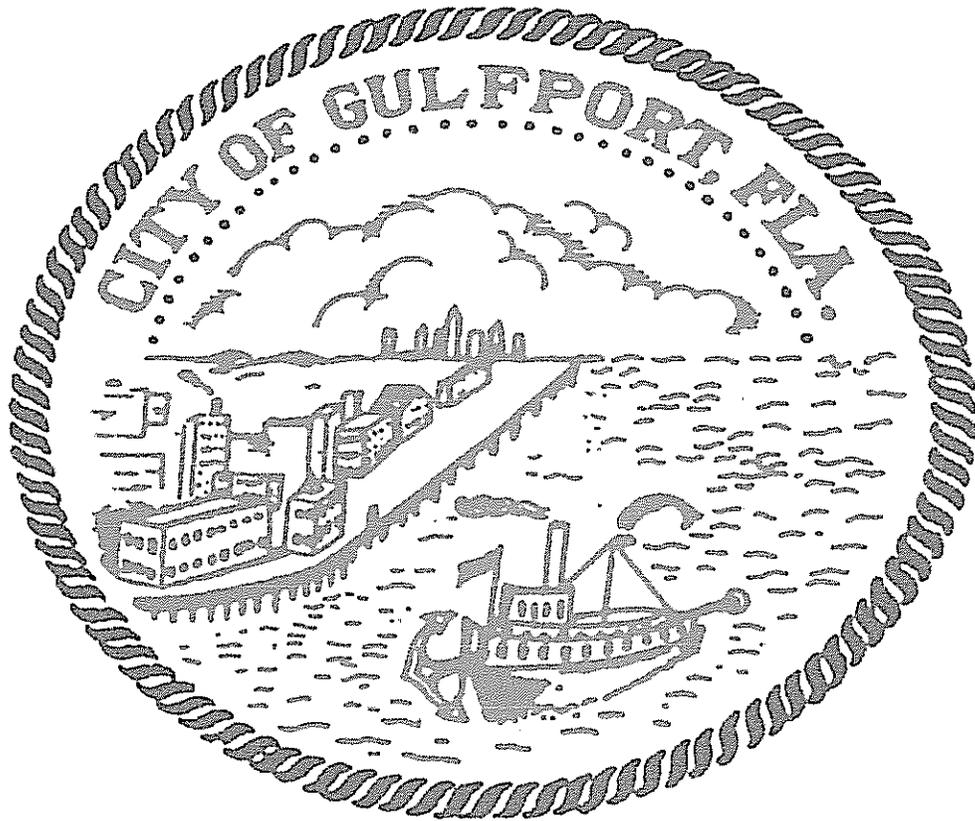


*City of Gulfport
Florida*



2006

*Comprehensive
Annual Financial Report
Fiscal Year Ending September 30, 2006*

Comprehensive
Annual Financial Report
of the
City of Gulfport, Florida
for the
Fiscal Year Ended September 30, 2006

City Council

Michael Yakes

John E. Phillips

Robert E. Worthington

Michele King

Mary Stull

City Manager

Thomas E. Brobeil

Administrative Services Department

Elaine Trehy

Administrative Services Director

Prepared by the Finance Division

CITY OF GULFPORT, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Year Ended September 30, 2006

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CITY OF GULFPORT, FLORIDA

Gateway to the Gulf

MICHAEL J YAKES, *Mayor*
JOHN E "TED" PHILLIPS, *Councilmember, Ward 1*
MICHELE KING, *Councilmember, Ward 2*
ROBERT E WORTHINGTON, *Councilmember, Ward 3*
MARY STULL, *Councilmember, Ward 4*

THOMAS E BROBEIL, *City Manager*
LOUISE M SPENCE, CMC, *City Clerk*
TIMOTHY P DRISCOLL, *City Attorney*

<http://www.ci.gulfport.fl.us>

March 8, 2007

Honorable Mayor, City Council Members and Citizens
of the City of Gulfport, Florida

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gulfport, Florida for the fiscal year ended September 30, 2006. In addition to meeting legal requirements of the City Charter, Florida Statutes and the Rules of the Auditor General of the State of Florida, the report continues to present the City's tradition of full financial disclosure. This report represents the City's financial position and operations to the citizens, City Council, management personnel of the City, rating agencies and other interested parties.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. All disclosures necessary to properly interpret the data presented, and to enable the reader to gain an understanding of the City's financial activities have been included.

To maintain a reasonable basis for making these representations, management maintains an internal control structure that provides reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's accounting principles. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The valuation of costs and benefits requires management's estimates and judgments. All internal control evaluations occur within this framework. The City's internal accounting controls are believed to adequately safeguard assets and provide reasonable assurance of properly recording financial transactions.

Pursuant to the City Charter, Florida Statutes, Chapters 11.45 and 218, and Chapter 10.550 of the Rules of the Auditor General of the State of Florida, an audit of the accounts and financial statements of the City of Gulfport have been completed by the City's independent certified public accountants, Wells, Houser & Schatzel, P.A. whose opinion is included as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent audit concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gulfport's financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with Accounting Principles Generally Accepted in the United States.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of

Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Gulfport's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Gulfport was incorporated in 1910. The name change to the City of Gulfport occurred in 1951 when the population of the Town exceeded 2,500. The City of Gulfport currently has a population of 12,860 and is approximately 2.8 square miles in area. The City is located in Pinellas County and is bordered on the north and east by the City of St. Petersburg. To the south is Boa Ciega Bay. The western side of the City is bordered by the City of South Pasadena.

The City of Gulfport is a full service city and provides traditional services, including police and fire protection as well as EMS; maintenance of parks, streets and other infrastructure; water, sewer, stormwater and sanitation services; a senior center as well as a recreation center; marina and cultural facility centers; and a transportation program for the elderly and handicapped. The City of Gulfport purchases potable water from the City of St. Petersburg and contracts with them for wastewater treatment. Pinellas County provides solid waste disposal and the jail/court systems.

The annual budget serves as the foundation for the City's financial planning and control. Department Directors are required to submit their budget requests to the City Manager, who then uses these requests as the starting point for developing the proposed budget. The City Manager is required by the City Charter to present the proposed budget to the City Council by July 15. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The City Manager may transfer any unencumbered appropriation or portion thereof between classifications of expenditures within a department. The City Council may, by resolution, make additional appropriations or transfer any unencumbered appropriation from any department to another department. Budget to actual comparisons are provided in the report for each individual governmental, special revenue and enterprise fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The economic base of the City is primarily residential with limited commercial areas accounting for approximately 5% of the City. The City's housing stock is diverse with many older historic homes. Gulfport has limited potential for expansion, and redevelopment continues to be the most viable alternative for economic improvements. Gulfport is a full service city and capital improvement requirements are continuing to be met, largely due to the financial assistance from Local Option Sales Tax proceeds and intergovernmental grant funding.

Future projections place Gulfport's population at 13,000 permanent residents by the year 2007. Existing infrastructure is adequate to provide for future growth. Revenue sources are anticipated to be sufficient to meet projected needs. Future major projects consist of continued improvements in the City Waterfront District and the 49th Street Redevelopment Corridor with emphasis on the latter. A significant amount of money will be necessary for repair and replacement of water and sewer lines. The majority of the City is equipped with galvanized pipe for its potable water system. Such pipe must be systematically replaced to ensure the integrity of the system. The City has an aggressive future plan for asphalt street repair and restoration of brick streets within the City. Another significant future project for the City is Phase II of the restoration of Gulfport Casino. This project will be funded through federal grant monies.

While the economic environment and public expenditure policies are subject to change and reevaluation, it is anticipated that the City of Gulfport will experience manageable growth that will not disrupt services to citizens or the financial position of the City.

Cash management and financial practices. The City administers a cash management and investment program that seeks to maximize the amount of cash available; to meet daily cash requirements and to obtain the highest possible yields consistent with restraints imposed by Florida Statutes. The City employs a pooled cash and investment fund to provide greater efficiency in cash management. Cash is deposited in a central operating account and invested or disbursed for the benefit of the other funds.

Under the terms of our banking services agreement, the bank pays daily interest on the City's demand account balance. The rate of interest is tied directly to the Federal Funds rate. The City also places idle cash in the State of Florida's Board of Administration investment pool. This investment alternative, similar to a mutual fund or money market fund, allows liquidity and flexibility in investments usually at a higher yield than those available through the bank. The City's other investments follow the City's Investment Policy and the Florida Statutes, and include Federal Agencies. Over the years, the City has held to a conservative investment philosophy with the idea that the preservation of principal is more important than the return on the principal.

During fiscal year 2006, the average cash/investment pool balance (excluding pension funds) was \$8,765,719 and the earnings on investments totaled \$377,473 or an average return of 4.31%. Earnings on investments have been adjusted to reflect unrecognized gains and losses as a result of Government Standards Board Statement 31, which requires all investments to be valued at fair market value. The average rate of return was higher than the previous year's rate of 2.45%. The City expects to continue to receive moderate returns in fiscal year 2006 as a result of the current economic conditions.

Risk management. The City is subject to losses in the normal course of operations resulting from general liability, property and casualty, workers' compensation, employee health, accident, environmental and antitrust matters. The City purchases commercial insurance to protect against employee health losses. The City participates in the Public Risk Management of Florida insurance pool for purposes of protecting against workers' compensation losses; real personal property losses; automobile damages; and general liability, including malpractice, errors and omissions.

Pension and other post employment benefits. The City operates three defined benefit pension systems including; Police, Fire and General Employee pension plans. The City's contributions for the plans were in accordance with actuarially determined funding requirements. In addition, the Police Officers' and Firefighters' pension plans are partially funded from excise taxes on certain insurance premiums covering property in Gulfport. These premiums are collected by the State and remitted to the City. The Police Officers and Firefighters contribute to their pension plans. The general employees do not contribute to their pension; however, all employees have an option of placing tax-deferred contributions into an individually owned Deferred Compensation Program. In addition, in 2000, the City adopted a 401(a) Money Purchase Option defined contribution retirement plan for the Department Directors and City Clerk.

The City of Gulfport does not provide any postretirement health or dental care benefits for retirees or their dependents.

Awards and Acknowledgements

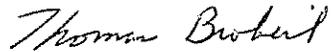
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulfport, Florida for its comprehensive annual report for the fiscal year ended September 30, 2005. This was the twenty-third

consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

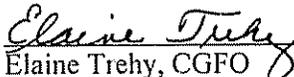
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to Certificate of Achievements Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Administrative Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gulfport's finances.

Respectfully submitted,



Thomas Brobeil, City Manager



Elaine Trehy, CGFO
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gulfport
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



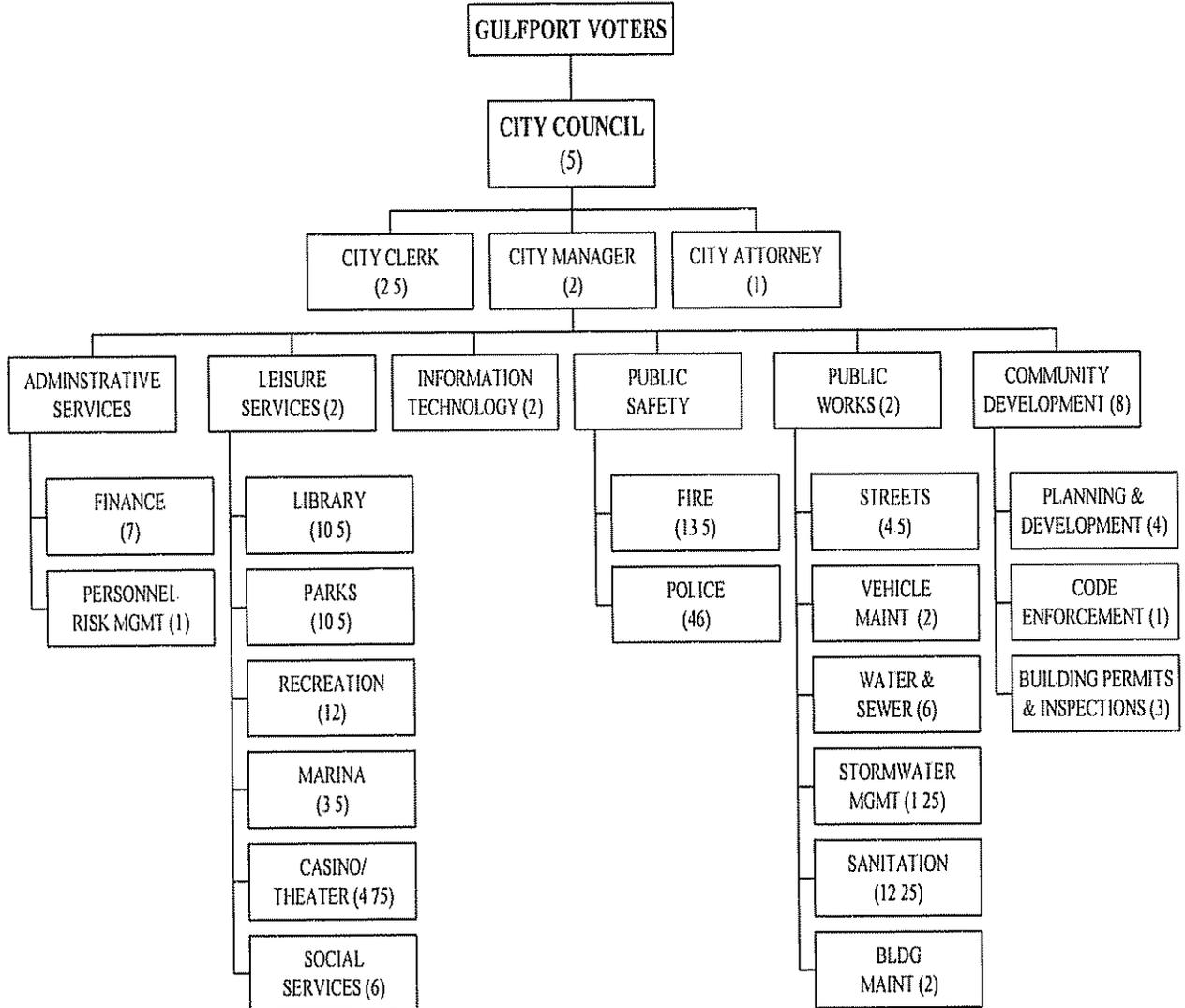
A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**CITY OF GULFPORT, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
ORGANIZATIONAL CHART**



Financial Section

This section contains the following subsections:

Report of Independent Certified Public Accountants

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Combining and Individual Fund Statements

Other Supplementary Statements and Schedules



**MOORE STEPHENS
LOVELACE, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and
Members of the City Council
City of Gulfport, Florida

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, Florida (the "City"), 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'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, each major fund and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

The Honorable Mayor and
Members of the City Council
City of Gulfport, Florida

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the other supplemental information section, and the statistical section listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected the other supplemental information section to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Clearwater, Florida
March 12, 2007

CITY OF GULFPORT, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Gulfport's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements listed in the table of contents.

HIGHLIGHTS

Financial Highlights

- The net assets of the City exceeded its liabilities at the close of fiscal year 2006 by \$31,684,932 (net assets). Of this amount, \$7,452,277 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- General Fund revenues increased by \$781,399 or 9.00% when compared to fiscal year 2005. General Fund expenditures increased by \$331,119 or 3.56% during this same period. The Excess of Revenues Over (Under) Expenditures in the General Fund showed a shortage of \$157,668. This represents 1.64% of the total expenditures for the year.
- Business-type activities (the City's Enterprise Funds) operating revenues increased by \$452,074 or 6.52%, while operating expenses increased \$350,512 or 5.53% when compared to last year.
- The City had no long-term debt as of September 30, 2006.

City Highlights

- The City received many requests from residents to build a dog park in the area previously occupied by shuffleboard courts. The dog park was built primarily with the assistance of Florida Recreation Development Assistance Program ("FRDAP") monies.
- The police department dispatch center was upgraded and remodeled. Three digital control stations replaced the dispatch console. Furnishings were replaced with modular workstations designed to enhance working conditions and improve efficiency.
- The City purchased a new school bus for use in our Recreation Department.
- The deteriorating wooden light poles at Hoyt Field were replaced with cement light poles, increasing safety and providing improved lighting for the complex.
- A floating dock was installed at the Casino. The installation of the dock increases the accessibility of the Waterfront Redevelopment area to boaters enjoying Boca Ciega Bay.
- The City has undertaken an aggressive waterline replacement program, as well as a slip line replacement of deteriorating sewer pipelines.

Overview of the Financial Statements

The new financial statements focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add up to a total for the Primary Government. The focus of the Statement of Net Assets (the “Unrestricted Net Assets”) is designed to be similar to bottom-line results for the City and its governmental and business-type activities. This statement combines and consolidates government funds’ current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, component units and business-type), which are supported by charges for services, operating and capital grants, and by the government’s general tax and other revenues. This is intended to summarize and simplify the user’s analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or components.

The Governmental Activities reflect the City’s basic services, including general government, police, fire, protective inspections, public services, library and recreation. Property taxes, utility service taxes, gas taxes and sales taxes, along with the City’s utilities contribution, finance the majority of these services. The Business-type Activities reflect private sector-type operations (Sanitation, Water & Wastewater, Recycling, Stormwater, Cultural Activities (Casino and Theater), and the Marina), where the fees for service typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

Traditional users of government financial statements will find the Fund Financial Statement presentations more familiar. The focus is now on Major Funds, rather than (the previous model’s) fund types.

The Governmental Funds presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

The Fund Financial Statements also allow the government to address its Fiduciary (or Trust) Funds by type (Pension Trust Funds). While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-wide Financial Statements.

While the Business-type Activity – Enterprise column on the Business-type Fund Financial Statements is the same as the Business-type Activities column on the Government-wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources), which is reflected on the page following each statement. The flow of current financial resources will reflect interfund transfers and other financial sources, as well as capital expenditures. The reconciliation will eliminate these transactions and incorporate the capital asset and long-term obligations into the Governmental Activities column (in the Government-wide statements).

Infrastructure Assets

Historically, a government’s largest group of assets (infrastructure – buildings, roads, curbs, sidewalks) have not been reported nor depreciated in the government financial statements. This new statement requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful lives or (b) develop a system of asset management designed to maintain the service

delivery potential to near perpetuity. Under an asset management system (the modified approach), a periodic condition assessment must be prepared (at least every third year), which identify assets by category and measures and demonstrates its maintenance of locally established levels of service standards. Under this method the government may record its cost of maintenance in lieu of depreciation. The City has elected to depreciate its infrastructure assets.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceed liabilities by \$31,684,932. The following table reflects the condensed Statement of Net Assets for the current year as compared to the previous year. For more detailed information, see the Statement of Net Assets.

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 6,280,446	\$ 6,514,453	\$ 3,616,763	\$ 2,503,862	\$ 9,897,209	\$ 9,018,315
Capital Assets	11,484,251	11,678,493	11,780,053	11,324,196	23,264,304	23,002,689
Total Assets	<u>17,764,697</u>	<u>18,192,946</u>	<u>15,396,816</u>	<u>13,828,058</u>	<u>33,161,513</u>	<u>32,021,004</u>
Current Liabilities	651,227	683,823	562,295	489,111	1,213,522	1,172,934
Non-Current Liabilities	195,148	172,016	67,911	71,604	263,059	243,620
Total Liabilities	<u>846,375</u>	<u>855,839</u>	<u>630,206</u>	<u>560,715</u>	<u>1,476,581</u>	<u>1,416,554</u>
Net Assets:						
Investments in Capital Assets	11,484,251	11,678,493	11,780,053	11,324,196	23,264,304	23,002,689
Restricted	811,537	311,484	156,814	138,139	968,351	449,623
Unrestricted	4,622,534	5,347,130	2,829,743	1,805,008	7,452,277	7,152,138
Total Net Assets	<u>\$16,918,322</u>	<u>\$17,337,107</u>	<u>\$14,766,610</u>	<u>\$13,267,343</u>	<u>\$31,684,932</u>	<u>\$ 30,604,450</u>

A large portion of the City's net assets (73.42%) reflects its investment in capital assets (e.g., land, land improvements, buildings and equipment). The City has no debt related to these assets. The City uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending.

A small portion of the City's net assets (3.06%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,452,277) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a \$1,080,482 increase in the City's total net assets, as compared to the previous year. During fiscal year 2005, the City suspended the practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund. The policy change was to allow the Enterprise Funds to increase their reserves for future uses. The City is intentionally drawing down on the accumulated unrestricted fund balance in the General Fund to offset the loss of the transfers from the Enterprise Funds. As a result, governmental current assets have decreased and business-type current assets have increased. Overall, the City's current assets have increased by \$878,894, as compared to the previous year.

As of September 30, 2006, the City is able to report positive balances in total net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous fiscal year.

Changes in Net Assets

The following schedule reflects the changes in net assets for the years ended September 30, 2006 and September 30, 2005.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
REVENUES						
Program Revenues						
Charges for Services	\$ 1,525,411	\$ 1,409,665	\$ 7,377,165	\$ 6,925,104	\$ 8,902,576	\$ 8,334,769
Operating Grants & Contributions	823,027	805,723	6,927	6,914	829,954	812,637
Capital Grants & Contributions	72,042	70,466	-	2,550	72,042	73,016
General Revenues						
Property Taxes	3,273,118	2,731,240			3,273,118	2,731,240
Utility Taxes & Franchise Fees	2,256,056	2,103,118			2,256,056	2,103,118
Sales and Use and Other Taxes	2,775,831	2,514,042			2,775,831	2,514,042
Impact Fees	22,042	10,384			22,042	10,384
Investment Income	286,867	148,138	90,606	34,848	377,473	182,986
Gain on Sale of Capital Assets	48,384		-	53,200	48,384	
Other General Revenues	141,781	314,867			141,781	314,867
Total Revenues	11,224,559	10,107,643	7,474,698	7,022,616	18,699,257	17,077,059
EXPENSES						
Program Activities						
Governmental Activities						
General Government	1,775,510	1,542,181			1,775,510	1,542,181
Police	3,737,832	3,512,439			3,737,832	3,512,439
Fire	971,362	979,320			971,362	979,320
Protective Services	514,299	268,643			514,299	268,643
Transportation & Administration	752,021	785,218			752,021	785,218
Public Works - Central Garage	450,383	399,547			450,383	399,547
Library & Administration	832,561	785,530			832,561	785,530
Recreation Center	514,690	472,025			514,690	472,025
Parks	724,492	733,429			724,492	733,429
Human Services	188,071	178,966			188,071	178,966
Public Transportation	159,617	156,827			159,617	156,827
Redevelopment	307,256	446,104			307,256	446,104
Business-type Activities						
Sanitation			1,696,931	1,640,391	1,696,931	1,640,391
Water & Sewer			3,365,867	3,217,649	3,365,867	3,217,649
Cultural Activities			504,898	438,634	504,898	438,634
Marina			1,122,985	1,043,495	1,122,985	1,043,495
Total Expenses	10,928,094	10,260,229	6,690,681	6,340,169	17,618,775	16,600,398
Increase (Decrease) in Net Assets before Transfers	296,465	(152,586)	784,017	682,447	1,080,482	529,861
Transfers	(715,250)	(948,210)	715,250	948,210	-	-
Accounting Change	-	(40,818)	-	40,818	-	-
Increase (Decrease) in Net Assets	(418,785)	(1,141,614)	1,499,267	1,671,475	1,080,482	529,861
Net assets - beginning	17,337,107	18,478,721	13,267,343	11,595,868	30,604,450	30,074,589
Net assets - ending	\$ 16,918,322	\$ 17,337,107	\$ 14,766,610	\$ 13,267,343	\$ 31,684,932	\$ 30,604,450

Normal Impacts

There are nine basic (normal) impacts on revenues and expenses, as reflected below.

Revenues

Economic Condition – Which can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, gas and other tax revenue, as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in Council Approved Rates – While statutes set certain tax rates, the City Council has significant authority to impose and periodically increase/decrease rates (sanitation, recycling, water, wastewater, stormwater, permitting, recreation user fees, slip rental, and facility rental fees, etc.).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically, while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Contribution from the Water and Sewer Fund – The City owns and operates the Water & Sewer utility system and provides administrative and support services for the utility. In return, the City receives payments from the utility. Therefore, the ongoing competitiveness and vitality of the utility is important to the City's well-being.

Market Impacts on Investment Income – Due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year.

Expenses

Introduction of New Programs – Within the functional expense categories (General Government, Public Safety – Police and Fire, Public Works, Cultural and Recreation, and Redevelopment, etc.), individual programs may be added or deleted to meet changing community needs.

Increase/Decrease in Authorized Personnel – Changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 48% of the City's total expenditures, excluding transfers and 68% of the General Fund expenditures, excluding transfers.

Salary Increases (cost of living, merit and market adjustment) – The ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities, such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity-specific increases (for example, fuel prices).

Current Year Impacts

Revenues

The local economy continues to grow (see Table 5 of Statistical Section). The City's property tax grew based on a 20.03% taxable value increase. The City has maintained the same millage rate (4.30 mills) for the last 19 years.

The City received grant revenues in the amount of \$136,379. This is slightly lower than the previous year's amount of \$189,614. Most categories of General Fund revenues increased from the prior year, with an overall increase of 9.00%. There was, however, decrease in fines and forfeiture revenue due to a change at the state level in the funding of the court systems throughout the state. There was also a decrease in miscellaneous revenues in the General Fund. Federal Emergency Management Agency ("FEMA") reimbursements from the exceptional 2004 hurricane season were received in fiscal year 2005 and recorded as a refund of prior-year expenditures.

Stormwater fees were significantly increased in fiscal year 2006 by 75%. The increase occurred halfway through the current year resulting in a 42.6% increase in stormwater revenue over the previous year. Additionally, potable water fees were increased by 10% to compensate for a 14.4% increase in potable water rates charged by the City of St. Petersburg to the City of Gulfport for the purchase of water. This increase also occurred halfway through the current year resulting in a 5.88% increase in water sales revenue over the previous year.

There was a 10% increase in the non-residential slip rental fee at the City Marina. Although the rate charged for fuel increased due to the increase in gas prices, the volume sold decreased. An increase in boater costs has resulted in a decrease in their usage. Therefore, the total increase realized in marina fuel revenue was approximately 4.3% higher than the previous year.

Interest revenue doubled from \$182,986 to \$337,473 primarily as a result of an overall increase in the amount of cash available for investment, as well as recovering interest rates.

Expenses

Total governmental expenditures, excluding transfers, increased by \$553,733 or 5.5%. Part of the increase is due to increased legal fees from \$77,267 the previous year to \$209,103 in the current year. The City is currently involved in two litigation cases. Should the City prevail, some of these legal costs will be reimbursed in future years. The City entered into a mowing contract for City parks and facilities midway through fiscal year 2005. Fiscal year 2006 reflects a full year of costs. This resulted in an increase of \$33,000 in contractual services in the parks department.

Expenditures related to personnel costs and associated benefits continue to increase as a direct result of the increased cost of health insurance coverage and the overall cost of living. Increased fuel costs also had an impact on overall expenditures. Property insurance costs are increasing at a significant rate due to an increase in hurricane activity within the southeastern United States. Premiums are increasing while the allowable property level of coverage is decreasing. Tight insurance markets will continue to have an adverse impact on City expenditures.

THE CITY FUNDS

Governmental Funds

As of the year-end, the Governmental Funds (as presented on the balance sheet) reported a combined fund balance of \$5.820 million, which is a 2.76% decrease over the previous year (\$5.985 million). As mentioned previously, the City suspended the practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund. The City is intentionally drawing down on the accumulated unrestricted fund balance in the General Fund to offset the loss of the transfers from the Enterprise Funds. The prior year's undesignated General Fund balance was 29% of total expenditures in the General Fund. The net change in fund balance for the General Fund was a decrease of \$744,865 as a result of transfers out exceeding transfers in by \$587,197, and expenditures exceeding revenues by \$157,668. Approximately \$182,000 was expended on capital items in the General Fund. Therefore, none of the draw down from the General Fund's undesignated fund balance was used to offset increased personnel and operating costs.

The draw down on undesignated fund balance in fiscal year 2006 leaves an undesignated fund balance at 22.8% of total expenditures in the General Fund. There is, however, an additional stability reserve of \$2,193,503 or 21.2% of total expenditures. This reserve is available for unforeseen emergencies and has been established by the City Council. Combining the unreserved fund balance and the stability reserve fund balance equates to 44% of total expenditures. While this may seem high, it is necessary for the City, which is very vulnerable during hurricane season, to maintain a high enough reserve to perform City operations in the event of a natural disaster.

The fund balance in the Waterfront Redevelopment District increased due to the increase of property values within the district. The increase in revenue was partially used to subsidize the City-operated Casino. This facility is the anchor tenant for the district. The City rents the facility for various activities thereby increasing pedestrian traffic in the area. Revenues exceed expenditures by \$62,389 contributing to an increase in fund balance to \$134,615.

The fund balance in the 49th Street Redevelopment Fund increased slightly as a result of an interfund transfer from the General Fund of \$199,000. Capital costs of approximately \$73,000 are for engineering plans associated with a major streetscape project for the corridor. It is anticipated that the actual construction will commence in fiscal year 2007. Projects are funded through the attainment of grants and transfers from the General Fund and Capital Projects Fund. The fund balance shows a balance of \$61,681.

The City changed the classification of the Gulfport Elderly Mobility System ("GEMS") Fund from an Enterprise Fund to a Special Revenue Fund in fiscal year 2005. The operations of this fund historically have not covered costs. However, the bus service is considered a valuable service provided to our residents. Revenue for this fund is generated through user charges and grants, with the General Fund transferring the necessary funds to meet total operating expenditures. The GEMS Fund had a negative fund balance of \$44,484 at the beginning of the fiscal year. Overall, expenditures exceeded revenue for fiscal year 2006 by \$122,299. The General Fund transferred \$280,000 into the GEMS Fund to offset the loss for the current year, as well as offsetting losses from previous years. With the transfer from the General Fund the ending fund balance is \$113,217.

The Capital Projects Fund balance increased by \$298,933 resulting in an ending fund balance of \$811,537. Infrastructure tax revenues increased \$175,081 over the previous year. The Capital Projects Fund provided an interfund transfer to the Water and Sewer Fund in the amount of \$785,000 for renewal and replacement of water and sewer lines. The dog park was constructed at a total cost of \$65,212. This project was funded by a \$50,000 grant from FRDAP with the additional monies coming from the infrastructure tax. Other major projects funded through the infrastructure tax include a roof replacement at the senior center, new ball field lights at Hoyt Field, replacement of police vehicles, and street and sidewalk repairs.

Business-type Funds

The Enterprise Funds, which include the City's Sanitation, Water, Sewer and Stormwater Fund, Cultural Activities Fund (Casino and Theater), and Marina Fund, show a positive income before capital contributions and transfers. The total net assets are \$14,766,610, which is \$1,499,267 higher than the beginning of the year net assets. This was largely due to an increase in potable water and stormwater fees to help fund future capital improvements in the fund. Each of the Enterprise Funds is to be reviewed and analyzed as a separate and distinct business, thus the following commentary focuses on each fund.

The Sanitation Fund had an operating income of \$118,843, which is slightly lower than the operating income of \$136,425 for 2005. During fiscal year 2005, the City changed the method used in calculating special pick-up charges. Previously, no charge was made for brush pick-up and special pick-ups were charged at \$20 per pick-up regardless of the volume hauled. This process has been changed administratively and the volume being hauled is calculated and passed on to the customer. Revenues from charges for services should be sufficient through fiscal year 2007.

The Water, Sewer and Stormwater Fund had an operating income of \$481,279 in fiscal year 2006, as compared to \$374,400 in the previous year. The City of St. Petersburg provides the City with potable water and treats the City's wastewater. During the year, City of St. Petersburg increased wholesale water rates by 14.4%. As a result, the City increased the potable water rate charged to its customers by 10% to help offset the increase. The City has been progressive in repairing sewer lines throughout the community. This effort has paid off by decreasing the amount of infiltration and thereby lowering the amount of water requiring treatment. Sewer treatment rates charged by the City of St. Petersburg decreased slightly by 1.9%. However, treatment costs for fiscal year 2006 were \$530,110, compared to \$717,744, representing a reduction of 26%. Stormwater rates were also increased in fiscal year 2006 by 75% from \$1.63 per Equivalent Residential Unit ("ERU") to \$2.85 per ERU. This increase was necessary to help fund future stormwater improvements.

The Cultural Activities Fund had an operating loss of \$134,430, which is slightly lower than the loss of \$154,653 reported in fiscal year 2005. This fund includes both the operations of the City's new Theater and recently renovated Casino. It is not unusual for facilities of this nature to sustain losses. However, it is the City's goal to reduce such losses as much as possible. To that end, rental rates are scheduled to be increased in fiscal year 2007 to further reduce operating losses.

The Marina Fund showed an operating income of \$227,719 in this fiscal year, as compared to \$235,771 the previous year. The operating income was higher than the previous year, but was partially offset by higher fuel costs in fuel purchased for resale at the Marina. The success of this Enterprise Fund is anticipated to continue based on the high demand for slips in the region, as well as the services provided by the facility and staff.

Budgetary Highlights – General Fund

Expenditures for the General Fund final budget increased by \$277,707 or 2.6% over the amount originally budgeted for fiscal year 2006. The increased expenditures are primarily funded through an increase in the amount being drawn from prior-year reserves. Key elements in the increase in expenditures are as follows:

- Legal – An increase in appropriations for legal services from \$73,700 to \$211,800. During fiscal year 2006, the City Council approved the hiring of a special land use attorney to handle an ongoing lawsuit with Pasadena Properties. Additionally, twenty-three of the twenty-four cities in Pinellas County agreed to band together in an effort to defeat the County's proposed charter amendments that would have affected home rule. Both of these actions resulted in significant legal costs. As of this date, both items have not been resolved.
- Executive – Additional funds were spent for professional services related to the Pinellas County Charter Review Committee regarding the dual referendum issue that was not included in the budget. The total cost was \$22,655. However, the cost was shared with two other municipalities bringing the City's portion to \$7,552.
- Fire – An increase in appropriations, as a result of the new collective bargaining agreement with the St. Petersburg Association of Firefighters, Local 747, I.A.F.F. The increase for fiscal year 2006 was approximately \$62,800. This amount includes salary and benefit costs associated with the new pay plan.
- Library – The Pinellas County Library Cooperative installed new computer software at the Gulfport Library in fiscal year 2005. The licenses for the software were not billed to the City until fiscal year 2006. The total amount for the licenses is a one-time charge of \$9,000.
- Recreation – Monies in the amount of \$6,600 were transferred from the Parks division to the Recreation division of the Leisure Services department to cover additional costs associated with the purchase of a school bus to be used in after-school and summer activities.
- Parks – Incurred overtime due to special events higher than the amount budgeted. Additional repairs and maintenance costs over the amounts budgeted were incurred. The largest amounts were related to the resurfacing of the tennis courts at a cost of \$6,375, and sod replacement in Tonkin Park and Veterans Park for a combined cost of \$10,470.

- Senior Center – Monies in the amount of \$1,300 were transferred from the Senior Center division to the Recreation division of the Leisure Services department to cover additional costs related to repairs at the recreation center.
- Building Inspections – The City contracted with a local firm for the services of a building official when the position became vacant in the City. While conducting the search for a building official, the City decided to offer the position to the contract employee serving as such from the local firm. There was a \$25,000 fee payable to the local firm for hiring said employee from the firm. A budget adjustment for an equal amount was necessary to fund this action.
- Public Works – A moderate increase of \$3,268 in appropriations to cover encumbrances being brought forward from fiscal year 2005 to fiscal year 2006 was necessary for the divisions of streets and vehicle maintenance.

Intergovernmental revenue received from the Pinellas Public Library Cooperative was increased by \$9,000 covering the increase in the library budget. Miscellaneous revenues increased by \$3,000 as a result of an unanticipated increase in insurance proceeds.

Actual revenues, excluding transfers from reserves, exceeded budgeted revenues by \$20,649 or .2%, and expenditures before transfers were less than budgeted by \$725,489 or 7%.

The final budgeted revenue anticipated a \$1,461,056 draw down on prior-year reserves to balance the budget. The actual deficiency for fiscal year 2006 was \$744,865. Significant variations between actual and budgeted revenues are as follows:

- Taxes – Electric franchise fees were \$69,854 higher than projected. This variance was partially offset by communication service tax revenue being \$48,471 below the amount budgeted.
- Licenses and Permits – Building permits were approximately \$64,000 higher than the amount budgeted. Most of the permits are related to remodeling and building renovations.
- Intergovernmental – Approximately \$70,750 of budgeted grant revenue was not received. State-shared revenues exceeded the amount budgeted by approximately \$35,190 and the half-cent sales tax exceeded budgeted revenues by \$30,315. These revenues will fluctuate based on consumer spending habits on sales taxable items. Local agreements with Pinellas County for EMS funding exceeded budgeted revenue by \$15,389 and the Pinellas Public Library Consortium by \$28,110.
- Charges for Services – An explanation is necessary because there is a difference between the way vehicle maintenance costs are budgeted and Generally Accepted Accounting Principles (“GAAP”). Actual vehicle maintenance costs for all vehicles in the City are recorded in the vehicle maintenance division of the General Fund. Costs are then allocated to the Enterprise Funds and the individual General Fund departments for their share of the expense. While it is permissible to record the revenue received from the Enterprise Funds as “charges for services” in the General Fund, it is not compliant with GAAP to show the charges to departments within the General Fund as revenue. By doing so, revenue and expenditures in the General Fund would be overstated. Therefore, the charges against the individual departments within the General Fund of approximately \$231,120 were reversed thereby reducing actual revenue and expenditures by the same amount.
- Earnings on Investments – Interest earnings were \$118,740 higher than the amount budgeted. Most of this is attributable to a higher rate of earnings than projected. In addition, the budget had anticipated a draw down of \$1,461,056 from reserves. The actual amount needed was \$744,865 leaving an additional \$716,191 available for investment.

Budgeted expenditures totaled \$11,035,707, compared to \$10,337,165 in actual expenditures. Approximately \$231,120 of this variance has been explained by properly accounting for vehicle maintenance charges within the General Fund, as described above. Significant variations between actual and budgeted expenditures are as follows:

- Fire – Salaries and related personnel costs were \$151,993 or 16.6% below the budgeted amount. A budgeted part-time inspector position was not filled for in fiscal year 2006. Additionally, a lieutenant position was vacant for approximately six months of the fiscal year. Turnover resulted

in firefighter paramedic positions being filled at the lower end of the pay plan per the collective bargaining agreement.

- Police – Salaries and related personnel costs were \$40,453 or 2.3% below the budgeted amount. Capital outlay was \$30,431 lower than budgeted. A mobile speed-measuring trailer (\$25,000) was budgeted to be purchased pending the receipt of grant revenue. The grant was not received and, therefore, the corresponding expenditure was not made. Patrol car video equipment also came in slightly below budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2006, the City had \$23,264,304 invested in a variety of capital assets, as compared to \$23,056,146 as of September 30, 2005. This represents a net increase of \$208,158 or .9% from the end of last year.

Capital Assets As of September 30th

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 592,072	\$ 592,072	\$ 20,000	\$ 20,000	\$ 612,072	\$ 612,072
Buildings	7,524,607	7,354,823	2,946,470	2,946,470	10,471,077	10,301,293
Improvements other than Bldg.	9,556,108	9,218,743	15,285,596	14,178,592	24,841,704	23,397,335
Equipment	<u>3,299,494</u>	<u>3,083,316</u>	<u>1,892,556</u>	<u>1,760,265</u>	<u>5,192,050</u>	<u>4,843,581</u>
Total Cost of Assets	20,972,281	20,248,954	20,144,622	18,905,327	41,116,903	39,154,281
Less: Accumulated Depreciation	<u>(9,488,030)</u>	<u>(8,517,004)</u>	<u>(8,364,569)</u>	<u>(7,581,131)</u>	<u>(17,852,599)</u>	<u>(16,098,135)</u>
Total	<u>\$ 11,484,251</u>	<u>\$ 11,731,950</u>	<u>\$ 11,780,053</u>	<u>\$ 11,324,196</u>	<u>\$ 23,264,304</u>	<u>\$ 23,056,146</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the financial statement notes.

Change in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Beginning Balance	\$ 11,731,950	\$ 11,324,196	\$ 23,056,146
Additions	824,224	1,266,161	2,090,385
Retirements at book value (net)	-	-	-
Depreciation	<u>(1,071,923)</u>	<u>(810,304)</u>	<u>(1,882,227)</u>
Ending Balance	<u>\$ 11,484,251</u>	<u>\$ 11,780,053</u>	<u>\$ 23,264,304</u>

The actual cost of capital asset retirements for the Governmental and Business-type Activities was \$100,897 and \$26,866, respectively.

Debt Outstanding

The City, with the exception of accrued compensated balances, does not have any outstanding debt as of September 30, 2006.

ECONOMIC FACTORS

Over the past year, the U.S. economy has experienced volatility, particularly in the areas of energy and insurance costs. With the exception of real estate markets, growth in consumer spending and the financial markets has been relatively slow. The State of Florida, by constitution, does not have a state personal income tax and, therefore, the state operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational licenses, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

One of the most important trends that have had an impact on the City is the increase in property values that has been evident over the previous two years. The State of Florida offers two primary tax exemptions for residential property owners. The first is a homestead exemption of \$25,000 and the second is referred to "Save our Homes". Under "Save our Homes" a homeowner's taxable value may only increase at the inflation rate or 3% whichever is less. Once a house is sold, the cap is removed and the property is taxed at the full taxable value. State legislators feel that this has trapped some people in their homes, since buying a home of the same or lesser value will result in a significant increase in property taxes. Additionally, it has created an unfair distribution by having identical homes on the same street have dramatically different taxable values. The State Legislature is currently entertaining several proposals including increases in the homestead exemption, portability of the "Save our Homes" cap and a mandatory reduction by local municipalities in the amount of ad valorem taxes that can be collected. Any change in the current structure will have a significant impact on the City's main revenue source.

As a result of low mortgage rates, the real estate and housing sales boom has consistently increased real estate values over the last several years. Increased real estate values translate into increases in ad valorem tax revenues for the City. This is particularly true in the Waterfront Redevelopment area where property values have increased at a greater percentage than the rest of the City. The City places significant emphasis on encouraging economic development, particularly in the Waterfront and 49th Street Redevelopment districts.

FINANCIAL CONDITION

A general evaluation of the City's overall financial position indicates good General and Capital Projects Fund balances and adequate cash coverage of year-end operating liabilities.

The unreserved General Fund balance has decreased \$350,465 or 13% to \$2,361,499. The City is intentionally reducing the fund balance in the General Fund. This does not include the stability reserve of \$2,193,503. Although this draw down is being done intentionally, it must only be continued with an abundance of caution. Drawing from reserves for capital projects is an accepted practice. However, drawing on reserves for operating costs can prove problematic.

The drawdown on undesignated fund balance is taking the place of "payment in lieu of taxes" transfers that were previously made from the Enterprise Funds. Reserves in the Enterprise Funds had become depleted and, therefore, it became necessary to work toward increasing them to acceptable levels.

Cash balances in the Sanitation and Water and Sewer Enterprise Funds are sufficient to cover current liabilities. Cash balances in the remaining Enterprise Funds (Cultural Activities and the Marina) fall short of covering current liabilities. While the City recognizes the need to subsidize the Cultural Activities Fund, significant interfund transfers from the General Fund are required to sustain operations. The Marina's shortfall is temporary in nature. Historically, this fund has performed well. The overall investment in capital assets in the Marina Fund increased \$1,247,690 during fiscal year 2004, causing a significant drain on cash and investments and also resulting in interfund loans from the General and Capital Projects Funds. With the operations of the Marina back to full scale, the Marina Fund cash flow will improve.

The GEMS Special Revenue Fund provides transportation service for the City's senior citizens and the disabled. This service is highly-valued by the residents of the community. Continued subsidies from the General Fund will be necessary to sustain this activity.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City's Administrative Services Director at City Hall at 2401 53rd Street South, Gulfport, Florida 33707, telephone (727) 893-1014.

Basic Financial Statements

The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The government-wide financial statements present financial information about the reporting government as a whole, except for its fiduciary activities. The fund financial statements present financial information about major funds individually and fiduciary funds in the aggregate. The notes to the financial statements present information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements.

CITY OF GULFPORT, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,212,752	\$ 2,174,457	\$ 3,387,209
Investments	4,884,485	295,684	5,180,169
Restricted Assets:			
Investments Held for Customer Deposits	-	194,018	194,018
Investments Held for Sewer Impact Fees	-	156,814	156,814
Interest Due on Investments	16,279	-	16,279
Receivables	122,309	687,054	809,363
Due From Other Governments	25,697	-	25,697
Inventories - at Cost	18,424	104,876	123,300
Prepaid Expenses	500	3,860	4,360
Total Current Assets	<u>6,280,446</u>	<u>3,616,763</u>	<u>9,897,209</u>
NON-CURRENT ASSETS			
Land	592,072	20,000	612,072
Buildings	7,524,607	2,946,470	10,471,077
Infrastructure and Improvements	9,556,108	15,285,596	24,841,704
Equipment and Machinery	3,299,494	1,892,556	5,192,050
Less: Accumulated Depreciation	(9,488,030)	(8,364,569)	(17,852,599)
Total Non-current Assets	<u>11,484,251</u>	<u>11,780,053</u>	<u>23,264,304</u>
TOTAL ASSETS	<u>17,764,697</u>	<u>15,396,816</u>	<u>33,161,513</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	184,772	283,271	468,043
Accrued Payroll	200,756	39,766	240,522
Accrued Compensated Absences	190,482	30,779	221,261
Internal Balances	10,000	(10,000)	-
Due to Other Governments	19,206	24,461	43,667
Deferred Revenue	46,011	-	46,011
Payable From Restricted Assets:			
Customer Deposits	-	194,018	194,018
Total Current Liabilities	<u>651,227</u>	<u>562,295</u>	<u>1,213,522</u>
NON-CURRENT LIABILITIES			
Compensated Absences	195,148	67,911	263,059
Total Non-current Liabilities	<u>195,148</u>	<u>67,911</u>	<u>263,059</u>
TOTAL LIABILITIES	<u>846,375</u>	<u>630,206</u>	<u>1,476,581</u>
NET ASSETS			
Investment in Capital Assets	11,484,251	11,780,053	23,264,304
Restricted:			
Sewer Projects	-	156,814	156,814
Capital Projects	811,537	-	811,537
Unrestricted	4,622,534	2,829,743	7,452,277
TOTAL NET ASSETS	<u>\$ 16,918,322</u>	<u>\$ 14,766,610</u>	<u>\$ 31,684,932</u>

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

CITY OF GULFPORT, FLORIDA

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,617,209	\$ 779,732	\$ -	\$ -
Public Safety - Fire	1,091,920	1,495	530,264	-
Public Safety - Police	3,814,537	81,867	79,452	-
Leisure Services - Library	632,084	10,881	213,311	-
Leisure Services - Office of Director	200,477	-	-	-
Leisure Services - Recreation Center	517,492	173,593	-	-
Leisure Services - Parks	656,478	5,763	-	50,000
Leisure Services - Senior Center	56,020	-	-	-
Leisure Services - GEMS	159,617	14,669	-	-
Community Development - Planning & Development	200,839	14,505	-	-
Community Development - Code Enforcement	69,664	-	-	-
Community Development - Building Inspections	243,796	234,607	-	-
Public Works - Building Maintenance	158,301	-	-	-
Public Works - Central Garage	450,383	208,299	-	-
Public Works - Office of Director	112,830	-	-	-
Public Works - Transportation	639,191	-	-	22,042
Community Redevelopment	307,256	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	10,928,094	1,525,411	823,027	72,042
BUSINESS-TYPE ACTIVITIES				
Sanitation	1,696,931	1,815,774	-	-
Water and Sewer	3,365,867	3,847,146	-	-
Cultural Activities	504,898	370,468	-	-
Marina	1,122,985	1,350,704	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	6,690,681	7,384,092	-	-
TOTAL	\$ 17,618,775	\$ 8,909,503	\$ 823,027	\$ 72,042

General Revenues - Unrestricted Unless Noted

Taxes:
Ad Valorem
Franchise Taxes
Utility Taxes
Communications Service Tax
Sales Tax - Infrastructure - Restricted
Half-cent Sales Tax
Local Option Gas Tax - Restricted
Other Taxes
State Revenue Sharing
Investment Income
Miscellaneous
Gain on Sale of Capital Assets
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning of Year
Net Assets - End of Year

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (837,477)	\$ -	\$ (837,477)
(560,161)	-	(560,161)
(3,653,218)	-	(3,653,218)
(407,892)	-	(407,892)
(200,477)	-	(200,477)
(343,899)	-	(343,899)
(600,715)	-	(600,715)
(56,020)	-	(56,020)
(144,948)	-	(144,948)
(186,334)	-	(186,334)
(69,664)	-	(69,664)
(9,189)	-	(9,189)
(158,301)	-	(158,301)
(242,084)	-	(242,084)
(112,830)	-	(112,830)
(617,149)	-	(617,149)
(307,256)	-	(307,256)
<u>(8,507,614)</u>	<u>-</u>	<u>(8,507,614)</u>
-	118,843	118,843
-	481,279	481,279
-	(134,430)	(134,430)
-	227,719	227,719
-	<u>693,411</u>	<u>693,411</u>
<u>(8,507,614)</u>	<u>693,411</u>	<u>(7,814,203)</u>
3,273,118	-	3,273,118
730,627	-	730,627
970,814	-	970,814
554,615	-	554,615
1,316,203	-	1,316,203
754,315	-	754,315
126,309	-	126,309
145,341	-	145,341
455,705	-	455,705
286,867	90,606	377,473
141,781	-	141,781
48,384	-	48,384
(715,250)	715,250	-
<u>8,088,829</u>	<u>805,856</u>	<u>8,894,685</u>
<u>(418,785)</u>	<u>1,499,267</u>	<u>1,080,482</u>
<u>17,337,107</u>	<u>13,267,343</u>	<u>30,604,450</u>
<u>\$ 16,918,322</u>	<u>\$ 14,766,610</u>	<u>\$ 31,684,932</u>

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

CITY OF GULFPORT, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006

	General	Waterfront Redevelopment District	49th Street Redevelopment District	GEMS	Capital Projects	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 62,117	\$ 137,364	\$ 64,126	\$ 116,430	\$ 832,715	\$ 1,212,752
Investments	4,884,485	-	-	-	-	4,884,485
Interest Due on Investments	16,279	-	-	-	-	16,279
Receivables:						
Accounts, Billed (Net)	122,309	-	-	-	-	122,309
Due From Other Governments	25,697	-	-	-	-	25,697
Due From Other Funds	390,000	-	-	-	-	390,000
Inventories - at Cost	18,424	-	-	-	-	18,424
Prepaid Expenditures	500	-	-	-	-	500
TOTAL ASSETS	\$ 5,519,811	\$ 137,364	\$ 64,126	\$ 116,430	\$ 832,715	\$ 6,670,446
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 180,909	\$ 938	\$ 634	\$ 291	\$ 2,000	\$ 184,772
Accrued Payroll	194,212	1,811	1,811	2,922	-	200,756
Due to Other Funds	400,000	-	-	-	-	400,000
Due to Other Governments	28	-	-	-	19,178	19,206
Deferred Revenue:						
Other	9,548	-	-	-	-	9,548
Occupational Licenses	36,463	-	-	-	-	36,463
TOTAL LIABILITIES	821,160	2,749	2,445	3,213	21,178	850,745
FUND BALANCES						
Reserved for Encumbrances	124,725	66,050	25,911	-	71,289	287,975
Reserved for Inventories and Prepaids	18,924	-	-	-	-	18,924
Reserved for Transportation Projects	-	-	-	-	299,988	299,988
Stability Reserve	2,193,503	-	-	-	-	2,193,503
Unreserved - Undesignated, reported in:						
General Fund	2,361,499	-	-	-	-	2,361,499
Special Revenue Funds	-	68,565	35,770	113,217	-	217,552
Capital Projects Fund	-	-	-	-	440,260	440,260
TOTAL FUND BALANCES	4,698,651	134,615	61,681	113,217	811,537	5,819,701
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,519,811	\$ 137,364	\$ 64,126	\$ 116,430	\$ 832,715	\$ 6,670,446

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

CITY OF GULFPORT, FLORIDA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS GOVERNMENTAL FUNDS September 30, 2006

Fund Balances - total governmental funds		\$ 5,819,701
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	\$ 20,972,281	
Less: accumulated depreciation	<u>(9,488,030)</u>	11,484,251
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated absences (due within one year and long-term)		<u>(385,630)</u>
Net assets of governmental activities		<u>\$ 16,918,322</u>

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

CITY OF GULFPORT, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended September 30, 2006

	General	Waterfront Redevelopment District	49th Street Redevelopment District	GEMS	Capital Projects	Total Governmental Funds
REVENUES						
Taxes	\$ 5,427,406	\$ 101,768	\$ -	\$ -	\$ 1,316,203	\$ 6,845,377
Licenses and Permits	306,434	-	-	-	-	306,434
Intergovernmental Revenue	2,159,356	145,341	-	-	50,000	2,354,697
Impact Fees	-	-	-	-	22,042	22,042
Charges for Services	1,128,901	-	-	14,669	-	1,143,570
Fines and Forfeitures	75,407	-	-	-	-	75,407
Miscellaneous Revenues	140,306	-	-	805	670	141,781
Earnings on Investments	234,740	6,057	16	-	46,054	286,867
TOTAL REVENUES	<u>9,472,550</u>	<u>253,166</u>	<u>16</u>	<u>15,474</u>	<u>1,434,969</u>	<u>11,176,175</u>
EXPENDITURES						
General Government	1,475,401	-	-	-	21,500	1,496,901
Public Safety	4,360,185	-	-	-	468,996	4,829,181
Public Works	1,175,286	-	-	-	135,685	1,310,971
Leisure Services	2,106,787	-	-	137,773	2,802	2,247,362
Community Development	512,559	-	-	-	-	512,559
Community Redevelopment	-	90,777	139,314	-	-	230,091
TOTAL EXPENDITURES	<u>9,630,218</u>	<u>90,777</u>	<u>139,314</u>	<u>137,773</u>	<u>628,983</u>	<u>10,627,065</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(157,668)</u>	<u>162,389</u>	<u>(139,298)</u>	<u>(122,299)</u>	<u>805,986</u>	<u>549,110</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	119,750	-	199,000	280,000	277,947	876,697
Transfers Out	(706,947)	(100,000)	-	-	(785,000)	(1,591,947)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(587,197)</u>	<u>(100,000)</u>	<u>199,000</u>	<u>280,000</u>	<u>(507,053)</u>	<u>(715,250)</u>
NET CHANGE IN FUND BALANCES	<u>(744,865)</u>	<u>62,389</u>	<u>59,702</u>	<u>157,701</u>	<u>298,933</u>	<u>(166,140)</u>
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>5,443,516</u>	<u>72,226</u>	<u>1,979</u>	<u>(44,484)</u>	<u>512,604</u>	<u>5,985,841</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,698,651</u>	<u>\$ 134,615</u>	<u>\$ 61,681</u>	<u>\$ 113,217</u>	<u>\$ 811,537</u>	<u>\$ 5,819,701</u>

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

CITY OF GULFPORT, FLORIDA

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

Net change in fund balances - total governmental funds \$ (166,140)

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 824,224	
Less: current year depreciation	<u>(1,071,923)</u>	(247,699)

In the statement of activities, gains and losses on disposal of capital assets are reported whereas only the proceeds from sales are reported in governmental funds 48,384

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	<u>(53,330)</u>
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Change in net assets of governmental activities	<u><u>\$ (418,785)</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF GULFPORT, FLORIDA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006**

	Business-type Activities - Enterprise Funds				
	Sanitation	Water and Sewer	Cultural Activities	Marina	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 618,908	\$ 1,095,697	\$ 37,134	\$ 422,718	\$ 2,174,457
Investments	291,298	-	-	4,386	295,684
Restricted Assets:					
Investments Held for Customer Deposits	-	120,639	-	73,379	194,018
Investments Held for Sewer Impact Fees	-	156,814	-	-	156,814
Receivables:					
Accounts, Billed (net)	94,680	172,065	10,678	2,019	279,442
Accounts, Unbilled	124,467	281,149	-	-	405,616
Payroll Advance	-	1,484	-	512	1,996
Due From Other Funds	-	400,000	-	-	400,000
Inventories - at Cost	-	56,789	8,639	39,448	104,876
Prepaid Expenses	-	-	2,860	1,000	3,860
Total Current Assets	<u>1,129,353</u>	<u>2,284,637</u>	<u>59,311</u>	<u>543,462</u>	<u>4,016,763</u>
NON-CURRENT ASSETS					
Capital Assets:					
Land	-	-	-	20,000	20,000
Buildings	230,746	411,965	2,208,565	95,194	2,946,470
Infrastructure and Improvements	288,572	11,382,978	14,208	3,599,838	15,285,596
Equipment and Machinery	1,292,069	495,504	68,348	36,635	1,892,556
Less: Accumulated Depreciation	<u>(1,240,351)</u>	<u>(5,410,626)</u>	<u>(321,547)</u>	<u>(1,392,045)</u>	<u>(8,364,569)</u>
Total Non-current Assets	<u>571,036</u>	<u>6,879,821</u>	<u>1,969,574</u>	<u>2,359,622</u>	<u>11,780,053</u>
TOTAL ASSETS	<u>1,700,389</u>	<u>9,164,458</u>	<u>2,028,885</u>	<u>2,903,084</u>	<u>15,796,816</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	45,185	191,573	33,155	13,358	283,271
Accrued Payroll	17,914	12,357	4,867	4,628	39,766
Accrued Compensated Absences	12,068	13,133	1,757	3,821	30,779
Due to Other Funds	-	-	-	390,000	390,000
Due to Other Governments	-	24,461	-	-	24,461
Payable From Restricted Assets:					
Customer Deposits	-	120,639	-	73,379	194,018
Total Current Liabilities	<u>75,167</u>	<u>362,163</u>	<u>39,779</u>	<u>485,186</u>	<u>962,295</u>
NON-CURRENT LIABILITIES					
Compensated Absences	28,952	27,321	1,101	10,537	67,911
Total Non-current Liabilities	<u>28,952</u>	<u>27,321</u>	<u>1,101</u>	<u>10,537</u>	<u>67,911</u>
TOTAL LIABILITIES	<u>104,119</u>	<u>389,484</u>	<u>40,880</u>	<u>495,723</u>	<u>1,030,206</u>
NET ASSETS					
Invested in Capital Assets	571,036	6,879,821	1,969,574	2,359,622	11,780,053
Restricted:					
Sewer Projects	-	156,814	-	-	156,814
Unrestricted	1,025,234	1,738,339	18,431	47,739	2,829,743
TOTAL NET ASSETS	<u>\$ 1,596,270</u>	<u>\$ 8,774,974</u>	<u>\$ 1,988,005</u>	<u>\$ 2,407,361</u>	<u>\$ 14,766,610</u>

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

CITY OF GULFPORT, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds				Total
	Sanitation	Water and Sewer	Cultural Activities	Marina	
OPERATING REVENUE					
Charges for Sales and Services	\$ 1,808,847	\$ 3,826,918	\$ 370,047	\$ 1,325,983	\$ 7,331,795
Other	6,927	20,228	421	24,721	52,297
Total Operating Revenues	1,815,774	3,847,146	370,468	1,350,704	7,384,092
OPERATING EXPENSES					
Personal Services	666,119	414,330	154,980	153,452	1,388,881
Contractual Services	459,141	1,905,171	78,799	6,054	2,449,165
Operating Supplies	32,243	60,063	12,998	26,079	131,383
Administration Overhead	176,440	197,081	2,325	126,302	502,148
Other Current Charges	213,294	349,941	199,158	646,407	1,408,800
Depreciation	149,694	439,281	56,638	164,691	810,304
Total Operating Expenses	1,696,931	3,365,867	504,898	1,122,985	6,690,681
OPERATING INCOME (LOSS)	118,843	481,279	(134,430)	227,719	693,411
NON-OPERATING REVENUES					
Earnings on Investments	37,829	36,667	56	16,054	90,606
Total Non-operating Revenues	37,829	36,667	56	16,054	90,606
INCOME (LOSS) BEFORE TRANSFERS	156,672	517,946	(134,374)	243,773	784,017
Transfers In	-	735,000	100,000	-	835,000
Transfers Out	-	-	-	(119,750)	(119,750)
CHANGE IN NET ASSETS	156,672	1,252,946	(34,374)	124,023	1,499,267
NET ASSETS - BEGINNING OF YEAR	1,439,598	7,522,028	2,022,379	2,283,338	13,267,343
NET ASSETS - END OF YEAR	\$ 1,596,270	\$ 8,774,974	\$ 1,988,005	\$ 2,407,361	\$ 14,766,610

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

CITY OF GULFPORT, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds				Total
	Sanitation	Water and Sewer	Cultural Activities	Marina	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ 1,833,791	\$ 3,911,334	\$ 363,213	\$ 1,408,996	\$ 7,517,334
Cash Paid to Suppliers for Goods and Services	(835,645)	(2,722,739)	(259,245)	(780,271)	(4,597,900)
Cash Paid to and for the Benefit of Employees	(661,880)	(412,822)	(151,820)	(150,960)	(1,377,482)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>336,266</u>	<u>775,773</u>	<u>(47,852)</u>	<u>477,765</u>	<u>1,541,952</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Interfund Proceeds (Payments)	-	926,816	100,000	(119,750)	907,066
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>926,816</u>	<u>100,000</u>	<u>(119,750)</u>	<u>907,066</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(108,074)	(1,062,245)	(17,507)	(78,335)	(1,266,161)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(108,074)</u>	<u>(1,062,245)</u>	<u>(17,507)</u>	<u>(78,335)</u>	<u>(1,266,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on Investments	37,829	36,667	56	16,054	90,606
Purchase of Investments	(11,455)	(11,794)	-	(3,097)	(26,346)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>26,374</u>	<u>24,873</u>	<u>56</u>	<u>12,957</u>	<u>64,260</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>254,566</u>	<u>665,217</u>	<u>34,697</u>	<u>292,637</u>	<u>1,247,117</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>364,342</u>	<u>430,480</u>	<u>2,437</u>	<u>130,081</u>	<u>927,340</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 618,908</u>	<u>\$ 1,095,697</u>	<u>\$ 37,134</u>	<u>\$ 422,718</u>	<u>\$ 2,174,457</u>

Continued

CITY OF GULFPORT, FLORIDA

STATEMENT OF CASH FLOWS - Continued
 PROPRIETARY FUNDS
 For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds				
	Sanitation	Water and Sewer	Cultural Activities	Marina	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
OPERATING INCOME (LOSS)	\$ 118,843	\$ 481,279	\$ (134,430)	\$ 227,719	\$ 693,411
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	149,694	439,281	56,638	164,691	810,304
Changes in Assets and Liabilities:					
(Increase) decrease in Accounts Receivable	18,017	64,188	(7,255)	47,678	122,628
(Increase) decrease in Inventories	-	(38,110)	498	1,634	(35,978)
(Increase) decrease in Prepaid Expense	35,352	13,791	8,863	15,906	73,912
Increase (decrease) in Accounts Payable	10,121	(151,253)	24,674	7,031	(109,427)
Increase (decrease) in Accrued Payroll					
Compensated Absences and Related Liabilities	4,239	3,227	3,160	13,106	23,732
Increase (decrease) in Due to Other Governments	-	(36,630)	-	-	(36,630)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 336,266</u>	<u>\$ 775,773</u>	<u>\$ (47,852)</u>	<u>\$ 477,765</u>	<u>\$ 1,541,952</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					

CITY OF GULFPORT, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS - PENSION TRUST FUNDS September 30, 2006

ASSETS

Investments at Fair Value:	
Money Market Funds	\$ 3,282,207
Mutual Funds	6,222,451
U.S. Government Bonds	94,816
Trustee Bank's Mutual Bond Funds	1,718,274
Trustee Bank's Mutual Equity Funds	<u>3,703,590</u>
	15,021,338
Receivables:	
Interest and Dividends	19,952
Due from other Governments	132,945
Other Receivables	<u>82,350</u>
TOTAL ASSETS	<u>15,256,585</u>
LIABILITIES	
Fee Payable	<u>22,180</u>
TOTAL LIABILITIES	<u>22,180</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 15,234,405</u>

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

CITY OF GULFPORT, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
For the Year Ended September 30, 2006**

ADDITIONS	
Contributions:	
Employer	\$ 623,152
Plan Members	154,584
Total contributions	<u>777,736</u>
Investment Earnings Including Net Increase in Fair Value of Investments	<u>1,169,324</u>
TOTAL ADDITIONS	<u>1,947,060</u>
DEDUCTIONS	
Benefits	651,739
Administration Expenses	<u>83,897</u>
TOTAL DEDUCTIONS	<u>735,636</u>
CHANGE IN NET ASSETS	1,211,424
NET ASSETS - BEGINNING OF YEAR	<u>14,022,981</u>
NET ASSETS - END OF YEAR	<u>\$ 15,234,405</u>

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

CITY OF GULFPORT, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Gulfport, Florida (the "City"), have been prepared in conformity with generally accepted accounting principles ("GAAP"), as applied to governmental units, which were promulgated by the Governmental Accounting Standards Board ("GASB"). A summary of the City's significant accounting policies applied in the preparation of these financial statements follows.

A. REPORTING ENTITY

The City is a political subdivision of the State of Florida. The City was originally incorporated as the Town of Gulfport on October 12, 1910. This act was amended by Chapter 27580, No. 1101, Laws of Florida, Regular Session 1951, and approved by the Governor and filed with the Secretary of State, which changed the name to the City of Gulfport. The City provides a wide range of services that include police and fire protection, recreation and senior services, mini-bus service (Gulfport Elderly Mobility System - GEMS), public works services, and general administration. The City also operates several enterprise activities, including: sanitation, water and sewer, cultural activities, and a marina. The City operates a vehicle maintenance central garage, which is accounted for in the General Fund.

The City is a municipal corporation governed by an elected mayor and four-member City Council. As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Blended Component Units

The City has included the Gulfport Community Redevelopment Agency ("CRA") in these financial statements. The City Council is the governing body of this agency, which was approved by the Board of County Commissioners of Pinellas County under Chapter 163, Florida Statutes, to act as the redevelopment agency for the Gulfport Community Redevelopment Districts. There are two separate and distinct redevelopment districts in the City, which are referred to as the "Waterfront" and "49th Street" Redevelopment Districts. The operations of these two redevelopment districts are reported as Special Revenue Funds.

B. BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables and long-term liabilities. Governmental activities include the General Fund, Special Revenue Funds, and the Capital Projects Fund. Business-type activities include the Enterprise Funds. The City's Fiduciary Funds are not included in the government-wide statements since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City.

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

B. BASIC FINANCIAL STATEMENTS *(Continued)*

The government-wide statement of activities reports the gross and net cost for the various functional categories (general government, public safety, recreation, library, etc.) of the City that are otherwise supported by general government revenues (property, sales and use tax, and certain intergovernmental revenues, etc.). The expenses for each functional category are reduced by program revenues to ascertain the net cost of the function. Program revenues are defined as charges for services, operating and capital grants that specifically relate to a specific program function. Charges for services include revenue arising from charges to customers or applicants who purchase, use or directly benefit from the goods, services, or privileges provided. Operating and capital grants consist of revenues received from governments, organizations, or individuals that are specifically attributable to a program and are restricted for either operating expenditures/expenses or capital expenditures/expenses associated with the specific program.

The fund financial statements are similar to the financial statements presented in the previous reporting model. The emphasis in the new model is on major funds in both the governmental activities and business-type activities, and non-major funds are summarized into a single column. The City has elected to report the Waterfront Redevelopment District, the 49th Street Redevelopment District and GEMS Special Revenue Funds and the Capital Projects Fund as major funds. In addition, all four of the City's Enterprise Funds are considered major funds. As a result, the City does not have any non-major funds.

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The minimum number of funds is maintained consistent with legal and managerial requirements. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three fund types: Governmental, Proprietary and Fiduciary. Each fund type is described below:

1. Governmental Funds:

The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major Governmental Funds that the City has presented:

- a) **General Fund** – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b) **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The City has two special revenue funds consisting of the Waterfront and 49th Street Redevelopment Districts discussed above.
- c) **Capital Projects Fund** – The City has one Capital Projects Fund. This fund is designed to account for the financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds).

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

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION *(Continued)*

2. Proprietary Funds:

These funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under these methods, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary Funds include:

Enterprise Funds – These funds are used to account for those operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has four Enterprise Funds. The Sanitation Fund accounts for refuse collection activities. The Water and Sewer Fund accounts for water and wastewater sales and services. The Cultural Activities Fund accounts for recreational and performing arts activities. The Marina Fund accounts for activities related to the operations of the City's marina.

The City applies all applicable GASB pronouncements and only Financial Accounting Standards Board ("FASB") statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements, in accounting and reporting for its enterprise fund activities. The City has elected to not apply FASB pronouncements issued after November 30, 1989 in regard to its enterprise fund activities.

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

2. Fiduciary Funds:

Fiduciary Funds account for assets held by the City in a trustee capacity. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Pension Trust Funds – These funds are accounted for in essentially the same manner as the Proprietary Funds, using the same measurement focus and basis of accounting. The Pension Trust Funds account for the assets of the City's public safety employees' pension plans and the general employees' pension plan.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

All Proprietary Funds and Pension Trust Funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

1. Modified Accrual:

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual 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 revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are utility and franchise taxes, intergovernmental revenues and grants, state revenue sharing, and interest on pooled investments.

1. Accrual:

All Proprietary and Fiduciary Funds are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are carried at a mixture of amortized cost and fair value based measures because certain investments meet the GASB Statement No. 31 criteria for reporting at amortized cost. The Florida State Board of Administration Local Government Investment Pool, a 2a7-like pool, is carried at amortized cost, which approximates market. A 2a7-like pool is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, this pool operates essentially as a money market fund. All other investments are carried at fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Receivables and Payables (Continued)

All accounts receivable are shown net of an allowance for uncollectibles. Accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes, which were levied during fiscal year 2006 and are uncollected as of September 30, 2006, are immaterial and, therefore, not recorded as a receivable.

Inventories

Inventories are valued at cost using the first-in, first-out ("FIFO") method and consist of expendable items held for consumption or resale. The cost of these items is recorded as an expenditure or expense at the time the inventory item is consumed or sold.

Prepaid Expenditures/Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2006, are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life beyond one year. These assets are recorded at historical cost or estimated historical cost, if purchased, and fair market value, if contributed or donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred and are not capitalized. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives: Buildings - 20-50 years, Improvements Other Than Buildings, including Infrastructure Assets - 10-50 years, and Equipment - 3-8 years.

Compensated Absences

It is the City's policy to permit employees to accumulate earned and unused vacation and sick pay benefits. Vested vacation and sick leave that accrues that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability of the appropriate proprietary fund. The portion of the liability expected to be liquidated within the next year has been classified as a current liability. Amounts not expected to be liquidated within the next year are reported as a component of long-term liabilities. Compensated absences are reported in Governmental Funds only upon the retirement or resignation of a vested employee. The payment of compensated absences is charged to the respective fund and department in which the individual being paid is employed.

Fund Equity

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

E. ASSETS, LIABILITIES AND FUND EQUITY *(Continued)*

Net Assets

The government-wide and business-type activities financial statements utilize a net asset presentation. Net assets are presented in three components - invested in capital assets, restricted and unrestricted.

- **Invested in Capital Assets** - This component of net assets consists of capital assets, net of accumulated depreciation.
- **Restricted Assets** - This component consists of net assets that have constraints placed on them either externally by third parties (grantors and contributors) or by law through constitutional provisions of enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use of these funds.
- **Unrestricted** - This component consists of net assets that do not meet the definition of "invested in capital assets" and "restricted." Designations of net assets made by the City's management are included in this component because these types of constraints are internal and management can remove or modify them.

Reserves, Designations and Restrictions

The Governmental Fund financial statements use reserves and designations to identify those fund balances that are limited in use. Reserves are used to indicate a portion of the fund balance that is not available for expenditure or is legally segregated for specific future use. Designations are used to indicate that a portion of the fund balance has been earmarked for specific purposes by the City's management. Usage of reserves and designations is limited to the following items:

- **Reserved for Encumbrances** - indicates a portion of the fund balance that has been segregated for expenditure upon vendor performance. This reflects items or services that have been ordered or committed for at year-end, which have not been received nor paid for.
- **Reserved for Inventories and Prepaids** - indicates a portion of the fund balance that has been segregated for expenditures incurred which apply to the following accounting period.
- **Reserved for Transportation Projects** - indicates a portion of the fund balance which has been segregated for improvements to arterial roadways, through the use of transportation impact fees.
- **Stability Reserve** - the City is required to maintain a reserve equal to twenty-five percent (25%) of the previous year's General Fund budgeted revenues, as adjusted for non-recurring revenues. The reserve was established for emergencies or contingencies not anticipated in the normal budgeting process.

A portion of the net assets of the Water and Sewer Enterprise Fund are restricted for the following purpose:

- **Restricted for Sewer Projects** - indicates a portion of net assets that has been restricted for improvement of the City's sewer system through the use of sewer impact fees.

Reclassifications

Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

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

E. ASSETS, LIABILITIES AND FUND EQUITY *(Continued)*

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) Prior to July 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
- b) Two public hearings are conducted to obtain taxpayer comments on the proposed budget.
- c) Prior to October 1, the budget is legally enacted through passage of an ordinance for the General, Redevelopment Trust, GEMS, Capital Projects, Sanitation, Water and Sewer, Cultural Activities, and Marina Funds.
- d) Expenditures may not legally exceed appropriations at the departmental level.
- e) The City Manager is authorized to transfer any unencumbered appropriation balance or portion thereof between general classifications of expenditures within a department or district. Any revisions that alter the total expenditures of any department or fund must be approved by the City Council. The City Council may, by resolution, transfer any unencumbered appropriation balance or portion thereof from one office or department to another.
- f) Budgets for Enterprise Funds are adopted using a financial flow basis and, as a result, are not consistent with GAAP, in that depreciation is excluded and capital outlay cost is included. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects and Enterprise Funds. Budgets for the Governmental Funds are adopted using a basis consistent with GAAP.
- g) Subsequent Appropriations - Supplemental appropriations were necessary for the General Fund, Waterfront Redevelopment District Special Revenue Fund, 49th Street Redevelopment District Special Revenue Fund, GEMS Special Revenue Fund, Capital Projects Fund, and the Water and Sewer Enterprise Fund.

F. ENCUMBRANCES

Encumbrances represent contractual commitments in the form of purchase orders and contracts relating to Governmental Funds. Such encumbrances are not recorded as expenditures, but rather as reservations of fund balance for subsequent year's appropriation. Unencumbered appropriations lapse at year-end. The annual appropriations ordinance provides that outstanding encumbrances are to become supplemental appropriations in the respective departmental accounts in the ensuing fiscal year, unless cancelled.

G. PROPERTY TAXES

The assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Pinellas County Property Appraiser and Pinellas County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit cities to levy property taxes at a rate of up to ten mills. The millage rate in effect for the fiscal year ended September 30, 2006 was 4.3 mills.

The tax levy of the City is established by the City Council prior to October 1 of each year, and the Pinellas County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, independent districts, county, and the school board tax requirements.

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

H. PROPERTY TAXES *(Continued)*

All property is reassessed according to its fair value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the roll meets all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they were assessed, and at such time a lien on the property is recorded. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. The City does not accrue its portion of the county-held certificates due to the immateriality of the amount.

I. INTERFUND TRANSACTIONS

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market value or near market value, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between Governmental or Propriety Funds are netted as part of the reconciliation to the government-wide presentation. Amounts reported in the funds as receivables from or payable to Fiduciary Funds are included in the statement of net assets as receivables from and payable to external parties.

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS

The City utilizes a consolidated cash pool to account for cash and investments of all City funds. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield, which are inherent to a larger investment pool. The account balances of each fund are shown on the balance sheet as cash and pooled cash and investments at fair value.

Cash and Pooled Cash

The City has one cash pool that maintains the deposits of all the Governmental and Enterprise Funds of the City. The Trust Funds maintain their own cash accounts. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for all City receipts and disbursements, with a separate checking account for payroll disbursements. Each fund types' portion of these balances is shown on the combined balance sheet as "cash and pooled cash."

Deposits

At September 30, 2006, the carrying amount of the City's cash deposit accounts was \$3,399,542 (which includes approximately \$3,000 in petty cash and change funds). The cash deposits are held by a bank that qualifies as a public depository under the Florida Security and Public Deposits Act, as required by Chapter 280, Florida Statutes, and are fully insured.

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS *(Continued)*

Investments

Florida Statutes (218.415) authorize municipalities to invest excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of the U.S. Government, U.S. Government Instrumentalities, State of Florida Local Government Surplus Funds Trust Fund (State Board of Administration), and mutual funds investing in U.S. Government securities.

The City adopted its own investment policy that also authorizes the City to invest in the following: a) Florida Municipal Investment Trust Funds; b) Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally-recognized rating agency; c) obligations of government-sponsored corporations (Instrumentalities, which are usually "AAA" rated but have no explicit government guarantee), which are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve; d) collateralized mortgage obligations ("CMO's") with very accurately-defined maturities issued by Federal Agencies and Instrumentalities and limited to VATM/Accretion Directed CMO's or Planned Amortization Class CMO's or Sequential Bonds CMO's; e) bankers acceptance guaranteed by banking institutions with a bank rating of "AA" on its long-term debt; f) prime commercial paper having received an "A1/P1" or higher rating by a nationally-recognized rating agency; g) non-negotiable certificates of deposit and bank investment contracts ("BIC"), which can be insured, collateralized by the Federal Reserve or qualify as state-qualified public deposits, as defined by Florida Statutes; h) taxable or tax-exempt government bonds, notes or other obligations of state or local governments, including municipal corporations and special districts, of investment-grade quality; i) repurchase agreements with a "primary securities dealer" or with the City's primary state certified public depository that are collateralized pursuant to state law and pursuant to a Master Repurchase Agreement entered into with the selling institution; j) auction rate securities (Dutch Auctions) rated "AA" or "AAA" with 28-35 day resets rated by a nationally-recognized rating agency; and k) corporate debt of corporations whose long-term debt is rated at least "AA-" or equivalent by a nationally-recognized rating agency.

The City's investment policy states that, to the extent possible, investment maturities and liquidity shall be matched to anticipated cash flow requirements and unless an investment is matched to a specific cash flow, such as a reserve requirement or other longer term investment horizon, investments shall not have a maturity date of more than five (5) years from the date of purchase.

The Local Government Investment Pool ("LGIP") is an investment pool administered by the Florida State Board of Administration. This Board is empowered by Florida law to invest funds at the request of local governments. Investments held in the LGIP consist of federal agency obligations, treasury bills, repurchase agreements, floating/variable rate notes, and commercial paper. Investment income is recognized as earned and is allocated to participants of the LGIP based on their equity participation.

NOTE 3 - CASH, POOLED CASH, AND INVESTMENTS (Continued)

Investments (Continued)

The City's investments carried at fair value as of September 30, 2006, are as follows:

Investments	Maturity	Fair Value
Mortgage Backed U.S. Government Agencies	1-26 Months	\$ 3,662,251
Local Government Investment Pool		<u>1,856,417</u>
Total Investments		<u>\$ 5,518,668</u>

Interest Rate Risk - In compliance with the City's investment policy, as of September 30, 2006, the City minimized the interest rate risk related to the decline in market value of securities due to rising interest rates, by limiting the effective duration of security types not to exceed five years, with the exception of securities related to a specific cash flow, such as a reserve fund and investing operating funds in primarily shorter term securities or similar government investment pools so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Credit Risk - In compliance with the City's investment policy, as of September 30, 2006, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, U.S. Government Agency securities and government investment pools, and by pre-qualifying the financial institutions with which the City does business. The LGIP mentioned above is not rated by a nationally-recognized statistical rating agency as of the date of these financial statements. Mortgage-backed U.S. government Agency securities are collateralized mortgage obligations restricted to those backed by GMNA, FHLMC or FNMA and must pass the FIEC high-risk security test.

A reconciliation of the amount of investments to the statement of net assets is as follows:

Investments (unrestricted)	\$ 5,180,169
Investments (restricted) - held for customer deposit	181,685
Investments (restricted) - held for sewer impact fees	<u>156,814</u>
Total	<u>\$ 5,518,668</u>

General Employees' Pension Fund

Deposits

Salem Trust Company periodically holds uninvested cash in its capacity as custodian of the General Employees' Pension Fund (the "Pension Fund"). These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

The Board of Trustees of the Pension Fund are authorized to invest and reinvest in such securities or property, real or personal, as shall be approved by the Board of Trustees; including, but not limited to, stocks, common or preferred, bonds, so long as such stocks or bonds retain one of the three highest quality ratings on a major, recognized rating service, and other evidence of indebtedness or ownership, including shares or units of common trust funds approved as investments for pension and profit-sharing plans.

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS (Continued)

General Employees' Pension Fund (Continued)

Investments (Continued)

The Pension Fund held the following investments as of September 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$2,526,382	Complies with investment policy
Mutual Funds	<u>6,141,642</u>	Complies with investment policy
Total Investments	<u>\$ 8,668,024</u>	

Credit Risk - The Pension Fund minimizes credit risk by investing in mutual funds.

Interest Rate Risk - Through its investment policies, the Pension Fund manages its exposure to fair value losses arising from increasing interest rates by investing in short-term money market-type funds that can be liquidated immediately.

Police Pension Fund

Deposits

SunTrust periodically holds uninvested cash in its capacity as custodian of the Police Pension Fund (the "Police Pension"). These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

The Board of Trustees of the Police Pension are authorized to invest in annuity and life insurance contracts with life insurance companies; time, savings and money market accounts of an institution insured by the Federal Deposit Insurance Corporation; obligations of the U.S. Government or an agency or instrumentality of the U.S. Government, including mortgage-related securities; domestic and international equity securities such that not more than 5% of the Police Pension's assets shall be invested in the common stock of any one issuing company, no more than 10% of the Police Pension's assets shall be invested in foreign securities and no more than 60% of the aggregate investments shall be invested in common stock or convertible securities.

The Police Pension held the following fixed investments as of September 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$ 95,590	Complies with investment policy
Mutual Funds	80,809	Complies with investment policy
U.S. Government Bonds	94,816	Complies with investment policy
Mutual Equity Funds	2,734,834	Complies with investment policy
Mutual Bond Funds	<u>1,718,274</u>	Complies with investment policy
Total Investments	<u>\$ 4,724,323</u>	

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS (Continued)

Police Pension Fund (Continued)

Investments (Continued)

Credit Risk - The Police Pension minimizes credit risk by investing in mutual funds.

Interest Rate Risk - Through its investment policies, the Police Pension manages its exposure to fair value losses arising from increasing interest rates by investing in mutual bond funds and short-term money market-type funds that can be liquidated immediately.

Firefighters' Pension Fund

Deposits

SunTrust periodically holds uninvested cash in its capacity as custodian of the Firefighters' Pension Fund (the "Firefighters' Pension"). These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

The Board of Trustees of the Firefighters' Pension are authorized to invest in annuity and life insurance contracts with life insurance companies; time, savings and money market accounts of an institution insured by the Federal Deposit Insurance Corporation; obligations of the U.S. Government or an agency or instrumentality of the U.S. Government, including mortgage-related securities; domestic and international equity securities such that not more than 5% of the Firefighters' Pension's assets shall be invested in the common stock of anyone issuing company, no more than 10% of the Firefighters' Pension's assets shall be invested in foreign securities and no more than 65% of the aggregate investments shall be invested in common stock or convertible securities.

The Firefighters' Pension held the following fixed investments as of September 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$ 660,235	Complies with investment policy
Mutual Equity Funds	968,756	Complies with investment policy
Total Investments	<u>\$ 1,628,991</u>	

Credit Risk - The Firefighters' Pension minimizes credit risk by investing in mutual funds.

Interest Rate Risk - Through its investment policies, the Firefighters' Pension manages its exposure to fair value losses arising from increasing interest rates by investing in mutual bond funds and short-term money market-type funds that can be liquidated immediately.

NOTE 3 - RECEIVABLES

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Accounts Receivable:			
Billed	\$ 95,175	\$ 381,774	\$ 476,949
Unbilled	-	405,616	405,616
Payroll Advance	13,711	1,996	15,707
Code Enforcement	80,185	-	80,185
Liens			
Total Receivables	<u>189,071</u>	<u>789,386</u>	<u>978,457</u>
Allowance for Uncollectibles	<u>(66,762)</u>	<u>(102,332)</u>	<u>(169,094)</u>
Net Total Receivables	<u>\$ 122,309</u>	<u>\$ 687,054</u>	<u>\$ 809,363</u>

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual fund interfund receivables and payable balances pertain to pooled cash overdrafts at September 30, 2006 and interfund loans:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 390,000	\$ 400,000
Water and Sewer	400,000	-
Marina	<u>-</u>	<u>390,000</u>
Total	<u>\$ 790,000</u>	<u>\$ 790,000</u>

Interfund transfers consist of the following for the year ended September 30, 2006:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 119,750	\$ 706,947
Waterfront RD	-	100,000
49 th St. RD	199,000	-
GEMS	280,000	-
Capital Projects	277,947	785,000
Water & Sewer	735,000	-
Cultural Activities	100,000	-
Marina	<u>-</u>	<u>119,750</u>
Total	<u>\$1,711,697</u>	<u>\$1,711,697</u>

The transfers out made by the Marina Enterprise Fund to the General Fund are to assist in funding the operations of the City. The transfers from the General Fund to the 49th Street Redevelopment District, GEMS, and Capital Projects Fund are to fund operations and capital projects. The \$735,000 transfer from the Capital Projects Fund to the Water and Sewer Fund was for renewal and replacement of water and sewer lines. The transfer from the Waterfront Redevelopment District to the Cultural Activities Enterprise Fund are for capital improvements.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2006 was as follows:

	Beginning Balance <u>10/1/2005</u>	Additions	Deletions	Ending Balance <u>9/30/2006</u>
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 592,072	\$ -	\$ -	\$ 592,072
Depreciable Assets:				
Buildings	7,354,823	169,784	-	7,524,607
Infrastructure and Improvements	9,218,743	337,365	-	9,556,108
Equipment	3,083,316	317,075	100,897	3,299,494
Total at Historical Cost	<u>19,656,882</u>	<u>824,224</u>	<u>100,897</u>	<u>20,380,209</u>
Less Accumulated Depreciation for:				
Buildings	1,720,514	184,097	-	1,904,611
Infrastructure and Improvements	4,973,266	397,341	-	5,370,607
Equipment	1,823,224	490,485	100,897	2,212,812
Total Accumulated Depreciation	<u>8,517,004</u>	<u>1,071,923</u>	<u>100,897</u>	<u>9,488,030</u>
Capital Assets, Net	<u>\$11,731,950</u>	<u>\$ (247,699)</u>	<u>\$ -</u>	<u>\$ 11,484,251</u>

Depreciation was charged to governmental activities as follows:

General Government	\$ 114,178
Public Safety - Fire	94,852
Public Safety - Police	257,596
Leisure Services - Library	55,786
Leisure Services - Office of Director	2,615
Leisure Services - Recreation Center	43,806
Leisure Services - Parks Maintenance	114,012
Leisure Services - Senior Center	22,496
Leisure Services - GEMS	21,844
Community Development	4,070
Public Works - Central Garage	13,576
Public Works - Transportation	175,020
Community Redevelopment	152,072
Total Depreciation	<u>\$ 1,071,923</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	Beginning Balance <u>10/1/2005</u>	Additions	Deletions	Ending Balance <u>9/30/2006</u>
Business-type Activities:				
Non-Depreciable Assets:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Depreciable Assets:				
Buildings	2,946,470	-	-	2,946,470
Infrastructure and Improvements	14,178,592	1,107,004	-	15,285,596
Equipment	1,760,265	159,157	26,866	1,892,556
Total at Historical Cost	<u>18,905,327</u>	<u>1,266,161</u>	<u>26,866</u>	<u>20,144,622</u>
Less Accumulated Depreciation for:				
Buildings	714,571	58,834	-	773,405
Infrastructure and Improvements	5,651,843	529,047	-	6,180,890
Equipment	1,214,717	222,423	26,866	1,410,274
Total Accumulated Depreciation	<u>7,581,131</u>	<u>810,304</u>	<u>26,866</u>	<u>8,364,569</u>
Capital Assets, Net	<u>\$11,324,196</u>	<u>\$ 455,857</u>	<u>\$ -</u>	<u>\$ 11,780,053</u>

NOTE 6 - RISK MANAGEMENT

The City is subject to losses in the normal course of operations resulting from general liability, property and casualty; workers' compensation; employee health and accident; environmental and antitrust matters. The City has purchased commercial insurance to protect against employee health losses. The City participates in the Public Risk Management of Florida for purposes of protecting against workers' compensation losses; real and personal property losses; automobile damage; and general liability, including malpractice, and errors and omissions. The City does not self-insure against any risks. To the extent that the City has purchased commercial insurance, all risk of loss has been transferred to the insurance underwriter. There has been no significant reduction in insurance coverage from the prior year. In addition, there have been no settlements which exceeded the City's insurance coverage for each of the past three fiscal years.

Public Risk Management of Florida is a risk pool that assumes the risk of loss for all participating members. The members are subject to additional premium assessments in the event that the risk pool requires additional funding to satisfy all claims. The City has not been assessed any additional insurance premiums during the years ended September 30, 2006, 2005 or 2004, nor is the City aware of any contingent assessments.

NOTE 7 - LEASE COMMITMENTS

The General Fund has no leases that meet the criteria of capital leases under Financial Accounting Standards Board ("FASB") Statement No.13 "Accounting for Leases."

NOTE 8 - LONG TERM-DEBT

The City's long-term debt consists solely of accrued compensated absences. The change in compensated absences is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities	\$ 332,300	\$213,614	\$160,284	\$385,630	\$ 190,482
Business-like Activities	97,341	27,086	25,737	98,690	30,779
Total	<u>\$ 429,641</u>	<u>\$240,700</u>	<u>\$186,021</u>	<u>\$484,320</u>	<u>\$ 221,261</u>

NOTE 9 - PENSION PLANS

Description of Plans

The City contributes to three single-employer pension plans covering all full-time City employees, which are maintained as Pension Trust Funds and reported on herein as Fiduciary Funds as part of the City's reporting entity. The pension plans do not issue stand-alone financial reports and are not included in another reporting entity.

The General Employees' Pension Plan covers all permanent, full-time City employees, except those employees covered by the Police or Fire Pension Plans, the City Manager, the Department Directors and the City Clerk. The Police Pension Plan covers all non-civilian police department employees and the Firefighters' Pension Plan covers all firefighters. The pension plans are administered by an independent Board of Trustees and accounted for by the City as separate funds. The accounting information with respect to these funds has been provided to the City by the insurance company and the banks, which maintain custody over their assets.

To be eligible for the General Employees' Pension Plan, an employee must be employed on a regular full-time basis. For Police eligibility, an officer must be actively employed and be a certified officer. Firefighter Pension Plan eligibility requires the employee to be a full-time certified firefighter or an active member of the City's volunteer firefighter program.

The General Employees' Pension Plan uses the aggregate actuarial cost method and the Police and Fire Pension Plans use the frozen entry-age actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Both methods are intended to provide for a funding of unfunded actuarial accrued liabilities ("UAAL") and normal costs as a level percentage of payrolls over time. The Annual Pension Cost ("APC") that the City records in its funds is the same as the Annual Required Contribution ("ARC").

The State of Florida has established guidelines for state and local pension plan funding and requires submission to and approval of the local government's actuarial reports by a state Bureau, at least every third year. The City's pension plans, by policy (1) require annual actuarial reports for the General Employees, Firefighters and Police as of October 1 of each year, (2) receive employer contributions based on the actuarially-determined requirement, which includes funding from the State of Florida, as required by Florida Statute and (3) use the same assumptions (see the following schedule) for determining the employer contribution required.

NOTE 9 - PENSION PLANS (Continued)

Description of Plans (Continued)

The following schedule (derived from the respective actuarial reports and City information) reflects accounting policies, membership and pension plan provisions, assumptions, liabilities and funding provisions for the three pension systems as of October 1, 2006:

	General Employees	Firefighters	Police Officers
ACCOUNTING POLICIES AND PLAN ASSETS			
Establishing and amending authority	City Ordinance	City Ordinance	City Ordinance
Basis of accounting	Accrual	Accrual	Accrual
Asset valuation reporting	Market	Market	Market
Actuarial valuation	Market	Market	Market
Covered payroll (fiscal year 9/30/2006)	\$ 3,067,453	\$ 498,219	\$ 1,511,309
Internal loans	None	None	None
MEMBERSHIP AND PLAN PROVISIONS			
Current active employees	80	11	30
Retirees and beneficiaries	40	18	18
Terminated - vested active participants	72	3	4
Total members	192	32	52
New entrants allowed	Yes	Yes	Yes
NORMAL RETIREMENT BENEFIT			
Age	62	55 (1)	55 (1)
Years to vest	5	10	10
Accrual	1.75	2.50	2.50
Maximum	100%	100%	100%
Disability benefits:			
Line of duty	None	50%	42%
Non-line of duty (maximum)	None	Accrued Benefit	Accrued Benefit
ASSUMPTIONS AND LIABILITIES			
Actuarial assumptions			
Investment return	7.5%	8%	8%
Inflation increase	0%	3%	3%
Salary increase	6%	5.5%	6.5%
Mortality table	1983 GAM	1983 GAM	1983 GAM
Retirees cost of living increase	0%	0%	0%
Amortization method	None	(2)	(2)
Amortization period (in years)	None	27	28

Note: (1) Earlier of age 52 and 25 years of service or age 55 and 10 years of service (or completion of 30 years of service regardless of age for Firefighters).

(2) Level percentage of pay – closed.

The three pension systems recognize participant benefits and refunds when these obligations become due and payable in accordance with the terms of the pension plans.

NOTE 9 - PENSION PLANS (Continued)

Description of Plans (Continued)

Administrative costs incurred in administering the three pension plans are paid out of the respective pension plan's assets.

A concentration of the pension plans' investments exists as a result of more than 5% of each respective pension plan's assets is invested in each of the trustee bank's mutual funds.

Pension plans covering Firefighters and Police Officers are contributory. The pension plan covering all other City employees is non-contributory. Firefighters contribute 10% of the first \$1,200 of salary and 5% of salary in excess of \$1,200. Police Officers contribute 7% of salary, and the City contributes an additional 1% of salary in addition to the actuarially-determined annual contribution.

In fiscal year 2000, the City Council approved Resolution 2000-90, which established a 401(a) Money Purchase Defined Contribution retirement plan for the Department Directors and City Clerk. The plan was effective October 1, 1999 with International City/County Management Association ("ICMA") serving as the plan administrator. The pension plan does not require contributions from the members. The City contributes 12% of the annual compensation of participating employees. For fiscal year 2006, the City contributed approximately \$70,000. Contributions made by the City were equal to the required contributions.

Three-Year Trend Information

	Valuation Date	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
General Employees	10/1/2005	9/30/2006	\$255,381	100%	\$ -
	10/1/2004	9/30/2005	\$273,944	100%	\$ -
	10/1/2003	9/30/2004	\$350,530	100%	\$ -
Firefighters	10/1/2005	9/30/2006	\$ 84,917	100%	\$ -
	10/1/2004	9/30/2005	\$ 69,899	100%	\$ -
	10/1/2003	9/30/2004	\$ 65,046	100%	\$ -
Police Officers	10/1/2005	9/30/2006	\$240,701	100%	\$ -
	10/1/2004	9/30/2005	\$214,711	100%	\$ -
	10/1/2003	9/30/2004	\$179,393	100%	\$ -

Contributions Required and Contributions Made

The City Commission establishes and may amend the contribution requirements of plan members and the City. The City's employer contributions for the fiscal year ended September 30, 2006, were as follows: General Employees - \$255,381, Firefighters - \$96,940 and Police Officers - \$270,831. Employer contributions for Firefighters and Police Officers include on-behalf payments from the State of Florida related to state excise taxes collected on homeowner's insurance policies. The on-behalf payment amounts are recorded as revenue in the City's General Fund and as an operating expenditure for the amounts contributed to the pension funds. All employer contributions were in accordance with requirements determined by actuarial valuations of the plans as of October 1, 2005.

NOTE 9 - PENSION PLANS *(Continued)*

Description of Plans *(Continued)*

Summary of Significant Accounting Policies

Basis of Accounting. The pension plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each pension plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each pension plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

NOTE 10 - DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Section 457, Internal Revenue Code ("IRC"). The plans, which are available to all City employees through the International City/County Management Association ("ICMA") and Public Employees Benefit Services Corporation ("PEBSCO"), permit the employees 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.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the participating employees.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plans, but does have the duty of due care that would be required of any ordinary prudent investor.

GASB Statement No. 32 eliminates the requirement that the City report the assets of IRC Section 457, plans on the balance sheet.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

The City currently provides no postemployment benefits to retirees. The City is currently assessing the impact on its financial statements of GASB Statement No. 45, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" The statement must be implemented no later than the fiscal year ended September 30, 2009.

NOTE 12 - COMMITMENTS

Contractual Services

The City has a water purchase and sewer treatment agreement with the City of St. Petersburg, Florida, to acquire water and have its sewage treated at prevailing wholesale rates. During the current year, the City paid the City of St. Petersburg \$2,114,100 for these services.

Grants

The City receives financial assistance from federal, state and local agencies in the form of operating and capital grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Disallowed claims, if any, resulting from such audits, may become liabilities of the City. However, in the opinion of management, disallowed claims, if any, will not have a material effect on the City's financial statements.

Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is cannot presently be determined, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

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Required Supplementary Information

Required supplementary information consists of a budgetary comparison schedule for the general fund and major special revenue funds. Also included is a schedule of required contributions for the City of Gulfport pension funds as well as a schedule of funding progress.

CITY OF GULFPORT, FLORIDA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Taxes	\$ 5,402,856	\$ 5,402,856	\$ 5,427,406	\$ 24,550
Licenses & Permits	242,638	242,638	306,434	63,796
Intergovernmental Revenue	2,099,326	2,108,326	2,159,356	51,030
Charges for Services	1,356,320	1,356,320	1,128,901	(227,419)
Fines and Forfeitures	70,700	70,700	75,407	4,707
Miscellaneous Revenues	155,061	158,061	140,306	(17,755)
Earnings on Investments	116,000	116,000	234,740	118,740
Transfers In	119,750	119,750	119,750	-
Reserves & Other	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	9,562,651	9,574,651	9,592,300	17,649
CHARGE TO APPROPRIATIONS (OUI FLOWS)				
GENERAL GOVERNMENT:				
Legislative	285,297	285,297	275,050	10,247
Legal	73,700	211,800	209,102	2,698
Executive	195,759	203,311	202,372	939
Financial	456,082	456,082	436,564	19,518
Human Resources	92,600	92,600	88,962	3,638
Information Technology	269,379	269,379	263,351	6,028
Total	1,372,817	1,518,469	1,475,401	43,068
PUBLIC SAFETY:				
Fire	982,394	1,045,194	869,325	175,869
Police	3,659,288	3,659,288	3,490,860	168,428
Total	4,641,682	4,704,482	4,360,185	344,297
LEISURE SERVICES:				
Library	586,441	595,441	577,173	18,268
Office of Director	171,830	171,830	197,862	(26,032)
Recreation Center	553,665	560,265	470,884	89,381
Parks	762,687	789,374	692,986	96,388
Senior Center	192,892	191,592	167,882	23,710
Total	2,267,515	2,308,502	2,106,787	201,715
COMMUNITY DEVELOPMENT:				
Planning & Development	226,632	226,632	199,099	27,533
Code Enforcement	76,404	76,404	69,664	6,740
Building Inspections	225,605	250,605	243,796	6,809
Total	528,641	553,641	512,559	41,082
PUBLIC WORKS:				
Building Maintenance	155,137	155,137	158,301	(3,164)
Central Garage	466,628	468,246	436,807	31,439
Office of Director	118,084	118,084	112,830	5,254
Streets	527,496	529,146	467,348	61,798
Total	1,267,345	1,270,613	1,175,286	95,327

Continued

CITY OF GULFPORT, FLORIDA

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE - Continued
 Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Transfers Out and Capital Contributions	\$ 680,000	\$ 680,000	\$ 706,947	\$ (26,947)
TOTAL CHARGES TO APPROPRIATIONS	10,758,000	11,035,707	10,337,165	698,542
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(1,195,349)	(1,461,056)	(744,865)	716,191
FUND BALANCE - BEGINNING OF YEAR	5,443,516	5,443,516	5,443,516	-
FUND BALANCE - END OF YEAR	\$ 4,248,167	\$ 3,982,460	\$ 4,698,651	\$ 716,191

NOTE - This schedule is prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA

**SPECIAL REVENUE FUND
WATERFRONT REDEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Taxes	\$ 101,893	\$ 101,893	\$ 101,768	\$ (125)
Intergovernmental Revenue	147,049	147,049	145,341	(1,708)
Earnings on Investments	3,000	3,000	6,057	3,057
Appropriated Surplus	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>251,942</u>	<u>251,942</u>	<u>253,166</u>	<u>1,224</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	71,562	71,562	59,970	11,592
Operating Expenses	49,726	49,726	30,807	18,919
Capital	30,149	71,050	-	71,050
Transfers out	100,000	100,000	100,000	-
TOTAL CHARGES TO APPROPRIATIONS	<u>251,437</u>	<u>292,338</u>	<u>190,777</u>	<u>101,561</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	505	(40,396)	62,389	102,785
FUND BALANCE - BEGINNING OF YEAR	72,226	72,226	72,226	-
FUND BALANCE - END OF YEAR	<u>\$ 72,731</u>	<u>\$ 31,830</u>	<u>\$ 134,615</u>	<u>\$ 102,785</u>

NOTE - This schedule is prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA

**SPECIAL REVENUE FUND
49TH STREET REDEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Intergovernmental Revenue	\$ 750,000	\$ 750,000	\$ -	\$ (750,000)
Earnings on Investments	-	-	16	16
Transfers In	399,000	399,000	199,000	(200,000)
Appropriated Surplus	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>1,149,000</u>	<u>1,149,000</u>	<u>199,016</u>	<u>(949,984)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	64,063	64,063	59,383	4,680
Operating Expenses	12,240	12,240	6,663	5,577
Capital	1,000,000	1,080,354	73,268	1,007,086
TOTAL CHARGES TO APPROPRIATIONS	<u>1,076,303</u>	<u>1,156,657</u>	<u>139,314</u>	<u>1,017,343</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	72,697	(7,657)	59,702	67,359
FUND BALANCE - BEGINNING OF YEAR	1,979	1,979	1,979	-
FUND BALANCE - END OF YEAR	<u>\$ 74,676</u>	<u>\$ (5,678)</u>	<u>\$ 61,681</u>	<u>\$ 67,359</u>

NOTE - This schedule is prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA

SPECIAL REVENUE FUND
GEMS (GULFPORT ELDERLY MOBILITY SYSTEM);
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Charges for Services	\$ 18,638	\$ 18,638	\$ 14,669	\$ (3,969)
Miscellaneous Revenues	3,200	3,200	805	(2,395)
Transfers In	280,000	280,000	280,000	-
Appropriated Surplus	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>301,838</u>	<u>301,838</u>	<u>295,474</u>	<u>(6,364)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	105,804	105,804	106,809	(1,005)
Operating Expenses	59,683	59,683	30,964	28,719
Capital	-	-	-	-
TOTAL CHARGES TO APPROPRIATIONS	<u>165,487</u>	<u>165,487</u>	<u>137,773</u>	<u>27,714</u>
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	136,351	136,351	157,701	21,350
FUND BALANCE - BEGINNING OF YEAR	<u>(44,484)</u>	<u>(44,484)</u>	<u>(44,484)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 91,867</u>	<u>\$ 91,867</u>	<u>\$ 113,217</u>	<u>\$ 21,350</u>

NOTE - This schedule is prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA
SCHEDULE OF REQUIRED CONTRIBUTIONS

General Employees' Pension Trust Fund			
Year Ended Sept. 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2006	\$ 255,381	\$ 255,381	100.00%
2005	273,944	273,944	100.00%
2004	350,530	350,530	100.00%
2003	412,816	412,816	100.00%
2002	291,196	291,196	100.00%
2001	161,717	161,717	100.00%

Police Officers' Retirement Trust Fund			
Year Ended Sept. 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2006	\$ 213,092	\$ 240,701	112.96%
2005	212,194	214,711	101.19%
2004	179,393	179,393	100.00%
2003	154,886	154,886	100.00%
2002	145,433	145,433	100.00%
2001	97,724	98,516	100.81%

Firefighters' Retirement Trust Fund			
Year Ended Sept. 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2006	\$ 65,048	\$ 84,917	130.55%
2005	62,303	69,899	112.19%
2004	50,910	65,046	127.77%
2003	35,944	53,696	149.39%
2002	43,662	56,384	129.14%
2001	46,778	51,231	109.52%

CITY OF GULFPORT, FLORIDA

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
General Employees' Pension Trust Fund						
10/01/2006	\$ 8,744,544	\$ 8,845,865	\$ 101,321	98.85%	\$ 2,928,182	3.46%
10/01/2005	7,921,381	7,921,381	-	100.00%	2,685,500	0.00%
10/01/2004	7,506,362	7,506,362	-	100.00%	2,506,544	0.00%
10/01/2003	6,483,009	6,483,009	-	100.00%	2,481,242	0.00%
10/01/2002	4,796,548	4,796,548	-	100.00%	2,394,855	0.00%
10/01/2001	4,894,700	4,894,700	-	100.00%	2,177,391	0.00%
Police Officers' Retirement Trust Fund						
10/01/2006	\$ 4,870,283	\$ 5,423,074	\$ 552,791	89.81%	\$ 1,732,555	31.91%
10/01/2005	4,441,862	4,700,902	259,040	94.49%	1,638,451	15.81%
10/01/2004	4,150,171	4,414,025	263,854	94.02%	1,511,309	17.46%
10/01/2003	4,026,582	4,300,764	274,182	93.62%	1,304,449	21.02%
10/01/2002	3,958,750	4,218,106	259,356	93.85%	1,171,392	22.14%
10/01/2001	3,848,041	4,100,239	252,198	93.85%	1,217,362	20.72%
Firefighters' Retirement Trust Fund						
10/01/2006	\$ 1,648,029	\$ 1,764,672	\$ 116,643	93.39%	\$ 498,219	23.41%
10/01/2005	1,515,050	1,605,919	90,869	94.34%	408,805	22.23%
10/01/2004	1,498,680	1,478,500	(20,180)	101.36%	569,383	-3.54%
10/01/2003	1,455,619	1,448,097	(7,522)	100.52%	480,088	-1.57%
10/01/2002	1,437,162	1,451,474	14,312	99.01%	408,194	3.51%
10/01/2001	1,409,074	1,440,332	31,258	97.83%	543,271	5.75%

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Other Supplementary Information

These financial statements provide a budgetary comparison statement for the capital projects fund as well as a more detailed view of the individual Fiduciary Funds.

CITY OF GULFPORT, FLORIDA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Intergovernmental Revenue	\$ 400,000	\$ 400,000	\$ 50,000	\$ (350,000)
Infrastructure Tax	1,232,700	1,232,700	1,316,203	83,503
Impact Fees	26,000	26,000	22,042	(3,958)
Earnings on Investments	10,000	10,000	46,054	36,054
Miscellaneous Revenues	-	-	670	670
Transfers In	251,000	251,000	277,947	26,947
Appropriated Surplus	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>1,919,700</u>	<u>1,919,700</u>	<u>1,712,916</u>	<u>(206,784)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Buildings	402,000	402,000	-	402,000
Improvements Other Than Buildings	609,345	623,345	419,678	203,667
Machinery & Equipment	226,405	226,405	206,503	19,902
Maintenance	-	-	2,802	(2,802)
Transfers Out	985,000	985,000	785,000	200,000
TOTAL CHARGES TO APPROPRIATIONS	<u>2,222,750</u>	<u>2,236,750</u>	<u>1,413,983</u>	<u>822,767</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(303,050)	(317,050)	298,933	615,983
FUND BALANCE - BEGINNING OF YEAR	512,604	512,604	512,604	-
FUND BALANCE - END OF YEAR	<u>\$ 209,554</u>	<u>\$ 195,554</u>	<u>\$ 811,537</u>	<u>\$ 615,983</u>

NOTE - This schedule is prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA

PENSION TRUST FUNDS COMBINING STATEMENT OF PLAN NET ASSETS September 30, 2006

	General Employees' Pension Fund	Police Pension Fund	Firefighters' Pension Fund	Totals
ASSETS				
Investments at Fair Value				
Money Market Funds	\$ 2,526,382	\$ 95,590	\$ 660,235	\$ 3,282,207
Mutual Funds	6,141,642	80,809	-	6,222,451
U S Government Bonds	-	94,816	-	94,816
Trustee Bank's Mutual Bond Funds	-	1,718,274	-	1,718,274
Trustee Bank's Mutual Equity Funds	-	2,734,834	968,756	3,703,590
	<u>8,668,024</u>	<u>4,724,323</u>	<u>1,628,991</u>	<u>15,021,338</u>
Receivables				
Interest and Dividends	16,143	-	3,809	19,952
Due from Other Governments	63,845	43,633	25,467	132,945
Other Receivables	-	75,624	6,726	82,350
TOTAL ASSETS	<u>8,748,012</u>	<u>4,843,580</u>	<u>1,664,993</u>	<u>15,256,585</u>
LIABILITIES				
Fee Payable	4,055	12,863	5,262	22,180
TOTAL LIABILITIES	<u>4,055</u>	<u>12,863</u>	<u>5,262</u>	<u>22,180</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
	<u>\$ 8,743,957</u>	<u>\$ 4,830,717</u>	<u>\$ 1,659,731</u>	<u>\$ 15,234,405</u>

CITY OF GULFPORT, FLORIDA

PENSION TRUST FUNDS COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS Year Ended September 30, 2006

	General Employees' Pension Fund	Police Pension Fund	Firefighters' Pension Fund	Totals
ADDITIONS				
Contributions:				
Employer	\$ 255,381	\$ 270,831	\$ 96,940	\$ 623,152
Plan Members	-	124,751	29,833	154,584
Earnings on Investments	776,690	271,218	121,416	1,169,324
TOTAL ADDITIONS	<u>1,032,071</u>	<u>666,800</u>	<u>248,189</u>	<u>1,947,060</u>
DEDUCTIONS				
Benefits Paid	194,194	313,465	144,080	651,739
Administration Expenses	15,301	45,751	22,845	83,897
TOTAL DEDUCTIONS	<u>209,495</u>	<u>359,216</u>	<u>166,925</u>	<u>735,636</u>
NET INCREASE	822,576	307,584	81,264	1,211,424
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:				
BEGINNING OF YEAR	<u>7,921,381</u>	<u>4,523,133</u>	<u>1,578,467</u>	<u>14,022,981</u>
END OF YEAR	<u>\$ 8,743,957</u>	<u>\$ 4,830,717</u>	<u>\$ 1,659,731</u>	<u>\$ 15,234,405</u>

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Statistical Section

Statistical tables differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These tables reflect social and economic data, financial trends and the fiscal capacity of the government.

As of September 30, 2006, there was no long-term general obligation or general bonded debt outstanding, and there had been no general obligation debt outstanding for the prior ten years. The City Charter has established that any general obligation borrowing must be exercised in accordance with Chapter 166, Florida Statutes.

CITY OF GULFPORT, FLORIDA
TABLE 1 - Net Assets by Component
Last Five Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental Activities					
Invested in capital assets, net of related debt	\$ 9,870,624	\$ 10,939,680	\$ 11,825,976	\$ 11,678,493	\$ 11,484,251
Restricted	278,332	269,713	285,908	311,484	811,537
Unrestricted	6,975,403	6,972,565	6,366,837	5,347,130	4,622,534
Total governmental activities net assets	\$ 17,124,359	\$ 18,181,958	\$ 18,478,721	\$ 17,337,107	\$ 16,918,322
Business-type Activities					
Invested in capital assets, net of related debt	\$ 9,625,282	\$ 9,815,936	\$ 10,973,375	\$ 11,324,196	\$ 11,780,053
Restricted	106,714	116,389	116,389	138,139	156,814
Unrestricted	1,547,257	964,595	506,104	1,805,008	2,829,743
Total business-type activities net of assets	\$ 11,279,253	\$ 10,896,920	\$ 11,595,868	\$ 13,267,343	\$ 14,766,610
Primary Government					
Invested in capital assets, net of related debt	\$ 19,495,906	\$ 20,755,616	\$ 22,799,351	\$ 23,002,689	\$ 23,264,304
Restricted	385,046	386,102	402,297	449,623	968,351
Unrestricted	8,522,660	7,937,160	6,872,941	7,152,138	7,452,277
Total business-type activities net of assets	\$ 28,403,612	\$ 29,078,878	\$ 30,074,589	\$ 30,604,450	\$ 31,684,932

CITY OF GULFPORT, FLORIDA

TABLE 2 - Change in Net Assets
Last Five Fiscal Years

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Governmental activities:					
General Government	\$ 1,288,909	\$ 1,372,705	\$ 1,338,914	\$ 1,409,319	\$ 1,617,209
Public Safety - Police	2,740,753	2,941,623	3,437,742	3,512,439	3,814,537
Public Safety - Fire	855,728	909,780	917,783	979,320	1,091,920
Community Development - Protective Services	227,757	222,366	237,485	268,643	313,460
Public Services - Transportation	490,994	501,491	505,912	654,629	639,191
Public Works - Central Garage	-	-	347,727	399,547	450,383
Public Works - Building Maintenance	-	-	-	132,862	158,301
Public Works - Office of Director	-	-	-	130,589	112,830
Culture and Recreation - Library	495,408	537,625	577,346	581,075	632,084
Culture and Recreation - Office of Director	171,968	170,893	169,908	204,455	200,477
Culture and Recreation - Recreation Facility	392,517	442,798	499,833	472,025	517,492
Culture and Recreation - Parks	550,820	656,377	669,079	733,429	656,478
Culture and Recreation - GEMS	-	140,067	186,278	156,827	159,617
Culture and Recreation - Human Services/Senior Centre	260,397	155,109	164,023	178,966	56,020
Community Development/Redevelopment	124,016	284,031	289,918	446,104	508,095
Total governmental activities expenses	7,599,267	8,334,865	9,341,948	10,260,229	10,928,094
Business-type activities:					
Sanitation	1,426,929	1,532,244	1,592,422	1,640,391	1,696,931
Water and Sewer	3,014,832	3,423,916	3,193,807	3,217,649	3,365,867
Cultural Activities	320,751	456,624	476,759	438,634	504,898
Marina	680,962	829,404	971,646	1,043,495	1,122,985
Total business-type activities expenses	5,443,474	6,242,188	6,234,634	6,340,169	6,690,681
Total primary government expenses	13,042,741	14,577,053	15,576,582	16,600,398	17,618,775
Program Revenues					
Governmental activities:					
Charges for Services					
General Government	403,079	533,248	458,750	478,395	779,732
Public Safety - Police	231,321	251,276	239,272	206,211	81,867
Public Safety - Fire	86,901	97,952	81,366	82,548	1,495
Community Development - Protective Services	189,285	156,125	148,319	186,374	249,112
Public Services - Transportation	63,855	75,783	63,886	66,694	-
Public Works - Central Garage	-	-	337,220	200,855	208,299
Culture and Recreation - Library	14,916	14,532	16,596	17,451	10,881
Culture and Recreation - Recreation Facility	158,265	163,979	145,043	150,097	173,593
Culture and Recreation - Parks	3,690	7,060	4,690	6,727	5,763
Culture and Recreation - Human Services	17,931	15,381	16,200	14,313	14,669
Operating Grants and Contributions	701,615	753,626	767,237	805,723	823,027
Capital Grants and Contributions	40,594	363,828	550,409	70,466	72,042
Total governmental activities program revenues	1,911,452	2,432,790	2,828,988	2,285,854	2,420,480
Business-type activities:					
Charges for Services					
Sanitation	1,535,968	1,675,831	1,701,094	1,769,902	1,815,774
Water and Sewer	3,157,115	3,091,974	3,556,182	3,592,049	3,847,146
Cultural Activities	242,229	268,270	295,699	283,887	370,468
Marina	894,830	956,041	1,015,970	1,279,266	1,350,704
Operating Grants and Contributions	-	31,687	1,400	6,914	-
Capital Grants and Contributions	75,000	42,413	5,625	2,550	-
Total business-type activities program revenues	5,905,142	6,066,216	6,575,970	6,934,568	7,384,092
Total primary government program revenues	\$ 7,816,594	\$ 8,499,006	\$ 9,404,958	\$ 9,220,422	\$ 9,804,572

CITY OF GULFPORT, FLORIDA
TABLE 2 - Change in Net Assets - Continued
Last Five Fiscal Years

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense) Revenue					
Governmental activities	(\$5,687,815)	(\$5,902,075)	(\$6,512,960)	(\$7,974,375)	(\$8,507,614)
Business-type activities	461,668	(175,972)	341,336	594,399	693,411
Total primary government net expense	<u>(\$5,226,147)</u>	<u>(\$6,078,047)</u>	<u>(\$6,171,624)</u>	<u>(\$7,379,976)</u>	<u>(\$7,814,203)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Ad Valorem	\$1,840,732	\$2,050,330	\$2,330,608	\$2,731,240	\$3,273,118
Franchise Fees	549,651	551,034	591,478	631,381	730,627
Utility Taxes	1,374,124	891,643	884,418	911,592	970,814
Communications Service Tax	-	510,914	537,096	560,145	554,615
Sales Tax - Infrastructure - Restricted	986,102	999,813	1,077,996	1,141,122	1,316,203
Half-cent Sales Tax	660,946	669,439	714,251	713,350	754,315
Local Option Gas Tax - Restricted	108,570	109,659	113,981	117,870	126,309
Transportation Impact Fees - Restricted	52,815	37,606	15,890	10,384	22,043
Other Taxes	66,922	10,124	84,753	113,889	123,298
State Revenue Sharing	298,913	314,104	355,483	427,811	455,705
Investment Income	271,351	171,466	150,758	148,138	286,867
Miscellaneous	200,612	188,027	302,943	314,867	190,165
Transfers	(2,568,211)	330,829	(519,510)	(989,028)	(715,250)
Total governmental activities	<u>\$3,842,527</u>	<u>\$6,834,988</u>	<u>\$6,640,145</u>	<u>\$6,832,761</u>	<u>\$8,088,829</u>
Business-type activities:					
Investment Income	\$70,478	\$14,005	\$8,180	\$34,848	\$90,606
Gain on Sale of Capital Assets	-	-	-	53,200	-
Miscellaneous	210,931	235,149	-	-	-
Transfers	2,568,211	(330,829)	519,510	989,028	715,250
Total business-type activities	<u>\$2,849,620</u>	<u>(\$81,675)</u>	<u>\$527,690</u>	<u>\$1,077,076</u>	<u>\$805,856</u>
Total primary government	<u>\$6,692,147</u>	<u>\$6,753,313</u>	<u>\$7,167,835</u>	<u>\$7,909,837</u>	<u>\$8,894,685</u>
Change in Net Assets					
Governmental activities	(\$1,845,288)	\$932,913	\$127,185	(\$1,141,614)	(\$418,785)
Business-type activities	3,311,288	(257,647)	869,026	1,671,475	1,499,267
Total primary government	<u>\$1,466,000</u>	<u>\$675,266</u>	<u>\$996,211</u>	<u>\$529,861</u>	<u>\$1,080,482</u>

CITY OF GULFPORT, FLORIDA
TABLE 3 - Fund Balances - Governmental Funds
Last Five Fiscal Years

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 471,680	\$ 2,598,529	\$ 2,420,625	\$ 2,731,552	\$ 2,337,152
Unreserved	6,558,433	4,600,508	3,931,868	2,711,964	2,361,499
Total general fund	<u>\$ 7,030,113</u>	<u>\$ 7,199,037</u>	<u>\$ 6,352,493</u>	<u>\$ 5,443,516</u>	<u>\$ 4,698,651</u>
All Other Governmental Funds					
Reserved	\$ 278,780	\$ 97,933	\$ 55,742	\$ 127,804	\$ 463,238
Unreserved reported in:					
Waterfront Redevelopment District Fund	423	1,373	57,960	71,062	68,565
49th Street Redevelopment District Fund	35,709	-	(91,180)	(98,306)	35,770
GEMS	-	-	-	(56,839)	113,217
Capital Projects Fund	-	89,267	448,049	498,604	440,260
Total all other governmental funds	<u>\$ 314,912</u>	<u>\$ 188,573</u>	<u>\$ 470,571</u>	<u>\$ 542,325</u>	<u>\$ 1,121,050</u>

Note: The GEMS Fund was previously reported as a business-type fund. Since the fund is heavily dependent on transfers from the General Fund and is not self-sustaining, the fund was reclassified in 2005 to a governmental fund

CITY OF GULFPORT, FLORIDA
TABLE 4 - Changes in Fund Balances - Governmental Funds
Last Five Fiscal Years

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Taxes	\$ 4,750,608	\$ 5,003,733	\$ 5,421,596	\$ 5,975,481	\$ 6,845,377
Licenses and Permits	246,013	293,043	206,046	243,285	306,434
Intergovernmental Revenue	1,820,830	2,142,670	2,586,113	2,227,329	2,354,697
Impact Fees	52,816	37,606	15,890	10,384	22,042
Charges for Services	869,276	970,211	1,048,678	1,081,450	1,143,570
Fines and Forfeitures	110,682	109,395	124,069	84,677	75,407
Miscellaneous Revenues	200,614	272,812	298,216	336,855	141,781
Earnings on Investments	271,351	172,405	156,229	149,242	286,867
Total Revenues	8,322,190	9,001,875	9,856,837	10,108,703	11,176,175
Expenditures					
General government	\$1,231,856	\$1,360,783	\$1,388,635	\$1,381,681	\$1,496,901
Public Safety	3,907,223	4,639,285	4,668,203	4,465,949	4,829,181
Public Services	349,058	490,480	807,321	1,255,389	1,310,971
Culture and Recreation	2,089,661	2,038,909	1,925,055	2,228,746	2,247,362
Redevelopment	596,437	774,040	1,054,279	741,567	742,650
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	8,174,235	9,303,497	9,843,493	10,073,332	10,627,065
Other Financing sources (Uses)					
Transfers In	2,484,961	710,516	658,986	629,239	876,697
Transfers Out	(1,913,162)	(366,309)	(1,236,876)	(1,652,252)	(1,591,947)
Total Other Financing Sources (Uses)	571,799	344,207	(577,890)	(1,023,013)	(715,250)
Net Change in Fund Balances	\$ 719,754	\$ 42,585	\$ (564,546)	\$ (987,642)	\$ (166,140)
 Debt service as a percentage of non-capital expenditures	 N/A	 N/A	 N/A	 N/A	 N/A

CITY OF GULFPORT, FLORIDA
TABLE 5 - Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended Sept. 30	Real Property		Personal Property	Less: Tax Exemptions				Total Taxable Assessed Value	Millage Rate *
	Residential Property	Commercial Property		Governmental/ Institutional	\$25,000 Homestead	Homestead Assessment Differential	Widows/ Disability/ Blind		
1997	\$ 398,151,900	\$ 58,855,900	\$ 16,810,050	\$ 37,818,870	\$ 98,047,000	\$ 5,926,500	\$ 3,033,200	\$ 328,992,280	4 30
1998	417,143,300	60,315,000	15,762,310	38,139,730	98,170,500	10,886,600	2,889,000	343,134,780	4 30
1999	430,482,600	66,533,600	18,333,160	41,746,060	99,716,500	14,880,900	2,939,200	356,066,700	4 30
2000	442,702,200	70,723,700	19,802,170	46,052,620	101,226,700	16,544,600	2,872,200	366,531,950	4 30
2001	487,300,100	74,474,200	20,423,920	49,261,570	100,893,800	30,957,900	3,047,600	398,037,350	4 30
2002	552,203,700	78,850,900	20,847,330	53,447,740	101,369,700	57,685,000	3,216,500	436,182,990	4 30
2003	640,844,700	78,889,000	18,429,350	53,977,950	102,530,100	93,071,200	3,385,600	485,198,200	4 30
2004	757,466,400	89,275,700	17,994,220	62,324,200	103,150,000	137,109,300	4,032,800	558,120,020	4 30
2005	910,637,500	100,333,400	17,863,410	67,610,620	102,256,100	199,949,400	4,560,500	654,457,690	4 30
2006	1,118,237,400	111,485,100	18,038,951	72,953,440	102,421,400	282,027,600	4,828,000	785,531,011	4 30

Source: Pinellas County Property Appraiser (Forms DR 422 and DR 420)

Notes: Final Taxable Value determined after Valuation Board rulings

* The rate used in the calculation for property taxes One mil equals \$1 per \$1,000 of taxable value. A millage of 4 30, which is the millage in effect for the City, is equal to \$4.30 for each \$1,000 of taxable value on real property The tax rate on real property based on \$1 per \$1,000 of assessed property value

Property is assessed at actual value and, therefore, a separate table for assessed and actual data is not presented.

CITY OF GULFPORT, FLORIDA
TABLE 6 - Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

City Direct Rates		Overlapping Rates					
Fiscal Year	Basic Rate *	Pinellas County	Pinellas County Schools	Transit	Emerg. Medical Services	Other	Total Millage
1997	4.3000	5.5100	9.1760	0.6697	0.7410	1.6561	22.0528
1998	4.3000	5.5380	9.1330	0.6697	0.7130	1.6561	22.0098
1999	4.3000	5.5380	9.1100	0.6501	0.7130	1.6561	21.9672
2000	4.3000	5.8540	8.6660	0.6501	0.6470	1.6572	21.7743
2001	4.3000	6.0040	8.4330	0.6501	0.7470	1.6562	21.7903
2002	4.3000	6.1410	8.4870	0.6501	0.6600	1.6562	21.8943
2003	4.3000	6.1410	8.4490	0.6319	0.6600	1.6562	21.8381
2004	4.3000	6.1410	8.2430	0.6319	0.6600	1.6562	21.6321
2005	4.3000	6.1410	8.1220	0.6377	0.6600	1.6557	21.5164
2006	4.3000	6.1410	8.3900	0.6377	0.6600	1.6555	21.7842

Sources: Pinellas County Tax Collector, Pinellas County Property Appraiser

Note: * The rate used in the calculation for property taxes. One mil equals \$1 per \$1,000 of taxable value. The tax rate on real property based on \$1 per \$1,000 of assessed property value.

** "Other" includes Pinellas County Planning Council, Juvenile Welfare Board, Southwest Florida Water Management District and Pinellas Anclote River Basin

Overlapping rates are those of local and county governments that apply to property owners within the City.

The total millage column applies to all property owners within the City limits.

CITY OF GULFPORT, FLORIDA
TABLE 7 - Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
C F C Pasadena Golf LLC	\$ 4,636,300	1	0.59%			
Gulfport Investment Partners	4,600,000	2	0.59%			
Paonessa, Jeffrey L.	3,410,900	3	0.43%	\$ 1,012,200	7	0.31%
Damkoehler, Gary L.	2,666,100	4	0.34%			
Lavin, Jerome V.	2,650,000	5	0.34%			
Hernandez, Roberto M	2,108,800	6	0.27%			
J L P Management Assoc., Inc.	1,957,700	7	0.25%			
Gulfport Plaza Center, Inc.	1,846,000	8	0.24%			
Caldwell, R. W. III	1,799,300	9	0.23%	854,100	9	0.26%
Miller, Ronnie H.	1,742,500	10	0.22%			
U S X Corporation				8,570,100	1	2.60%
Bay Front Partners				2,594,600	2	0.79%
Pasadena Yacht and Country				2,334,200	3	0.71%
Age Institute Fl, Inc.				1,657,500	4	0.50%
Comex, Inc.				1,494,200	5	0.45%
Hopes, Scott L.				1,065,900	6	0.32%
Steinke, David P.				859,100	8	0.26%
Simmons, Paul L.				868,700	10	0.26%
Total	<u>\$ 27,417,600</u>		<u>3.49%</u>	<u>\$ 21,310,600</u>		<u>6.48%</u>

Source:
Pinellas County Tax Rolls

CITY OF GULFPORT, FLORIDA
TABLE 8 - Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year Ended Sept. 30</u>	<u>Total Tax Levy</u>	<u>Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Amount Uncollected</u>
1997	\$1,414,667	\$1,371,482	96.95%	\$43,185
1998	1,472,633	1,433,435	97.34%	39,198
1999	1,531,087	1,488,729	97.23%	42,358
2000	1,576,087	1,535,798	97.44%	40,289
2001	1,711,561	1,668,839	97.50%	42,722
2002	1,875,586	1,802,841	96.12%	72,745
2003	2,086,129	2,015,407	96.61%	70,722
2004	2,399,916	2,330,608	97.11%	69,308
2005	2,814,168	2,731,240	97.05%	82,928
2006	3,377,783	3,273,119	96.90%	104,664

Source: Pinellas County Tax Collector's Office Report

CITY OF GULFPORT, FLORIDA
TABLE 9 - Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income (A)	Per Capita Personal Income	Median Age (A)	Unemployment Rate (B)	School Enrollment (C)
1997	11,926	\$307,273,390	\$25,765	43.3	3.6%	2,673
1998	11,961	326,666,871	27,311	43.6	3.0%	2,739
1999	12,021	328,305,531	27,311	43.6	2.6%	2,630
2000	12,021	368,239,293	30,633	44.2	2.7%	2,584
2001	12,527	432,670,053	34,539	43.0	3.5%	2,555
2002	12,670	401,106,860	31,658	43.0	4.6%	2,592
2003	12,848	416,377,984	32,408	43.6	4.4%	2,306
2004	12,860	426,527,620	33,167	43.7	3.9%	2,455
2005	12,899	326,641,377	25,323	47.3	3.7%	2,470
2006	12,935	351,017,095	27,137	44.3	2.8%	2,476

Source:

- (A) Pinellas County Planning Department, Bureau of Economic Analysis
- (B) U S. Bureau of Labor Statistics
- (C) Pinellas County School Board

Note: Statistics for Per Capita Income, Median Age, and Unemployment Rate are not available for the City separately. Therefore, the Pinellas countywide average is substituted for information comparisons. It is assumed that the City's figures relate closely to the countywide statistics.

CITY OF GULFPORT, FLORIDA
TABLE 10 - Direct and Overlapping Governmental Activities Debt
As of September 30, 2006

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
DIRECT DEBT			
City of Gulfport	\$ -	-	\$ -
OVERLAPPING DEBT			
Pinellas County School Board	A 38,595,000	1.25%	482,438
Pinellas County Debt Service	B -	0.00%	-

(A) The City is not responsible for the debt of the School Board. However, in the event of default, the taxpayers would be required to pay off the debt. The City's share is calculated based on the ratio of the 2005 City Taxable Value of \$785,531,011 to the County's Taxable Value of \$62,885,450,032.

(B) The County does not currently have any General Obligation Debt.

CITY OF GULFPORT, FLORIDA
TABLE 11 - Full-time Equivalent
City Government Employees by Function
Last Five Years

Function/Program	Full-time Equivalent Employees as of September 30th				
	2002	2003	2004	2005	2006
General Government					
City Clerk	2	2	2	2.5	2.5
City Manager	2	2	2	2	2
Administrative Services	9	8.5	8	8	8
Information Technology	1	2	2	2	2
Public Safety					
Police	49.5	47.5	48	47	46
Fire	13.5	13	13	13	13.5
Community Development	4	5	5	8	8
Public Works	25.5	24.5	24.5	24	26
Utilities	7	7	7	6	6
Leisure Services	39.5	39.5	41	41.5	41.5
Cultural Facilities	2.5	2.5	6.5	4.25	3.25
Marina	3	3	3	3	3
Total	158.5	156.5	162	161.25	161.75

Notes:

Refers to the number of personnel authorized for an accounting period, including part-time personnel converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time recreation aide working twenty (20) hours per week for fifty-two (52) weeks a year equals .5 of a full-time position.

CITY OF GULFPORT, FLORIDA
TABLE 12 - Operating Indicators by Function/Program
Last Five Years

Function/Program	2002	2003	2004	2005	2006
Police					
Felony Arrests	727	721	654	776	791
Traffic Violations	2,975	2,790	2,542	2,260	2,300
City Ordinance Violations	196	192	200	195	185
Fire					
Fires Extinguished	54	36	20	65	90
Emergency responses	2,476	2,569	2,400	2,450	2,000
Sanitation					
Refuse collected (tons/day)	30.29	33.33	34.77	31.99	30.80
Recyclables collected (tons/day)	2.72	2.83	2.60	2.87	1.69
Utilities					
Average daily consumption (thousands of gallons)	1,157	1,088	1,043	1,133	1,137
Average daily sewage treatment (thousands of gallons)	1,130	1,551	1,118	1,058	850
Recreation					
Participants in After-School Program	87	78	78	78	85
Participants in Summer Camp Program	174	162	140	140	180
Library					
Circulation of materials	100,201	105,475	104,654	114,437	111,600
Reference questions	7,692	8,097	8,762	10,422	10,900
Sponsored programs	121	127	218	200	225
Senior Center					
Average daily attendance	117	113	115	120	120
Meals served daily	140	140	140	140	140
Reassurance calls made daily	40	42	43	45	30
GEMS					
Number of rides	8,368	8,808	8,272	9,272	13,150
Number of subscriptions	126	133	140	147	100
Number of handicapped members	79	83	87	91	100
Marina					
Number of slips rented	268	268	247	247	247
Number of vessels fueled	6,600	6,880	7,000	7,200	7,350
Number of gallons dispensed	212,400	225,300	250,000	262,500	275,000
Cultural Facilities					
Number of dances held	165	174	183	192	200
Number of theater rentals	93	98	103	108	125

Sources: Various government departments

CITY OF GULFPORT, FLORIDA
TABLE 13 - Capital Asset Statistics by Function/Program
Last Five Years

Function/Program	2002	2003	2004	2005	2006
Schools*					
Elementary	1	1	1	1	1
Junior/Senior High	2	2	2	2	2
Police					
Stations	1	1	1	1	1
Patrol units	20	20	20	20	20
Fire					
Stations	1	1	1	1	1
Fire Trucks	2	2	2	2	2
Other Public Works					
Streets - Paved	67.63	67.63	67.63	67.63	67.63
Streets - Unpaved	32	32	32	32	32
Streetlights	1,368	1,368	1,368	1,368	1,368
Sanitation					
Collection trucks	6	6	6	6	6
Utilities					
Water mains (miles)	67	67	67	67	67
Fire hydrants	258	258	258	258	260
Lift stations	2	2	2	2	2
Sanitary sewer (miles)	105	105	105	105	105
Storm drain lines (miles)	23	23	23	23	23
Stormwater treatment lakes	2	2	2	2	2
Parks					
Acreage	36.75	36.75	36.75	36.75	36.75
Playgrounds	6	6	6	6	6
Tennis Courts	2	2	2	2	2
Skate Parks	1	1	1	1	1
Volleyball Courts	2	2	2	2	2
Basketball Courts	1	1	1	1	1
Bocce Courts	2	2	2	2	2
Recreation Buses	1	1	1	1	1
Library					
Catalogued items	64,576	68,040	71,916	70,916	74,500
GEMS					
Vehicles	3	3	3	3	3
Marina					
Number of slips	268	268	247	247	247

Sources: Various government departments

Note: No capital asset indicators are available for the general government function.

Compliance Section



**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and
Members of the City Council
City of Gulfport, Florida

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, Florida (the "City"), as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Clearwater, Florida
March 12, 2007

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**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Council
City of Gulfport, Florida

We have audited the financial statements of the City of Gulfport, Florida (the "City"), as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated March 12, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal control over Financial Reporting. Disclosures in that report, which is dated March 12, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h) 1.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. All recommendations from the prior year were addressed or given appropriate consideration by the City.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h) 3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal control. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(h) 4.) require disclosure in the management letter of the following matters, if not already addressed in the auditor's reports on compliance and internal control or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no such matters.

The Honorable Mayor and
Members of the City Council
City of Gulfport, Florida

The Rules of the Auditor General (Section 10.554(1)(h) 5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Legal authority of the City and component unit is disclosed in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 6.a.), a statement must be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 6.b) we determined that the annual financial report for the City for the fiscal year ended September 30, 2006, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Sections 10.554(1)(h) 6.c. and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

This management letter is intended solely for the information of the City Council, management, and the State of Florida Office of the Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Clearwater, Florida
March 12, 2007

