671,344	5,032,772	3,760,332
Fines and Forfeits	1,800,000	1,800,000	2,077,825
Gaming	4,700,000	4,700,000	380,731
Franchise Taxes	2,900,000	2,900,000	3,046,117
Licenses and Permits	1,706,000	1,706,000	2,927,373
Other	1,766,987	1,944,510	2,767,516
Total Revenues	47,523,331	51,062,282	57,282,054

Expenditures:

Police	16,897,450	19,778,564	16,522,562
Fire	9,992,507	10,079,441	9,911,985
Public Works	7,899,952	8,387,784	7,585,307
Economic Development	1,690,221	2,035,874	1,491,533
Culture and Recreation	4,932,755	4,922,576	3,589,514
General Government	6,129,415	6,434,041	5,510,279
Total Expenditures	47,542,300	51,638,280	44,611,180
Excess / (deficit) of Revenues over Expenses	(\$18,969)	(\$575,998)	\$12,670,874

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 \$3.6 million or 8%; original budget of \$47.5 million as compared to the revised budget of \$51.1 million. A significant amount of this difference is attributed to budget increases in Intergovernmental Revenue of \$3.3 million which is related to several federal grants, most of which are police related.
- ✓ The Expenditure Budget was increased by \$4.1 million or 9% for the 2006 year. Some of the major amendments include the following: \$1.1 million for various police grants that provided overtime pay and additional incentive pay, \$980,000 in capital outlay for police, and \$400,000 in capital outlay for public works.

Overall, the City's General Fund actual revenues for 2006 (budget basis) exceeded the revised budget by \$ 6.2 million or 13%.

- ✓ Actual sales tax revenue exceeded its budget by \$8.1 million or 44%, 2006 budget was \$18.5 million while 2006 actual amount was \$26.6 million.
- ✓ Actual property tax revenue exceeded budgeted by \$1.2 million or 8%.
- ✓ Actual Intergovernmental revenue fell short of budgeted amounts by \$1.3 million. Again, this item is associated with federal grants that will be collected in subsequent years.

The City's General Fund actual expenditures fell short of its budgeted expenditures creating a 2005 budget surplus of \$7 million or 14% in 2006 . Actual (budget basis) amounts were \$44.6 million while budget amounts were \$51.6 million. Major contributing factors for this difference are discussed below:

- ✓ Employee Vacancies – The City's payroll budget (General Fund) for the 2006 year was \$35.9 million while actual 2006 expenditures totaled \$31.4 million; leaving a budget surplus of \$4.5 million. This amount equates to an average vacancy rate of 13%. The City has acknowledged its need for a more aggressive employee recruiting and retention program and is moving forward towards addressing this issue.

Capital Assets and Debt Administration

Capital Assets

Schedule of Capital Assets Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$25,255,243	\$25,240,543	\$212,617	\$212,617	\$25,467,860	\$25,453,160
Construction in Progress	-	-	19,139,156	1,232,658	19,139,156	1,232,658
Buildings	5,528,313	5,678,799	-	-	5,528,313	5,678,799
Improvements	335,357	369,961	-	-	335,357	369,961
Infrastructure	166,377,734	166,748,132	96,059,180	77,864,455	262,436,914	244,612,587
Machinery & Eqp.	2,620,792	2,996,879	398,029	299,620	3,018,821	3,296,499
Vehicles	5,289,046	3,516,725	516,407	423,205	5,805,453	3,939,930
Totals	\$205,406,485	\$204,551,039	\$116,325,389	\$80,032,555	\$321,731,874	\$284,583,594

The above table represents the values (net of depreciation) of the City's various classes of assets. The ending 2006 asset values were estimated at \$322 million and included a wide range of assets: land, buildings, parks, roads, bridges, drainage systems, machinery, vehicles, and water and sewer systems. Asset values increased by \$37 million or 13% (after depreciation) as compared to the prior year. See note 7 in the financial section of this report for more detail information on capital assets.

Depreciation expense for the 2006 year totaled \$6.8 million and was allocated to the following classes of assets:

Allocation of Depreciation by Major Asset Class

Buildings	\$ 150,486
Improvements other than Buildings	34,605
Machinery and Equipment	909,670
Vehicles	996,577
Infrastructure (roads, bridges, drainage, water & sewer system, etc.)	4,706,188
Total Depreciation	\$ 6,797,526

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 - \$ 19 million.
- ✓ Roads and Drainage Improvements - \$ 2.4 million.

Debt Administration

Schedule of Long Term Debt

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Bonds	\$22,835,000	\$24,860,000	-	-	\$22,835,000	\$24,860,000
Notes	21,503,426	8,693,274	-	-	21,503,426	8,693,274
Capital Leases		120,000	-	-	-	120,000
Compensated Absences	1,390,053	1,451,195	5,810	10,248	1,395,863	1,461,443
Claims and Judgements	42,000	43,000	-	-	42,000	43,000
Revenue Bonds and Notes backed by Water & Sewer fund	-	-	88,441,984	70,961,634	88,441,984	70,961,634
Totals	\$45,770,479	\$35,167,469	\$88,447,794	\$70,971,882	\$134,218,273	\$106,139,351

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 2006, the City had \$134 million in outstanding debt representing a net increase of \$ 28 million or 26% 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

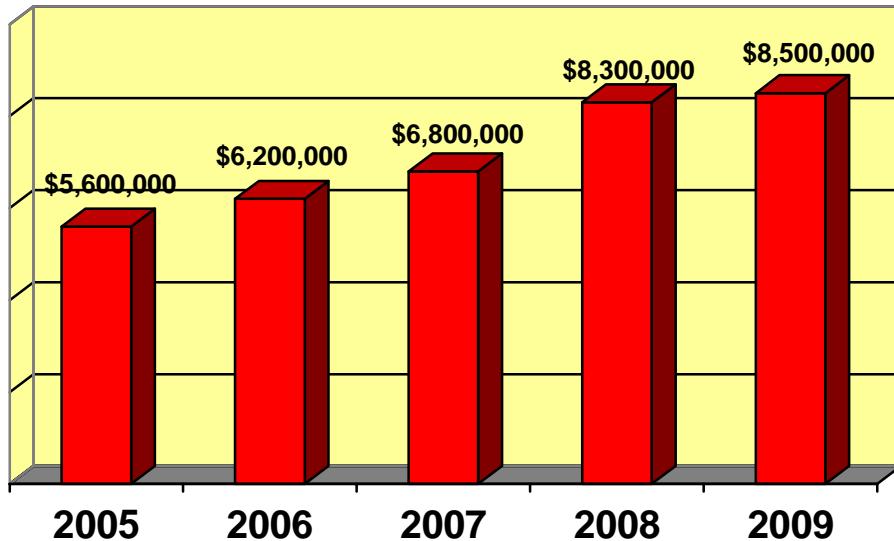
Without a doubt, the greatest financial challenge facing this City will be to find resources available to address an aging water and sewer system. The City has identified approximately \$130 million in needed water and sewer renovations and upgrades: \$80 million sewer and \$50 million water. The City 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 \$20+ million in sewer projects that would be complete from 2004 – 2008. Upgrades of the water system also remains a critical need in order to sustain the City's fire insurance rating and extend potable water to unserved areas.

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 2006 level of \$6.2 million to \$ 8.5 million in 2009; representing a \$ 2.3 million or 37% 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



Note: The above amounts do not reflect debt incurred by the Wastewater Management District of which is a joint venture of the City.

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.

Rising Cost of Health Insurance

Health insurance continues to be a major cost to the City and this cost continues to rise; thus, creating a major strain on the City's overall financial condition. For the 2006 year, the City's Employees' Health Insurance Fund experienced a \$321,375 operating loss. The City must find ways to address this issue as cost are spiraling out of control. Given current funding levels, it is projected that the Employee's Health Insurance Fund could reach the state of financial insolvency in three (3) years unless issues are addressed and solutions found.

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, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and equivalents	\$ 42,123,943	\$ 2,637,249	\$ 44,761,192
Cash with fiscal agents	49,334	-	49,334
Investments	1,384,894	245	1,385,139
Receivables:			
Taxes receivable	3,713,713	-	3,713,713
Customer accounts receivable	193	2,909,411	2,909,604
For other governments	1,062,316	-	1,062,316
Other receivables	170,807	4,430,552	4,601,359
Internal balances	2,879,242	-	2,879,242
Due from other governments	26,871,314	-	26,871,314
Prepaid expenses	1,058,475	-	1,058,475
Restricted cash	-	792,662	792,662
Total current assets	<u>79,314,231</u>	<u>10,770,119</u>	<u>90,084,350</u>
Noncurrent Assets			
Capital assets			
Land	25,255,243	212,617	25,467,860
Construction in progress	-	19,139,156	19,139,156
Buildings	9,025,432	-	9,025,432
Improvements other than buildings	1,190,125	-	1,190,125
Infrastructure	232,519,273	121,675,764	354,195,037
Machinery and equipment	7,053,318	1,048,555	8,101,873
Vehicles	13,446,545	1,514,438	14,960,983
Less: Accumulated depreciation	(83,083,451)	(27,265,141)	(110,348,592)
Total capital assets, net of accumulated depreciation	<u>205,406,485</u>	<u>116,325,389</u>	<u>321,731,874</u>
Other Noncurrent Assets			
Cash - water and sewer improvements	-	12,533,713	12,533,713
Cash - reserved for debt service	-	109,200	109,200
Deferred charges	<u>73,962</u>	<u>3,618,998</u>	<u>3,692,960</u>
Total noncurrent assets	<u>73,962</u>	<u>16,261,911</u>	<u>16,335,873</u>
Total Assets	<u>\$ 284,794,678</u>	<u>\$ 143,357,419</u>	<u>\$ 428,152,097</u>
LIABILITIES			
Current Liabilities (payable from current assets)			
Accounts payable and accrued expenses	\$ 10,151,372	\$ 3,449,768	\$ 13,601,140
Deferred revenues	12,909,109	-	12,909,109
Internal balances	-	2,879,242	2,879,242
Due to other governments	1,453,778	-	1,453,778
Current portion of long-term liabilities:			
Accrued interest	161,370	513,064	674,434
Compensated absences	27,801	-	27,801
Notes payable	566,470	789,117	1,355,587
Bonds payable	2,125,000	2,530,000	4,655,000
Current Liabilities (payable from restricted assets)			
Meter deposits	-	884,924	884,924
Total current liabilities	<u>27,394,900</u>	<u>11,046,115</u>	<u>38,441,015</u>
Noncurrent liabilities			
Liability for self insurance claims	2,206,014	-	2,206,014
Compensated absences	1,362,252	5,810	1,368,062
Notes payable	20,936,956	29,512,867	50,449,823
Bonds payable	20,710,000	55,610,000	76,320,000
Claims	42,000	-	42,000
Total noncurrent liabilities	<u>45,257,222</u>	<u>85,128,677</u>	<u>130,385,899</u>
Total Liabilities	<u>\$ 72,652,122</u>	<u>\$ 96,174,792</u>	<u>\$ 168,826,914</u>
NET ASSETS			
Invested in capital assets, net of related debt	161,068,059	27,883,405	188,951,464
Restricted for:			
Debt service	2,528,093	4,000	2,532,093
Specific grant programs	2,141,471	-	2,141,471
Capital improvements	2,523,639	-	2,523,639
Permanently restricted (non-expendable)	100,000	-	100,000
Unrestricted	<u>43,781,294</u>	<u>19,295,222</u>	<u>63,076,516</u>
Total Net Assets	<u>\$ 212,142,556</u>	<u>\$ 47,182,627</u>	<u>\$ 259,325,183</u>

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

CITY OF GULFPORT, MISSISSIPPI
Statement of Net Activities
For the Fiscal Year Ended September 30, 2006

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	\$ (18,702,277)	\$ 3,239,223	\$ 1,418,257	\$ -	\$ (14,044,797)	\$ -	\$ (14,044,797)
Public safety	(26,943,482)	61,861	1,089,330	-	(25,792,291)	-	(25,792,291)
Public works	(77,057,446)	-	3,964	76,682,952	(370,530)	-	(370,530)
Health and welfare	(2,130,531)	52,896	1,635,718	-	(441,917)	-	(441,917)
Culture and recreation	(4,067,029)	469,549	-	-	(3,597,480)	-	(3,597,480)
Economic development	(1,067,096)	41,839	-	-	(1,025,257)	-	(1,025,257)
Interest on long-term debt	(1,459,237)	-	-	-	(1,459,237)	-	(1,459,237)
Total governmental activities	<u>(131,427,098)</u>	<u>3,865,368</u>	<u>4,147,269</u>	<u>76,682,952</u>	<u>(46,731,509)</u>	<u>-</u>	<u>(46,731,509)</u>
Business-type activities:							
Water & Sewer	(17,807,885)	19,320,980	-	513,514	-	2,026,609	2,026,609
Port	(141,971)	4,618	-	-	-	(137,353)	(137,353)
Total business-type activities	<u>(17,949,856)</u>	<u>19,325,598</u>	<u>-</u>	<u>513,514</u>	<u>-</u>	<u>1,889,256</u>	<u>1,889,256</u>
Total primary government	<u>(149,376,954)</u>	<u>23,190,966</u>	<u>4,147,269</u>	<u>77,196,466</u>	<u>(46,731,509)</u>	<u>1,889,256</u>	<u>(44,842,253)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes				6,439,702	-	6,439,702	
Property taxes, levied for special purposes				16,144,033	-	16,144,033	
Sales taxes				26,980,191	-	26,980,191	
Franchise taxes				3,254,940	-	3,254,940	
Public service taxes				3,054,638	-	3,054,638	
Gaming taxes				289,678	-	289,678	
Unrestricted grants and contributions				50,000	-	50,000	
Licenses and permits				2,822,085	-	2,822,085	
Unrestricted investment earnings				1,510,197	991,279	2,501,476	
Insurance proceeds				2,835,835	-	2,835,835	
Miscellaneous				1,438,387	90,293	1,528,680	
Total general revenues				<u>64,819,686</u>	<u>1,081,572</u>	<u>65,901,258</u>	
Change in net assets before transfers, capital contributions and gain (loss) on sale of assets				<u>18,088,177</u>	<u>2,970,828</u>	<u>21,059,005</u>	
Transfers				(5,253,000)	5,253,000	-	-
Capital contributions				-	14,109,207	14,109,207	
				<u>(5,253,000)</u>	<u>19,362,207</u>	<u>14,109,207</u>	
Change in net assets				12,835,177	22,333,035	35,168,212	
Net assets - beginning				202,423,491	24,849,592	227,273,083	
Prior period adjustment				(3,116,112)	-	(3,116,112)	
Net assets - ending				<u>\$ 212,142,556</u>	<u>\$ 47,182,627</u>	<u>\$ 259,325,183</u>	

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

Governmental Fund Financial Statements

Major Funds:

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

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

Community Development Fund - This fund is 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.

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

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2006

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Community Development Fund		
Assets					
Cash and cash equivalents	\$ 16,126,643	\$ -	\$ 1,285,484	\$ 9,530,405	\$ 26,942,532
Cash with fiscal agents	-	-	-	5,000	5,000
Receivables:					
Property taxes	587,012	-	-	323,084	910,096
Sales taxes	1,963,454	-	-	-	1,963,454
Franchise taxes	840,163	-	-	-	840,163
Privilege licenses	132,089	-	-	-	132,089
For other governments	1,062,316	-	-	-	1,062,316
Other	34,212	-	-	-	34,212
Due from other funds	21,092,501	-	-	15,976	21,108,477
Due from other governments	<u>273,343</u>	<u>25,853,976</u>	<u>53,661</u>	<u>690,334</u>	<u>26,871,314</u>
Total assets	<u><u>\$ 42,111,733</u></u>	<u><u>\$ 25,853,976</u></u>	<u><u>\$ 1,339,145</u></u>	<u><u>\$ 10,564,799</u></u>	<u><u>\$ 79,869,653</u></u>
Liabilities and Fund balance					
Liabilities					
Accounts payable	\$ 987,563	\$ 6,705,820	\$ 51,730	\$ 1,008,976	\$ 8,754,089
Accrued wages payable	514,884	-	2,317	-	517,201
Due to other funds	-	17,223,356	1,003,838	2,041	18,229,235
Due to other governments	1,059,930	-	-	393,848	1,453,778
Other liabilities	-	-	44,423	-	44,423
Deferred revenue	1,355,879	-	-	-	1,355,879
Performance bonds payable	<u>52,065</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>67,065</u>
Total liabilities	<u><u>\$ 3,970,321</u></u>	<u><u>\$ 23,929,176</u></u>	<u><u>\$ 1,102,308</u></u>	<u><u>\$ 1,419,865</u></u>	<u><u>\$ 30,421,670</u></u>
Fund Balance					
Reserved for -					
Encumbrances	\$ 413,246	\$ 1,785,863	\$ 9,633	\$ 1,951,731	\$ 4,160,473
Debt service	997,000	-	-	2,528,093	3,525,093
Special Revenue	-	138,937	227,204	2,141,471	2,507,612
Capital Projects	-	-	-	2,523,639	2,523,639
Permanently restricted (non-expendable)	100,000				100,000
Unreserved reported in:					
General Fund	19,891,132	-	-	-	19,891,132
Designated for subsequent year appropriations	<u>16,740,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,740,034</u>
Total fund balance	<u><u>\$ 38,141,412</u></u>	<u><u>\$ 1,924,800</u></u>	<u><u>\$ 236,837</u></u>	<u><u>\$ 9,144,934</u></u>	<u><u>\$ 49,447,983</u></u>
Total liabilities and fund balance	<u><u>\$ 42,111,733</u></u>	<u><u>\$ 25,853,976</u></u>	<u><u>\$ 1,339,145</u></u>	<u><u>\$ 10,564,799</u></u>	<u><u>\$ 79,869,653</u></u>

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

CITY OF GULFPORT, MISSISSIPPI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2006

Total fund balances - governmental funds	\$ 49,447,983
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	205,406,485
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	161,563
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	73,962
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported in the funds balance sheet	(161,370)
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	17,673,813
Accounts payable	(768,594)
Estimated health claims payable	(2,206,014)
Deferred Revenue	(11,714,793)
	2,984,412
Some liabilities, (such as Notes Payable, Capital Lease, Claims Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets.	
Due within one year	(2,719,271)
Due in more than one year	(43,051,208)
	<u>(45,770,479)</u>
Net assets of governmental activities	<u>\$ 212,142,556</u>

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

CITY OF GULFPORT, MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended September 30, 2006

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Disaster Relief Fund	Community Development Fund		
Revenues:					
Taxes					
Property	\$ 16,144,033	\$ -	\$ -	\$ 6,439,702	\$ 22,583,735
Sales	26,980,191	-	-	-	26,980,191
Franchise	3,254,940	-	-	-	3,254,940
Gaming	289,678	-	-	-	289,678
Licenses and permits	2,927,373	-	-	-	2,927,373
Intergovernmental	2,417,160	-	1,635,719	2,410,772	6,463,651
Charges for services	912,804	-	52,896	-	965,700
Fines and forfeits	2,077,765	-	-	-	2,077,765
Interest	785,891	-	28,252	337,987	1,152,130
Miscellaneous	1,051,575	76,052,955	-	743,388	77,847,918
Total revenues	<u>56,841,410</u>	<u>76,052,955</u>	<u>1,716,867</u>	<u>9,931,849</u>	<u>144,543,081</u>
Expenditures					
Current:					
General government	5,661,926	6,758,806	-	-	12,420,732
Public safety	26,435,962	863,709	-	1,536,167	28,835,838
Public works	7,864,421	65,661,439	-	3,134,951	76,660,811
Health and welfare	-		1,493,555	-	1,493,555
Economic development	1,483,615	30,105	-	-	1,513,720
Culture and recreation	3,927,080	664,260	-	561,731	5,153,071
Capital outlay	1,685,844	276,956	179,222	355,213	2,497,235
Debt service:					
Principal	-	-	-	2,707,970	2,707,970
Interest	-	-	-	1,472,265	1,472,265
Other	-	-	-	10,376	10,376
Total expenditures	<u>47,058,848</u>	<u>74,255,275</u>	<u>1,672,777</u>	<u>9,778,673</u>	<u>132,765,573</u>
Excess (deficit) of revenues over expenditures	<u>9,782,562</u>	<u>1,797,680</u>	<u>44,090</u>	<u>153,176</u>	<u>11,777,508</u>
Other financing sources (uses)					
Proceeds of loans	13,373,122	-	-	-	13,373,122
Insurance proceeds	2,115,017	-	-	720,818	2,835,835
Transfers in	905,776	-	-	38,700	944,476
Transfers out	(5,291,700)	-	-	(905,776)	(6,197,476)
Total other financing sources (uses)	<u>11,102,215</u>	<u>-</u>	<u>-</u>	<u>(146,258)</u>	<u>10,955,957</u>
Changes in fund balance	20,884,777	1,797,680	44,090	6,918	22,733,465
Fund balance - October 1	17,256,635	127,120	192,747	9,844,884	27,421,386
Prior period adjusting entry	-	-	-	(706,868)	(706,868)
Fund balance - September 30	<u>\$ 38,141,412</u>	<u>\$ 1,924,800</u>	<u>\$ 236,837</u>	<u>\$ 9,144,934</u>	<u>\$ 49,447,983</u>

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

CITY OF GULFPORT, MISSISSIPPI
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

	<u>Amount</u>
Net change in fund balances - total governmental funds:	\$ 22,733,465
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	1,035,466
When assets are sold or retired in the fund statements the entire amount is shown in the fund statements However, only the difference in book value and/or the amount shown as income in the government wide statements.	(180,020)
New borrowings are shown as revenues in the fund statements, but are shown as debt in the government wide statements.	(13,373,122)
Principal payments on long term debt are expensed in the current period in the fund financial statements, but are shown as a reduction in the outstanding principal balance on the government wide statements.	2,707,970
Compensated absences are not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, but current year increases are reported as an expense in the Statement of Activities.	61,142
Claims paid are not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, but current year increases are reported as an expense in the Statement of Activities.	1,000
Interest on long term debt that is not due and payable in the current year is not recorded as an expense in the fund level statements.	17,561
Bond issue costs which are shown as amortization expense in the government-wide statement statements and are not reflected in the fund statement	(4,532)
Revenue that is recognized on the full accrual basis in the government-wide statement but are recognized as deferred on the fund statements	(103,463)
Internal service funds are used by management to charge the cost of certain activities such as insurance costs, to individual funds	(60,290)
Change in net assets of governmental activities	\$ 12,835,177

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

Proprietary Fund Financial Statements

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

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

Internal Service Funds are presented in the supplementary section.

CITY OF GULFPORT, MISSISSIPPI

Proprietary Funds
Statement of Net Assets
September 30, 2006

	Business Type Activities			Governmental Activities -	
	Water and Sewer	Non-major Fund Joseph T. Jones Park	Total Business-Type Activities	Internal Service Funds	
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,200,609	\$ 436,640	2,637,249	\$ 15,181,411	
Cash with fiscal agents	-	-	-	44,334	
Investments	245		245	1,384,894	
Receivables:					
Customer accounts (net of allowance for uncollectible accounts)	1,924,129	-	1,924,129	-	
Customer accounts accrued but not billed	985,282		985,282	-	
Other	4,430,552	-	4,430,552	4,699	
Prepaid insurance	-	-	-	1,058,475	
Due from other governments	-	-	-	-	
Total current assets	<u>9,540,817</u>	<u>436,640</u>	<u>9,977,457</u>	<u>17,673,813</u>	
Current restricted assets					
Cash - Water and Sewer Trust	<u>792,662</u>	<u>-</u>	<u>792,662</u>	<u>-</u>	
Noncurrent assets					
Capital assets:					
Land	149,313	63,304	212,617	-	
Construction in progress	19,139,156		19,139,156	-	
Infrastructure	121,576,550	99,214	121,675,764	-	
Machinery and equipment	1,048,555	-	1,048,555	-	
Vehicles	1,499,834	14,604	1,514,438	-	
Less accumulated depreciation	(27,145,569)	(119,572)	(27,265,141)	-	
Total capital assets	<u>116,267,839</u>	<u>57,550</u>	<u>116,325,389</u>	<u>-</u>	
Other noncurrent assets					
Cash - Water and Sewer Improvements	12,533,713	-	12,533,713	-	
Cash - Reserved for community disaster loan payment	109,200	-	109,200	-	
Deferred charges	<u>3,618,998</u>	<u>-</u>	<u>3,618,998</u>	<u>-</u>	
Total other noncurrent assets	<u>16,261,911</u>	<u>-</u>	<u>16,261,911</u>	<u>-</u>	
Total assets	<u>\$ 142,863,229</u>	<u>\$ 494,190</u>	<u>\$ 143,357,419</u>	<u>\$ 17,673,813</u>	
Liabilities					
Current liabilities (payable from current assets)					
Accounts payable	\$ 2,985,193	\$ 661	\$ 2,985,854	\$ 768,594	
Accrued wages payable	1,740	1,562	3,302	-	
Accrued interest payable	513,064	-	513,064	-	
Due to other funds	2,879,242	-	2,879,242	-	
Deferred revenue	-	-	-	11,714,793	
Liability for self-insurance claims	-	-	-	2,206,014	
Retainage payable	142,337	-	142,337	-	
Other liabilities	318,275		318,275	-	
Notes payable - current portion	789,117	-	789,117	-	
Bonds payable - current portion	2,530,000	-	2,530,000	-	
Total current liabilities payable from current assets	<u>10,158,968</u>	<u>2,223</u>	<u>10,161,191</u>	<u>14,689,401</u>	
Current liabilities (payable from restricted assets)					
Meter deposits	<u>884,924</u>	<u>-</u>	<u>884,924</u>	<u>-</u>	
Total current liabilities	<u>11,043,892</u>	<u>2,223</u>	<u>11,046,115</u>	<u>14,689,401</u>	
Noncurrent liabilities					
Compensated absences payable	-	5,810	5,810	-	
Notes payable	29,512,867	-	29,512,867	-	
Bonds payable	55,610,000	-	55,610,000	-	
Total noncurrent liabilities	<u>85,122,867</u>	<u>5,810</u>	<u>85,128,677</u>	<u>-</u>	
Total liabilities	<u>96,166,759</u>	<u>8,033</u>	<u>96,174,792</u>	<u>14,689,401</u>	
Net Assets					
Invested in capital assets, net of related debt	27,825,855	57,550	27,883,405	-	
Restricted for revenue bond indentures	4,000		4,000	-	
Unrestricted	18,866,615	428,607	19,295,222	2,984,412	
Total net assets	<u>\$ 46,696,470</u>	<u>\$ 486,157</u>	<u>\$ 47,182,627</u>	<u>\$ 2,984,412</u>	

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended September 30, 2006

	Business Type Activities			Governmental Activities - Internal Service Funds	
	Water and Sewer	Non-major Fund			
		Joseph T, Jones Park	2006 Totals		
Operating Revenues					
Charges for services	\$ 19,320,980	\$ 4,618	\$ 19,325,598	\$ -	
Employee contributions	-	-	-	689,036	
Retiree contributions	-	-	-	131,043	
Employer contributions	-	-	-	5,146,393	
Insurance claim reimbursements	-	-	-	302,602	
Miscellaneous	90,280	13	90,293	-	
Total operating revenues	<u>19,411,260</u>	<u>4,631</u>	<u>19,415,891</u>	<u>6,269,074</u>	
Operating Expenses					
Personnel services	102,143	93,704	195,847	-	
Contractual services	9,628,525	27,255	9,655,780	-	
Material and supplies	1,217,033	3,837	1,220,870	9,250	
Administrative expenses	-	-	-	229,523	
Death benefits paid	-	-	-	1,000	
Premium payments	-	-	-	1,710,255	
Claims paid and changes in estimates	-	-	-	4,737,403	
Other services and charges	966,446	-	966,446	-	
Depreciation	2,176,076	17,175	2,193,251	-	
Amortization	309,213	-	309,213	-	
Bad debts	345,235	-	345,235	-	
Total operating expenses	<u>14,744,671</u>	<u>141,971</u>	<u>14,886,642</u>	<u>6,687,431</u>	
Operating income (loss)	<u>4,666,589</u>	<u>(137,340)</u>	<u>4,529,249</u>	<u>(418,357)</u>	
Non-operating revenues					
Intergovernmental	513,514	-	513,514		
Interest income	971,579	19,700	991,279	358,067	
Interest expense	(3,063,214)	-	(3,063,214)	-	
Loss on assets due to hurricane	-	-	-	-	
Total nonoperating revenues (expenses)	<u>(1,578,121)</u>	<u>19,700</u>	<u>(1,558,421)</u>	<u>358,067</u>	
Income (loss) before contributions and transfers	3,088,468	(117,640)	2,970,828	(60,290)	
Capital contributions	14,109,207	-	14,109,207	-	
Transfers from other funds	<u>5,253,000</u>	<u>-</u>	<u>5,253,000</u>	<u>-</u>	
Change in net assets	22,450,675	(117,640)	22,333,035	(60,290)	
Net assets - October 1	24,245,795	603,797	24,849,592	3,044,702	
Net assets - September 30	<u>\$ 46,696,470</u>	<u>\$ 486,157</u>	<u>\$ 47,182,627</u>	<u>\$ 2,984,412</u>	

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006

	Business-type Activities			Governmental Activities -
	Water and Sewer	Non-major Fund	Total Business-type Activities	Internal Service Funds
		Joseph T. Jones Park		
Cash flows from operating activities				
Cash received from customers	\$ 19,170,172	\$ 4,618	\$ 19,174,790	\$ -
Cash received from other operating receipts	90,280	13	90,293	-
Cash received from employees and others	-	-	-	820,079
Cash received from insurance companies	-	-	-	12,547,496
Cash received from employer contributions	-	-	-	5,146,393
Cash paid to suppliers	(10,460,616)	(35,445)	(10,496,061)	(6,172,627)
Cash paid to employees	(105,853)	(95,028)	(200,881)	-
Cash received from meter deposits, net	(102,629)	-	(102,629)	-
Net cash provided by operating activities	<u>8,591,354</u>	<u>(125,842)</u>	<u>8,465,512</u>	<u>12,341,341</u>
Cash from non-operating activities				
Cash received from governmental grants	<u>513,514</u>	<u>-</u>	<u>513,514</u>	<u>-</u>
Net cash provided by non-operating activities	<u>513,514</u>	<u>-</u>	<u>513,514</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(20,195,300)	-	(20,195,300)	-
Disposition of capital assets	4,358	-	4,358	-
Proceeds from debt issuance	20,273,923	-	20,273,923	-
Principal paid on revenue bond maturities and notes payable	(2,793,573)	-	(2,793,573)	-
Interest paid on bonds and notes payable	(3,413,557)	-	(3,413,557)	-
Net cash used in capital and related financing activities	<u>(6,124,149)</u>	<u>-</u>	<u>(6,124,149)</u>	<u>-</u>
Cash flows from investing activities				
Investment transactions, net	-	-	-	(46,552)
Interest received	<u>971,579</u>	<u>19,700</u>	<u>991,279</u>	<u>358,067</u>
Net cash from investing activities	<u>971,579</u>	<u>19,700</u>	<u>991,279</u>	<u>311,515</u>
Net increase (decrease) in cash and cash equivalents	3,952,298	(106,142)	3,846,156	12,652,856
Cash and equivalents - October 1	11,683,886	542,782	12,226,668	2,528,555
Cash and equivalents - September 30	<u>\$ 15,636,184</u>	<u>\$ 436,640</u>	<u>\$ 16,072,824</u>	<u>\$ 15,181,411</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Operating income (loss)	\$ 4,666,589	\$ (137,340)	\$ 4,529,249	\$ (418,357)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	2,176,076	17,135	2,193,251	-
Amortization	309,213	-	309,213	-
Bad debts	345,235	-	345,235	-
(Increase) decrease in assets				
Accounts receivable	(982,753)	-	(982,753)	-
Other receivables	-	-	-	530,101
Prepaid assets	349,776	-	349,776	(464,201)
Due from other governments	365,256	-	365,256	-
Increase (decrease) in liabilities				
Accounts payable	2,223,245	(4,313)	2,218,892	766,828
Accrued wages payable	263	(859)	(596)	-
Deferred revenue				11,714,793
Other liabilities	(876,398)	-	(876,398)	212,177
Meter deposit liabilities	18,825	-	18,825	-
Compensated absences payable	(3,973)	(465)	(4,438)	-
Net cash provided by (used in) operating activities	<u>\$ 8,591,354</u>	<u>\$ (125,842)</u>	<u>\$ 8,465,512</u>	<u>\$ 12,341,341</u>
Non cash investing, capital and financing activities:				
Changes in fair value of investments				
Other receivables	(3,237,647)	-	(3,237,647)	-
Contributed capital	14,109,207	-	14,109,207	-
	<u>\$ 10,871,560</u>	<u>\$ -</u>	<u>\$ 10,871,560</u>	<u>\$ -</u>

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



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Fiduciary Fund Financial Statements

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Fiduciary Funds
Statement of Net Assets
September 30, 2006

	Agency Funds		
	Asset Forfeiture	Coastal Narcotics	2006 Totals
Assets			
Cash and cash equivalents	\$ 52,732	\$ 216,345	\$ 269,077
Assets held for disposal	-	54,787	54,787
Total assets	<u>52,732</u>	<u>271,132</u>	<u>323,864</u>
Liabilities			
Accounts payable	1,464	15,651	17,115
Assets held in trust	51,268	255,481	306,749
Total liabilities	<u>\$ 52,732</u>	<u>\$ 271,132</u>	<u>\$ 323,864</u>

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



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Notes to the Financial Statements

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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, 2006.

B. Financial Reporting Entity

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

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

C. Basis of Presentation

Governmental-wide Financial Statements -

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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 the Basic Financial Statements
For Year Ended September 30, 2006

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, Cash with fiscal agents and Investments

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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 on their respective balance sheet as cash and cash equivalents, some of which are restricted assets.

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

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

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

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

F. Receivables

All trade receivables are shown net of an allowance for uncollectibles. An allowance in the amount of \$5,061,273 at September 30, 2006 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, 2006 is \$56,916.

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 the Basic Financial Statements
For Year Ended September 30, 2006

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 amount of cash used in the next years budget to offset amounts in which expenditures are budgeted in excess of budgeted revenues.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences

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

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

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

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2006. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

O. Post Employment Health Care Benefits

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

P. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

5. The Mayor submits the proposed budget to the City Council by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended in July each year, if necessary. However, budget revisions are made throughout the year (prior to July), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types.

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

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

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

NOTE 3: PROPERTY, GAMING AND SALES TAX REVENUES

(A) Property Tax

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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

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

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

The rates are expressed in terms of mills (i.e. ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2006 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, 2006 there were no casinos operating within the City, due to Hurricane Katrina on August 29, 2005. Therefore, only one month of gaming revenues were received during the fiscal year ending September 30, 2006.

Normally, 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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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 \$26,980,191 of sales tax revenue.

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

(A) Cash and Other Deposits

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

At June 30, 2006, the carrying amount of the City's deposits was \$58,465,845, and the bank balance was \$61,841,247. The \$3,375,402 difference represents outstanding checks and other reconciling items.

A summary of Cash and Cash Equivalents at September 30, 2006 is as follows:

	Pooled Cash and Cash Equivalents	Non-pooled Cash and Cash Equivalents	Restricted Cash	Total
Governmental funds:				
Major funds:				
General fund	\$15,920,268	\$ 206,375	\$ -	\$16,126,643
Community Development fund	-	1,285,484	-	1,285,484
Non-major funds	<u>7,649,072</u>	<u>1,881,333</u>	<u>-</u>	<u>9,530,405</u>
Total governmental funds	<u>23,569,340</u>	<u>3,373,192</u>	<u>-</u>	<u>26,942,532</u>
Proprietary funds –				
business-type activities:				
Water & sewer fund	13,027,168	1,816,355	792,662	15,636,185
Port fund	<u>436,640</u>	<u>-</u>	<u>-</u>	<u>436,640</u>
Total proprietary funds – business-type activities	<u>13,463,808</u>	<u>1,816,355</u>	<u>792,662</u>	<u>16,072,825</u>
Proprietary funds –				
governmental-type activities	-	15,181,411	-	15,181,411
Fiduciary funds	-	269,077	-	269,077
Total cash and cash equivalents	<u>\$37,033,148</u>	<u>\$20,640,035</u>	<u>\$792,662</u>	<u>\$58,465,845</u>

Cash in Water and Sewer Improvements in the proprietary funds statements in the amount of \$12,533,713 and Cash – Reserved for Community Disaster Loan Repayment of \$109,200 are classified as Other Noncurrent Assets as to not distort working capital.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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

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

However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation. As of September 30, 2006, none of the City's bank balance of \$61,841,247 was exposed to custodial credit risk

(B) Cash with fiscal agents

The carrying amount of the city's cash with fiscal agents held by financial institutions was \$49,344. The entire amount was insured or collateralized with securities held by the financial institutions in the city's name.

(C) Investments

At September 30, 2006, the City's surplus funds that were not invested in overnight sweep repurchase agreements (considered short term and reported above as cash) were invested in U. S. Treasury Notes and Federal Agency Securities. A summary of the City's investments at September 30, 2006 is as follows:

	Rate of Interest	Amount
Governmental Funds:		
Government National Mortgage Assoc.	4.5% - 5.5%	\$ 150,757
U.S. Treasury Notes	3.125% - 5.75%	1,234,137
Proprietary Funds:		
Water & Sewer – U.S. Treasury	Varies	245
Total investments		<u><u>\$ 1,385,139</u></u>

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

Securities are to be held by a third party custodian.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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

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

	U.S. Treasury	Federal Agency	Total
	Notes	Securities	
Less than one year	\$ 494,784	\$ -	\$ 494,784
1 - 5 years	449,334	-	449,334
6 - 10 years	290,264	-	290,264
over 10 years	-	150,757	150,757
 Total investments	 \$ 1,234,382	 \$ 150,757	 \$ 1,385,139

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

NOTE 5: RECEIVABLES

The combined balance sheet of the City includes the following receivables at September 30, 2006:

	Major Governmental Funds	Non-Major Governmental Funds	Internal Service Fund
Governmental Activities:			
Accounts receivable			
Taxes receivable:			
Property taxes	\$ 587,012	\$ 323,084	\$ -
Sales taxes	1,963,454	-	-
Franchise taxes	840,163	-	-
For other governments	1,062,316	-	-
Other receivables:			
Insurance reimbursement		-	4,699
Privilege licenses	132,089	-	-
Other	34,212	-	-
Total accounts receivable	 \$ 4,619,246	 \$ 323,084	 \$ 4,699
Due from other governments			
Federal	26,022,785	-	-
State	158,195	690,334	-
Total due from other governments	 \$26,180,980	 \$ 690,334	 \$ -

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 5: RECEIVABLES (Continued)

<u>Business Type Activities</u>	<u>Water and Sewer Fund</u>
Accounts receivable:	
Water & sewer utility charges	\$6,985,402
Harbor berth rentals	56,916
Total gross receivables	<u>7,042,318</u>
Less: allowance for uncollectibles	(5,118,189)
Net total accounts receivable	<u><u>\$2,076,174</u></u>

The City funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

General fund:	
Assessment not yet due	\$ 161,563
Grant drawdowns prior to meeting all eligibility requirements	1,136,405
Drug-free task force assets seized and not settled	57,912
Water and sewer fund:	
Federal loan proceeds drawn down and not expended	318,276
Internal service fund	
Insurance proceeds for Hurricane Katrina losses not yet replaced	<u>11,714,793</u>
Total fund deferred revenues (funds)	<u><u>\$13,388,948</u></u>

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at September 30, 2006 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Funds		
General Fund	\$ 21,092,501	\$ -
Disaster Relief Fund		17,223,356
Community Development Fund		1,003,838
Water and Sewer Fund	-	2,879,242
Nonmajor Funds	<u>15,976</u>	<u>2,041</u>
Totals	<u><u>\$ 21,108,477</u></u>	<u><u>\$ 21,108,477</u></u>

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES (Continued)

In addition to the above interfund loans, the following transfers were made between funds during the year ended September 30, 2006:

	Transfers to Other Funds	Transfers from Other Funds
Major Funds		
General Fund	\$ 5,291,700	\$ 905,776
Water and Sewer Fund		5,253,000
Nonmajor Funds	905,776	38,700
Totals	<u><u>\$ 6,197,476</u></u>	<u><u>\$ 6,197,476</u></u>

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, 2006 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, 2006 was as follows:

	Balance October 1	Additions	Deletions	Balance September 30
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 25,240,543	\$ 14,700	\$ -	\$ 25,255,243
Total capital assets not being depreciated	<u><u>25,240,543</u></u>	<u><u>14,700</u></u>	<u><u>-</u></u>	<u><u>25,255,243</u></u>
Capital assets being depreciated				
Buildings	9,025,432	-	-	9,025,432
Improvements other than buildings	1,190,125	-	-	1,190,125
Infrastructure	230,136,685	2,382,588	-	232,519,273
Machinery & Equipment	6,994,741	495,805	(437,228)	7,053,318
Vehicles	11,396,314	2,746,648	(696,417)	13,446,545
Total capital assets being depreciated	<u><u>258,743,297</u></u>	<u><u>5,625,041</u></u>	<u><u>(1,133,645)</u></u>	<u><u>263,234,693</u></u>
Less accumulated depreciation for:				
Buildings	(3,346,633)	(150,486)	-	(3,497,119)
Improvements other than buildings	(820,163)	(34,605)	-	(854,768)
Infrastructure	(63,388,554)	(2,752,985)	-	(66,141,539)
Machinery & Equipment	(3,997,862)	(804,494)	369,830	(4,432,526)
Vehicles	(7,879,589)	(861,705)	583,795	(8,157,499)
Total accumulated depreciation	<u><u>(79,432,801)</u></u>	<u><u>(4,604,275)</u></u>	<u><u>953,625</u></u>	<u><u>(83,083,451)</u></u>
Total capital assets being depreciated, net	<u><u>179,310,496</u></u>	<u><u>1,020,766</u></u>	<u><u>(180,020)</u></u>	<u><u>180,151,242</u></u>
Governmental activities – Capital assets, net	<u><u>\$ 204,551,039</u></u>	<u><u>\$ 1,035,466</u></u>	<u><u>\$ (180,020)</u></u>	<u><u>\$ 205,406,485</u></u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 7: CAPITAL ASSETS (Continued)

	Balance October 1	Additions	Deletions	Balance September 30
Business-type activities				
Capital assets not being depreciated				
Land	\$ 212,617	\$ -	\$ -	\$ 212,617
Construction in progress	1,232,658	17,906,498	-	19,139,156
Total capital assets not being depreciated	<u>1,445,275</u>	<u>17,906,498</u>	<u>-</u>	<u>19,351,773</u>
Capital assets being depreciated				
Infrastructure	101,534,006	20,148,052	(6,294)	121,675,764
Machinery & Equipment	881,913	226,308	(59,666)	1,048,555
Vehicles	1,304,853	209,585	-	1,514,438
Total capital assets being depreciated	<u>103,720,772</u>	<u>20,583,945</u>	<u>(65,960)</u>	<u>124,238,757</u>
Less accumulated depreciation for:				
Infrastructure	(23,669,551)	(1,953,203)	6,170	(25,616,584)
Machinery & Equipment	(582,293)	(105,176)	36,943	(650,526)
Vehicles	(881,648)	(134,872)	18,489	(998,031)
Total accumulated depreciation	<u>(25,133,492)</u>	<u>(2,193,251)</u>	<u>61,602</u>	<u>(27,265,141)</u>
Total capital assets being depreciated, net	<u>78,587,280</u>	<u>18,390,694</u>	<u>(4,358)</u>	<u>96,973,616</u>
Governmental activities – capital assets, net	<u>\$ 80,032,555</u>	<u>\$ 36,297,192</u>	<u>\$ (4,358)</u>	<u>\$ 116,325,389</u>

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

Governmental activities:	
General government	\$ 180,299
Police	689,370
Fire	340,425
Public works	3,213,490
Culture and recreation	128,240
Health and welfare	23,868
Economic development	28,583
Total depreciation expense – governmental activities	<u>\$ 4,604,275</u>
Business-type activities	
Water and sewer	\$ 2,176,076
Joseph T. Jones memorial park	<u>17,175</u>
Total depreciation expense – business-type activities	<u>\$ 2,193,251</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 8: LONG-TERM DEBT

(A) Governmental Activities

Transactions for the Year Ended September 30, 2006 are summarized as follows:

Governmental Activities	Payable at 10/01/05	Additions	Reductions	Payable at 09/30/06	Due in one year
General obligation bonds	\$ 24,860,000	-	2,025,000	\$ 22,835,000	\$ 2,125,000
Notes payable	8,693,274	13,373,122	562,970	21,503,426	566,470
Capital leases	120,000	-	120,000	-	-
Compensated absences	1,451,195	-	61,142	1,390,053	27,801
Claims and judgments	43,000	-	1,000	42,000	-
	\$ 35,167,469	\$13,373,122	2,770,112	\$ 45,770,479	\$ 2,719,271

(1) General Obligation Bonds

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

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

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount	Due in one Year
G/O refunding issue	\$ 1,895,000	09/12/95	7.00 - 7.80	\$ 445,000	\$ 215,000
G/O public improvement	6,000,000	07/01/98	4.40 - 6.00	4,315,000	260,000
G/O public improvement	1,000,000	05/01/00	5.20	475,000	110,000
G/O refunding issue	9,580,000	12/01/02	2.00 - 5.00	7,085,000	855,000
G/O public improvement	5,000,000	04/01/03	3.50 - 4.25	4,500,000	180,000
G/O refunding issue	6,160,000	08/05/04	2.00 - 4.05	6,015,000	505,000
	\$ 29,635,000			\$ 22,835,000	\$ 2,125,000

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

Year Ending	Principal	Interest	Total
09/30/06			
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	2,190,000	570,823	2,760,823
2012-2016	8,790,000	1,545,793	10,335,793
2017-2021	2,470,000	486,630	2,956,630
2022-2026	720,000	46,150	766,150
Total	\$ 22,835,000	5,848,437	28,683,437

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 8: LONG-TERM DEBT (Continued)

Prior year defeased bonds:

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

In August 2004, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2006, \$5,710,000 of bonds outstanding is considered defeased.

(2) General Obligation Notes

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

Description	Issue Date	Interest Rate	Outstanding Amount	Due in one year
State of Mississippi CAP Revolving Fund 15-year note , \$992,903 to construct fire Stations in the annexed area	08/04/97	3.70%	\$ 426,327	\$ 65,813
State of Mississippi CAP Revolving Fund 15-year note, \$425,000, to construct fire Stations in the annexed area	08/04/97	3.70%	196,325	30,307
Special Community Disaster Loan, Federal Emergency Management Agency 5-year note, \$13,373,122, to help offset additional operating costs due to Hurricane Katrina	various	2.75%	13,373,122	-
Hancock Bank, Mississippi Development Promissory Note, \$10,000,000 authorized. Proceeds of \$589,489 reported on TBMA - The Bond Market		1.05% over TBMA	7,507,652	470,350
Bond Market Association Index Total general obligation notes	12/01/00		\$ 21,503,426	\$ 566,470

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 8: LONG-TERM DEBT (Continued)

The City issued general obligation notes to provide funding for various capital improvement projects. The notes are

Year Ended September 30	Principal	Interest	Total
2006	\$ 566,470	\$ 245,369	\$ 811,839
2007	570,086	227,641	797,727
2008	573,840	209,777	783,617
2009	577,735	191,772	769,507
2010	581,776	173,620	755,396
2011-2016	15,829,367	963,408	16,792,775
2015-2020	2,327,167	274,682	2,601,849
2021-2026	476,985	20,480	497,465
Total	\$ 21,503,426	\$ 2,306,749	\$ 23,810,175

(3) Compensated Absences

The City's policies relative to compensated absences, method of computing accrued liabilities and reporting are discussed at Note 1. It is estimated that \$27,801 of the accrued liability of \$1,390,053 for compensated absences will be paid within one year. The General Fund has been used in prior years to liquidate the liability for compensated absences.

(4) Claims and Judgments

The City has a commitment to pay life insurance benefits of \$1,000 upon the death of each retiree included in the Firemen's and Policemen's Disability and Relief Plan. The City elected to cancel its insurance policy covering such claims and self-insure these benefits. As a result, a total of \$85,000 was recorded for the 85 remaining retirees receiving benefits effective October 1, 1992. As of September 30, 2006, a total of 42 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$42,000 has been included in the General Long-Term Debt at September 30, 2006. None of the liability for these benefits is estimated to be paid within one year.

(5) Legal Debt Margin

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded debt during a year can be no greater than 15% of assessed value of the taxable property within the city, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2006, the amount of outstanding general obligation bonded debt was equal to 4% of the latest property assessments.

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Gulfport's total assessed valuation is 610,706,000; therefore, the 15% limitation equals: \$91,605,900; less GO Bonds outstanding of \$ 22,835,000, leaving a margin for further debt issuance of \$68,770,900.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 8: LONG-TERM DEBT (Continued)

(6) No-Commitment Debt

The City authorized the issuance of \$13,900,000 of Hospital Revenue Bonds in 1988, \$17,725,000 of Hospital Revenue Refunding Bonds in 1989 and \$60,000,000 of Hospital Revenue Bonds in 2001. The Series 1994A and 1994B Hospital Revenue Refunding and Improvement Bonds were issued in 1994 to refund the 1988 and 1989 bonds and provide financing for expansion. The 2001 bonds were used to provide financing for construction. As of September 30, 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 14, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

(B) Business-type Activities

The following changes occurred in long-term debt liabilities reported in the Enterprise Funds for the year ended September 30, 2006:

Business-type activities	Payable at 10/01/05	Additions	Reductions	Payable at 09/30/06	Due in one year
General Obligation Bonds	\$60,195,000	\$ -	\$ 2,055,000	\$58,140,000	\$2,530,000
Notes payable	10,766,634	20,273,923	738,573	30,301,984	789,117
Compensated absences	10,248	-	4,438	5,810	-
Total	<u>\$70,971,882</u>	<u>\$ 20,273,923</u>	<u>\$ 2,798,011</u>	<u>\$88,447,794</u>	<u>\$3,319,117</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, 2006 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	\$ 575,000	\$ 280,000
General Obligation Refunding Bonds	6,440,000	08/01/98	4.75 - 6.60	2,810,000	640,000
General Obligation Refunding Bonds	3,810,000	12/02/04	3.00 - 3.85	3,770,000	40,000
General Obligation Refunding Bonds	5,200,000	04/14/05	4.00 - 4.25	5,035,000	175,000
General Obligation Revenue Refunding Bonds	<u>47,565,000</u>	04/07/05	<u>2.63 - 4.34</u>	<u>45,950,000</u>	<u>1,395,000</u>
	<u><u>\$69,015,000</u></u>			<u><u>\$ 58,140,000</u></u>	<u><u>\$ 2,530,000</u></u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 8: LONG-TERM DEBT (Continued)

Bonded debt service requirements to maturity are as follows:

Prior year <u>defeased</u> <u>bonds:</u>	Year Ended September 30	Principal	Interest	Total
	2007	\$ 2,530,000	2,856,449	5,386,449
	2008	2,660,000	2,727,780	5,387,780
	2009	2,825,000	2,602,481	5,427,481
	2010	2,935,000	2,475,608	5,410,608
	2011	2,295,000	2,344,727	4,639,727
	2012-2016	13,695,000	9,924,182	23,619,182
	2017-2021	16,230,000	6,265,136	22,495,136
	2022-2026	13,980,000	1,865,294	15,845,294
	2027-2031	990,000	44,550	1,034,550
	Total	\$ 58,140,000	\$ 31,106,207	\$ 89,246,207

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

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

In December 2004, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2006, \$3,755,000 of bonds outstanding is considered defeased.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 8: LONG-TERM DEBT (Continued)

In July 2005, the City issued refunding bonds to defease certain outstanding bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not actually be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2006, \$46,225,000 of bonds outstanding is considered defeased.

(2) Business Activities Note Obligations

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

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

A summary of note obligations outstanding at September 30, 2006 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	\$27,771,563	\$759,467
Community Disaster					
Loan	2,985,689	Various	2.5%	2,030,000	-
MS Development Bank	598,489	various	% of prime	500,421	29,650
Total	<u>\$37,452,600</u>			<u>\$30,301,984</u>	<u>\$789,117</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 9: FUND RESERVES

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

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

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

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

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

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

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

NOTE 10: UNEMPLOYMENT COMPENSATION FUND

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

NOTE 11: RISK MANAGEMENT

(A) Description

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

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

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 11: RISK MANAGEMENT (Continued)

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

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

Workers' Compensation

Per occurrence deductible (SIR)

All employees except police and fire	375,000
Police and fire employees	375,000

Annual aggregate risk of loss through deductibles

2,112,243

Specific excess coverage in force

Statutory

Employee Health Insurance

Per occurrence deductible (SIR)

125,000

Annual aggregate risk of loss through deductibles

3,895,270

General and Other Liability Coverage

Per occurrence deductible (SIR)

100,000

Annual aggregate risk of loss through deductibles

700,000

Specific excess coverage in force

1,000,000/Occurrence

(no aggregate limitation)

Property Coverage

Windstorm

5 % of value of building

All other perils

100,000/Occurrence

Specific excess coverage in force

Windstorm

47,260,342

Buildings, contents and water towers

34,610,342

(B) Claims Liability

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

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 11: RISK MANAGEMENT (Continued)

(C) Unpaid Claims Liabilities

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2003 to September 30, 2006:

	Claims	Contingency Fund (Workers' Compensation and Tort Claims)	Group Life and Health Fund (Health Care Claims)
Liability balance, October 1, 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	
Claims and changes in estimates	1,113,926	3,681,680	
Claims payments	(1,136,460)	(3,600,943)	
Liability balance, September 30, 2006	<u>\$ 1,879,607</u>	<u>\$ 326,407</u>	
Assets available to pay claims at September 30, 2006	<u>\$ 16,536,386</u>	<u>\$ 1,687,367</u>	

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

NOTE 12: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT GRANT PROGRAMS

The City receives annual entitlement grants from the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of grant awards at September 30, 2006:

(A) Community Development Entitlement Grants

Grant Number	Award Amount	Funds Drawn and Expended in fy 2006	Funds Drawn and Expended in prior years	Balance of Awards
B-04-MC-28-0002	\$ 928,000	201,495	726,505	\$ -
B-05-MC-28-0002	875,259	211,963	-	663,296
B-06-MC-28-0002	785,554	-	-	785,554
	<u>\$ 2,588,813</u>	<u>413,458</u>	<u>726,505</u>	<u>\$ 1,448,850</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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

(B) Home Investment Partnership Program

Grant Number	Award Amount	Funds Drawn and Expended in fy 2006	Funds Drawn and Expended in prior years	Balance of Awards
M-03-ODC-28-0002	\$ 860,341	100,426	759,915	\$ -
M-04-ODC-28-0002	950,523	950,523	-	-
M-05-ODC-28-0002	836,355	111,026	-	725,329
M-06-ODC-28-0002	774,398	-	-	774,398
	<u>\$ 3,421,617</u>	<u>1,161,975</u>	<u>759,915</u>	<u>\$ 1,499,727</u>

NOTE 13: OTHER COMMITMENTS AND CONTINGENCIES

(A) Federal Grants

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

(B) Contract Commitments

Construction Contracts - The following significant contracts were outstanding at September 30, 2006.

Infrastructure Projects	Contract Amount	Expended at 09/30/06	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	<u>7,232,733</u>	<u>194,044</u>	<u>7,038,689</u>
Totals	<u>\$ 9,424,498</u>	<u>\$ 1,232,658</u>	<u>\$ 8,191,840</u>

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.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 13: OTHER COMMITMENTS AND CONTINGENCIES (Continued)

(C) Litigation

The City is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$1,879,607 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 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

I. JOINT VENTURES

(1) Memorial Hospital At Gulfport (MHG)

MHG is an acute care, not-for-profit community hospital jointly owned by the City and the Gulfport-West Harrison County Hospital District. The Board of Trustees of MHG pursuant to section 41-13-15 et seq. Mississippi Code of 1972, as amended. 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, 2006, 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	\$ 99,883,716
Non-current assets	117,400,581
Property, plant and equipment (net)	149,768,324
Other assets	<u>5,808,463</u>
Total assets	<u><u>\$ 372,861,084</u></u>

<u>LIABILITIES AND FUND EQUITY</u>	
Current liabilities	\$ 39,753,800
Long-term liabilities	100,503,400
Net assets	<u>232,603,884</u>
Total liabilities and net assets	<u><u>\$ 372,861,084</u></u>

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	\$ 252,615,874
Operating expense	(245,308,570)
Non-operating (expenses)	4,368,720
Capital grants, contributions and additions to permanent endowments	<u>3,061,451</u>
Increase in Net Asset	<u><u>\$ 14,737,475</u></u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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

The City has no transactions with MHG that are included in the City's financial statements. All general obligation bonds issued on behalf of Memorial Hospital were paid off during prior fiscal year. See Note 8(A)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 liabilities of the District. The District is classified as a joint venture between the City and the other members.

The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2006, 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

ASSETS

Current assets	\$ 9,289,949
Restricted assets	25,328,299
Property, plant and equipment (net)	83,963,018
Deferred charges	<u>3,529,013</u>
Total assets	<u>\$ 122,110,179</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Current, unrestricted	\$ 6,546,608
Current, restricted	7,066,095
Long-term liabilities	<u>117,232,547</u>
Total liabilities	130,845,250

FUND EQUITY

Total liabilities and fund equity	<u>\$ 122,110,179</u>
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STATEMENT OF REVENUES AND EXPENSES

Operating revenues	\$ 12,999,863
Operating expenses	(15,940,039)
Depreciation and amortization	(5,033,317)
Non-operating revenues (expense)	<u>9,250,807</u>
Change in net assets	<u>\$ 1,277,314</u>

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

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

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

Water and Sewer Enterprise Fund

Statement of Revenues, Expenses and Changes in Retained Earnings	
Other services and charges (solid waste and wastewater treatment charges)	
	<u>\$ 7,152,985</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 \$561,731 for the year ended September 30, 2006. 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 the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 15: RETIREMENT PLANS

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

(A) Public Employees' Retirement System

1. Plan Description and Provisions

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

2. Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 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, 2006, 2005 and 2004 were \$2,469,704, \$2,428,330, and \$2,172,318, 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, 2006, 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 the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 15: 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, 2006, contributions totaling \$1,346,725 (\$1,335,900 employer and \$10,825 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, 2006 and 2005, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$2,296,934 and \$2,013,420, respectively.

CITY OF GULFPORT, MISSISSIPPI
Notes to the Basic Financial Statements
For Year Ended September 30, 2006

NOTE 16: RESTATEMENT OF BEGINNING FUND BALANCES AND UNRESTRICTED NET ASSETS.

Prior Period Adjustment – Fund Balance

Prior to 2006, certain grant revenue for amounts receivable from other governments in the Other Governmental Funds was recognized, but not received in the available period. The net effect of these revenue recognition items was the overstating fund balance on the Governmental Funds Financial Statements. As such, the City restated its beginning fund balance at September 30, 2005. The Other Governmental Funds are restated as follows:

	Other Governmental Funds
Balance as previously reported	\$ 27,421,386
Revenue restated at 09/30/05	<u>(706,868)</u>
Fund Balance, as restated	<u>\$ 26,714,518</u>

Prior Period Adjustment – Unrestricted Net Assets

In addition, certain grant receivables were recognized on the full accrual method in the Government-wide financial statements and as deferred revenue in the Fund Financial Statements. It has since been deemed that these receivables are no longer available for collection to the City. This revenue recognition resulted as overstating Unrestricted Net Assets-Governmental Activities by \$3,409,244. Combined with the adjustment to Fund Balance above the Unrestricted Net Asset – Governmental Activities are restated as follows:

	Net Assets
Balance as previously reported	\$ 202,423,491
Revenue restated at 09/30/05	<u>(3,116,112)</u>
Fund Balance, as restated	<u>\$ 199,307,379</u>

Required Supplementary Information

CITY OF GULFPORT, MISSISSIPPI
Required Supplementary Information
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2006

	<i>General Fund</i>				Variance with Final Budget Favorable (Unfavorable)	
	Budget		Actual Budget Basis			
	Original	Final				
Revenues:						
Taxes						
Property	\$ 14,499,000	\$ 14,499,000	\$ 15,703,488	\$ 1,204,488		
Sales	18,480,000	18,480,000	26,618,672	8,138,672		
Franchise	2,900,000	2,900,000	3,046,117	146,117		
Gaming	4,700,000	4,700,000	380,731	(4,319,269)		
Licenses and permits	1,706,000	1,706,000	2,927,373	1,221,373		
Intergovernmental	1,671,344	5,032,772	3,760,332	(1,272,440)		
Charges for services	821,808	827,808	959,292	131,484		
Fines and forfeits	1,800,000	1,800,000	2,077,825	277,825		
Interest	200,000	200,000	785,891	585,891		
Miscellaneous	745,179	916,702	1,022,333	105,631		
Total revenues	<u>47,523,331</u>	<u>51,062,282</u>	<u>57,282,054</u>	<u>6,219,772</u>		
Expenditures:						
General government						
Personnel services	4,156,611	4,220,253	3,701,808	518,445		
Supplies	194,555	197,985	143,739	54,246		
Other services	1,768,249	1,818,616	1,504,043	314,573		
Capital outlay	10,000	197,187	160,689	36,498		
Total	<u>6,129,415</u>	<u>6,434,041</u>	<u>5,510,279</u>	<u>923,762</u>		
Police						
Personnel services	14,148,096	15,201,466	12,943,440	2,258,026		
Supplies	1,510,200	1,752,740	1,584,708	168,032		
Other services	1,239,154	1,834,370	1,391,893	442,477		
Capital outlay	-	989,988	602,521	387,467		
Total	<u>16,897,450</u>	<u>19,778,564</u>	<u>16,522,562</u>	<u>3,256,002</u>		
Fire						
Personnel services	9,378,139	9,190,139	9,053,871	136,268		
Supplies	349,600	515,949	503,777	12,172		
Other services	264,768	320,768	308,614	12,154		
Capital outlay	-	52,585	45,723	6,862		
Total	<u>9,992,507</u>	<u>10,079,441</u>	<u>9,911,985</u>	<u>167,456</u>		
Public works						
Personnel services	2,168,867	2,274,212	1,874,766	399,446		
Supplies	1,527,480	1,489,411	1,424,964	64,447		
Other services	4,203,605	4,221,333	4,064,129	157,204		
Capital outlay	-	402,828	221,448	181,380		
Total	<u>7,899,952</u>	<u>8,387,784</u>	<u>7,585,307</u>	<u>802,477</u>		
Economic development						
Personnel services	1,369,023	1,480,625	1,238,484	242,141		
Supplies	43,201	43,201	30,607	12,594		
Other services	277,997	507,247	222,442	284,805		
Capital outlay	-	4,801	-	4,801		
Total	<u>1,690,221</u>	<u>2,035,874</u>	<u>1,491,533</u>	<u>544,341</u>		

(Continued on next page)

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

CITY OF GULFPORT, MISSISSIPPI
Required Supplementary Information
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (continued)
General Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2006

	<i>General Fund</i>		Variance with Final Budget Favorable (Unfavorable)	
	<i>Budget</i>			
	<i>Original</i>	<i>Final</i>		
Culture and recreation				
Personnel services	3,571,103	3,504,549	2,583,498	
Supplies	599,631	616,458	479,333	
Other services	762,021	762,021	512,990	
Capital outlay	-	39,548	13,693	
Total	<u>4,932,755</u>	<u>4,922,576</u>	<u>3,589,514</u>	
Total expenditures	<u>47,542,300</u>	<u>51,638,280</u>	<u>44,611,180</u>	
Excess (deficit) of revenues over expenditures	<u>(18,969)</u>	<u>(575,998)</u>	<u>12,670,874</u>	
Excess (deficit) of revenues over expenditures	<u>(18,969)</u>	<u>(575,998)</u>	<u>12,670,874</u>	
Other financing sources (uses)				
Proceeds of loans	-	13,373,122	13,373,122	
Insurance proceeds	-	-	-	
Transfers in	-	905,776	905,776	
Transfers out	<u>(5,000,000)</u>	<u>(5,291,700)</u>	<u>(5,291,700)</u>	
Total other financing sources (uses)	<u>(5,000,000)</u>	<u>8,987,198</u>	<u>8,987,198</u>	
Changes in fund balance	<u>(5,018,969)</u>	<u>8,411,200</u>	<u>21,658,072</u>	
Fund balance - October 1	<u>17,256,635</u>	<u>17,256,635</u>	<u>17,256,635</u>	
Fund balance - September 30	<u>\$ 12,237,666</u>	<u>\$ 25,667,835</u>	<u>\$ 38,914,707</u>	
			<u>\$ 13,246,872</u>	

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

CITY OF GULFPORT, MISSISSIPPI
Required Supplementary Information
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Disaster Relief Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2006

	<i>Disaster Relief Fund</i>			Variance with Final Budget Favorable (Unfavorable)	
	Budget		Actual Budget Basis		
	Original	Final			
Revenues:					
Intergovernmental	\$ 611,126	\$ 132,597,545	\$ 31,931,409	\$ (100,666,136)	
Total revenues	<u>611,126</u>	<u>132,597,545</u>	<u>31,931,409</u>	<u>(100,666,136)</u>	
Expenditures:					
General government					
Personnel services	-	-	73,626	(73,626)	
Supplies	-	128,762	52,809	75,953	
Other services	-	14,200,721	1,646,923	12,553,798	
Capital outlay	-	1,140,113	1,260	1,138,853	
Total	<u>-</u>	<u>15,469,596</u>	<u>1,774,618</u>	<u>13,694,978</u>	
Public safety					
Personnel services	-	650,892	641,661	9,231	
Supplies	-	403,797	58,530	345,267	
Other services	-	1,458,018	163,518	1,294,500	
Capital outlay	-	348,489	275,696	72,793	
Total	<u>-</u>	<u>2,861,196</u>	<u>1,139,405</u>	<u>1,721,791</u>	
Public works					
Personnel services	-	-	71,287	(71,287)	
Supplies	-	1,235,367	1,112,740	122,627	
Other services	-	91,624,423	65,123,807	26,500,616	
Capital outlay	-	40,163,740	-	40,163,740	
Total	<u>-</u>	<u>133,023,530</u>	<u>66,307,834</u>	<u>66,715,696</u>	
Economic development					
Personnel services	-	-	22,483	(22,483)	
Supplies	-	631	7,525	(6,894)	
Other services	-	3,469	97	3,372	
Capital outlay	-	26,150	-	26,150	
Total	<u>-</u>	<u>30,250</u>	<u>30,105</u>	<u>145</u>	
Culture and recreation					
Personnel services	-	-	5,878	(5,878)	
Supplies	-	64,457	4,516	59,941	
Other services	-	4,939,627	653,866	4,285,761	
Total	<u>-</u>	<u>5,004,084</u>	<u>664,260</u>	<u>4,339,824</u>	
Total expenditures	<u>-</u>	<u>156,388,656</u>	<u>69,916,222</u>	<u>86,472,434</u>	
Changes in fund balance	611,126	(23,791,111)	(37,984,813)	(14,193,702)	
Fund balance - October 1	127,120	127,120	127,120	-	
Fund balance - September 30	<u>\$ 738,246</u>	<u>\$ (23,663,991)</u>	<u>\$ (37,857,693)</u>	<u>\$ (14,193,702)</u>	

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

CITY OF GULFPORT, MISSISSIPPI
Required Supplementary Information
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Development Fund
Major Governmental Funds
For the Fiscal Years Ended September 30, 2006

	<i>Community Development Fund</i>			Variance with Final Budget Favorable (Unfavorable)	
	Budget		Actual Budget Basis		
	Original	Final			
Revenues:					
Intergovernmental	\$ 3,338,788	\$ 4,898,740	\$ 1,849,307	\$ (3,049,433)	
Charges for services			20,947	20,947	
Interest	-	-	28,252	28,252	
Total revenues	<u>3,338,788</u>	<u>4,898,740</u>	<u>1,898,506</u>	<u>(3,000,234)</u>	
Expenditures:					
Health and welfare					
Personnel services	66,115	310,615	214,175	96,440	
Supplies	6,517	19,562	3,004	16,558	
Other services	1,905,807	2,599,085	1,088,326	1,510,759	
Capital outlay	930,974	1,627,918	346,264	1,281,654	
Total	<u>2,909,413</u>	<u>4,557,180</u>	<u>1,651,769</u>	<u>2,905,411</u>	
Changes in fund balance	429,375	341,560	246,737	(94,823)	
Fund balance - October 1	<u>192,747</u>	<u>192,747</u>	<u>192,747</u>	<u>-</u>	
Fund balance - September 30	<u>\$ 622,122</u>	<u>\$ 534,307</u>	<u>\$ 439,484</u>	<u>\$ (94,823)</u>	

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

CITY OF GULFPORT
Notes to the Required Supplementary Information and
Reconciliation of Budget to GAAP – Major Governmental Funds
For the Fiscal Year Ended September 30, 2006

Note 1: Budgetary Presentation:

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

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

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

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

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

	Major Funds		
	General Fund	Disaster Fund	Community Development Fund
Sources of financial resources			
Actual amounts (budgetary basis)	\$57,282,054	\$31,931,409	\$ 1,898,506
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.	<u>(440,644)</u>	<u>44,121,546</u>	<u>(181,639)</u>
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	<u>56,841,410</u>	<u>76,052,955</u>	<u>1,716,867</u>
Uses of financial resources			
Actual amounts (budgetary basis)	44,611,180	69,916,222	1,651,769
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.	<u>2,447,668</u>	<u>4,339,053</u>	<u>21,008</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	<u>\$47,058,848</u>	<u>\$74,255,275</u>	<u>\$ 1,672,777</u>

CITY OF GULFPORT, MISSISSIPPI
MISSISSIPPI MUNICIPAL RETIREMENT SYSTEM (MMRS)
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(Amounts Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a) /c)
9/30/1996	6,067	16,942	10,875	35.8%	744	1461.7%
9/30/1997	6,957	17,154	10,197	40.6%	809	1260.4%
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	17,176	7,283	57.6%	740	984.2%
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	6162.8%
9/30/2006	10,533	22,720	12,187	46.4%	130	9374.6%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the City of Gulfport's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and the annual covered payroll are both affected by inflation. Usually expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan. However, for closed plans such as this one, this figure is highly misleading and should be ignored.

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, 2006

	Special Revenue									Capital Projects			2006 Total		
	Forfeitures and Seizures	Police Traffic Safety	Police and Fireman's Retirement	Library	Flood Acquisition Program	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund	Capital Projects Fund	Debt Service	Other Governmental Funds			
Assets															
Cash and cash equivalents	\$ 1,545,733	\$ 69,133	\$ -	\$ 335,602	\$ 639,967	\$ 79,455	\$ 138,771	\$ 413,594	\$ 1,595,421	\$ 2,169,439	\$ 2,543,290	\$ 9,530,405			
Cash with fiscal agents	-	-	-	-	-	-	-	-	-	-	5,000	5,000			
Receivables															
Property taxes	-	-	58,246	-	-	-	-	-	-	-	-	264,838	323,084		
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	15,976	15,976		
Due from other governments													690,334	690,334	
Total assets	1,545,733	69,133	58,246	335,602	639,967	79,455	138,771	413,594	1,595,421	2,859,773	2,829,104	2,543,290	9,530,405	10,564,799	
Liabilities and Fund balance															
Liabilities															
Accounts payable	13,258	-	-	-	-	-	-	-	-	1,512	695,236	298,970	1,008,976		
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	2,041	2,041		
Due to other governments	-	-	58,246	335,602	-	-	-	-	-	-	-	-	393,848	393,848	
Performance bonds payable	-	-	-	-	-	-	-	-	-	-	-	15,000	15,000		
Total Liabilities	13,258	-	58,246	335,602	-	-	-	-	-	1,512	710,236	301,011	1,419,865		
Fund Balance															
Reserved for encumbrances	100,104	-	-	-	-	472	-	40,820	648,779	1,161,556	-	-	1,951,731		
Reserved for special revenue	1,432,371	69,133	-	-	639,967	-	-	-	-	-	-	-	2,141,471		
Reserved for capital projects	-	-	-	-	-	78,983	138,771	372,774	945,130	987,981	-	-	2,523,639		
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	2,528,093	2,528,093		
Total fund balance	1,532,475	69,133	-	-	639,967	79,455	138,771	413,594	1,593,909	2,149,537	2,528,093	2,528,093	9,144,934	-	
Total liabilities and fund balance	\$ 1,545,733	\$ 69,133	\$ 58,246	\$ 335,602	\$ 639,967	\$ 79,455	\$ 138,771	\$ 413,594	\$ 1,595,421	\$ 2,859,773	\$ 2,829,104	\$ 2,543,290	\$ 9,530,405	\$ 10,564,799	

CITY OF GULFPORT, MISSISSIPPI
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2006

	Special Revenue								Capital Projects				2006 Total Other Governmental Funds	
	Forfeitures and Seizures	Police Traffic Safety	Police and Fireman's Retirement	Library	Flood Acquisition Program	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund	Capital Projects Fund	Debt Service			
Revenues:														
Taxes														
Property	\$ -	\$ -	\$ 1,426,430	\$ 561,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,451,541	\$ 6,439,702		
Intergovernmental	1,776,807	-	-	-	23,397	2,275	5,535	16,647	68,145	633,965	-	2,410,772		
Interest	30,309	2,757	-	-	-	-	-	-	-	93,130	95,792	337,987		
Miscellaneous	13,288	-	-	-	-	-	-	-	-	730,100	-	743,388		
Total revenues	1,820,404	2,757	1,426,430	561,731	23,397	2,275	5,535	16,647	68,145	1,457,195	4,547,333	9,931,849		
Expenditures														
Current:														
Public safety	107,817	1,920	1,426,430	-	-	-	-	-	-	-	-	1,536,167		
Public works	-	-	-	-	78,779	4,628	-	6,295	339,197	2,706,052	-	3,134,951		
Culture and recreation	-	-	-	561,731	-	-	-	-	-	-	-	561,731		
Capital outlay	355,213	-	-	-	-	-	-	-	-	-	-	355,213		
Debt service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	2,707,970		
Interest	-	-	-	-	-	-	-	-	-	-	-	1,472,265		
Other	-	-	-	-	-	-	-	-	-	-	-	10,376		
Total expenditures	463,030	1,920	1,426,430	561,731	78,779	4,628	-	6,295	339,197	2,706,052	4,190,611	9,778,673		
Excess of revenues over expenditures	1,357,374	837	-	-	(55,382)	(2,353)	5,535	10,352	(271,052)	(1,248,857)	356,722	153,176		
Other financing sources (uses)														
Transfers in	-	-	-	-	-	24,000	-	-	-	14,700	-	38,700		
Transfers out	-	-	-	-	-	-	-	-	-	(905,776)	-	(905,776)		
Insurance proceeds	-	-	-	-	-	-	-	-	-	720,818	-	720,818		
Total other financing sources (uses)	-	-	-	-	-	24,000	-	-	-	(170,258)	-	(146,258)		
Change in fund balance	1,357,374	837	-	-	(55,382)	21,647	5,535	10,352	(271,052)	(1,419,115)	356,722	6,918		
Fund balance - October 1	175,101	68,296	-	-	1,402,217	57,808	133,236	403,242	1,864,961	3,568,652	2,171,371	9,844,884		
Prior period adjusting entry	-	-	-	-	(706,868)	-	-	-	-	-	-	(706,868)		
Fund balance - September 30	\$ 1,532,475	\$ 69,133	\$ -	\$ -	\$ 639,967	\$ 79,455	\$ 138,771	\$ 413,594	\$ 1,593,909	\$ 2,149,537	\$ 2,528,093	\$ 9,144,934		

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.

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

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

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

CITY OF GULFPORT, MISSISSIPPI
Forfeitures and Seizures Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>Forfeitures and Seizures Fund</i>				
	<i>Budget</i>		2006 Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 1,024,417	\$ 1,776,807	\$ 752,390
Interest	- -	- -	30,309	30,309
Miscellaneous	- -	- -	13,288	13,288
Total revenues	<u>- -</u>	<u>1,024,417</u>	<u>1,820,404</u>	<u>795,987</u>
Expenditures:				
Public safety	45,370	227,313	107,817	119,496
Capital outlay	<u>88,837</u>	<u>957,766</u>	<u>355,213</u>	<u>602,553</u>
Total expenditures	<u>134,207</u>	<u>1,185,079</u>	<u>463,030</u>	<u>722,049</u>
Changes in fund balance	(134,207)	(160,662)	1,357,374	1,518,036
Fund balance - October 1	175,101	175,101	175,101	-
Fund balance - September 30	<u>\$ 40,894</u>	<u>\$ 14,439</u>	<u>\$ 1,532,475</u>	<u>\$ 1,518,036</u>

CITY OF GULFPORT, MISSISSIPPI
Public Traffic Safety Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>Public Traffic Safety</i>					
	<i>Budget</i>		Variance with Final Budget		
	<i>Original</i>	<i>Final</i>	<i>2006</i>	<i>Favorable</i>	
			<i>Actual</i>	<i>(Unfavorable)</i>	
Revenues:					
Interest	\$ 3,836	\$ 1,916	\$ 2,757	\$ 841	
Total revenues	<u>3,836</u>	<u>1,916</u>	<u>2,757</u>	<u>841</u>	
Expenditures:					
Public safety	2,036	2,036	1,920	116	
Total expenditures	<u>2,036</u>	<u>2,036</u>	<u>1,920</u>	<u>116</u>	
Changes in fund balance	1,800	(120)	837	957	
Fund balance - October 1	68,296	68,296	68,296		
Fund balance - September 30	<u>\$ 70,096</u>	<u>\$ 68,176</u>	<u>\$ 69,133</u>	<u>\$ 957</u>	

CITY OF GULFPORT, MISSISSIPPI
Police and Fireman's Retirement Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>Police and Fireman's Retirement Fund</i>				
	Budget		2006	Variance with Final Budget
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,199,969	\$ 1,429,720	\$ 1,426,430	\$ (3,290)
Total revenues	<u>1,199,969</u>	<u>1,429,720</u>	<u>1,426,430</u>	<u>(3,290)</u>
Expenditures:				
Public safety	1,199,969	1,429,720	1,426,430	3,290
Total expenditures	<u>1,199,969</u>	<u>1,429,720</u>	<u>1,426,430</u>	<u>3,290</u>
Changes in fund balance	-	-	-	-
Fund balance - October 1	-	-	-	-
Fund balance - September 30	\$ -	\$ -	\$ -	\$ -

CITY OF GULFPORT, MISSISSIPPI
Library Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>Library Fund</i>				Variance with Final Budget	
<i>Budget</i>		2006	Favorable (Unfavorable)		
<i>Original</i>	<i>Final</i>				
Revenues:					
Taxes	\$ 513,079	\$ 563,079	\$ 561,731	\$ (1,348)	
Total revenues	<u>513,079</u>	<u>563,079</u>	<u>561,731</u>	<u>(1,348)</u>	
Expenditures:					
Culture and recreation	513,079	563,079	561,731	1,348	
Total expenditures	<u>513,079</u>	<u>563,079</u>	<u>561,731</u>	<u>1,348</u>	
Changes in fund balance	-	-	-	-	
Fund balance - October 1	-	-	-	-	
Fund balance - September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF GULFPORT, MISSISSIPPI
Flood Acquisition Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

	<i>Flood Acquisition Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2006	
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 305,317	\$ 305,317	\$ -	\$ (305,317)
Interest	-	-	23,397	23,397
Total revenues	<u>305,317</u>	<u>305,317</u>	<u>23,397</u>	<u>(281,920)</u>
Expenditures:				
Public works	432,458	488,061	78,779	409,282
Capital outlay	<u>2,263,088</u>	<u>1,556,745</u>	<u>-</u>	<u>1,556,745</u>
Total expenditures	<u>2,695,546</u>	<u>2,044,806</u>	<u>78,779</u>	<u>1,966,027</u>
Changes in fund balance	(2,390,229)	(1,739,489)	(55,382)	1,684,107
Fund balance - October 1	1,402,217	1,402,217	1,402,217	
Prior period adjusting entry				
Fund balance - September 30	<u>\$ (988,012)</u>	<u>\$ (337,272)</u>	<u>\$ 639,967</u>	<u>\$ 977,239</u>



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Supplementary Information

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

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

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

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

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

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

CITY OF GULFPORT, MISSISSIPPI
1996 Public Improvement Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>1996 Public Improvement Fund</i>				Variance with Final Budget Favorable (Unfavorable)
	Budget		2006	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 2,275	\$ 2,275
Total revenues	<u>-</u>	<u>-</u>	<u>2,275</u>	<u>2,275</u>
Expenditures:				
Public works	119,928	81,839	4,628	77,211
Total expenditures	<u>119,928</u>	<u>81,839</u>	<u>4,628</u>	<u>77,211</u>
Excess (deficit) of revenues over expenditures	(119,928)	(81,839)	(2,353)	79,486
Other financing sources (uses)				
Transfers in	-	24,000	24,000	-
Total other financing sources (uses)	<u>-</u>	<u>24,000</u>	<u>24,000</u>	<u>-</u>
Changes in fund balance	(119,928)	(57,839)	21,647	79,486
Fund balance - October 1	57,808	57,808	57,808	
Fund balance - September 30	<u>\$ (62,120)</u>	<u>\$ (31)</u>	<u>\$ 79,455</u>	<u>\$ 79,486</u>

CITY OF GULFPORT, MISSISSIPPI
1998 Public Improvement Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>1998 Public Improvement Fund</i>				Variance with Final Budget Favorable (Unfavorable)
	Budget		2006	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 5,535	\$ 5,535
Total revenues	<u>-</u>	<u>-</u>	<u>5,535</u>	<u>5,535</u>
Expenditures:				
Public works	23	-	-	-
Total expenditures	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance	(23)	-	5,535	5,535
Fund balance - October 1	133,236	133,236	133,236	
Fund balance - September 30	<u>\$ 133,213</u>	<u>\$ 133,236</u>	<u>\$ 138,771</u>	<u>\$ 5,535</u>

CITY OF GULFPORT, MISSISSIPPI
2001 Public Improvement Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>2001 Public Improvement Fund</i>				Variance with Final Budget Favorable (Unfavorable)
	Budget		2006	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 16,647	\$ 16,647
Total revenues	<u>-</u>	<u>-</u>	<u>16,647</u>	<u>16,647</u>
Expenditures:				
Public works	596,668	349,350	6,295	343,055
Total expenditures	<u>596,668</u>	<u>349,350</u>	<u>6,295</u>	<u>343,055</u>
Excess (deficit) of revenues over expenditures	<u>(596,668)</u>	<u>(349,350)</u>	<u>10,352</u>	<u>359,702</u>
Other financing sources (uses)				
Transfers out	(225,026)	-	-	-
Total other financing sources (uses)	<u>(225,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance	(821,694)	(349,350)	10,352	359,702
Fund balance - October 1	403,242	403,242	403,242	
Fund balance - September 30	<u>\$ (418,452)</u>	<u>\$ 53,892</u>	<u>\$ 413,594</u>	<u>\$ 359,702</u>

CITY OF GULFPORT, MISSISSIPPI
2003 Public Improvement Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

<i>2003 Public Improvement Fund</i>				Variance with Final Budget Favorable (Unfavorable)
	Budget		2006	
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 68,145	\$ 68,145
Total revenues	<u>-</u>	<u>-</u>	<u>68,145</u>	<u>68,145</u>
Expenditures:				
Public works	4,186,800	1,705,538	339,197	1,366,341
Total expenditures	<u>4,186,800</u>	<u>1,705,538</u>	<u>339,197</u>	<u>1,366,341</u>
Excess (deficit) of revenues over expenditures	(4,186,800)	(1,705,538)	(271,052)	1,434,486
Other financing sources (uses)				
Transfers out	(464,137)	-	-	-
Total other financing sources (uses)	<u>(464,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance	(4,650,937)	(1,705,538)	(271,052)	1,434,486
Fund balance - October 1	1,864,961	1,864,961	1,864,961	
Fund balance - September 30	<u>\$ (2,785,976)</u>	<u>\$ 159,423</u>	<u>\$ 1,593,909</u>	<u>\$ 1,434,486</u>

CITY OF GULFPORT, MISSISSIPPI
Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

	<i>Capital Project Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	<i>Budget</i>		<i>2006</i>	
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Intergovernmental	\$ 5,359,729	\$ 3,956,390	\$ 633,965	\$ (3,322,425)
Interest	-	5,000	93,130	88,130
Miscellaneous			730,100	730,100
Total revenues	<u>5,359,729</u>	<u>3,961,390</u>	<u>1,457,195</u>	<u>(2,504,195)</u>
Expenditures:				
Public works	8,535,067	6,511,134	2,706,052	3,805,082
Total expenditures	<u>8,535,067</u>	<u>6,511,134</u>	<u>2,706,052</u>	<u>3,805,082</u>
Excess (deficit) of revenues over expenditures	<u>(3,175,338)</u>	<u>(2,549,744)</u>	<u>(1,248,857)</u>	<u>1,300,887</u>
Other financing sources (uses)				
Transfers in	3,250,000	14,700	14,700	-
Transfers out	-	(905,776)	(905,776)	-
Insurance proceeds	-	-	720,818	720,818
Total other financing sources (uses)	<u>3,250,000</u>	<u>(891,076)</u>	<u>(170,258)</u>	<u>720,818</u>
Changes in fund balance	74,662	(3,440,820)	(1,419,115)	2,021,705
Fund balance - October 1	3,568,652	3,568,652	3,568,652	
Fund balance - September 30	<u>\$ 3,643,314</u>	<u>\$ 127,832</u>	<u>\$ 2,149,537</u>	<u>\$ 2,021,705</u>



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Supplementary Information

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

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

CITY OF GULFPORT, MISSISSIPPI
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2006

	<i>Debt Service Fund</i>			Variance with Final Budget Favorable (Unfavorable)
	Budget		2006	
	Original	Final	Actual	
Revenues:				
Taxes	\$ 4,090,000	\$ 4,132,000	\$ 4,451,542	\$ 319,542
Interest	-	-	95,793	95,793
Total revenues	<u>4,090,000</u>	<u>4,132,000</u>	<u>4,547,335</u>	<u>415,335</u>
Expenditures:				
Debt service:				
Principal	2,870,000	3,038,000	2,707,970	330,030
Interest	1,685,000	1,520,000	1,472,265	47,735
Other	16,000	16,000	10,378	5,622
Total expenditures	<u>4,571,000</u>	<u>4,574,000</u>	<u>4,190,613</u>	<u>383,387</u>
Changes in fund balance	(481,000)	(442,000)	356,722	798,722
Fund balance - October 1	2,171,371	2,171,371	2,171,371	
Fund balance - September 30	<u>\$ 1,690,371</u>	<u>\$ 1,729,371</u>	<u>\$ 2,528,093</u>	<u>\$ 798,722</u>



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Supplementary Information

Proprietary Funds – Business-type Activities

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

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Business-Type Activities
Combining Statement of Net Assets
September 30, 2006

	Business-type Activities			2006 Totals	
	Non-major Fund		Joseph T. Jones Park		
	Water and Sewer	Non-major Fund			
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,200,609	\$ 436,640	\$ 2,637,249	245	
Investments	245				
Receivables:					
Customer accounts (net of allowance for uncollectible accounts)	1,924,129	-	1,924,129		
Customer accounts accrued but not billed	985,282	-	985,282		
Other	4,430,552	-	4,430,552		
Due from other governments	-	-	-		
Total current assets	<u>9,540,817</u>	<u>436,640</u>	<u>9,977,457</u>		
Current restricted assets					
Cash - Water and sewer trust	792,662	-	792,662		
Noncurrent assets					
Capital assets:					
Land	149,313	63,304	212,617		
Construction in progress	19,139,156	-	19,139,156		
Improvements other than buildings	121,576,550	99,214	121,675,764		
Machinery and equipment	1,048,555	-	1,048,555		
Vehicles	1,499,834	14,604	1,514,438		
Less accumulated depreciation	(27,145,569)	(119,572)	(27,265,141)		
Total capital assets, net of accumulated depreciation	<u>116,267,839</u>	<u>57,550</u>	<u>116,325,389</u>		
Other noncurrent assets					
Cash - Water and Sewer Improvements	12,533,713	-	12,533,713		
Cash - Reserved for community disaster loan repayment	109,200	-	109,200		
Deferred charges	3,618,998	-	3,618,998		
Total other noncurrent assets	<u>16,261,911</u>	<u>-</u>	<u>16,261,911</u>		
Total assets	<u><u>\$ 142,863,229</u></u>	<u><u>\$ 494,190</u></u>	<u><u>\$ 143,357,419</u></u>		
LIABILITIES					
Current liabilities (payable from current assets)					
Accounts payable	\$ 2,985,193	\$ 661	\$ 2,985,854		
Accrued wages payable	1,740	1,562	3,302		
Accrued interest payable	513,064	-	513,064		
Due to other funds	2,879,241	-	2,879,241		
Retainage payable	142,338	-	142,338		
Other liabilities	318,275	-	318,275		
Notes payable - current portion	2,530,000	-	2,530,000		
Bonds payable - current portion	789,117	-	789,117		
Total current liabilities payable from current assets	<u>10,158,968</u>	<u>2,223</u>	<u>10,161,191</u>		
Current liabilities (payable from restricted assets)					
Meter deposits	884,924	-	884,924		
Total current liabilities	<u>11,043,892</u>	<u>2,223</u>	<u>11,046,115</u>		
Noncurrent liabilities					
Compensated absences payable	-	5,810	5,810		
Bonds payable	55,610,000	-	55,610,000		
Notes payable	29,512,867	-	29,512,867		
Total noncurrent liabilities	<u>85,122,867</u>	<u>5,810</u>	<u>85,128,677</u>		
Total liabilities	<u><u>96,166,759</u></u>	<u><u>8,033</u></u>	<u><u>96,174,792</u></u>		
NET ASSETS					
Invested in capital assets, net of related debt	27,825,855	57,550	27,883,405		
Restricted for revenue bond indentures	4,000	-	4,000		
Unrestricted	18,866,615	428,607	19,295,222		
Total net assets	<u><u>\$ 46,696,470</u></u>	<u><u>\$ 486,157</u></u>	<u><u>\$ 47,182,627</u></u>		

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Business-Type Activities
Combining Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended September 30, 2006

	Business-type Activities		
	Non-major Fund		
	Water and Sewer	Joseph T. Jones Park	2006 Totals
Operating Revenues			
Charges for services	\$ 19,320,980	\$ 4,618	\$ 19,325,598
Miscellaneous	90,280	13	90,293
Total operating revenues	<u>19,411,260</u>	<u>4,631</u>	<u>19,415,891</u>
Operating Expenses			
Personnel services	102,143	93,704	195,847
Contractual services	9,628,525	27,255	9,655,780
Material and supplies	1,217,033	3,837	1,220,870
Other services and charges	966,446	-	966,446
Depreciation	2,176,076	17,175	2,193,251
Amortization	309,213	-	309,213
Bad debts	345,235	-	345,235
Total operating expenses	<u>14,744,671</u>	<u>141,971</u>	<u>14,886,642</u>
Operating income (loss)	<u>4,666,589</u>	<u>(137,340)</u>	<u>4,529,249</u>
Non-operating revenues			
Intergovernmental grants	513,514	-	513,514
Interest income	971,579	19,700	991,279
Interest expense	(3,063,214)	-	(3,063,214)
Loss on assets due to hurricane	-	-	-
Total nonoperating revenues (expenses)	<u>(1,578,121)</u>	<u>19,700</u>	<u>(1,558,421)</u>
Income (loss) before contributions and transfers	3,088,468	(117,640)	2,970,828
Capital contributions	14,109,207	-	14,109,207
Transfers from other funds	5,253,000	-	5,253,000
Change in net assets	22,450,675	(117,640)	22,333,035
Net assets - October 1	24,245,795	603,797	24,849,592
Net assets - September 30	<u>\$ 46,696,470</u>	<u>\$ 486,157</u>	<u>\$ 47,182,627</u>

CITY OF GULFPORT, MISSISSIPPI
Proprietary Fund - Business-type Activities
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2006

	Business-type Activities			
	Water and Sewer	Non-major Fund Joseph T. Jones Park	2006 Totals	
Cash flows from operating activities				
Cash received from customers	\$ 19,170,172	\$ 4,618	\$ 19,174,790	
Cash received from other operating receipts	90,280	13	90,293	
Cash paid to suppliers	(10,460,616)	(35,445)	(10,496,061)	
Cash paid to employees	(105,853)	(95,028)	(200,881)	
Cash received from meter deposits, net	(102,629)	-	(102,629)	
Net cash provided by operating activities	8,591,354	(125,842)	8,465,512	
Cash from non-operating activities				
Cash received from governmental grants	513,514	-	513,514	
Net cash provided by non-operating activities	513,514	-	513,514	
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(20,195,300)	-	(20,195,300)	
Disposition of capital assets	4,358	-	4,358	
Proceeds from debt issuance	20,273,923	-	20,273,923	
Principal paid on revenue bond maturities and notes payable	(2,793,573)	-	(2,793,573)	
Interest paid on bonds and notes payable	(3,413,557)	-	(3,413,557)	
Net cash used in capital and related financing activities	(6,124,149)	-	(6,124,149)	
Cash flows from investing activities				
Interest received	971,579	19,700	991,279	
Net cash from investing activities	971,579	19,700	991,279	
Net increase (decrease) in cash and cash equivalents	3,952,298	(106,142)	3,846,156	
Cash and equivalents - October 1	11,683,886	542,782	12,226,668	
Cash and equivalents - September 30	\$ 15,636,184	\$ 436,640	\$ 16,072,824	
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Operating income (loss)	\$ 4,666,589	\$ (137,340)	\$ 4,529,249	
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	2,176,076	17,175	2,193,251	
Amortization	309,213	-	309,213	
Bad debts	345,235	-	345,235	
(Increase) decrease in assets				
Accounts receivable	(982,753)	-	(982,753)	
Prepaid assets	349,776	-	349,776	
Due from other governments	365,256	-	365,256	
Increase (decrease) in liabilities				
Accounts payable	2,223,245	(4,353)	2,218,892	
Accrued wages payable	263	(859)	(596)	
Other liabilities	(876,398)	-	(876,398)	
Meter deposit liabilities	18,825	-	18,825	
Compensated absences payable	(3,973)	(465)	(4,438)	
Net cash provided by (used in) operating activities	\$ 8,591,354	\$ (125,842)	\$ 8,465,512	
Non cash investing, capital and financing activities:				
Other receivables	(3,237,647)	-	(3,237,647)	
Contributed capital	14,109,207	-	14,109,207	
	\$ 10,871,560	\$ -	\$ 10,871,560	
Reconciliation of cash and cash equivalents per statement of cash flows to statement of net assets				
	Other Assets	Restricted Assets	Current Assets	Total 2006
Cash and cash equivalents - October 1	\$ 9,705,970	\$ 913,291	\$ 1,607,407	\$ 12,226,668
Net increase (decrease)	2,936,943	(120,629)	1,029,842	3,846,156
Cash and cash equivalents - September 30	\$ 12,642,913	\$ 792,662	\$ 2,637,249	\$ 16,072,824



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Supplementary Information

Proprietary Funds – Governmental-type Activities

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

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

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type Activities
Combining Statement of Net Assets
September 30, 2006

	Government-type Activities		
	Group	Claims	2006
	Life and Health		
Assets			
Cash and cash equivalents	\$ 1,687,367	\$ 13,494,044	\$ 15,181,411
Cash with fiscal agents	-	44,334	44,334
Investments	-	1,384,894	1,384,894
Accounts Receivable	-	4,699	4,699
Prepaid insurance	-	1,058,475	1,058,475
Total assets	<u>1,687,367</u>	<u>15,986,446</u>	<u>17,673,813</u>
Liabilities			
Accounts payable	78	768,516	768,594
Deferred revenue	-	11,714,793	11,714,793
Liability for self-insurance claims	<u>326,407</u>	<u>1,879,607</u>	<u>2,206,014</u>
Total Liabilities	<u>326,485</u>	<u>14,362,916</u>	<u>14,689,401</u>
Net assets			
Unrestricted	<u>\$ 1,360,882</u>	<u>\$ 1,623,530</u>	<u>\$ 2,984,412</u>

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type Activities
Combining Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended September 30, 2006

	Government-type Activities		
	Group	Claims	2006
	Life and Health	Contingency	Total
Operating Revenues			
Employee contributions	\$ 689,036	\$ -	\$ 689,036
Retiree contributions	131,043	-	131,043
Employer contributions	2,891,678	2,254,715	5,146,393
Insurance claim reimbursements	-	302,602	302,602
Total operating revenues	3,711,757	2,557,317	6,269,074
Operating Expenses			
Contractual services	-	9,250	9,250
Administrative expenses	126,274	103,249	229,523
Death benefits paid	-	1,000	1,000
Premium payments	305,915	1,404,340	1,710,255
Claims paid	3,600,943	1,136,460	4,737,403
Total operating expenses	4,033,132	2,654,299	6,687,431
Operating income (loss)	(321,375)	(96,982)	(418,357)
Non-operating revenues (expenses)			
Interest income	94,056	264,011	358,067
Total non-operating income (loss)	94,056	264,011	358,067
Change in net assets	(227,319)	167,029	(60,290)
Net assets - October 1	1,588,201	1,456,501	3,044,702
Net assets - September 30	\$ 1,360,882	\$ 1,623,530	\$ 2,984,412

CITY OF GULFPORT, MISSISSIPPI
Proprietary Funds - Government-type activities
Combining Statement of Cash Flows
For the Fiscal Years ended September 30, 2006

Government-type Activities			
	Group Life and Health	Claims Contingency	2006 Total
Cash flows from operating activities			
Cash received from employees and others	\$ 820,079	\$ -	\$ 820,079
Cash received from insurance companies	-	12,547,496	12,547,496
Cash received from employer contributions	2,891,678	2,254,715	5,146,393
Cash paid to suppliers	(4,135,900)	(2,036,727)	(6,172,627)
Net cash provided by operating activities	<u>(424,143)</u>	<u>12,765,484</u>	<u>12,341,341</u>
Cash flows from investing activities			
Investment transactions, net	-	(46,552)	(46,552)
Interest received	94,056	264,011	358,067
Net cash from investing activities	<u>94,056</u>	<u>217,459</u>	<u>311,515</u>
Net increase (decrease) in cash and cash equivalents		(330,087)	12,982,943
Cash and equivalents - October 1		2,017,454	511,101
Cash and equivalents - September 30	\$ 1,687,367	\$ 13,494,044	\$ 15,181,411
Non-cash and capital related financing activities			
Changes in fair value of investments	<u>\$ -</u>	<u>\$ 6,120</u>	<u>\$ 6,120</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ (321,375)	\$ (96,982)	\$ (418,357)
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets			
Other receivables	-	530,101	530,101
Prepaid assets	-	(464,201)	(464,201)
Increase (decrease) in liabilities			
Accounts payable	(55)	766,883	766,828
Deferred revenue		11,714,793	11,714,793
Other liabilities	<u>(102,713)</u>	<u>314,890</u>	<u>212,177</u>
Net cash provided by (used in) operating activities	<u>\$ (424,143)</u>	<u>\$ 12,765,484</u>	<u>\$ 12,341,341</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
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
2006	12,421	28,836	76,661	1,514	1,494	5,153	2,497	4,191	132,767

(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
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
2006	22,584	26,980	3,255	290	2,078	2,927	6,464	966	79,000	144,544

- (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
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%
2006	42,158	37,578	89.1%	658	38,236	90.7%	4,580	10.9%

(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	
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%
2006	365,000	2,668,129	69,806	465,373	103,000	686,667	72,900	243,000	610,706	4,063,169	1.2%

(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	
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
2006	24.0	7.0	34.0	33.4	3.1	36.5	50.3	7.6	57.9	128.3

* 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
2005 TAX ROLL
(Amounts Expressed in Thousands)

Taxpayer	Type of Business	(1) 2003 Assessed Valuation	Percentage of Total Assessed Valuation
Mississippi Power & Light	Electrical Utility	\$ 90,598	14.83%
Bell South	Communications Utility	11,361	1.86%
Grand Casino	Gaming Industry	5,065	0.83%
Cross Roads Center	Retail Industry	4,678	0.77%
HCA Realty	Real Estate Industry	2,801	0.46%
Prime Outlets - Gulfport Factory Outlet Shops	Retail Industry	2,093	0.34%
Citicorp Leasing	Financial Institution	1,841	0.30%
Garden Park Hospital	Medical Facility	1,833	0.30%
Wal-Mart	Retail Industry	1,524	0.25%
Exit 34A		1,396	0.23%
Total		123,190	20.17%
All other taxpayers		<u>487,516</u>	<u>79.83%</u>
Total all assessments		<u>\$ 610,706</u>	<u>100.0%</u>

(1) Assessed valuation taken from 2005 Realty, Personal Property, and Public Utility tax rolls collected in fiscal year 2006.

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)

Fiscal Year	Estimated Population	Assessed Value (1)	Gross Bonded Debt (2)	(3) Less: Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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
2006	77	610,706	22,835	3,525	19,310	3.16%	251

- (1) From Table 4.
- (2) Does not include revenue bonds or school district bonds which are not paid with General Government revenues.
- (3) Amount available for repayment of general obligation bonds.

SOURCE: Prior audit reports.

TABLE VIII
(Unaudited)

CITY OF GULFPORT, MISSISSIPPI
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2006
(Amounts Expressed in Thousands)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Amount Applicable to Government	Percentage Applicable to Government
Direct:			
City of Gulfport (1)	\$ 22,835	\$ 22,835	100.00%
Overlapping:			
Harrison County	155,400	58,321	37.53%
Gulfport School District (2)	18,860	18,860	100.00%
Total overlapping	<u>174,260</u>	<u>77,181</u>	
Total all	<u><u>\$ 197,095</u></u>	<u><u>\$ 100,016</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 IX
(Unaudited)

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

Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements (2)			Coverage
				Principal	Interest	Total	
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
2006	19,411	11,976	7,435	1,722	2,815	4,537	1.64

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

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

SOURCE: Prior audit reports.

TABLE X
(Unaudited)

CITY OF GULFPORT, MISSISSIPPI
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (2)
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%
2006	77,000	17,079	5,065	16.60%

(1) City Planning Department estimates.

(2) Mississippi Employment Security Commission, information not available for all years.

1999 and 2000 information provided by U.S. Census Bureau by Metropolitan area of Biloxi-Gulfport-Pascagoula, MS

(3) Gulfport School District.

TABLE XI
(Unaudited)

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

Fiscal Year	Actual Property Value (1)	Non-Residential Construction		Residential Construction		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
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
2006	2,668,129	10,187	165,250	17	140,849	3,226,000

- (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 XII
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2006**

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)	247

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	176
Number of calls answered	8,883
Number of inspections conducted	206
Current fire insurance rating	4

POLICE PROTECTION:

Number of stations	3
Number of full time sworn officers	199
Number of non sworn officers	92
Number of residents per sworn officer	387
Arrests	13,173
Traffic violations	10,631

WATER SYSTEM:

Miles of water mains	332
Number of service connections	25,517
Number of fire hydrants	3,094
Daily average consumption in gallons	8,500,049
Average gallons pumped per day	10,347,752
Storage capacity in gallons	5,140,000

OTHER STATISTICS:

Education (served by city school system):	
Enrollment 05-06 school year	5,065
Elementary schools	6
Middle schools	2
High schools	1
Alternative school (The Learning Center)	1
Community College	1
Median age of City population	35.0
Harrison County unemployment rate	9.00%
City of Gulfport unemployment rate	16.60%
State of Mississippi unemployment rate	6.80%