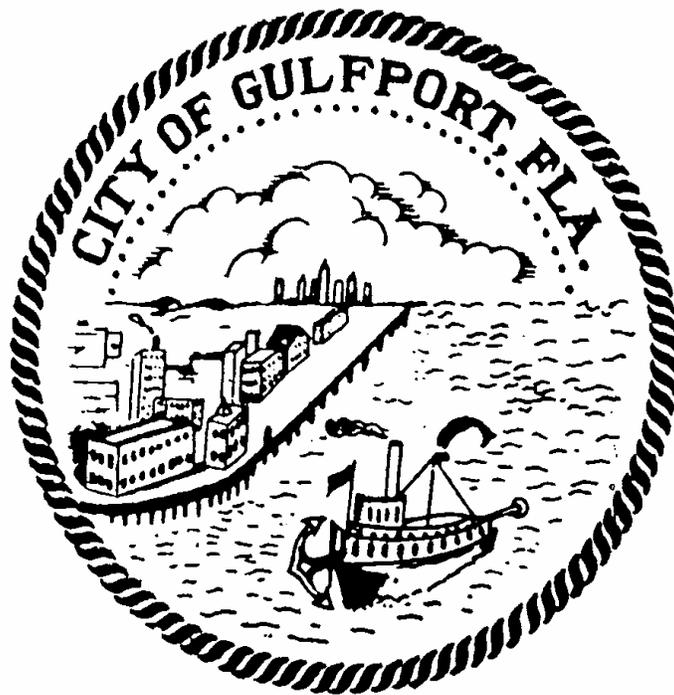


*City of Gulfport
Florida*



*2007
Comprehensive
Annual Financial Report*

Fiscal Year Ending September 30, 2007

Comprehensive Annual Financial Report
of the
City of Gulfport, Florida
for the
Fiscal Year Ended September 30, 2007

City Council

Michael Yakes

John E. Phillips

Robert E. Worthington

Michele King

Mary Stull

City Manager

Thomas E. Brobeil

Administrative Services Department

Dan Carpenter

Administrative Services Director

Prepared by the Finance Division

CITY OF GULFPORT, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Year Ended September 30, 2007

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INTRODUCTORY SECTION



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>

April 11, 2008

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, 2007. 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 policies. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation 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, Moore Stephens Lovelace, 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, 2007, 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 2008. 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.

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 2007, the average cash/investment pool balance (excluding pension funds) was \$8,882,827 and the earnings on investments totaled \$513,903 or an average return of 5.79%. 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 4.31%. The City expects to receive lower returns on investments in fiscal year 2008 as a result of the current economic downturn and falling interest rates in the fixed income market.

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

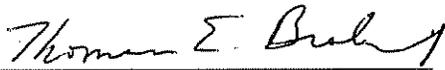
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulfport, Florida for its

comprehensive annual report for the fiscal year ended September 30, 2006. This was the twenty-fourth 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.

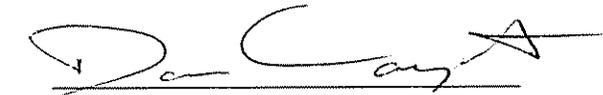
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to Certificate of Achievements Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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



Dan Carpenter
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, 2006

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.



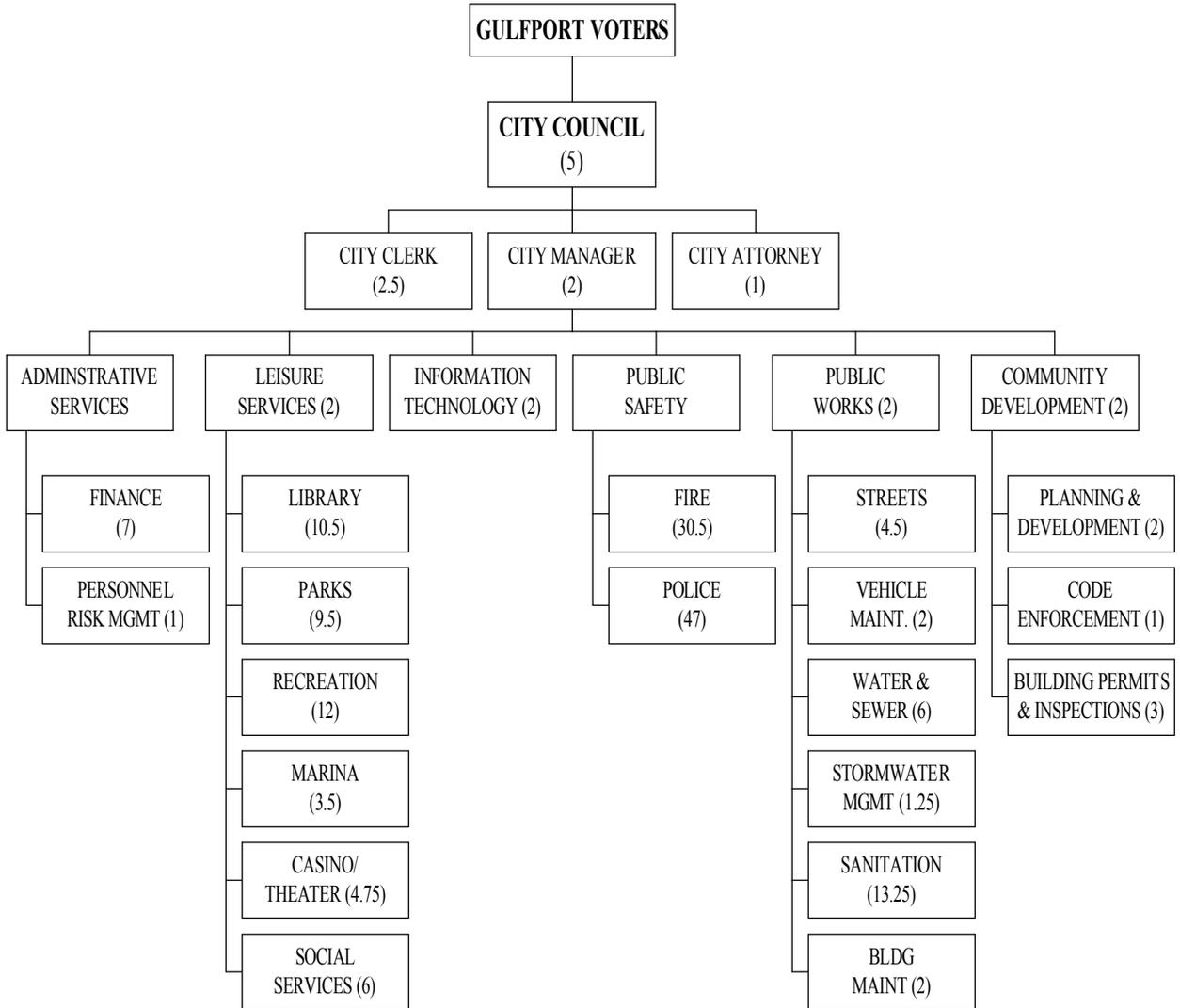
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

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



FINANCIAL SECTION



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of 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, 2007, 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, 2007, 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.

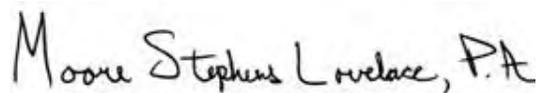
In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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.

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
(Concluded)

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.

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.

A handwritten signature in black ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive, slightly slanted style.

Certified Public Accountants

Orlando, Florida
April 11, 2008

**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 2007 by \$32,446,781 (net assets). Of this amount, \$7,479,361 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- General Fund revenues increased by \$220,260 or 2.33% when compared to fiscal year 2006. General Fund expenditures increased by \$305,620 or 3.17% during this same period. The Excess of Revenues Over (Under) Expenditures in the General Fund showed a shortage of \$243,028. This represents 2.45% of the total expenditures for the year.
- Business-type activities (the City's Enterprise Funds) operating revenues increased by \$162,681 or 2.2%, while operating expenses increased \$453,916 or 6.78% when compared to last year.
- The City had no long-term debt as of September 30, 2007

City Highlights

- The City continued the renewal and replacement of underground infrastructure; specifically, sanitary sewer lines, potable water lines, and storm water lines.
- The City replaced the entire phone system in all facilities with a new digital telephone system that operates on a reduced number of lower cost telephone lines decreasing annual operating costs.
- The Gulfport public library roof was replaced along with improved insulation in certain roof sections enhancing both weather resistance for the facility and energy efficiency.
- The City purchased a new pick-up truck for use in the Parks department replacing a 1989 vehicle that had reached the end of its useful life expectancy. A new F-350 class truck with a utility bed, crane and lift gate was purchased as a replacement for the Utilities Department.
- In the Sanitation Department a scheduled new side loader vehicle was purchased as a replacement due to age, mileage and maintenance costs.
- The old lighting system on the tennis courts at Chase Park was replaced with a new light configuration that provides more evenly distributed light on the courts at a lower pole level allowing for more efficient maintenance.
- Significant streetscaping and improvement work continued along the 49th Street Redevelopment Corridor including excavation of all existing curbing, installation of new asphalt paving in the entire right of way area and the redesign of all landscaping.
- Along Shore and Beach Boulevard in the Water Front Redevelopment District improvements were made including the installation of brick pavers in walkway areas, decorative street lighting, irrigation installation and the planting of additional trees and vegetation.
- Additional transient slips were constructed at the City's municipal marina increasing the number of available slips for short term visitors.

- A patio area was designed and constructed at the City’s Casino facility both expanding and enhancing the facilities venue offerings as a rental facility for group gatherings and functions.

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 \$32,446,781.

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 As of Fiscal Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 5,989,381	\$ 6,280,446	\$ 4,086,654	\$ 3,616,763	\$10,076,035	\$ 9,897,209
Capital Assets	11,421,047	11,484,251	12,731,446	11,780,053	\$24,152,493	\$23,264,304
Total Assets	<u>17,410,428</u>	<u>17,764,697</u>	<u>16,818,100</u>	<u>15,396,816</u>	<u>34,228,528</u>	<u>33,161,513</u>
Current Liabilities	819,186	651,227	616,962	562,295	1,436,148	1,213,522
Non-Current Liabilities	267,625	195,148	77,974	67,911	345,599	263,059
Total Liabilities	<u>1,086,811</u>	<u>846,375</u>	<u>694,936</u>	<u>630,206</u>	<u>1,781,747</u>	<u>1,476,581</u>
Net Assets:						
Investments in Capital Assets	11,421,047	11,484,251	12,731,446	11,780,053	24,152,493	23,264,304
Restricted	658,113	811,537	156,814	156,814	814,927	968,351
Unrestricted	4,244,457	4,622,534	3,234,904	2,829,743	7,479,361	7,452,277
Total Net Assets	<u>\$16,323,617</u>	<u>\$16,918,322</u>	<u>\$16,123,164</u>	<u>\$14,766,610</u>	<u>\$32,446,781</u>	<u>\$31,684,932</u>

A large portion of the City's net assets (74.44%) 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 (2.51%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,479,361) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a \$761,849 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 \$178,826, as compared to the previous year.

As of September 30, 2007, 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, 2007 and September 30, 2006.

	CHANGES IN NET ASSETS					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program Revenues						
Charges for Services	\$ 1,466,310	\$ 1,525,411	\$ 7,546,773	\$ 7,377,165	\$ 9,013,083	\$ 8,902,576
Operating Grants & Contributions	1,002,285	823,027		6,927	1,002,285	829,954
Capital Grants & Contributions	15,754	72,042		-	15,754	72,042
General Revenues						
Property Taxes	3,556,585	3,273,118			3,556,585	3,273,118
Utility Taxes & Franchise Fees	2,256,365	2,256,056			2,256,365	2,256,056
Sales and Use and Other Taxes	2,468,372	2,775,831			2,468,372	2,775,831
Impact Fees	15,754	22,042			15,754	22,042
Investment Income	367,414	286,867	146,689	90,606	514,103	377,473
Gain (Loss) on Sale of Capital Assets	(255,204)	48,384		-	(255,204)	48,384
Other General Revenues	262,302	141,781			262,302	141,781
Total Revenues	11,155,937	11,224,559	7,693,462	7,474,698	18,849,399	18,699,257
EXPENSES						
Program Activities						
Governmental Activities						
General Government	1,727,884	1,775,510			1,727,884	1,775,510
Police	3,736,778	3,737,832			3,736,778	3,737,832
Fire	1,065,964	971,362			1,065,964	971,362
Protective Services	648,447	514,299			648,447	514,299
Transportation & Administration	716,020	752,021			716,020	752,021
Public Works - Central Garage	482,409	450,383			482,409	450,383
Library & Administration	707,247	832,561			707,247	832,561
Recreation Center	535,209	514,690			535,209	514,690
Parks	698,666	724,492			698,666	724,492
Human Services	181,411	188,071			181,411	188,071
Public Transportation	167,362	159,617			167,362	159,617
Redevelopment	275,356	307,256			275,356	307,256
Business-type Activities						
Sanitation			1,711,019	1,696,931	1,711,019	1,696,931
Water & Sewer			3,662,824	3,365,867	3,662,824	3,365,867
Cultural Activities			563,448	504,898	563,448	504,898

Marina			1,207,306	1,122,985	1,207,306	1,122,985
Total Expenses	10,942,753	10,928,094	7,144,597	6,690,681	18,087,350	17,618,775
Increase (Decrease) in Net Assets before Transfers	213,184	296,465	548,865	784,017	762,049	1,080,482
Transfers	(807,689)	(715,250)	807,689	715,250	-	-
Accounting Change		-		-	-	-
Increase (Decrease) in Net Assets	(594,505)	(418,785)	1,356,554	1,499,267	762,049	1,080,482
Net assets - beginning	16,918,322	17,337,107	14,766,610	13,267,343	31,684,932	30,604,450
Net assets - ending	\$ 16,323,817	\$ 16,918,322	\$ 16,123,164	\$ 14,766,610	\$ 32,446,981	\$ 31,684,932

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). Taxable valuations rose significantly leading to an increase in the City's property tax base of 21.1%. The City did reduce the mileage rate by 10% from 4.3 mills to 3.87 mills representing the first decrease in the millage rate in 19 years.

The City received grant revenues in the amount of \$38,241. This is lower than the previous year's amount of \$136,379. Several programs that included grant funding received no funding in the current fiscal year including the Department of Justice COPS program, the Victim Advocates program and Florida Recreation Development Assistance program that funded construction of the dog park in the previous fiscal year. Most categories of General Fund revenues increased from the prior year, with an overall increase of 5.36%. There was however, a decrease in the revenues derived from the issuance of licenses and permits resulting from the downturn in the housing market and home sales.

No fee increases were implemented for the fiscal year in any of the City's water, sewer and storm water utility accounts. Previous year increases in water and storm water rates led to increased overall collections on the City's utility accounts. Overall utility revenues increased 1.4% over fiscal year 2006. There were no increases in subscription service fees within the Sanitation fund for the current fiscal year.

The rate charged for fuel increased at the City's marina facility due to the increase in gas prices. The total increase realized in marina fuel revenue was approximately 4.9% higher than the previous year.

Interest revenue rose significantly from \$377,473 to \$513,903 primarily as a result of an overall increase in the amount of cash available for investment and premiums received on the early call of securities in a falling rate environment.

Expenses

Total governmental expenditures, excluding transfers, increased by \$425,319 or 4%. The majority of the increase is attributable to increases in personnel costs, insurance premiums, particularly property insurance, and energy costs. 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. Personnel cost for fiscal year 2007 are higher than in previous years due to the negotiation on a new police union agreement. 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.

Part of the increase in total governmental expenditures for fiscal year 2007 is due to an increase in legal fees. The City is currently involved in a litigation case that should the City prevail, some of the legal costs incurred will be reimbursed in future years.

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 \$5.370 million, which is an 8.38% decrease over the previous year (\$5.82 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 24.52% of total expenditures in the General Fund. The net change in fund balance for the General Fund was a decrease of \$403,717 as a result of transfers out exceeding transfers in by \$160,689, and expenditures exceeding revenues by \$243,028. Approximately \$290,000 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 2007 leaves an undesignated fund balance at 15.06% of total expenditures in the General Fund. There is, however, an additional stability reserve of \$2,393,663 or 23.41% 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 38% 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 \$140,152 contributing to an increase in fund balance to \$174,767.

The fund balance in the 49th Street Redevelopment Fund decreased slightly as expenditures exceeded revenues by \$33,531. Capital costs within the fund account for the majority of activity and are associated with a major streetscape project for the corridor. 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 \$28,150.

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. Overall, expenditures exceeded revenue for fiscal year 2007 by \$136,782. The General Fund transferred \$140,000 into the GEMS Fund to offset the loss for the current year. With the transfer from the General Fund the ending fund balance is \$116,435.

The Capital Projects fund balance decreased by \$153,424 resulting in an ending fund balance of \$658,113. Infrastructure tax revenues decreased \$113,964 over the previous year. The Capital Projects Fund provided an interfund transfer to the Water and Sewer Fund in the amount of \$800,000 for renewal and replacement of water and sewer lines. In addition, the Capital Projects Fund provided an interfund transfer to the 49th Street Redevelopment Fund providing matching funds for the Tangerine Parkway Drainage Project which will begin next fiscal year. Other major projects funded through the infrastructure tax include a roof replacement at the library, new tennis court lights at Chase Park, 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 \$16,123,164, which is \$1,356,554 higher than the beginning of the year net assets. This was largely due to previous year increases in potable water and stormwater fees. 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 \$99,646, which is slightly lower than the operating income of \$118,843 for 2006. 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 2008.

The Water, Sewer and Stormwater Fund had an operating income of \$268,922 in fiscal year 2007, as compared to \$481,279 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 8.13%. The City has continued its efforts to repair sewer lines throughout the community. This effort has paid off further decreasing the amount of infiltration and thereby lowering the amount of water requiring treatment. Sewer treatment rates charged by the City of St. Petersburg increased sharply by an amount of 13.82%. Future increases in sewer rates are budgeted to offset the additional costs associated with the contract to treat wastewater with the City of St. Petersburg. While no increase to Stormwater rates was implemented for fiscal year 2007, the 75% increase in fiscal year 2006 led to continued higher revenue collections. This increase in stormwater revenues was utilized to help fund future stormwater improvements.

The Cultural Activities Fund had an operating loss of \$178,720, which is 33% higher than the loss of \$134,430 reported in fiscal year 2006. 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 2008 to further reduce operating losses. In addition, the City is analyzing the possibility of changing the structure of the current Cultural Activities enterprise fund to a special revenue fund in fiscal year 2008 to more closely reflect the true fiscal operations of the funds activities. Because large annual contributions from the General fund or the Waterfront Redevelopment fund are required to sustain operating costs associated with the casino and theater it is felt that the fund may be better served and more accurately reported under the premise of a special revenue fund within the general government group of funds.

The Marina Fund showed an operating income of \$212,238 in this fiscal year, as compared to \$227,719 the previous year. The operating income was lower than the previous year by 7.29% mostly as a result of increases in the costs of fuel purchased for resale at the Marina. Slip rental rates are to be examined and increased to bring them more in line with regional charges. A new contract with higher slip rental rates is also under review with the Boca Ciega Yacht Club who is the largest tenant 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 \$423,003 or 3.86% over the amount originally budgeted for fiscal year 2007. 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 – Continued expenditures and increases in appropriations for legal services relating to the hiring of a special land use attorney to handle an ongoing lawsuit with Pasadena Properties

resulted in significant legal costs. Budget adjustments totaling \$104,045 were allocated from the general fund unreserved fund balance to non-retainer legal services to cover fiscal year 2007 fees for services. The City council first approved the hiring of the outside special land use attorney during fiscal year 2006. As of this date, the issue has not been resolved.

- Executive – An increase in appropriations, as a result of severance payouts approved by City Council to the outgoing City clerk. A package totaling \$60,000 was approved and paid during fiscal year 2007 at termination of employment. Much of this unbudgeted allocation was recouped thru the resulting vacancy and salary savings.
- Financial – The City’s Administrative Services Director resigned half way through fiscal year 2007 and was replaced at a lower cost. This lower cost replacement and the vacancy time frame of almost three months led to over \$20,000 in budgetary savings for the department.
- Human Resources – A decrease in operating expenses mostly in travel, professional development and contracted services led to \$24,387 in favorable budget variance for fiscal year 2007.
- Fire – The newly created positions of Fire Captain and firefighter EMT were not filled during fiscal year 2007 leading to considerable savings within the Fire department’s budget. The entire \$131,870 positive variance for the Fire department fiscal budget is attributable to these two vacant positions. Ultimately the two positions were eliminated during the fiscal 2008 budget in an effort to help reduce general fund expenditures.
- Police – Vacancies throughout the Police department in fiscal year 2007 led to the sizeable \$485,000 favorable budget variance. Most positions were filled by year end with little excess budget forecasted for fiscal year 2008.
- Information Technologies – A new digital phone system was purchased to replace the outdated analog phone system that had been in place for over nine years. Lease expenditures on the new phone system totaled \$4,550 for fiscal 2007. Additionally, upgrades were made to offsite building internet connectivity adding to the increase in total information technologies operating expenditures above fiscal 2006 amounts. Fiscal year 2007 budgeted expenditures included the entire five year lease agreement amount for the digital phone system. The remaining four and a half years of lease payments were budgeted and reallocated on an annual basis starting with fiscal year 2008.
- Recreation – Lower than expected personal services costs associated with a wide variety of recreation programs led to a favorable budget variance within the recreation department. Most programs were run or facilitated utilizing less outside part time employment or assistance.
- Parks – The elimination of an outside contract for mowing services led to a budget savings of over \$55,000 in contractual services compared to fiscal year 2006. In addition, a budgeted Parks vehicle was not purchased during fiscal year 2007 and was re-appropriated to the fiscal year 2008 budget in the amount of \$18,400.
- Senior Center – Less part time assistance and help in addition to lower than budgeted promotional activities led to the \$30,708 budget surplus for the Senior Center in fiscal year 2007.
- Planning & Development – The fiscal year 2007 planning & development budget was increased through the use of general fund unreserved fund balance in the amount of \$25,486 to accommodate the hiring of an outside planning firm to complete the State required Comprehensive Plan. Another \$5,525 of unreserved general fund balance was allocated to hire a planner above the original budgeted amount for salary and benefits. Most of the \$43,461 budget surplus in the planning department was attributable to the vacancy left by the termination of the City’s principal planner in fiscal 2007. Material decreases in development activity within the City relating to a slow-down in the real estate market also led to lower than expected operating costs for the year.
- Building Inspections – The fiscal year 2007 building inspections capital budget included funding for the purchase of a financial program in the amount of \$35,349 to facilitate the integration with the City’s utility billing and general ledger programs. The purchase was not made during 2007 and funds were reallocated to fiscal year 2008 to accommodate the purchase.
- Public Works – Vacancies within the Streets division accounted for the majority of the \$51,703 favorable budget variance for fiscal year 2007. Lower than expected garage charges also contributed to budgetary savings for the fiscal year end September 30, 2007 within the Public Works Central garage department.

Actual revenues, excluding transfers from reserves, fell short of budgeted revenues by \$437,756 or 4.28%, and expenditures before transfers were less than budgeted by \$1,176,329 or 11.5%.

The final budgeted revenue anticipated a \$1,034,980 draw down on prior-year reserves to balance the budget. The actual deficiency for fiscal year 2007 was \$403,718. Significant variations between actual and budgeted revenues are as follows:

- Licenses and Permits – Building permits were approximately \$112,061 lower than the amount budgeted. Two factors contributed to this variance. First was the sixty percent increase in budgeted permit fees scheduled for fiscal year 2007 that was not implemented and second was the slow-down in construction and remodeling activity resulting from the downturn in the real estate market.
- Intergovernmental – Approximately \$95,379 of budgeted grant revenue was not received. State-shared revenues fell short of the amount budgeted by approximately \$59,434 and the half-cent sales tax was \$53,717 lower than budgeted revenues. 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 \$7,928 and the Pinellas Public Library Consortium by \$30,130.
- 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 \$287,020 were reversed thereby reducing actual revenue and expenditures by the same amount.
- Earnings on Investments – Interest earnings were \$116,492 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 \$1,034,980 from reserves. The actual amount needed was \$403,718 leaving an additional \$631,262 available for investment.

Budgeted expenditures totaled \$11,380,168, compared to \$10,203,839 in actual expenditures. Approximately \$287,020 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 & Police – Salaries and related personnel costs were \$617,182 or 13.95% below the budgeted amount. Two budgeted fire positions were not filled in fiscal year 2007. Additionally, several police positions including three police officers and a youth resource officer were vacant for a large majority of the fiscal year. Turnover in other public safety positions resulted in firefighter paramedic and police officer positions being filled at the lower end of the pay plan per the collective bargaining agreements.
- Information Technology - Fiscal year 2007 budgeted expenditures included the entire five year lease agreement amount of \$122,605 for the digital phone system. Only \$4,550 was expensed in fiscal year 2007 with the remaining four and a half years of lease payments being budgeted and reallocated on an annual basis starting with fiscal year 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2007, the City had \$24,152,493 invested in a variety of capital assets, as compared to \$23,264,304 as of September 30, 2006. This represents a net increase of \$888,189 or 3.82% from the end of last year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 592,072	\$ 592,072	\$ 20,000	\$ 20,000	\$ 612,072	\$ 612,072
Buildings	7,550,762	7,524,607	2,946,470	2,946,470	10,497,232	10,471,077
Improvements other than Bldg.	9,982,257	9,556,108	16,752,471	15,285,596	26,734,728	24,841,704
Equipment	<u>3,342,589</u>	<u>3,299,494</u>	<u>2,093,834</u>	<u>1,892,556</u>	<u>5,436,423</u>	<u>5,192,050</u>
Total Cost of Assets	21,467,680	20,972,281	21,812,775	20,144,622	43,280,455	41,116,903
Less: Accumulated Depreciation	(10,293,108)	(9,488,030)	(9,081,329)	(8,364,569)	(19,374,437)	(17,852,599)
Construction in Progress	246,475	-	-	-	246,475	-
Total	\$ 11,421,047	\$ 11,484,251	\$ 12,731,446	\$ 11,780,053	\$ 24,152,493	\$ 23,264,304

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	\$ 11,484,251	\$ 11,780,053	\$ 23,264,304
Additions	741,874	1,668,153	2,410,027
Retirements at book value (net)	-	-	-
Depreciation	<u>(805,078)</u>	<u>(716,760)</u>	<u>(1,521,838)</u>
Ending Balance	\$ 11,421,047	\$ 12,731,446	\$ 24,152,493

The actual cost of capital asset retirements for the Governmental and Business-type Activities was \$264,138 and \$89,989, respectively.

Debt Outstanding

The City, with the exception of accrued compensated balances, does not have any outstanding debt as of September 30, 2007.

ECONOMIC FACTORS

Beginning in fiscal year 2007 and continuing through the date of this report the U.S. economy has experienced a slow-down in most areas including consumer spending and the real estate market. 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.

The real estate and housing sales boom over the previous five years consistently increased real estate values and increased real estate values translated into increases in ad valorem tax revenues for the City. Starting in fiscal year 2008 the trend experienced over the last five years of increases in property values ended and assessed values actually decreased for the first time in some areas of real estate. In June of 2007 the State Legislature adopted two separate approaches to property tax reform leading to a reduction in tax revenues for municipalities. The first approach required municipalities to roll back property tax collections below the fiscal year 2006-07 "rolled-back rate" (collections adjusted for new construction); this required Gulfport to cut 9% below the rolled-back rate. The second approach, approved by voters on January 29, 2008 through a Constitutional amendment, doubled the homestead exemption from \$25,000 to \$50,000, eliminated the first \$25,000 of personal property tax for businesses and established portability of the "Save our Homes" cap. Both approaches to property tax reform require a mandatory reduction by local municipalities in the amount of ad valorem taxes that can be collected and will have a significant impact on the City's main revenue source.

The City has historically invested surplus cash in the Local Government Investment Pool (LGIP) which is administered by the State Board of Administration. This Board is empowered by Florida law to invest funds at the request of local governments. In November 2007, the State Board of Administration implemented a temporary freeze on assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. In December 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid slower than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Initially, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Effective January 18, 2008, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007 Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable.

As of January 31, 2008 the City of Gulfport has approximately \$218 and \$287,517 invested in Pool A and B, respectively. Starting January 18, 2008 up to the date of this report the City has withdrawn all Pool A funds available for withdrawal without redemption fee and placed them in either a pooled cash account or

a money market account with Bank of America. No future deposits are projected to be made to Pool A of the LGIP until which time the Administrative Services Director and the City Manager assess the long term stability and security of the fund.

FINANCIAL CONDITION

The unreserved General Fund balance has decreased \$641,312 or 27% to \$1,720,187. The City has been intentionally reducing the fund balance in the General Fund since fiscal year 2005. This does not include the stability reserve of \$2,393,663. 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 has been taking the place of “payment in lieu of taxes” or 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. The practice of transferring funds from the Enterprise Funds to the General fund or “payments in lieu of taxes” was reinstated for the fiscal year 2008 budget. Continuing the practice of drawing down fund balance within the General fund was no longer considered an option with the financial effects of property tax revenues resulting from State property tax reform measures. The City ultimately decided to use a combination of budget cuts and “payment in lieu of taxes” to meet the budget shortfall caused by 1) the State Legislature’s mandated reduction in property tax revenues, and 2) a need to have a minimum fund balance of 25% in the General Fund throughout the five year forecast window in the City’s Service and Capital Plan.

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. For fiscal year 2008 the Cultural Activities enterprise fund was changed to a special revenue fund to more closely reflect the true fiscal operations of the funds activities. Because large annual contributions from the General fund or the Waterfront Redevelopment fund have been required to sustain operating costs associated with the casino and theater it was felt that the fund may be better served and more accurately reported under the premise of a special revenue fund within the general government group of funds. Historically, the Marina 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 continues to improve. Rates for all slips within the Marina have been increased substantially in the fiscal year 2008 budget allowing for adequate cash flow to accommodate future transfers to the General Fund.

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.

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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, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,094,551	\$ 2,363,242	\$ 4,457,793
Investments	3,745,040	311,823	4,056,863
Restricted Assets:			
Investments Held for Customer Deposits	-	175,973	175,973
Investments Held for Sewer Impact Fees	-	156,814	156,814
Interest Due on Investments	12,745	-	12,745
Receivables	127,222	1,005,675	1,132,897
Due From Other Governments	610	-	610
Inventories - at Cost	9,213	69,267	78,480
Prepaid Expenses	-	3,860	3,860
Total Current Assets	5,989,381	4,086,654	10,076,035
NON-CURRENT ASSETS			
Land	592,072	20,000	612,072
Buildings	7,550,762	2,946,470	10,497,232
Infrastructure and Improvements	9,982,257	16,752,471	26,734,728
Equipment and Machinery	3,342,589	2,093,834	5,436,423
Less: Accumulated Depreciation	(10,293,108)	(9,081,329)	(19,374,437)
Construction in Process	246,475	-	246,475
Total Non-current Assets	11,421,047	12,731,446	24,152,493
TOTAL ASSETS	17,410,428	16,818,100	34,228,528
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	339,339	281,779	621,118
Accrued Payroll	234,505	37,189	271,694
Accrued Compensated Absences	200,375	37,546	237,921
Internal Balances	10,000	(10,000)	-
Due to Other Governments	130	72,883	73,013
Unearned Revenue	34,837	-	34,837
Payable From Restricted Assets:			
Customer Deposits	-	197,565	197,565
Total Current Liabilities	819,186	616,962	1,436,148
NON-CURRENT LIABILITIES			
Compensated Absences	267,625	77,974	345,599
Total Non-current Liabilities	267,625	77,974	345,599
TOTAL LIABILITIES	1,086,811	694,936	1,781,747
NET ASSETS			
Investment in Capital Assets	11,421,047	12,731,446	24,152,493
Restricted:			
Sewer Projects	-	156,814	156,814
Capital Projects	658,113	-	658,113
Unrestricted	4,244,457	3,234,904	7,479,361
TOTAL NET ASSETS	\$ 16,323,617	\$ 16,123,164	\$ 32,446,781

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, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,727,884	\$ 839,320	\$ -	\$ -
Public Safety - Fire	1,065,964	7,363	553,546	-
Public Safety - Police	3,736,778	67,502	33,821	-
Leisure Services - Library	499,323	10,391	414,918	-
Leisure Services - Office of Director	207,924	-	-	-
Leisure Services - Recreation Center	535,209	168,342	-	-
Leisure Services - Parks	698,666	4,310	-	-
Leisure Services - Senior Center	181,411	-	-	-
Leisure Services - GEMS	167,362	13,051	-	-
Community Development - Planning & Development	354,721	7,790	-	-
Community Development - Code Enforcement	73,108	-	-	-
Community Development - Building Inspections	220,618	138,956	-	-
Public Works - Building Maintenance	153,809	-	-	-
Public Works - Central Garage	482,409	209,285	-	-
Public Works - Office of Director	119,705	-	-	-
Public Works - Transportation	596,315	-	-	15,754
Community Redevelopment	121,547	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	10,942,753	1,466,310	1,002,285	15,754
BUSINESS-TYPE ACTIVITIES				
Sanitation	1,711,019	1,810,665	-	-
Water and Sewer	3,662,824	3,931,746	-	-
Cultural Activities	563,448	384,728	-	-
Marina	1,207,306	1,419,634	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	7,144,597	7,546,773	-	-
TOTAL	\$ 18,087,350	\$ 9,013,083	\$ 1,002,285	\$ 15,754

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

Loss 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

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (888,564)	\$ -	\$ (888,564)
(505,055)	-	(505,055)
(3,635,455)	-	(3,635,455)
(74,014)	-	(74,014)
(207,924)	-	(207,924)
(366,867)	-	(366,867)
(694,356)	-	(694,356)
(181,411)	-	(181,411)
(154,311)	-	(154,311)
(346,931)	-	(346,931)
(73,108)	-	(73,108)
(81,662)	-	(81,662)
(153,809)	-	(153,809)
(273,124)	-	(273,124)
(119,705)	-	(119,705)
(580,561)	-	(580,561)
(121,547)	-	(121,547)
<u>(8,458,404)</u>	<u>-</u>	<u>(8,458,404)</u>
-	99,646	99,646
-	268,922	268,922
-	(178,720)	(178,720)
-	212,328	212,328
<u>-</u>	<u>402,176</u>	<u>402,176</u>
<u>(8,458,404)</u>	<u>402,176</u>	<u>(8,056,228)</u>
3,556,585	-	3,556,585
721,160	-	721,160
958,917	-	958,917
576,288	-	576,288
1,202,239	-	1,202,239
723,283	-	723,283
112,549	-	112,549
33,526	-	33,526
412,529	-	412,529
367,214	146,689	513,903
262,302	-	262,302
(255,204)	-	(255,204)
(807,689)	807,689	-
<u>7,863,699</u>	<u>954,378</u>	<u>8,818,077</u>
<u>(594,705)</u>	<u>1,356,554</u>	<u>761,849</u>
<u>16,918,322</u>	<u>14,766,610</u>	<u>31,684,932</u>
<u>\$ 16,323,617</u>	<u>\$ 16,123,164</u>	<u>\$ 32,446,781</u>

CITY OF GULFPORT, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2007

	General	Waterfront Redevelopment District	49th Street Redevelopment District	GEMS	Capital Projects	Library Fund	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 863,291	\$ 184,375	\$ 120,226	\$ 119,316	\$ 709,172	\$ 98,171	\$ 2,094,551
Investments	3,745,040	-	-	-	-	-	3,745,040
Interest Due on Investments	12,745	-	-	-	-	-	12,745
Accounts Receivable - Net	127,222	-	-	-	-	-	127,222
Due From Other Governments	610	-	-	-	-	-	610
Due From Other Funds	390,000	-	-	-	-	-	390,000
Inventories - at Cost	9,213	-	-	-	-	-	9,213
Prepaid Expenditures	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 5,148,121	\$ 184,375	\$ 120,226	\$ 119,316	\$ 709,172	\$ 98,171	\$ 6,379,381
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 190,218	\$ 7,786	\$ 90,253	\$ 23	\$ 51,059	\$ -	\$ 339,339
Accrued Payroll	228,002	1,822	1,823	2,858	-	-	234,505
Due to Other Funds	400,000	-	-	-	-	-	400,000
Due to Other Governments	130	-	-	-	-	-	130
Deferred Revenue:							
Other	500	-	-	-	-	-	500
Occupational Licenses	34,337	-	-	-	-	-	34,337
TOTAL LIABILITIES	853,187	9,608	92,076	2,881	51,059	-	1,008,811
FUND BALANCES							
Reserved for Encumbrances	171,871	-	-	-	5,195	-	177,066
Reserved for Inventories and Prepays	9,213	-	-	-	-	-	9,213
Reserved for Transportation Projects	-	-	-	-	299,988	-	299,988
Reserved for Library Projects	-	-	-	-	-	98,171	98,171
Stability Reserve	2,393,663	-	-	-	-	-	2,393,663
Unreserved - Undesignated, reported in:							
General Fund	1,720,187	-	-	-	-	-	1,720,187
Special Revenue Funds	-	174,767	28,150	116,435	-	-	319,352
Capital Projects Fund	-	-	-	-	352,930	-	352,930
TOTAL FUND BALANCES	4,294,934	174,767	28,150	116,435	658,113	98,171	5,370,570
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,148,121	\$ 184,375	\$ 120,226	\$ 119,316	\$ 709,172	\$ 98,171	\$ 6,379,381

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, 2007

Fund Balances - total governmental funds		\$	5,370,570
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	\$	21,714,155	
Less: accumulated depreciation		<u>(10,293,108)</u>	
			11,421,047
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:			
Compensated absences			<u>(468,000)</u>
Net assets of governmental activities		\$	<u><u>16,323,617</u></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, 2007

	General	Waterfront Redevelopment District	49th Street Redevelopment District	GEMS	Capital Project	Library Fund	Total Governmental Funds
REVENUES							
Taxes	\$ 5,680,484	\$ 132,466	\$ -	\$ -	\$ 1,202,239	\$ -	\$ 7,015,189
Licenses and Permits	203,935	-	-	-	-	-	203,935
Intergovernmental Revenue	2,096,940	187,232	-	-	15,754	-	2,299,926
Impact Fees	-	-	-	-	-	-	-
Charges for Services	1,168,412	-	-	13,051	-	-	1,181,463
Fines and Forfeitures	80,912	-	-	-	-	-	80,912
Miscellaneous Revenues	165,634	200	-	1,400	-	95,069	262,303
Earnings on Investments	296,493	6,791	2,185	2,719	55,794	3,232	367,214
TOTAL REVENUES	9,692,810	326,689	2,185	17,170	1,273,787	98,301	11,410,942
EXPENDITURES							
General Government	1,572,865	-	-	-	45,263	-	1,618,128
Public Safety	4,422,706	-	-	-	265,321	-	4,688,027
Public Works	1,216,721	-	-	-	114,181	-	1,330,902
Leisure Services	2,231,380	-	-	153,952	2,446	130	2,387,908
Community Development	492,166	186,537	-	-	-	-	678,703
Community Redevelopment	-	-	348,716	-	-	-	348,716
TOTAL EXPENDITURES	9,935,838	186,537	348,716	153,952	427,211	130	11,052,384
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(243,028)	140,152	(346,531)	(136,782)	846,576	98,171	358,558
OTHER FINANCING SOURCES (USES)							
Transfers In	107,311	-	313,000	140,000	-	-	560,311
Transfers Out	(268,000)	(100,000)	-	-	(1,000,000)	-	(1,368,000)
TOTAL OTHER FINANCING SOURCES (USES)	(160,689)	(100,000)	313,000	140,000	(1,000,000)	-	(807,689)
NET CHANGE IN FUND BALANCES	(403,717)	40,152	(33,531)	3,218	(153,424)	98,171	(449,131)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	4,698,651	134,615	61,681	113,217	811,537	0	5,819,701
FUND BALANCES - END OF YEAR	\$ 4,294,934	\$ 174,767	\$ 28,150	\$ 116,435	\$ 658,113	\$ 98,171	\$ 5,370,570

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, 2007

Net change in fund balances - total governmental funds \$ (449,131)

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	\$ 1,012,652	
Less: current year depreciation	<u>(820,652)</u>	192,000

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. (255,204)

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>(82,370)</u>
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Change in net assets of governmental activities		<u><u>\$ (594,705)</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, 2007

	Business-type Activities - Enterprise Funds				
	Sanitation	Water and Sewer	Cultural Activities	Marina	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 682,003	\$ 1,312,797	\$ -	\$ 368,442	\$ 2,363,242
Investments	303,703	-	-	8,120	311,823
Restricted Assets:					
Investments Held for Customer Deposits	-	113,208	-	62,765	175,973
Investments Held for Sewer Impact Fees	-	156,814	-	-	156,814
Receivables:					
Accounts, Billed (net)	113,180	277,140	11,581	187,445	589,346
Accounts, Unbilled	117,704	296,629	-	-	414,333
Payroll Advance	-	1,484	-	512	1,996
Due From Other Funds	-	400,000	-	-	400,000
Inventories - at Cost	-	17,091	7,402	44,774	69,267
Prepaid Expenses	-	-	2,860	1,000	3,860
Total Current Assets	<u>1,216,590</u>	<u>2,575,163</u>	<u>21,843</u>	<u>673,058</u>	<u>4,486,654</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	288,573	12,658,541	28,482	3,776,875	16,752,471
Equipment and Machinery	1,427,227	555,745	69,953	40,909	2,093,834
Less: Accumulated Depreciation	(1,317,475)	(5,825,979)	(377,654)	(1,560,221)	(9,081,329)
Total Non-current Assets	<u>629,071</u>	<u>7,800,272</u>	<u>1,929,346</u>	<u>2,372,757</u>	<u>12,731,446</u>
TOTAL ASSETS	<u>1,845,661</u>	<u>10,375,435</u>	<u>1,951,189</u>	<u>3,045,815</u>	<u>17,218,100</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	12,879	214,753	32,371	21,776	281,779
Accrued Payroll	19,679	8,116	4,752	4,642	37,189
Accrued Compensated Absences	17,157	15,484	2,305	2,600	37,546
Due to Other Funds	-	-	-	390,000	390,000
Due to Other Governments	-	72,883	-	-	72,883
Payable From Restricted Assets:					
Customer Deposits	-	122,142	-	75,423	197,565
Total Current Liabilities	<u>49,715</u>	<u>433,378</u>	<u>39,428</u>	<u>494,441</u>	<u>1,016,962</u>
NON-CURRENT LIABILITIES					
Compensated Absences	33,696	30,724	2,266	11,288	77,974
Total Non-current Liabilities	<u>33,696</u>	<u>30,724</u>	<u>2,266</u>	<u>11,288</u>	<u>77,974</u>
TOTAL LIABILITIES	<u>83,411</u>	<u>464,102</u>	<u>41,694</u>	<u>505,729</u>	<u>1,094,936</u>
NET ASSETS					
Invested in Capital Assets	629,071	7,800,272	1,929,346	2,372,757	12,731,446
Restricted:					
Sewer Projects	-	156,814	-	-	156,814
Unrestricted	1,133,179	1,954,247	(19,851)	167,329	3,234,904
TOTAL NET ASSETS	<u>\$ 1,762,250</u>	<u>\$ 9,911,333</u>	<u>\$ 1,909,495</u>	<u>\$ 2,540,086</u>	<u>\$ 16,123,164</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, 2007

	Business-type Activities - Enterprise Funds				Total
	Sanitation	Water and Sewer	Cultural Activities	Marina	
OPERATING REVENUE					
Charges for Sales and Services	\$ 1,806,245	\$ 3,919,098	\$ 384,241	\$ 1,391,019	\$ 7,500,603
Other	4,420	12,648	487	28,615	46,170
Total Operating Revenues	<u>1,810,665</u>	<u>3,931,746</u>	<u>384,728</u>	<u>1,419,634</u>	<u>7,546,773</u>
OPERATING EXPENSES					
Personal Services	669,423	452,339	163,721	155,566	1,441,049
Contractual Services	434,639	2,146,272	84,888	7,841	2,673,640
Operating Supplies	31,730	117,169	15,867	32,623	197,389
Administration Overhead	181,669	374,871	36,158	129,538	722,236
Other Current Charges	251,307	135,836	203,658	713,562	1,304,363
Depreciation	142,251	436,337	59,156	168,176	805,920
Total Operating Expenses	<u>1,711,019</u>	<u>3,662,824</u>	<u>563,448</u>	<u>1,207,306</u>	<u>7,144,597</u>
OPERATING INCOME (LOSS)	<u>99,646</u>	<u>268,922</u>	<u>(178,720)</u>	<u>212,328</u>	<u>402,176</u>
NON-OPERATING REVENUES					
Earnings on Investments	51,334	67,437	210	27,708	146,689
Total Non-operating Revenues	<u>51,334</u>	<u>67,437</u>	<u>210</u>	<u>27,708</u>	<u>146,689</u>
INCOME (LOSS) BEFORE TRANSFERS	150,980	336,359	(178,510)	240,036	548,865
Transfers In	15,000	800,000	100,000	-	915,000
Transfers Out	-	-	-	(107,311)	(107,311)
CHANGE IN NET ASSETS	165,980	1,136,359	(78,510)	132,725	1,356,554
NET ASSETS - BEGINNING OF YEAR	<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>
NET ASSETS - END OF YEAR	<u>\$ 1,762,250</u>	<u>\$ 9,911,333</u>	<u>\$ 1,909,495</u>	<u>\$ 2,540,086</u>	<u>\$ 16,123,164</u>

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, 2007

	Business-type Activities - Enterprise Funds				Total
	Sanitation	Water and Sewer	Cultural Activities	Marina	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ 1,798,924	\$ 3,811,191	\$ 381,937	\$ 1,236,252	\$ 7,228,304
Cash Paid to Suppliers for Goods and Services	(931,647)	(2,661,344)	(338,231)	(880,470)	(4,811,692)
Cash Paid to and for the Benefit of Employees	(657,825)	(450,825)	(162,122)	(156,022)	(1,426,794)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>209,452</u>	<u>699,022</u>	<u>(118,416)</u>	<u>199,760</u>	<u>989,818</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Interfund Proceeds (Payments)	15,000	800,000	100,000	(107,311)	807,689
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>15,000</u>	<u>800,000</u>	<u>100,000</u>	<u>(107,311)</u>	<u>807,689</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(200,286)	(1,335,133)	(18,928)	(181,311)	(1,735,658)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(200,286)</u>	<u>(1,335,133)</u>	<u>(18,928)</u>	<u>(181,311)</u>	<u>(1,735,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on Investments	51,334	67,437	210	27,708	146,689
Proceeds From Sale of Investments	-	-	-	10,612	10,612
Purchase of Investments	(12,405)	(14,226)	-	(3,734)	(30,365)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>38,929</u>	<u>53,211</u>	<u>210</u>	<u>34,586</u>	<u>126,936</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,095	217,100	(37,134)	(54,276)	188,785
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>618,908</u>	<u>1,095,697</u>	<u>37,134</u>	<u>422,718</u>	<u>2,174,457</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 682,003</u>	<u>\$ 1,312,797</u>	<u>\$ -</u>	<u>\$ 368,442</u>	<u>\$ 2,363,242</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
OPERATING INCOME (LOSS)	\$ 99,646	\$ 268,922	\$ (178,720)	\$ 212,328	\$ 402,176
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation	142,251	436,337	59,156	168,176	805,920
Changes in Assets and Liabilities:					
(Increase) in Accounts Receivable	(11,741)	(120,555)	(903)	(185,426)	(318,625)
(Increase) decrease in Inventories	-	39,698	1,237	(5,326)	35,609
Decrease in Prepaid Expense	-	-	-	2,044	2,044
Increase (decrease) in Accounts Payable	(32,302)	23,219	(785)	8,420	(1,448)
Increase (decrease) in Accrued Payroll, Compensated Absences and Related Liabilities	11,598	3,017	1,599	(456)	15,758
Increase in Due to Other Governments	-	48,384	-	-	48,384
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 209,452</u>	<u>\$ 699,022</u>	<u>\$ (118,416)</u>	<u>\$ 199,760</u>	<u>\$ 989,818</u>

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

CITY OF GULFPORT, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS - PENSION TRUST FUNDS September 30, 2007

ASSETS

Investments at Fair Value:

Money Market Funds	\$ 4,755,504
Mutual Funds	6,141,642
U.S. Government Bonds	1,838,239
Trustee Bank's Mutual Bond Funds	13,837
Trustee Bank's Mutual Equity Funds	4,279,502
	<u>17,028,724</u>

Receivables:

Interest and Dividends	28,973
Due from other Governments	160,409
Other Receivables	7,913
	<u>197,295</u>

TOTAL ASSETS 17,226,019

LIABILITIES

Fee Payable	<u>11,714</u>
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TOTAL LIABILITIES 11,714

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

\$ 17,214,305

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, 2007

ADDITIONS	
Contributions:	
Employer	\$ 670,920
Plan Members	167,038
Total contributions	<u>837,958</u>
Investment Earnings Including	
Net Increase (Decrease) in Fair Value of Investments	<u>1,987,850</u>
TOTAL ADDITIONS	<u>2,825,808</u>
DEDUCTIONS	
Benefits	720,508
Termination Payments	65,380
Administration Expenses	<u>60,020</u>
TOTAL DEDUCTIONS	<u>845,908</u>
CHANGE IN NET ASSETS	1,979,900
NET ASSETS - BEGINNING OF YEAR	<u>15,234,405</u>
NET ASSETS - END OF YEAR	<u>\$ 17,214,305</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, 2007

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 of Gulfport 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 work 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 an activity program 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, GEMS and Library 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 four special revenue funds consisting of the Waterfront and 49th Street Redevelopment Districts discussed above, GEMS for elderly transportation and the Library Fund created in 2007 to account for funds from the Gulfport Public Library Foundation.
- c) **Capital Projects Fund** – The City has one capital projects fund. This fund is designed to account for the resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds).

2. Proprietary Funds:

These funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, 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.

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

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

2. Proprietary Funds: *(Continued)*

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.

3. 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 fund balance.

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 statement of net assets. 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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

1. Modified Accrual: (Continued)

“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.

2. 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.”

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Receivables and Payables (Continued)

Property taxes, which were levied during fiscal year 2007 and are uncollected as of September 30, 2007, 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, 2007, 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 \$1000 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. Currently the City has no capital related debt.
- **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 appropriated 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 government 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.
- **Reserved for Library Projects** - indicates a portion of the fund balance which has been segregated for expenditures funded by contributions to the City’s library.
- **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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Reclassifications

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

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, Library 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007 was 3.87 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.

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.

H. 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 cash equivalents 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, 2007, the bank balance amount of the City's cash deposit accounts was \$4,747,537. The cash deposits are held by a bank that qualifies as a public depository under the Florida Security and Pubic Deposits Act, as required by Chapter 280, Florida Statutes, and are considered fully insured.

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 at the Federal Reserve or qualify as state-qualified public deposits, as

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

Investments (Continued)

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 i) 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; see Note 14. 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 Fund based on their equity participation.

The City’s investments carried at fair value as of September 30, 2007, are as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Mortgage Backed U.S Government Agencies	1-26 Months	\$ 2,452,750
Local Government Investment Pool	32 days	<u>1,936,900</u>
Total Investments		<u>\$ 4,389,650</u>

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

Investments (Continued)

Interest Rate Risk - In compliance with the City's investment policy, as of September 30, 2007, 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, 2007, 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 agencies 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)	\$4,056,863
Investments (restricted) - held for customer deposits	175,973
Investments (restricted) - held for sewer impact fees	156,814
	<hr/>
Total	\$ 4,389,650
	<hr/>

General Employees' Pension Fund

Deposits

Salem Trust Company periodically holds un-invested 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)

The Pension Fund held the following investments as of September 30, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$3,601,355	Complies with investment policy
Mutual Funds	<u>6,141,642</u>	Complies with investment policy
Total Investments	<u>\$9,742,997</u>	

Credit Risk - The Pension 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, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$ 258,194	Complies with investment policy
U.S. Government Bonds	1,838,239	Complies with investment policy
Mutual Equity Funds	13,837	Complies with investment policy
Mutual Bond Funds	<u>3,310,746</u>	Complies with investment policy
Total Investments	<u>\$5,421,016</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 un-invested 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, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$ 895,955	Complies with investment policy
Mutual Equity Funds	<u>968,756</u>	Complies with investment policy
Total Investments	<u>\$1,864,711</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:

	General	Enterprise	Total
Accounts Receivable:			
Billed	\$ 82,452	\$ 713,793	\$ 807,424
Unbilled	-	414,333	414,333
Payroll Advance	11,569	3,865	15,434
Code Enforcement Liens	99,672	-	88,864
Total Receivables	193,693	1,131,991	1,325,873
Allowance for Uncollectibles	(66,471)	(126,316)	(192,787)
Net Total Receivables	<u>\$ 127,222</u>	<u>\$ 1,005,675</u>	<u>\$1,132,897</u>

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual fund interfund receivables and payable balances pertain to pooled cash overdrafts at September 30, 2007 and interfund loans:

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

Interfund transfers consist of the following for the year ended September 30, 2007:

Fund	Transfers In	Transfers Out
General	\$ 107,311	\$ 268,000
Waterfront RD	-	100,000
49 th St. RD	313,000	-
GEMS	140,000	-
Capital Projects	-	1,000,000
Sanitation	15,000	-
Water & Sewer	800,000	-
Cultural Activities	100,000	-
Marina	-	107,311
Total	<u>\$ 1,475,311</u>	<u>\$ 1,475,311</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 and GEMS are to fund operations and capital projects. The \$1,000,000 transfer from the Capital Projects Fund to the 49th Street Redevelopment District and the Water and Sewer Fund was for renewal and replacement of street surfaces and water and sewer lines. The transfer from the Waterfront Redevelopment District to the Cultural Activities Enterprise Fund is for capital improvements.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2007 was as follows:

	Beginning Balance 10/1/2006	Additions	Deletions	Ending Balance 9/30/2007
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 592,072	\$ -	\$ -	\$ 592,072
Construction in progress	-	246,475	-	246,475
Depreciable Assets:				
Buildings	7,524,607	26,154	-	7,550,761
Infrastructure and Improvements	9,556,108	426,150	-	9,982,258
Equipment	3,294,493	312,234	264,138	3,342,589
Total at Historical Cost	<u>20,967,280</u>	<u>1,011,013</u>	<u>264,138</u>	<u>21,714,155</u>
Less Accumulated Depreciation for:				
Buildings	1,904,611	186,710	-	2,091,322
Infrastructure and Improvements	5,370,607	412,604	-	5,783,211
Equipment	2,197,238	221,338	-	2,418,575
Total Accumulated Depreciation	<u>9,472,456</u>	<u>820,652</u>	<u>-</u>	<u>10,293,108</u>
Capital Assets, Net	<u>\$ 11,494,824</u>	<u>\$ 190,361</u>	<u>\$ (264,138)</u>	<u>\$ 11,421,047</u>

Depreciation was charged to governmental activities as follows:

General Government	\$ 95,076
Public Safety - Fire	70,923
Public Safety - Police	160,549
Leisure Services - Library	44,703
Leisure Services - Office of Director	423
Leisure Services - Recreation Center	40,287
Leisure Services - Parks Maintenance	83,963
Leisure Services - Senior Center	22,168
Leisure Services - GEMS	13,410
Community Development	1,717
Public Works - Central Garage	10,415
Public Works - Transportation	148,227
Community Redevelopment	128,791
Total Depreciation	<u>\$ 820,652</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	Beginning Balance 10/1/2006	Additions	Deletions	Ending Balance 9/30/2007
Business-type Activities:				
Non-Depreciable Assets:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Depreciable Assets:				
Buildings	2,946,470	-	-	2,946,470
Infrastructure and Improvements	15,285,596	1,466,874	-	16,752,470
Equipment	1,892,557	291,266	89,989	2,093,834
Total at Historical Cost	<u>20,144,624</u>	<u>1,758,140</u>	<u>89,989</u>	<u>21,812,774</u>
Less Accumulated Depreciation for:				
Buildings	773,405	57,810	-	831,215
Infrastructure and Improvements	6,180,890	567,858	-	6,748,748
Equipment	1,410,275	180,252	89,161	1,501,366
Total Accumulated Depreciation	<u>8,364,570</u>	<u>805,920</u>	<u>89,161</u>	<u>9,081,329</u>
Capital Assets, Net	<u>\$ 11,780,053</u>	<u>\$952,220</u>	<u>\$ 828</u>	<u>\$ 12,731,446</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.

The 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, 2007, 2006 or 2005, nor is the City aware of any contingent assessments.

NOTE 7 - 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	\$ 385,630	\$ 269,063	\$ 186,693	\$ 468,000	\$ 200,375
Business-like Activities	98,690	79,019	62,190	115,519	37,546
Total	<u>\$ 484,320</u>	<u>\$ 348,082</u>	<u>\$ 248,883</u>	<u>\$ 583,520</u>	<u>\$ 237,921</u>

NOTE 8 - 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 8 - PENSION PLANS (Continued)

Description of Plans (Continued)

The following schedule (derived from the respective actuarial reports and City information) reflects accounting policies, membership and 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	4 year smooth	4 year smooth
Actuarial valuation	Market	4 year smooth	4 year smooth
Covered payroll (fiscal year 9/30/2006)	\$ 3,278,360	\$ 618,557.31	\$ 1,692,383
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	<u>192</u>	<u>32</u>	<u>47</u>
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 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.

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

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

NOTE 8 - PENSION PLANS (Continued)

Description of Plans (Continued)

Plans covering Firefighters and Police Officers are contributory. The 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 Management Association ("ICMA") serving as the plan administrator. The plan does not require contributions from the members. The City contributes 12% of the annual compensation of participating employees. For fiscal year 2007, the City contributed approximately \$70,000. Contributions made by the City were equal to the required contributions.

Three-Year Trend Information

	Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
General Employees	10/1/2006	\$ 255,381	100%	\$ -
	10/1/2005	\$ 273,944	100%	\$ -
	10/1/2004	\$ 350,530	100%	\$ -
Firefighters	10/1/2006	\$ 84,917	100%	\$ -
	10/1/2005	\$ 69,899	100%	\$ -
	10/1/2004	\$ 65,046	100%	\$ -
Police Officers	10/1/2006	\$ 240,701	100%	\$ -
	10/1/2005	\$ 214,711	100%	\$ -
	10/1/2004	\$ 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, 2007, were as follows: General Employees - \$189,893, Firefighters - \$159,511 and Police Officers - \$312,516. 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, 2006.

NOTE 8 - PENSION PLANS (Continued)**Description of Plans (Continued)****Summary of significant accounting policies**

Basis of Accounting. The 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 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 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.

Pension Plan Financial Statements**Combining Statement of Plan Net Assets**

	General Employees' Pension Fund	Police Pension Fund	Firefighters' Pension Fund
ASSETS			
Investments at Fair Value			
Money Market Funds	\$ 3,601,355	\$ 258,194	\$ 895,955
Mutual Funds	6,141,642		-
U.S. Government Bonds	-	1,838,239	-
Trustee Bank's Mutual Bond Funds	-	13,837	-
Trustee Bank's Mutual Equity Funds	-	3,310,746	968,756
Total investments	<u>9,742,997</u>	<u>5,421,016</u>	<u>1,864,711</u>
Receivables			
Due From Other Governments			
Interest and dividends	24,994	-	3,979
Due from other governments	47,473	56,057	56,879
Other receivables	-	-	7,913
TOTAL ASSETS	<u><u>9,815,464</u></u>	<u><u>5,477,073</u></u>	<u><u>1,933,482</u></u>
LIABILITIES			
Fee Payable	7,567	3,397	750
TOTAL LIABILITIES	<u><u>7,567</u></u>	<u><u>3,397</u></u>	<u><u>750</u></u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
	<u><u>\$ 9,807,897</u></u>	<u><u>\$ 5,473,676</u></u>	<u><u>\$ 1,932,732</u></u>

NOTE 8 - PENSION PLANS (Continued)**Pension Plan Financial Statements (Continued)****Combining Statement of Changes in Plan Net Assets**

	General Employees' Pension Fund	Police Pension Fund	Firefighters' Pension Fund
ADDITIONS			
Contributions:			
Employer	\$ 189,893	\$ 321,516	\$ 159,511
Plan members	-	135,390	31,648
Earnings on Investments	1,160,280	621,163	206,407
TOTAL ADDITIONS	1,350,173	1,078,069	397,566
DEDUCTIONS			
Benefits Paid	253,825	421,161	110,902
Termination Payments	-	-	-
Administration Expenses	32,408	13,949	13,663
TOTAL DEDUCTIONS	286,233	435,110	124,565
NET INCREASE	1,063,940	642,959	273,001
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	8,743,957	4,830,717	1,659,731
END OF YEAR	\$ 9,807,897	\$ 5,473,676	\$ 1,932,732

NOTE 9 - DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Section 457, Internal Revenue Code. 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 government’s legal counsel that the government 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 of Gulfport report the assets of Internal Revenue Code, Section 457, plans on the balance sheet.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

The government currently provides no post-retirement 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 11 - 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, Florida, \$2,130,197 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 are 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 government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government’s counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE 12 - SUBSEQUENT EVENT

As discussed in Note 2, at September 30, 2007, the City of Gulfport had \$1,938,612 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid slower than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

NOTE 12 - SUBSEQUENT EVENT (Continued)

Initially, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Effective January 18, 2008, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of January 31, 2008 the City of Gulfport has approximately \$218 and \$287,517 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

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, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Taxes	\$ 5,707,638	\$ 5,707,638	\$ 5,680,484	\$ (27,154)
Licenses & Permits	315,996	315,996	203,935	(112,061)
Intergovernmental Revenue	2,272,632	2,272,632	2,096,940	(175,692)
Charges for Services	661,964	1,421,261	1,168,412	(252,849)
Fines and Forfeitures	70,700	70,700	80,912	10,212
Miscellaneous Revenues	153,000	269,650	165,634	(104,016)
Earnings on Investments	180,000	180,000	296,493	116,493
Transfers In	860,608	1,142,291	107,311	(1,034,980)
AMOUNTS AVAILABLE FOR APPROPRIATION	10,222,538	11,380,168	9,800,121	(1,580,047)
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
GENERAL GOVERNMENT:				
Legislative	284,315	284,315	297,007	(12,692)
Legal	134,500	237,537	238,059	(522)
Executive	205,135	205,135	194,292	10,843
Financial	480,950	480,950	444,634	36,316
Human Resources	105,976	105,976	81,589	24,387
Information Technology	347,013	469,663	317,285	152,378
Total	1,557,889	1,783,576	1,572,866	210,710
PUBLIC SAFETY:				
Fire	1,185,364	1,185,364	1,053,494	131,870
Police	3,836,261	3,854,524	3,369,212	485,312
Total	5,021,625	5,039,888	4,422,706	617,182
LEISURE SERVICES:				
Library	598,884	598,884	602,822	(3,938)
Office of Director	207,120	207,120	207,501	(381)
Recreation Center	535,973	622,030	565,748	56,282
Parks	679,147	715,106	683,486	31,620
Senior Center	200,967	202,531	171,823	30,708
Total	2,222,091	2,345,671	2,231,380	114,291
COMMUNITY DEVELOPMENT:				
Planning & Development	198,067	239,363	194,386	44,977
Code Enforcement	76,582	76,582	73,108	3,474
Building Inspections	274,303	274,303	224,672	49,631
Total	548,952	590,248	492,166	98,082
PUBLIC WORKS:				
Building Maintenance	167,407	175,755	165,378	10,377
Central Garage	499,767	504,421	475,175	29,246
Office of Director	114,384	115,559	121,678	(6,119)
Streets	557,050	557,050	454,490	102,560
Total	1,338,608	1,352,785	1,216,721	136,064

Continued

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

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - Continued
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Transfers Out and Capital Contributions	\$ 268,000	\$ 268,000	\$ 268,000	\$ -
TOTAL CHARGES TO APPROPRIATIONS	10,957,165	11,380,168	10,203,839	1,176,329
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(734,627)	-	(403,718)	(403,718)
FUND BALANCE - BEGINNING OF YEAR	4,698,651	4,698,651	4,698,651	-
FUND BALANCE - END OF YEAR	\$ 3,964,024	\$ 4,698,651	\$ 4,294,933	\$ (403,718)

Note: This schedule was 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, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Taxes	\$ 132,424	\$ 132,424	\$ 132,466	\$ 42
Intergovernmental Revenue	210,134	210,134	187,232	(22,902)
Earnings on Investments	3,000	3,000	6,991	3,991
Appropriated Surplus	-	68,815	-	(68,815)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>345,558</u>	<u>414,373</u>	<u>326,689</u>	<u>(87,684)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	77,374	82,819	63,767	19,052
Operating Expenses	48,259	55,579	45,717	9,862
Capital	50,000	106,050	77,053	
Transfers out	100,000	100,000	100,000	-
TOTAL CHARGES TO APPROPRIATIONS	<u>275,633</u>	<u>344,448</u>	<u>286,537</u>	<u>28,914</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	69,925	69,925	40,152	(58,770)
FUND BALANCE - BEGINNING OF YEAR	<u>134,615</u>	<u>134,615</u>	<u>134,615</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 204,540</u>	<u>\$ 204,540</u>	<u>\$ 174,767</u>	<u>\$ (58,770)</u>

CITY OF GULFPORT, FLORIDA

**SPECIAL REVENUE FUND
49TH STREET REDEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Intergovernmental Revenue	\$ 1,240,000	\$ 1,540,000	\$ -	\$ (1,540,000)
Earnings on Investments		-	2,185	2,185
Transfers In	313,000	313,000	313,000	-
Appropriated Surplus		275,399	-	(275,399)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>1,553,000</u>	<u>2,128,399</u>	<u>315,185</u>	<u>(1,813,214)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	69,346	74,291	63,450	10,841
Operating Expenses	12,660	10,480	6,360	4,120
Capital	1,420,000	1,992,634	278,906	1,713,728
TOTAL CHARGES TO APPROPRIATIONS	<u>1,502,006</u>	<u>2,077,405</u>	<u>348,716</u>	<u>1,728,689</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	50,994	50,994	(33,531)	(84,525)
FUND BALANCE - BEGINNING OF YEAR	<u>61,681</u>	<u>61,681</u>	<u>61,681</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 112,675</u>	<u>\$ 112,675</u>	<u>\$ 28,150</u>	<u>\$ (84,525)</u>

CITY OF GULFPORT, FLORIDA

SPECIAL REVENUE FUND
 GEMS (GULFPORT ELDERLY MOBILITY SYSTEM)
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Charges for Services	\$ 18,045	\$ 18,045	\$ 13,051	\$ (4,994)
Miscellaneous Revenues	700	700	1,400	700
Earnings on Investments	-	0	2,719	2,719
Transfers In	140,000	140,000	140,000	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>158,745</u>	<u>158,745</u>	<u>157,170</u>	<u>(1,575)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	100,522	100,522	108,629	(8,107)
Operating Expenses	49,196	49,196	45,323	3,873
TOTAL CHARGES TO APPROPRIATIONS	<u>149,718</u>	<u>149,718</u>	<u>153,952</u>	<u>(4,234)</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	9,027	9,027	3,218	(5,809)
FUND BALANCE - BEGINNING OF YEAR	<u>113,217</u>	<u>113,217</u>	<u>113,217</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 122,244</u>	<u>\$ 122,244</u>	<u>\$ 116,435</u>	<u>\$ (5,809)</u>

CITY OF GULFPORT, FLORIDA

SPECIAL REVENUE FUND
LIBRARY FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Contributions Revenues	\$ -	\$ 95,000	\$ 95,069	\$ 69
Earnings on Investments	-	-	3,232	3,232
AMOUNTS AVAILABLE FOR APPROPRIATION	-	95,000	98,301	3,301
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Operating Expenses	-	95,000	130	94,870
TOTAL CHARGES TO APPROPRIATIONS	-	95,000	130	94,870
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	-	-	98,171	98,171
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 98,171	\$ 98,171

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) Frozen 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%

Other Supplementary Information

This financial statement provides a budgetary comparison schedule for the capital projects fund.

CITY OF GULFPORT, FLORIDA

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Intergovernmental Revenue	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Infrastructure Tax	1,258,087	1,258,087	1,202,239	(55,848)
Impact Fees	26,000	26,000	15,754	(10,246)
Earnings on Investments	2,000	2,000	55,794	53,794
Appropriated Surplus		1,013,613	-	(1,013,613)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>1,386,087</u>	<u>2,399,700</u>	<u>1,273,787</u>	<u>(1,125,913)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Buildings	534,017	618,049	-	618,049
Improvements other than Buildings	459,000	421,734	343,876	77,858
Machinery & Equipment	84,900	84,900	80,889	4,011
Maintenance		-	2,446	(2,446)
Transfers Out	1,000,000	800,000	1,000,000	(200,000)
TOTAL CHARGES TO APPROPRIATIONS	<u>2,077,917</u>	<u>1,924,683</u>	<u>1,427,211</u>	<u>497,472</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(691,830)	475,017	(153,424)	(628,441)
FUND BALANCE - BEGINNING OF YEAR	<u>811,537</u>	<u>811,537</u>	<u>811,537</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 119,707</u>	<u>\$ 1,286,554</u>	<u>\$ 658,113</u>	<u>\$ (628,441)</u>

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STATISTICAL SECTION

Statistical Section - Unaudited

This part of the City of Gulfport, Florida’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

PAGE

Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time 63

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax 68

Debt Capacity

This schedule presents information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future 74

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place 75

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs..... 77

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years. The City implemented GASB Statement 34 in 2002; schedules presenting financial trends include information beginning in that year.

Note: As of September 30, 2007, the City had no long-term general obligation or general bonded debt outstanding, and there had been no general obligation debt for the prior ten years. The City Charter has established that the general obligation borrowing must be exercised in accordance with Chapter 166, Florida Statutes.

City of Gulfport, Florida
TABLE 1 - Net Assets by Component
Last Six Fiscal Years

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
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	\$ 11,421,047
Restricted	278,332	269,713	285,908	311,484	811,537	658,113
Unrestricted	<u>6,975,403</u>	<u>6,972,565</u>	<u>6,366,837</u>	<u>5,347,130</u>	<u>4,622,534</u>	<u>4,244,457</u>
Total governmental activities net assets	<u>\$ 17,124,359</u>	<u>\$ 18,181,958</u>	<u>\$ 18,478,721</u>	<u>\$ 17,337,107</u>	<u>\$ 16,918,322</u>	<u>\$ 16,323,617</u>
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	\$ 12,731,446
Restricted	106,714	116,389	116,389	138,139	156,814	156,814
Unrestricted	<u>1,547,257</u>	<u>964,595</u>	<u>506,104</u>	<u>1,805,008</u>	<u>2,829,743</u>	<u>3,234,904</u>
Total business-type activities net of assets	<u>\$ 11,279,253</u>	<u>\$ 10,896,920</u>	<u>\$ 11,595,868</u>	<u>\$ 13,267,343</u>	<u>\$ 14,766,610</u>	<u>\$ 16,123,164</u>
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	\$ 24,152,493
Restricted	385,046	386,102	402,297	449,623	968,351	814,927
Unrestricted	<u>8,522,660</u>	<u>7,937,160</u>	<u>6,872,941</u>	<u>7,152,138</u>	<u>7,452,277</u>	<u>7,479,361</u>
Total business-type activities net of assets	<u>\$ 28,403,612</u>	<u>\$ 29,078,878</u>	<u>\$ 30,074,589</u>	<u>\$ 30,604,450</u>	<u>\$ 31,684,932</u>	<u>\$ 32,446,781</u>

CITY OF GULFPORT, FLORIDA

TABLE 2 - Change in Net Assets
Last Six Fiscal Years

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses						
Governmental activities:						
General Government	\$ 1,288,909	\$1,372,705	\$1,338,914	\$1,409,319	\$1,617,209	\$1,727,884
Public Safety - Police	2,740,753	2,941,623	3,437,742	3,512,439	3,737,832	3,897,891
Public Safety - Fire	855,728	909,780	917,783	979,320	971,362	1,094,198
Public Safety - Protective Services	227,757	222,366	237,485	268,643	313,460	300,644
Public Services - Transportation	490,994	501,491	505,912	654,629	639,191	647,172
Public Works - Central Garage	-	-	347,727	399,547	450,383	491,197
Public Works - Building Maintenance	-	-	-	132,862	158,301	165,278
Public Works - Office of Director	-	-	-	130,589	112,830	119,705
Culture and Recreation - Library	495,408	537,625	577,346	581,075	632,084	499,323
Culture and Recreation - Office of Director	171,968	170,893	169,908	204,455	200,477	207,924
Culture and Recreation - Recreation Facility	392,517	442,798	499,833	472,025	514,690	537,364
Culture and Recreation - Parks	550,820	656,377	669,079	733,429	724,492	714,636
Culture and Recreation - GEMS	-	140,067	186,278	156,827	159,617	167,362
Culture and Recreation - Human Services	260,397	155,109	164,023	178,966	188,071	181,411
Redevelopment	124,016	284,031	289,918	446,104	508,095	477,784
Total Governmental activities expenses	<u>7,599,267</u>	<u>\$8,334,865</u>	<u>9,341,948</u>	<u>\$10,260,229</u>	<u>\$10,928,094</u>	<u>\$11,229,773</u>
Business-type activities:						
Sanitation	1,426,929	\$1,532,244	\$1,592,422	\$1,640,391	\$1,696,931	\$1,711,019
Water and Sewer	3,014,832	3,423,916	3,193,807	3,217,649	3,365,867	3,662,824
Cultural Activities	320,751	456,624	476,759	438,634	504,898	563,448
Marina	680,962	829,404	971,646	1,043,495	1,122,985	1,207,306
Total business-type activities expenses	<u>5,443,474</u>	<u>6,242,188</u>	<u>6,234,634</u>	<u>6,340,169</u>	<u>6,690,681</u>	<u>7,144,597</u>
Total primary government expenses	<u>13,042,741</u>	<u>\$14,577,053</u>	<u>\$15,576,582</u>	<u>\$16,600,398</u>	<u>\$17,618,775</u>	<u>\$18,374,370</u>
Program Revenues						
Governmental activities:						
Charges for Services						
General Government	\$ 403,079	\$ 533,248	\$ 458,750	\$ 478,395	\$ 779,732	\$ 839,320
Public Safety - Police	231,321	251,276	239,272	206,211	81,867	67,502
Public Safety - Fire	86,901	97,952	81,366	82,548	1,495	7,363
Public Safety - Protective Services	189,285	156,125	148,319	186,374	249,112	146,746
Public Services - Transportation	63,855	75,783	63,886	66,694	-	-
Public Works - Central Garage	-	-	337,220	200,855	208,299	496,305
Culture and Recreation - Library	14,916	14,532	16,596	17,451	10,881	10,391
Culture and Recreation - Recreation Facility	158,265	163,979	145,043	150,097	173,593	168,342
Culture and Recreation - Parks	3,690	7,060	4,690	6,727	5,763	4,310
Culture and Recreation - Human Services	17,931	15,381	16,200	14,313	14,669	13,051
Operating Grants an Contributions	701,615	753,626	767,237	805,723	823,027	1002285
Capital Grants and Contributions	40,594	363828	550409	70466	72042	15754
Total governmental activities program revenues	<u>1,911,452</u>	<u>2,432,790</u>	<u>2,828,988</u>	<u>2,285,854</u>	<u>2,420,480</u>	<u>2,771,369</u>
Business-type activities:						
Charges for Services						
Sanitation	1,535,968	\$1,675,831	\$1,701,094	\$1,769,902	\$1,815,774	\$1,810,665
Water and Sewer	3,157,115	3,091,974	3,556,182	3,592,049	3,847,146	3,931,746
Cultural Activities	242,229	268,270	295,699	283,887	370,468	384,728
Marina	894,830	956,041	1,015,970	1,279,266	1,350,704	1,419,634
Operating Grants an Contributions	-	31,687	1,400	6,914	-	-
Capital Grants and Contributions	75,000	42413	5625	2550	-	-
Total business-type activities program revenues	<u>5,905,142</u>	<u>6,066,216</u>	<u>6,575,970</u>	<u>6,934,568</u>	<u>7,384,092</u>	<u>7,546,773</u>
Total primary government program revenues	<u>\$ 7,816,594</u>	<u>\$ 8,499,006</u>	<u>\$ 9,404,958</u>	<u>\$ 9,220,422</u>	<u>\$ 9,804,572</u>	<u>\$ 10,318,142</u>

City of Gulfport, Florida

Table 2 - Change in Net Assets - Continued
Last Six Fiscal Years

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense) Revenue						
Governmental activities	\$ (5,687,815)	\$ (5,902,075)	\$ (6,512,960)	\$ (7,974,375)	\$ (8,507,614)	\$ (8,458,404)
Business-type activities	461,668	(175,972)	341,336	594,399	693,411	402,176
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>	<u>\$ (8,056,228)</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	\$ 3,556,585
Franchise Fees	549,651	551,034	591,478	631,381	730,627	705,406
Utility Taxes	1,374,124	891,643	884,418	911,592	970,814	958,917
Communications Service Tax	-	510,914	537,096	560,145	554,615	576,288
Sales Tax - Infrastructure - Restricted	986,102	999,813	1,077,996	1,141,122	1,316,203	1,202,239
Half-cent Sales Tax	660,946	669,439	714,251	713,350	754,315	723,283
Local Option Gas Tax - Restricted	108,570	109,659	113,981	117,870	126,309	112,549
Transportation Impact Fees - Restricted	52,815	37,606	15,890	10,384	22,043	15,754
Other Taxes	66,922	10,124	84,753	113,889	123,298	33,526
State Revenue Sharing	298,913	314,104	355,483	427,811	455,705	412,529
Investment Income	271,351	171,466	150,758	148,138	286,867	367,414
Miscellaneous	200,612	188,027	302,943	314,867	190,165	262,302
Gain/(Loss) on Sale of Capital Asset						(255,204)
Transfers	(2,568,211)	330,829	(519,510)	(989,028)	(715,250)	(807,689)
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>	<u>7,863,899</u>
Business-type activities:						
Investment Income	70,478	14,005	8,180	34,848	90,606	146,689
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	807,689
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>	<u>954,378</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>	<u>\$ 8,818,277</u>
Change in Net Assets						
Governmental activities	(\$1,845,288)	\$932,913	\$127,185	(\$1,141,614)	(\$418,785)	(\$594,505)
Business-type activities	3,311,288	(257,647)	869,026	1,671,475	1,499,267	1,356,554
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>	<u>\$ 762,049</u>

City of Gulfport, Florida

TABLE 3 - Fund Balances - Governmental Funds
Last Six Fiscal Years

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund						
Reserved	\$ 471,680	\$ 2,598,529	\$ 2,420,625	\$ 2,731,552	\$ 2,337,152	\$ 2,574,747
Unreserved	6,558,433	4,600,508	3,931,868	2,711,964	2,361,499	1,720,187
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>	<u>\$4,294,934</u>
All Other Governmental Funds						
Reserved	\$ 278,780	\$97,933	\$55,742	\$127,804	\$463,238	\$403,354
Unreserved reported in:						
Waterfront Redevelopment District Fund	423	1,373	57,960	71,062	68,565	174,767
49th Street Redevelopment District Fund	35,709	-	(91,180)	(98,306)	35,770	28,150
GEMS	-	-	-	(56,839)	113,217	116,435
Capital Projects Fund	-	89,267	448,049	498,604	440,260	352,930
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>	<u>\$1,075,636</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 Six Fiscal Years

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues						
Taxes	\$ 4,750,608	\$ 5,003,733	\$ 5,421,596	\$ 5,975,481	\$ 6,845,377	\$ 7,015,189
Licenses and Permits	246,013	293,043	206,046	243,285	306,434	203,935
Intergovernmental Revenue	1,820,830	2,142,670	2,586,113	2,227,329	2,354,697	2,299,926
Impact Fees	52,816	37,606	15,890	10,384	22,042	0
Charges for Services	869,276	970,211	1,048,678	1,081,450	1,143,570	1,468,483
Fines and Forfeitures	110,682	109,395	124,069	84,677	75,407	80,912
Miscellaneous Revenues	200,614	272,812	298,216	336,855	141,781	262,303
Earnings on Investments	271,351	172,405	156,229	149,242	286,867	367,214
Total Revenues	8,322,190	9,001,875	9,856,837	10,108,703	11,176,175	11,697,962
Expenditures						
Current						
General government	\$1,231,856	\$1,360,783	\$1,388,635	\$1,381,681	\$1,496,901	\$1,618,128
Public Safety	3,907,223	4,639,285	4,668,203	4,465,949	4,829,181	4,877,374
Public Services	349,058	490,480	807,321	1,255,389	1,310,971	1,402,016
Culture and Recreation	2,089,661	2,038,909	1,925,055	2,228,746	2,247,362	2,406,033
Redevelopment	596,437	774,040	1,054,279	741,567	742,650	1,035,853
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	8,174,235	9,303,497	9,843,493	10,073,332	10,627,065	11,339,404
Other Financing sources (Uses)						
Transfer In	2,484,961	710,516	658,986	629,239	876,697	560,311
Transfer Out	(1,913,162)	(366,309)	(1,236,876)	(1,652,252)	(1,591,947)	(1,368,000)
Total other financing sources (uses)	571,799	344,207	(577,890)	(1,023,013)	(715,250)	(807,689)
Net change in fund balances	\$ 719,754	\$ 42,585	\$ (564,546)	\$ (987,642)	\$ (166,140)	\$ (449,131)
Debt service as a percentag of non-capital expenditures	N/A	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		L e s s : T a x E x e m p t I o n s					Total Taxable Assessed Value	Millage Rate *
	Residential Property	Commercial Property	Personal Property	Governmental/ Institutional	\$25,000 Homestead	Homestead Assessment Differential	Widows/ Disability/ Blind		
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
2007	1,399,746,100	139,430,100	17,793,920	89,755,522	100,525,601	411,556,006	6,034,645	949,098,346	3.87

Source: Pinellas County Property Appraiser, 2006 final certified roll (Forms DR403AM and Land Use Recaps)

* The rate used in the calculation of property taxes. One mil equals \$1 per \$1,000 of taxable value. A millage of 3.87 which is the millage in effect for the City of Gulfport is equal to \$3.87 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
Property Tax Rates
TABLE 6 - 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
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
2007	3.8700	5.4700	8.2100	0.6074	0.6300	1.6378	20.4252

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 cuncil, Juvenile Welfare Board, South West Floirda Water Management District and Pinellas Anclose River Basin.

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

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 Ten Years Ago

Taxpayer	2007			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Gulfport Investment Partners	\$ 8,849,800	1	0.93%			
CFC Pasadena Golf LLC	5,315,600	2	0.56%			
Paonessa, Jeffrey L	3,866,677	3	0.41%	\$ 1,012,200	7	0.31%
Damkoehler, Gary L	2,913,100	4	0.31%			
Lavin, Jerome V.	2,900,200	5	0.31%			
Hernandez, Roberto M	2,513,100	6	0.26%			
J L P Management Assoc., Inc.	2,446,300	7	0.26%			
Macomber, Jane E	2,382,700	8	0.25%			
SME Investments	2,084,300	9	0.22%			
Gulfport Plaza Center INC	2,056,200	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%
Caldwell, RW III				854,100	9	0.26%
Simmons, Paul L.				868,700	10	0.26%
Total	<u>\$35,327,977</u>		<u>3.72%</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

Fiscal Year Ended Sept. 30	Total Tax Levy	Tax Collections	Percentage of Levy Collected	Amount Uncollected
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
2007	3,681,961	3,556,585	96.59%	125,376

Source: Pinellas County Tax Collector's Office Report

City of Gulfport, Florida
TABLE 9 - Water Sold by Type of Customer
Last Ten Fiscal Years

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Type of Customer										
Residential	3,448,191	3,298,681	3,334,493	2,110,768						
Commercial	297,895	321,935	311,633	185,994						
Governmental	74,954	71,785	75,117	56,429						
Total	3,821,040	3,692,401	3,721,243	2,353,191						
Total direct rate per 1,000 gallons	\$4.66	\$4.66	\$4.24	\$4.24						

Source: City of Gulfport Utility Billing System, Incode Software

Notes: Migrated to new utility software in February 2004. Prior years information unavailable.

City of Gulfport, Florida
TABLE 10 - Water and Sewer Rates
Last Ten Fiscal Years

<u>Fiscal Year</u>	Water		Sewer	
	<u>Monthly Base Rate</u>	<u>Rate per 1,000 Gallons</u>	<u>Monthly Base Rate</u>	<u>Rate per 1,000 Gallons</u>
2007	\$9.32	\$4.66	\$10.20	\$5.10
2006	\$9.32	\$4.66	\$10.20	\$5.10
2005	\$8.47	\$4.24	\$10.20	\$5.10
2004	\$8.47	\$4.24	\$10.20	\$5.10
2003	\$7.88	\$3.94	\$9.98	\$4.99
2002	\$7.50	\$3.75	\$9.50	\$4.75
2001	\$7.50	\$3.75	\$9.50	\$4.75
2000	\$7.50	\$3.75	\$9.50	\$4.75
1999	\$7.50	\$3.75	\$9.50	\$4.75
1998	\$7.50	\$3.75	\$9.50	\$4.75

Source: City of Gulfport Utility Billing System, Incode Software

City of Gulfport, Florida
TABLE 11 - Direct and Overlapping Governmental Activities Debt
As of September 30, 2007

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
DIRECT DEBT			
City of Gulfport	\$ -	-	\$ -
OVERLAPPING DEBT			
Pinellas County Capital Improvement Revenue Bonds	64,385,000	1.25%	804,813
Pinellas County Capital Leases	6,403,000	1.25%	80,038
Pinellas County School District State Bonds ^b	36,665,000	1.25%	458,313
Pinellas County School District Capital Leases	28,219,000	1.25%	<u>352,738</u>
Total Direct and Overlapping debt			<u>\$ 1,695,900</u>

Sources: Assessed value data used to estimate applicable percentages provided by Pinellas County Property Appraiser. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Gulfport. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

^a The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

^b The School District State Bonds are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged for the bonds.

City of Gulfport, Florida
TABLE 12 - Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Per Capita		Median Age (A)	Unemployment Rate (B)	School Enrollment (C)
		Personal Income (A)	Personal Income			
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
2007	12,900	294,132,900	22,801	47.3	3.9%	2,496

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 of Gulfport separately. Therefore, the Pinellas County wide average is substituted for information comparisons. It is assumed that the City of Gulfport figures relate closely to the countywide statistics.

City of Gulfport, Florida

TABLE 13 - Principal Employers ^a
Current Year and Nine Years Ago

Employer	2007 ^b			1998 ^c		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Pinellas County School District	15,980	1	3.41%			
Pinellas County Government ^d	6,490	2	1.38%			
Morton Plant Hospital	4,685	3	1.00%			
CRUM Resources & Staffing	3,640	4	0.78%			
St Petersburg City	3,485	5	0.74%			
Nielsen Media Research	3,480	6	0.74%			
Bay Pines VA Medical Center	2,800	7	0.60%			
Raymond James	2,450	8	0.52%			
All Childrens Hospital	2,370	9	0.51%			
Bayfront Medical Center	2,180	10	0.46%			
Total Employment ^{b,c}	468,892					

^a Data is for Pinellas County. City data is not available.

^b Source: Pinellas County, FY 2006-2007 Annual Operating and Capital Budget, Pinellas County Clerk Annual Budget FY 2006-2007, and Pinellas County Department of Economic Development.

^c Data for 1998 is not available.

^d Includes part-time personnel budgeted.

City of Gulfport, Florida
 Full-time Equivalent
 TABLE 14 - City Government Employees by Function
 Last Six Fiscal Years

Function/Program	Full-time Equivalent Employees as of September 30th					
	2002	2003	2004	2005	2006	2007
General Government						
City Clerk	2	2	2	2.5	2.5	2.5
City Manager	2	2	2	2	2	2
Administrative Services	9	8.5	8	8	8	8
Information Technology	1	2	2	2	2	2
Public Safety						
Police	49.5	47.5	48	47	46	45
Fire	13.5	13	13	13	13.5	17.5
Community Development						
	4	5	5	8	8	8
Public Works						
	25.5	24.5	24.5	24	26	25
Utilities						
	7	7	7	6	6	6
Leisure Services						
Cultural Facilities	2.5	2.5	6.5	4.25	3.25	5.5
Marina	3	3	3	3	3	3.5
Total	158.5	156.5	162	161.25	161.75	165.5

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 15 - Operating Indicators by Function/Program
Last Six Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007
Police						
Felony Arrests	727	721	654	776	791	630
Traffic Violations	2,975	2,790	2,542	2,260	2,300	2,201
City Ordinance Violations	196	192	200	195	185	182
Fire						
Fires Extinguished	54	36	20	65	90	63
Emergency responses	2,476	2,569	2,400	2,450	2,000	2,668
Sanitation						
Refuse collected (tons/day)	30.29	33.33	34.77	31.99	30.80	29.08
Recyclables collected (tons/day)	2.72	2.83	2.60	2.87	1.69	1.94
Utilities						
Average daily consumption (thousands of gallons)	1157	1,088	1,043	1,133	1,137	1,046
Average daily sewage treatment (thousands of gallons)	1,130	1,551	1,118	1,058	850	1,051
Recreation						
Participants in After-School Program	87	78	78	78	85	81
Participants in Summer Camp Program	174	162	140	140	180	198
Library						
Circulation of materials	100,201	105,475	104,654	114,437	111,600	115,489
Reference questions	7,692	8,097	8,762	10,422	10,900	8,114
Sponsored programs	121	127	218	200	225	276
Senior Center						
Average daily attendance	117	113	115	120	120	148
Meals served daily	140	140	140	140	140	140
Reassurance calls made daily	40	42	43	45	30	27
GEMS						
Number of rides	8,368	8,808	8,272	9,272	13,150	12,105
Number of subscriptions	126	133	140	147	100	145
Number of handicapped members	79	83	87	91	100	38
Marina						
Number of slips rented	268	268	247	247	247	247
Number of vessels fueled	6,600	6,880	7,000	7,200	7,350	6,475
Number of gallons dispensed	212,400	225,300	250,000	262,500	275,000	217,144
Cultural Facilities						
Number of dances held	165	174	183	192	200	226
Number of theater rentals	93	98	103	108	125	118

Sources: Various government departments

City of Gulfport, Florida
TABLE 16 - Capital Asset Statistic by Function/Program
Last Six Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007
Schools*						
Elementary	1	1	1	1	1	1
Junior/Senior High	2	2	2	2	2	2
Police						
Stations	1	1	1	1	1	1
Patrol units	20	20	20	20	20	20
Fire						
Stations	1	1	1	1	1	1
Fire Trucks	2	2	2	2	2	2
Other Public Works						
Streets - Paved	67.63	67.63	67.63	67.63	67.63	67.63
Streets - Unpaved	32	32	32	32	32	32
Streetlights	1,368	1,368	1,368	1,368	1,368	1,368
Sanitation						
Collection trucks	6	6	6	6	6	6
Utilities						
Water mains (miles)	67	67	67	67	67	68
Fire hydrants	258	258	258	258	260	265
Lift stations	2	2	2	2	2	2
Sanitary sewer (miles)	105	105	105	105	105	105
Storm drain lines (miles)	23	23	23	23	23	23
Stormwater treatment lakes	2	2	2	2	2	2
Parks						
Acreage	36.75	36.75	36.75	36.75	36.75	36.75
Playgrounds	6	6	6	6	6	6
Tennis Courts	2	2	2	2	2	2
Skate Parks	1	1	1	1	1	1
Volleyball Courts	2	2	2	2	2	2
Basketball Courts	1	1	1	1	1	1
Bocce Courts	2	2	2	2	2	2
Recreation Buses	1	1	1	1	1	1
Library						
Catalogued items	64,576	68,040	75,380	70,916	74,500	73,665
GEMS						
Vehicles	3	3	3	3	3	3
Marina						
Number of slips	268	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***

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 year ended September 30, 2007, and have issued our report thereon dated April 11, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be a control deficiency, as defined above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

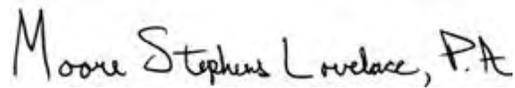
Honorable Mayor and Members of the City Council
City of Gulfport, Florida

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*.

We noted certain matters that we reported to management of the City in a separate letter dated April 11, 2008.

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

A handwritten signature in black ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive style.

Certified Public Accountants

Orlando, Florida
April 11, 2008



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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, 2007, and have issued our report thereon dated April 11, 2008.

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 Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 11, 2008, 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, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we had one recommendation.

2007-01 Separation of Duties – Accounts Payable Function

Observation: During our review of the internal control policies and procedures for processing invoices and generating payments to vendors, we noted that the same technician who inputs invoice data into the accounts payable system also enters new vendors in the system. If one individual can input invoices and also input vendors, the likelihood that they could create fraudulent payments without the need for collusion with other employees is increased. This condition was primarily caused by the relatively small size of City and its Accounting Department.

Recommendation: We recommend that the City segregate the duties of keying invoices and updating the vendor master file. This can be accomplished by transferring the duty of updating the vendor file to a different accounting technician who does not have access to key invoices.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we noted one such finding.

2007-02 Written Record of Council Minutes

Observation: Our test work revealed that Official Summary Minutes for City Council meetings have not been prepared since the June 5, 2007 meeting. According to City Charter Section 602:

Section 602. Powers and Duties of City Clerk.

The city clerk ... shall be responsible for the proper administration of all affairs concerning records of the city placed under the city clerk's authority under this charter or by ordinance. The city clerk shall:

(a) Give notice of council meetings to its members and the public and shall keep a record of council proceedings which shall be a public record.

(i) Insure that all records of the clerk's office are open for inspection during business hours.

(j) Attend, either personally or through a designee, all meetings of the council and such other boards as may be designated by the council and keep a true and correct record of all proceedings.

Honorable Mayor and Member of the City Council
City of Gulfport, Florida

2007-02 Written Record of Council Minutes (Continued)

We understand that video tapes of all City Council sessions are available, and that agendas and approved resolutions are available.

Recommendation: We recommend that the City develop and implement a plan to document City Council minutes updated in written form, and ensure that written minutes will be prepared contemporaneously. We recommend that all minutes be formally approved at a subsequent Council meeting and appropriately signed as indication of approval.

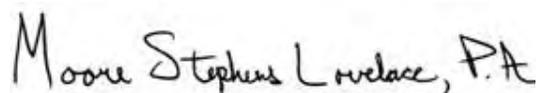
Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement 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, and identification of the specific condition(s) met. 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.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2007, filed with the Florida 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, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, 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 same.

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



Certified Public Accountants

Orlando, Florida
April 11, 2008

