

*City of Gulfport
Florida*



*2008
Comprehensive
Annual Financial Report*

Fiscal Year Ended September 30, 2008

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Comprehensive Annual Financial Report
of the
City of Gulfport, Florida
for the
Fiscal Year Ended September 30, 2008

City Council

Michael Yakes

Judy Ryerson

Robert E. Worthington

Michele King

Mary Stull

City Manager

Jim O'Reilly Interim City Manager

Administrative Services Department

Dan Carpenter

Administrative Services Director

Prepared by the Finance Division

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CITY OF GULFPORT, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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CITY OF GULFPORT, FLORIDA

Gateway to the Gulf

MICHAEL J. YAKES, Mayor

JUDY RYERSON, Councilmember, Ward 1
MICHELE KING, Vice Mayor, Councilmember, Ward 2

ROBERT E. WORTHINGTON, Councilmember, Ward 3
MARY STULL, Councilmember, Ward 4

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

March 20, 2009

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, 2008. 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, 2008, 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 2009. 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 a money market fund with the Bank of America. This investment alternative, 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 includes mutual funds that invest in U.S. Government securities. 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 2008, the average cash/investment pool balance (excluding pension funds) was \$8,248,139 and the earnings on investments totaled \$252,887 or an average return of 3.07%. 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 lower than the previous year's rate of 5.79%. The City expects to receive lower returns on investments in fiscal year 2009 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

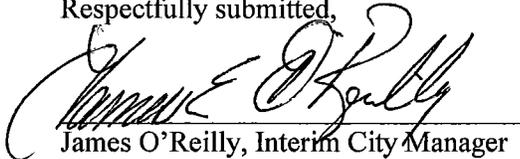
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulfport, Florida for its

comprehensive annual report for the fiscal year ended September 30, 2007. This was the twenty-fifth 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,



James O'Reilly, Interim 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, 2007

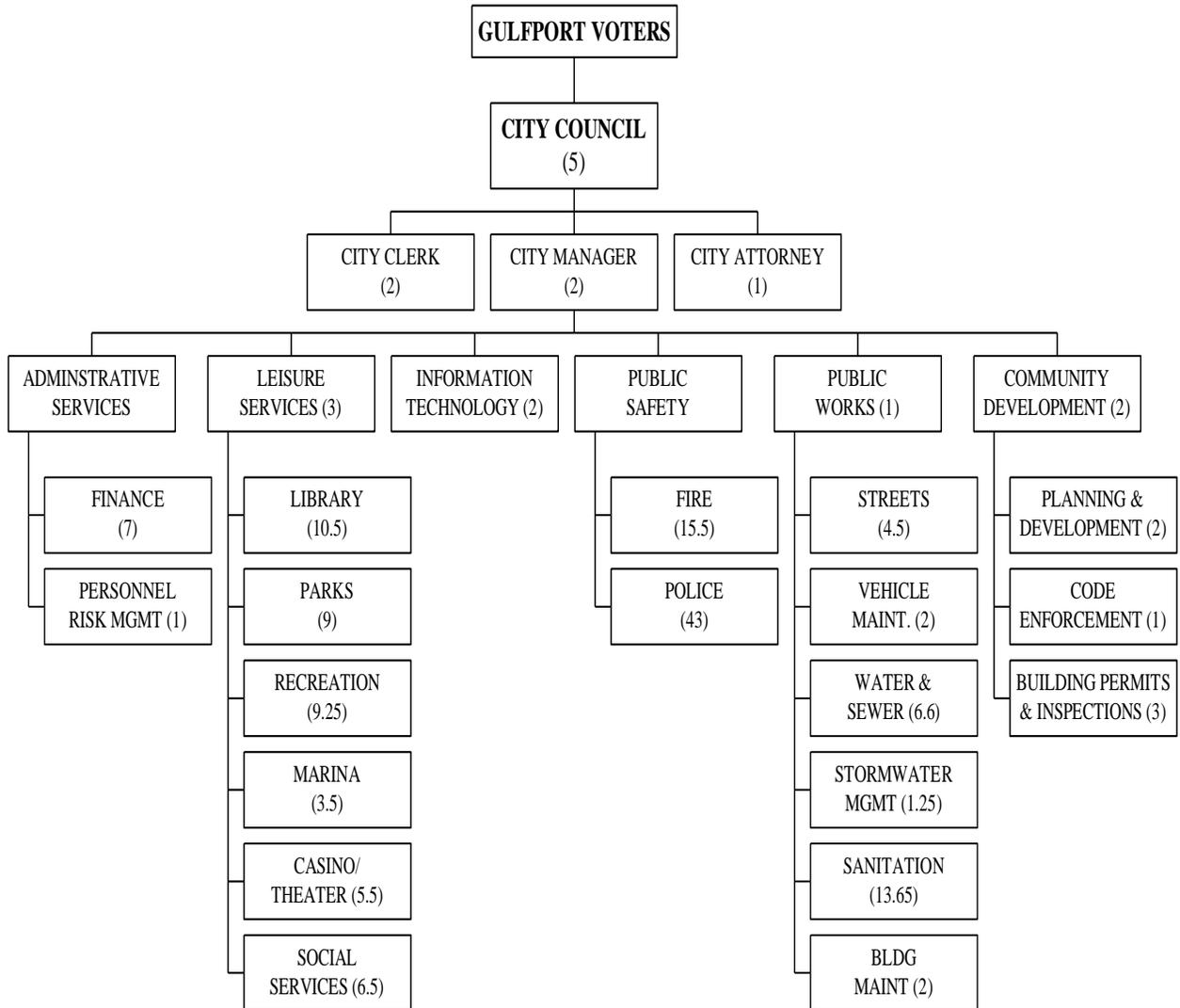
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

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



Financial Section

This section contains the following subsections:

Report of Independent Certified Public Accountants

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

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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, 2008, 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 our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, 2008, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

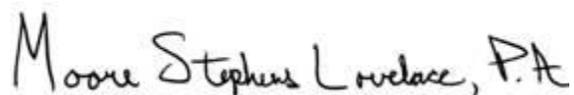
In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
(Concluded)

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
March 20, 2009

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

The City of Gulfport, Florida's (the "City") Management's Discussion and Analysis ("MD&A") presents an overview of the City's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the Letter of Transmittal in the Introductory Section and the City's financial statements following the MD&A.

HIGHLIGHTS

Financial Highlights

- The net assets of the City exceeded its liabilities at the close of fiscal year 2008 by \$33,454,374 (net assets). Of this amount, \$7,184,852 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- General Fund revenues decreased by \$318,634 or 3.28% when compared to fiscal year 2007. General Fund expenditures decreased by \$180,653 or 1.82% during this same period. The Excess of Revenues Over (Under) Expenditures in the General Fund showed a shortage of \$381,009. This represents 3.91% of the total expenditures for the year.
- Business-type activities (the City's Enterprise Funds) operating revenues decreased by \$52,020 or .69%, while operating expenses decreased \$323,275 or 4.52% when compared to last year.
- The City had no long-term debt as of September 30, 2008.

City Highlights

- The City continued the renewal and replacement of underground infrastructure; specifically, sanitary sewer lines, potable water lines, and storm water lines.
- 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.
- Fire and EMS response capabilities were enhanced with the installation of a GPS system, or Mobile Data Terminal, within the Fire Chief's vehicle.
- A total restoration was completed on one of the City's historical buildings known as Scout Hall with the assistance of Federal Grant money received from the Department of Housing and Urban Development.
- Both City Hall and the Fire Station were fitted with hurricane-force wind window and door protection improving the ability to provide emergency services to the citizens of Gulfport during and after a disaster.
- Waterfront Redevelopment District improvements continued with the addition of decorative tree lighting for sidewalk trees and the installation of additional power pedestals to provide a power supply for each vending pad previously built using pavers.
- Major drainage improvements into the Tangerine Parkway began in FY 07-08 with the installation of a series of swales and drainage transmission pipes that will ultimately connect with drainage structures at Lake Tomlinson Park and 49th Street.
- A 1989 Dodge pickup truck was replaced with a new Ford F-350 truck in the Utilities Division.
- Sewer line cleaning equipment was replaced, enhancing the Utilities Division's ability to clear storm sewer lines and large sanitary sewer lines of debris and sand.
- A sanitation rear loader vehicle was replaced and a new side loader sanitation truck was purchased in an effort to improve the efficiency of the City's sanitation program and reduce work-related injury and subsequent insurance costs.
- In addition to annual repair and replacement of the Marina District seawalls, the wood decking of pier #6 at the municipal marina was replaced with an improved wearing surface.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
September 30, 2008

Overview of the Financial Statements

The 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.

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.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2008

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 Statements, 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 inter-fund 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 statement requires that these assets be valued and reported within the Governmental activities 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 identifies 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 ANALYSIS

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 \$33,454,374.

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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 5,795,468	\$ 5,989,381	\$ 3,510,578	\$ 4,086,654	\$ 9,306,046	\$ 10,076,035
Capital Assets	13,552,594	11,421,047	12,150,162	12,731,446	25,702,756	24,152,493
Total Assets	<u>19,348,062</u>	<u>17,410,428</u>	<u>15,660,740</u>	<u>16,818,100</u>	<u>35,008,802</u>	<u>34,228,528</u>
Current Liabilities	628,274	819,186	580,022	616,962	1,208,296	1,436,148
Non-Current Liabilities	268,864	267,625	77,268	77,974	346,132	345,599
Total Liabilities	<u>897,138</u>	<u>1,086,811</u>	<u>657,290</u>	<u>694,936</u>	<u>1,554,428</u>	<u>1,781,747</u>
Net Assets:						
Investments in Capital Assets	13,552,594	11,421,047	12,150,162	12,731,446	25,702,756	24,152,493
Restricted	409,952	658,113	156,814	156,814	566,766	814,927
Unrestricted	4,488,378	4,244,457	2,696,474	3,234,904	7,184,852	7,479,361
Total Net Assets	<u>\$ 18,450,924</u>	<u>\$ 16,323,617</u>	<u>\$ 15,003,450</u>	<u>\$ 16,123,164</u>	<u>\$ 33,454,374</u>	<u>\$ 32,446,781</u>

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2008

A large portion of the City's net assets (76.83%) 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 (1.69%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,184,852) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a \$1,007,593 increase in the City's total net assets, as compared to the previous year. During fiscal year 2008, the City reinstated the practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund. The policy change was in response to changes in property tax legislation that decreased General Fund revenue and economic slowdowns that also negatively impacted the General Fund's ability to generate the same revenues as the previous year. As a result, both governmental current assets and business-type current assets have decreased. Overall, the City's current assets have decreased by \$769,989, as compared to the previous year.

As of September 30, 2008, 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, 2008 and September 30, 2007:

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUES						
Program Revenues						
Charges for Services	\$ 1,957,770	\$ 1,466,310	\$ 7,494,753	\$ 7,546,773	\$ 9,040,869	\$ 9,013,083
Operating Grants & Contributions	821,534	1,002,285	-	-	821,534	1,002,285
Capital Grants & Contributions	499,128	15,754	-	-	910,782	15,754
General Revenues	-	-	-	-	-	-
Property Taxes	3,271,910	3,556,585	-	-	3,271,910	3,556,585
Utility Taxes & Franchise Fees	2,234,208	2,256,365	-	-	2,234,208	2,256,365
Sales and Use and Other Taxes	2,534,493	2,468,372	-	-	2,534,493	2,468,372
Impact Fees	-	15,754	-	-	-	15,754
Investment Income	186,347	367,414	66,540	146,689	252,887	514,103
Gain (Loss) on Sale of Capital Assets	-	(255,204)	-	-	-	(255,204)
Other General Revenues	193,846	262,302	-	-	193,846	262,302
Total Revenues	<u>11,699,236</u>	<u>11,155,937</u>	<u>7,561,293</u>	<u>7,693,462</u>	<u>19,260,529</u>	<u>18,849,399</u>

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2008

CHANGES IN NET ASSETS
(Continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
EXPENSES						
Program Activities						
Governmental Activities						
General Government	\$ 1,407,979	\$ 1,727,884	\$ -	\$ -	\$ 1,407,979	\$ 1,727,884
Police	3,651,578	3,736,778	-	-	3,651,578	3,736,778
Fire	1,135,347	1,065,964	-	-	1,135,347	1,065,964
Protective Services	452,542	648,447	-	-	452,542	648,447
Transportation & Administration	786,205	716,020	-	-	786,205	716,020
Public Works - Central Garage	549,188	482,409	-	-	549,188	482,409
Library & Administration	802,105	707,247	-	-	802,105	707,247
Recreation Center	440,971	535,209	-	-	440,971	535,209
Parks	772,039	698,666	-	-	772,039	698,666
Human Services	203,505	181,411	-	-	203,505	181,411
Public Transportation	178,870	167,362	-	-	178,870	167,362
Redevelopment	552,762	275,356	-	-	552,762	275,356
Cultural Activities	498,523	-	-	-	498,523	-
Business-type Activities						
Sanitation	-	-	1,714,743	1,711,019	1,714,743	1,711,019
Water & Sewer	-	-	3,718,712	3,662,824	3,718,712	3,662,824
Cultural Activities	-	-	-	563,448	-	563,448
Marina	-	-	1,387,867	1,207,306	1,387,867	1,207,306
Total Expenses	11,431,614	10,942,753	6,821,322	7,144,597	18,252,936	18,087,350
Increase (Decrease) in Net Assets						
before Transfers	267,622	213,184	739,971	548,865	1,007,593	762,049
Transfers	1,859,685	(807,689)	(1,859,685)	807,689	-	-
Accounting Change	-	-	-	-	-	-
Increase (Decrease) in Net Assets	2,127,307	(594,505)	(1,119,714)	1,356,554	1,007,593	762,049
Net assets - beginning	16,323,617	16,918,322	16,123,164	14,766,610	32,446,781	31,684,932
Net assets - ending	\$ 18,450,924	\$ 16,323,817	\$ 15,003,450	\$ 16,123,164	\$ 33,454,374	\$ 32,446,981

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 are often distorting in their impact on year-to-year comparisons.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
September 30, 2008

Contribution from the Water and Sewer Fund - The City owns and operates the Water and 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

While the local economy continues to grow (see Table 5 of Statistical Section), taxable valuations rose only moderately from previous of year's valuations leading to an increase in the City's property tax base of 5.98%. Under the provisions of State legislation and property tax reform bill HB 1B, the City did reduce the millage rate by 13.47% from 3.87 mills to 3.3487 mills, representing the second decrease in the millage rate in the past two fiscal years.

The City received grant revenues in the amount of \$1,320,662. This is higher than the previous year's amount of \$1,018,039. Grant receipts this fiscal year included moneys received from the United States Housing and Urban Development Department for both the streetscaping and improvement work along the 49th Street Redevelopment Corridor and the Scout Hall reconstruction project. General Fund revenues decreased from the prior year, with an overall decrease of 3.28%. Earnings on Investments decreased from the past year, as available rates of return declined in a slowing economy.

No fee increases were implemented for the fiscal year in any of the City's water, sewer and storm water utility accounts. Overall utility revenues increased 2.17% over fiscal year 2007 in large part due to the receipt of State grant money for the construction of major drainage improvements into the Tangerine Parkway. 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 20.7% higher than the previous year.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2008

Interest revenue dropped significantly from \$513,903 to \$252,887 primarily as a result of an overall decrease in the amount of return available from investments. A continuing lower investment return environment and routine Federal Reserve prime rate cuts resulted in a large reduction in return rates for many of the City's investments.

Expenses

Total governmental expenditures, excluding transfers, increased by \$557,743 or 5%. 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. While no cost-of-living adjustment was provided for the City's general employees, personnel costs for fiscal year 2008 are higher than in previous years due in part to the negotiated police and fire union agreements requiring performance and cost-of-living adjustments for all members. Increased fuel costs also had an impact on overall expenditures.

Legal fees remained much higher than historical amounts, as the City continued litigation on a property case that began in FY 2006. Should the City prevail, some of the legal costs incurred will be reimbursed in future years.

THE CITY FUNDS

Governmental Activities

As of the year-end, the Governmental Funds (as presented on the balance sheet) reported a combined fund balance of \$5.392 million, which is a .40% increase over the previous year (\$5.370 million). As mentioned previously, the City reinstated the practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund. The prior year's undesignated General Fund balance was 17.31% of total expenditures in the General Fund. The net change in fund balance for the General Fund was an increase of \$139,181, as a result of transfers in exceeding transfers out by \$520,190, and expenditures exceeding revenues by \$381,009.

The increase to undesignated fund balance in Fiscal Year 2008 leaves an undesignated fund balance at 13.11% of total expenditures in the General Fund. There is, however, an additional stability reserve of \$2,845,042 or 29.16% 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 42% 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 decreased due to the decrease in the City's millage rate and subsequent decrease in ad valorem revenue collections. In addition, \$100,000 was transferred to the City-operated Casino for capital improvements to the facility. 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 fell short of expenditures by \$6,704 contributing to the decrease in fund balance to \$68,063.

The fund balance in the 49th Street Redevelopment Fund increased due to a large transfer in from the Capital Projects Fund, which provided matching funds required under the provisions of the Tangerine Parkway major drainage improvements grant. Capital costs within the fund account for the majority of activity and are associated both with the major streetscape project for the corridor and the drainage project. 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 \$286,178.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2008

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 revenues for fiscal year 2008 by \$135,593. The General Fund transferred \$150,000 into the GEMS Fund to offset the loss for the current year. With the transfer from the General Fund, the ending fund balance is \$130,842.

The Capital Projects Fund balance decreased by \$248,161, resulting in an ending fund balance of \$409,952. Infrastructure tax revenues decreased \$67,953 over the previous year. The Capital Projects Fund provided an inter-fund 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 inter-fund transfer to the 49th Street Redevelopment Fund providing matching funds for the Tangerine Parkway Drainage Project. Other major projects funded through the infrastructure tax include reconstruction of historical Scout Hall, hardening of the structure at City Hall, the replacement of overhead doors at the Fire Department, replacement of police vehicles, and street and sidewalk repairs.

In 2008, the City changed the structure of the Cultural Activities enterprise fund 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 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. This fund includes both the operations of the City's new Theater and recently renovated Casino. The Cultural Activities Fund reported expenditures in excess of revenues for 2008 of \$104,094. 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 were increased in fiscal year 2008 in an effort to reduce operating losses. The ending fund balance for the Cultural Activities enterprise fund was a deficit balance of \$21,679, as a result of the excess of expenditures over revenues and the change in structure from enterprise fund to a special revenue fund.

The City's Library Fund, established as a Special Revenue Fund in FY 2007, saw its first Council-approved expenditure in 2008. The Gulfport Public Library was granted Council approval to proceed with the installation of automated services through contract with Polaris Library Systems in cooperation with the Pinellas Public Library Cooperative. Expenditures in excess of revenues for 2008 of \$13,357 were reported with the fund balance decreasing to \$84,414.

Business-type Funds

The Enterprise Funds, which include the City's Sanitation, Water, Sewer and Stormwater Funds, and Marina Fund, show a positive income before capital contributions and transfers. The total net assets are \$15,003,450, which is \$1,119,714 lower than the beginning of the year net assets. This was largely due to the change in the structure of the Cultural Activities enterprise fund to a special revenue fund and the subsequent transfer of the fund's assets to Governmental Funds. 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 \$21,227, which is lower than the operating income of \$99,646 for 2007. 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2008

should be sufficient through fiscal year 2009. A sizeable amount of \$136,402 was transferred from the Sanitation Fund to the General Fund with the reinstatement of the payment in lieu of taxes.

The Water, Sewer and Stormwater Funds had an operating income of \$298,374 in fiscal year 2008, as compared to \$268,922 in the previous year. The City of St. Petersburg provides the City with potable water and treats the City's wastewater. During the year, the City of St. Petersburg increased wholesale water rates by 1.8%. The City has continued its efforts to repair sewer lines throughout the community. This effort has paid off further decreasing the amount of infiltration, thereby lowering the amount of water requiring treatment. As in 2007, sewer treatment rates charged by the City of St. Petersburg increased by an amount of 7.7%. 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 2008, 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 reinstatement of the payment in lieu of taxes transfer accounted for a total of \$350,355 in transfers from the water, sewer and stormwater activities to the General Fund.

The Marina Fund showed an operating income of \$353,830 in this fiscal year, as compared to \$212,328 the previous year. The operating income was higher than the previous year by 66.64% mostly as a result of increases in the slip rental rates that brought them more in line with regional charges. In addition, a new contract with higher slip rental rates was implemented 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. The Marina Fund incurred the largest payment in lieu of taxes transfer on a percentage of revenue basis to the General Fund totaling \$263,433.

Budgetary Highlights - General Fund

Expenditures for the General Fund final budget increased by \$169,885 or 1.58% over the amount originally budgeted for fiscal year 2008. The increased expenditures are primarily funded through an increase in the amount being drawn from prior-year reserves. Key elements leading to the net 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 \$84,015 were allocated from the General Fund unreserved fund balance to non-retainer legal services to cover fiscal year 2008 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.
- Council and Clerk - Turnover in staffing positions within the Clerk's office, including the hiring of a new full-time City Clerk at an annual salary considerably lower than the outgoing Clerk, led to \$33,473 in favorable budget variance for fiscal year 2008.
- Fire - Savings attributable to the annual charges associated with both insurance and utility accounts, along with lower-than-expected repair costs for both the primary and back-up Fire apparatus contributed to the \$82,197 favorable budget variance for fiscal year 2008.
- Police - Vacancies throughout the Police Department in fiscal year 2008, along with reduced operating costs for fleet vehicles, led to the \$288,085 favorable budget variance.
- 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. The remaining four-and-a-half years of lease payments were budgeted and reallocated on an annual basis starting with fiscal year 2008. The \$148,501 favorable budget variance for fiscal year 2008 is a result of the budget re-allocation of the remaining four-and-a-half years of lease payments on the new digital phone system.
- 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. Again,

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September 30, 2008

in fiscal year 2008, most programs were run or facilitated utilizing less outside, part-time employment or assistance.

- Parks - Tighter controls for both personnel costs and operating expenditures within the Parks Department, along with increased durations for property maintenance, helped achieve a \$49,124 favorable budget variance.
- Senior Center - Less part-time assistance and help, in addition to lower-than-budgeted promotional activities, led to the \$17,697 budget surplus for the Senior Center in fiscal year 2008.
- Planning & Development - The fiscal year 2008 Planning & Development budget was increased through the use of General Fund, Waterfront Redevelopment District Fund and 49th Street Redevelopment Fund unreserved fund balance totaling \$32,764 to accommodate the hiring of an outside planning firm to complete three Council-identified priority zoning projects. 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 \$48,551 budget surplus in the Planning Department was attributable to the vacancy of the building inspector position. Continued decreases in development activity within the City, relating to a slowdown in the real estate market, also led to lower-than-expected operating costs for the year.
- Building Inspections - This department was also impacted by the continued economic slowdown in the building sector leading to decreases in operating costs and a favorable budget variance of \$16,449.
- Public Works - Vacancies within the Streets Division accounted for the majority of the \$61,634 favorable budget variance for fiscal year 2008. Unprecedented increases in fuel costs for the fiscal year ended September 30, 2008 accounted for the unfavorable budget variance of \$18,059 within the Public Works Central Garage Department.

Actual revenues fell short of budgeted revenues by \$775,702 or 7.16%, and expenditures before transfers were less than budgeted by \$914,883 or 8.39%.

The excess of resources over charges to appropriations for fiscal year 2008 was \$139,181. Significant variations between actual and budgeted revenues are as follows:

- Taxes - Collections from both Electric Utility Tax and Communications Tax were considerably lower than budgeted, as a result of a warm winter and a continued decline in communications service costs. In total, \$189,953 less revenue was generated from taxes than the amounts budgeted for fiscal year 2008.
- Licenses and Permits - Building permits were approximately \$23,472 lower than the amount budgeted. The continued slowdown in construction and remodeling activity, resulting from the downturn in the real estate market, was the main contributing factor to this variance. Revenues generated from the issuance of Professional and Occupational licenses also declined in 2008 and fell short of budgeted amounts, as the overall economy continued to slow down and businesses with the City began to close in 2008.
- Intergovernmental - Approximately \$109,284 of budgeted grant revenue was not received. State-shared revenues fell short of the amount budgeted by approximately \$121,698, and the half-cent sales tax was \$140,018 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 \$10,119. Other miscellaneous intergovernmental revenues, including fuel tax rebates, exceeded budgeted revenues by \$3,593.
- 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

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2008

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 \$28,148 less than the amount budgeted. Most of this is attributable to a lower rate of earnings than projected. An overall decrease in the amount of return available from investments coupled with a continuing lower investment return environment and routine Federal Reserve prime rate cuts resulted in a large reduction in return rates for many of the City's investments.

Budgeted expenditures totaled \$10,900,068, compared to \$10,124,366 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 and Police - Vacancies within both Fire and Police, along with savings from lower-than-expected operating costs for the maintenance of public safety fleet vehicles, led to costs of \$370,282 below budgeted appropriations for fiscal year 2008.
- Information Technology - Fiscal year 2008 budgeted expenditures included the remaining four-and-a-half years of lease payments or \$148,501 excess budget for lease payments on the new digital phone system.
- Library - A librarian and part-time assistant were eliminated by attrition in 2008, resulting in the reduction to the hours of operation for the library. In total, the library had costs of \$79,128 below budgeted amounts for fiscal year 2008, resulting from reduction in staff and reduced hours.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2008, the City had \$25,702,756 invested in a variety of capital assets, as compared to \$24,152,493 as of September 30, 2007. This represents a net increase of \$1,550,263 or 6.42% from the end of last year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 592,072	\$ 592,072	\$ 20,000	\$ 20,000	\$ 612,072	\$ 612,072
Buildings	10,103,567	7,550,762	737,905	2,946,470	10,841,472	10,497,232
Improvements Other Than Bldg.	10,846,792	9,982,257	18,632,420	16,752,471	29,479,212	26,734,728
Equipment	3,527,409	3,342,589	1,990,561	2,093,834	5,517,970	5,436,423
Total Cost of Assets	25,069,840	21,467,680	21,380,886	21,812,775	46,450,726	43,280,455
Less: Accumulated Depreciation	(11,524,700)	(10,293,108)	(9,261,299)	(9,081,329)	(20,785,999)	(19,374,437)
Construction in Progress	7,454	246,475	30,575	-	38,029	246,475
Total	<u>\$ 13,552,594</u>	<u>\$ 11,421,047</u>	<u>\$ 12,150,162</u>	<u>\$ 12,731,446</u>	<u>\$ 25,702,756</u>	<u>\$ 24,152,493</u>

CITY OF GULFPORT, FLORIDA
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The following reconciliation summarizes the Change in Capital Assets, which is presented in detail in the financial statement notes.

	Change in Capital Assets		
	Governmental Activities	Business-Type Activities	Total Primary Government
Beginning Balance	\$ 11,421,047	\$ 12,731,446	\$ 24,152,493
Additions	3,363,138	248,773	3,611,911
Retirements at Book Value (Net)	-	-	-
Depreciation	(1,231,591)	(830,057)	(2,061,648)
Ending Balance	\$ 13,552,594	\$ 12,150,162	\$ 25,702,756

The actual cost of capital asset retirements for the Governmental and Business-type Activities was \$148,376 and \$272,434, respectively.

Debt Outstanding

The City does not have any outstanding debt as of September 30, 2008, with the exception of accrued compensated balances.

ECONOMIC FACTORS

The United States' economy continues to experience slowdowns in most areas, including consumer spending and the real estate market. Gulfport, like many other local governments (cities, counties and school boards), primarily relies on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational licenses, etc.) for governmental activities. In addition, there are a limited number of state-shared revenues and recurring and nonrecurring (one time) grants from both the state and federal governments. Most of these economy-driven revenue sources were forecast or projected to decline in the FY 2009 budget. To prepare for further declines in future projected revenues, City staff began in early October 2008 to workshop the FY 2010 budget with the Council, in anticipation of these financial restrictions.

Amendment I was approved by the Florida electorate in January 2008. This amendment was placed on the ballot by the Florida Legislature at a special session held in October 2007 to address property taxation. The final approved amendment negatively impacted the amount of property tax revenue available to the City in FY 2009. An additional \$25,000 exemption for homestead property was a key component of Amendment I. An intangible personal property exemption totaling \$25,000, transportability of the Save Our Homes discount on a proportional basis, and an annual maximum cap on assessment increases of 10% for classes previously unprotected were additional provisions of Amendment I that will impact future ad valorem tax revenue collections in future years. For FY 2009, the impact of Amendment I was a \$73,766,682 reduction to taxable value.

Another impact of Amendment I was the creation of a new formula used to calculate or determine the maximum millage rate that could be levied. The new formula computes the rolled-back millage rate to provide equal revenue to the year before, after taking into consideration net new valuation from construction and payments to the Community Redevelopment Agency ("CRA"). This resulted in a rolled-back rate that is actually a rolled-forward rate because the taxable valuation in the City went down significantly when the real estate bubble burst. For FY 2009, City Council approved by a unanimous vote a millage rate of 3.4742 mills. While this rate is higher than the previous year's millage rate of 3.3487 mills, it is well below the rolled-back rate of 3.8213 and will thus generate considerably less property tax

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revenue. The approved millage rate of 3.4742 mills will generate approximately \$268,884 less revenue when compared to FY 2007-08 revenues.

Both water and sewer rates are set to be increased in FY 2009. The need to replenish the fund balance in the City's Utility Fund, along with future capital project costs for the replacement of water and sewer infrastructure assisted in the decision to include rate increases in the FY 2009 budget. Currently, the City is below the minimum level of charge required under the wholesale water and sewer agreement with the City of St. Petersburg. Under the agreement to purchase potable water and return wastewater for treatment, Gulfport is required to charge no less to its retail customers than the City of St. Petersburg charges its residents for the same service. Increases of 7.75% for water and 22.32% for sewer are proposed in FY 2009.

FINANCIAL CONDITION

The unreserved General Fund balance and the stability reserve balance of the General Fund increased \$10,133 in FY 2008. Prior to FY 2007, the City had been intentionally reducing the fund balance in the General Fund. Although this drawdown was being done intentionally, it was implemented with an abundance of caution, as drawing on reserves for operating costs can prove problematic. Beginning in FY 2007, the drawdown on General Fund undesignated fund balance was stopped, and the City reinstated the practice of utilizing "payment in lieu of taxes" or transfers from the Enterprise Funds. Reserves in the Enterprise Funds that had previously become depleted by the practice of using transfers or "payment in lieu of taxes" had been replenished to acceptable levels by FY 2007. This practice of transferring funds from the Enterprise Funds to the General Fund or "payments in lieu of taxes" was continued for the fiscal year 2009 budget. Continuing the practice of drawing down fund the 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 stability reserve, as set by Resolution.

While both the use of fund balance reserves and Enterprise Fund transfers is a short-term solution to the economic downturn and restrictions placed on property tax revenues by legislation, it is not a viable long-term solution to address the financial shortfalls of the General Fund. Current service levels provided by General Fund operations will ultimately have to be reviewed in the face of continued economic shortfalls and adequate revenue sources available. Only with material up turns in the economy and the re-establishment of annual percentage increases in real estate values will the General Fund be able to stand on its own through the generation of sufficient revenues to support operations and activities.

Cash balances in the Sanitation and Water and Sewer Enterprise Funds are sufficient to cover current liabilities. While the City recognizes the need to subsidize the Cultural Activities Fund, significant inter-fund 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 annual contributions from the General Fund or the Waterfront Redevelopment Fund have been required to sustain operating costs associated with the Casino Ballroom 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.

CITY OF GULFPORT, FLORIDA
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September 30, 2008

Historically, the Marina Fund has performed well. With the operations of the Marina back to full scale, and with a new contractual agreement for slip rental space between the City and the Boca Ciega Yacht Club, the Marina Fund cash flow continues to improve. Rates for all slips within the Marina were increased substantially in the fiscal year 2008 budget, allowing for adequate cash flow to accommodate future transfers to the General Fund. Rates will, again, be reviewed in FY 2009 for possible increases but may not be feasible, as the economic slowdown has also negatively impacted the number of prospective tenants in the market.

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

FINANCIAL CONTACT

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

Basic Financial Statements

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

CITY OF GULFPORT, FLORIDA

STATEMENT OF NET ASSETS September 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 5,107,358	\$ 1,930,791	\$ 7,038,149
Investments	246,441	2,680	249,121
Restricted Assets:			
Pooled Cash Held for Customer Deposits	-	204,751	204,751
Pooled Cash Held for Sewer Impact Fees	-	156,814	156,814
Interest Due on Investments	1,497	-	1,497
Receivables	139,642	1,089,146	1,228,788
Due From Other Governments	220,109	-	220,109
Inventories - at Cost	19,148	109,912	129,060
Prepaid Expenses	61,273	16,484	77,757
Total Current Assets	5,795,468	3,510,578	9,306,046
NON-CURRENT ASSETS			
Land	592,072	20,000	612,072
Buildings	10,103,567	737,905	10,841,472
Infrastructure and Improvements	10,846,792	18,632,420	29,479,212
Equipment and Machinery	3,527,409	1,990,561	5,517,970
Less: Accumulated Depreciation	(11,524,700)	(9,261,299)	(20,785,999)
Construction in Process	7,454	30,575	38,029
Total Non-current Assets	13,552,594	12,150,162	25,702,756
TOTAL ASSETS	19,348,062	15,660,740	35,008,802
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	152,968	262,736	415,704
Accrued Payroll	249,964	38,080	288,044
Accrued Compensated Absences	225,091	38,368	263,459
Due to Other Governments	33	36,087	36,120
Deferred Revenue	218	-	218
Payable From Restricted Assets:			
Customer Deposits	-	204,751	204,751
Total Current Liabilities	628,274	580,022	1,208,296
NON-CURRENT LIABILITIES			
Compensated Absences	268,864	77,268	346,132
Total Non-current Liabilities	268,864	77,268	346,132
TOTAL LIABILITIES	897,138	657,290	1,554,428
NET ASSETS			
Investment in Capital Assets	13,552,594	12,150,162	25,702,756
Restricted:			
Sewer Projects	-	156,814	156,814
Capital Projects	409,952	-	409,952
Unrestricted	4,488,378	2,696,474	7,184,852
TOTAL NET ASSETS	\$ 18,450,924	\$ 15,003,450	\$ 33,454,374

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

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CITY OF GULFPORT, FLORIDA

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,407,979	\$ 870,221	\$ -	\$ -
Public Safety - Fire	1,135,347	13,290	570,062	-
Public Safety - Police	3,651,578	132,176	19,929	-
Leisure Services - Library	593,753	8,403	231,543	-
Leisure Services - Office of Director	208,352	-	-	-
Leisure Services - Recreation Center	440,971	144,175	-	-
Leisure Services - Parks	772,039	1,000	-	-
Leisure Services - Senior Center	203,505	-	-	-
Leisure Services - GEMS	178,870	19,327	-	-
Cultural Activities - Casino	370,559	310,611	-	-
Cultural Activities - Theater	127,964	26,861	-	-
Community Development - Planning & Development	150,575	8,125	-	-
Community Development - Code Enforcement	54,153	-	-	-
Community Development - Building Inspections	247,814	186,116	-	-
Public Works - Building Maintenance	173,005	-	-	-
Public Works - Central Garage	549,188	237,465	-	-
Public Works - Office of Director	122,677	-	-	-
Public Works - Transportation	663,528	-	-	300,000
Community Redevelopment	379,757	-	-	199,128
TOTAL GOVERNMENTAL ACTIVITIES	11,431,614	1,957,770	821,534	499,128
BUSINESS-TYPE ACTIVITIES				
Sanitation	1,714,743	1,735,970	-	-
Water and Sewer	3,718,712	4,017,086	-	-
Cultural Activities	-	-	-	-
Marina	1,387,867	1,741,697	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	6,821,322	7,494,753	-	-
TOTAL	\$ 18,252,936	\$ 9,452,523	\$ 821,534	\$ 499,128

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

General Revenues - unrestricted unless noted

Taxes:

Ad valorem

Franchise Taxes

Utility Taxes

Communications Service Tax

Sales Tax - Infrastructure - restricted

Pinellas County CRA Trust Fund Tiff

Half-cent Sales Tax

Local Option Gas Tax - restricted

Other Taxes

State Revenue Sharing

Investment Income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net Assets - Beginning of Year

Net Assets - End of Year

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (537,758)	\$ -	\$ (537,758)
(551,995)	-	(551,995)
(3,499,473)	-	(3,499,473)
(353,807)	-	(353,807)
(208,352)	-	(208,352)
(296,796)	-	(296,796)
(771,039)	-	(771,039)
(203,505)	-	(203,505)
(159,543)	-	(159,543)
(59,948)	-	(59,948)
(101,103)	-	(101,103)
(142,450)	-	(142,450)
(54,153)	-	(54,153)
(61,698)	-	(61,698)
(173,005)	-	(173,005)
(311,723)	-	(311,723)
(122,677)	-	(122,677)
(363,528)	-	(363,528)
(180,629)	-	(180,629)
(8,153,182)	-	(8,153,182)
-	21,227	21,227
-	298,374	298,374
-	-	-
-	353,830	353,830
-	673,431	673,431
(8,153,182)	673,431	(7,479,751)
3,271,910	-	3,271,910
720,232	-	720,232
961,007	-	961,007
552,969	-	552,969
1,134,286	-	1,134,286
178,520	-	178,520
683,695	-	683,695
166,453	-	166,453
16,916	-	16,916
354,623	-	354,623
186,347	66,540	252,887
193,846	-	193,846
1,859,685	(1,859,685)	-
10,280,489	(1,793,145)	8,487,344
2,127,307	(1,119,714)	1,007,593
16,323,617	16,123,164	32,446,781
\$ 18,450,924	\$ 15,003,450	\$ 33,454,374

CITY OF GULFPORT, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008**

	<u>General</u>	<u>Waterfront Redevelopment District</u>	<u>49th Street Redevelopment District</u>	<u>GEMS</u>
ASSETS				
Cash and Cash Equivalents	\$ 4,114,628	\$ 70,501	\$ 288,263	\$ 132,955
Investments	246,441	-	-	-
Interest Due on Investments	1,497	-	-	-
Accounts Receivable - Net	137,317	-	-	-
Due From Other Governments	220,109	-	-	-
Inventories - at Cost	10,935	-	-	-
Prepaid Expenditures	54,927	94	31	1,350
TOTAL ASSETS	\$ 4,785,854	\$ 70,595	\$ 288,294	\$ 134,305
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 117,084	\$ 453	\$ 36	\$ 41
Accrued Payroll	234,404	2,079	2,080	3,422
Due to Other Governments	33	-	-	-
Deferred Revenue	218	-	-	-
TOTAL LIABILITIES	351,739	2,532	2,116	3,463
FUND BALANCES				
Reserved for Encumbrances	244,070	6,882	-	-
Reserved for Inventories and Prepaids	65,862	-	-	-
Reserved for Transportation Projects	-	-	-	-
Reserved for Library Projects	-	-	-	-
Stability Reserve	2,845,042	-	-	-
Unreserved - Undesignated, reported in:				
General Fund	1,279,141	-	-	-
Special Revenue Funds	-	61,181	286,178	130,842
Capital Projects Fund	-	-	-	-
TOTAL FUND BALANCES	4,434,115	68,063	286,178	130,842
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,785,854	\$ 70,595	\$ 288,294	\$ 134,305

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

Library Fund	Cultural Activities Fund	Capital Projects	Total Governmental Funds
\$ 84,814	\$ 5,360	\$ 410,837	\$ 5,107,358
-	-	-	246,441
-	-	-	1,497
-	2,325	-	139,642
-	-	-	220,109
-	8,213	-	19,148
-	4,871	-	61,273
<u>\$ 84,814</u>	<u>\$ 20,769</u>	<u>\$ 410,837</u>	<u>\$ 5,795,468</u>
\$ -	\$ 34,469	\$ 885	\$ 152,968
-	7,979	-	249,964
-	-	-	33
-	-	-	218
-	42,448	885	403,183
-	-	21,157	272,109
-	-	-	65,862
-	-	299,988	299,988
84,814	-	-	84,814
-	-	-	2,845,042
-	-	-	-
-	-	-	1,279,141
-	(21,679)	-	456,522
-	-	88,807	88,807
<u>84,814</u>	<u>(21,679)</u>	<u>409,952</u>	<u>5,392,285</u>
<u>\$ 84,814</u>	<u>\$ 20,769</u>	<u>\$ 410,837</u>	<u>\$ 5,795,468</u>

CITY OF GULFPORT, FLORIDA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS GOVERNMENTAL FUNDS September 30, 2008

Total fund balance of governmental funds		\$ 5,392,285
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	\$ 25,077,294	
Less: accumulated depreciation	<u>(11,524,700)</u>	
		13,552,594
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Compensated absences		<u>(493,955)</u>
Net assets of governmental activities		<u><u>\$ 18,450,924</u></u>

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

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CITY OF GULFPORT, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2008

	<u>General</u>	<u>Waterfront Redevelopment District</u>	<u>49th Street Redevelopment District</u>	<u>GEMS</u>
REVENUES				
Taxes	\$ 5,549,893	\$ 122,678	\$ -	\$ -
Licenses and Permits	284,461	-	-	-
Intergovernmental Revenues	1,876,768	178,520	300,000	-
Charges for Services	1,230,944	-	-	19,327
Fines and Forfeitures	85,566	-	-	-
Miscellaneous Revenues	184,742	524	-	5,165
Earnings on Investments	161,802	1,989	4,871	3,682
TOTAL REVENUES	<u>9,374,176</u>	<u>303,711</u>	<u>304,871</u>	<u>28,174</u>
EXPENDITURES				
General Government	1,316,717	-	-	-
Public Safety	4,595,248	-	-	-
Public Works	1,319,231	-	-	-
Leisure Services	2,042,606	-	-	163,767
Community Development	481,383	310,415	-	-
Community Redevelopment	-	-	356,860	-
TOTAL EXPENDITURES	<u>9,755,185</u>	<u>310,415</u>	<u>356,860</u>	<u>163,767</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(381,009)</u>	<u>(6,704)</u>	<u>(51,989)</u>	<u>(135,593)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	750,190	-	310,017	150,000
Transfers Out	<u>(230,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>520,190</u>	<u>(100,000)</u>	<u>310,017</u>	<u>150,000</u>
NET CHANGE IN FUND BALANCES	139,181	(106,704)	258,028	14,407
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>4,294,934</u>	<u>174,767</u>	<u>28,150</u>	<u>116,435</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,434,115</u>	<u>\$ 68,063</u>	<u>\$ 286,178</u>	<u>\$ 130,842</u>

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

Library Fund	Cultural Activities Fund	Capital Projects	Total Governmental Funds
\$ -	\$ -	\$ 1,134,286	\$ 6,806,857
-	-	-	284,461
-	-	199,128	2,554,416
-	337,472	-	1,587,743
-	-	-	85,566
-	3,416	-	193,847
2,547	709	10,747	186,347
<u>2,547</u>	<u>341,597</u>	<u>1,344,161</u>	<u>11,699,237</u>
-	-	53,139	1,369,856
-	-	177,120	4,772,368
-	-	53,732	1,372,963
15,904	445,691	278,314	2,946,282
-	-	-	791,798
-	-	-	356,860
<u>15,904</u>	<u>445,691</u>	<u>562,305</u>	<u>11,610,127</u>
<u>(13,357)</u>	<u>(104,094)</u>	<u>781,856</u>	<u>89,110</u>
-	82,415	-	1,292,622
-	-	(1,030,017)	(1,360,017)
<u>-</u>	<u>82,415</u>	<u>(1,030,017)</u>	<u>(67,395)</u>
(13,357)	(21,679)	(248,161)	21,715
<u>98,171</u>	<u>-</u>	<u>658,113</u>	<u>5,370,570</u>
<u>\$ 84,814</u>	<u>\$ (21,679)</u>	<u>\$ 409,952</u>	<u>\$ 5,392,285</u>

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, 2008

**Amounts Reported for Governmental Activities in the Statements of
Activities are Different Because:**

Net change in fund balances - total governmental funds \$ 21,715

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	\$ 3,363,138	
Less: current year depreciation	<u>(1,231,591)</u>	2,131,547

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>(25,955)</u>
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Change in net assets of governmental activities		<u><u>\$ 2,127,307</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, 2008**

	Business-type Activities - Enterprise Funds				
	Sanitation	Water and Sewer	Cultural Activities	Marina	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 917,885	\$ 829,690	\$ -	\$ 183,216	\$ 1,930,791
Investments	2,680	-	-	-	2,680
Restricted Assets:					
Pooled Cash Held for Customer Deposits	-	125,811	-	78,940	204,751
Pooled Cash Held for Sewer Impact Fees	-	156,814	-	-	156,814
Receivables:					
Accounts, Billed (net)	104,613	637,463	-	77,484	819,560
Accounts, Unbilled	75,305	190,619	-	-	265,924
Payroll Advance	1,666	1,484	-	512	3,662
Inventories - at Cost	-	46,481	-	63,431	109,912
Prepaid Expenses	8,485	2,260	-	5,739	16,484
Total Current Assets	1,110,634	1,990,622	-	409,322	3,510,578
NON-CURRENT ASSETS					
Capital Assets:					
Land	-	-	-	20,000	20,000
Buildings	230,746	411,965	-	95,194	737,905
Infrastructure and Improvements	288,573	14,444,222	-	3,899,625	18,632,420
Equipment and Machinery	1,359,958	575,371	-	55,232	1,990,561
Less: Accumulated Depreciation	(1,209,916)	(6,310,304)	-	(1,741,079)	(9,261,299)
Construction in Process	-	-	-	30,575	30,575
Total Non-current Assets	669,361	9,121,254	-	2,359,547	12,150,162
TOTAL ASSETS	1,779,995	11,111,876	-	2,768,869	15,660,740
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	29,074	207,118	-	26,544	262,736
Accrued Payroll	26,044	6,674	-	5,362	38,080
Accrued Compensated Absences	18,121	16,433	-	3,814	38,368
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	36,087	-	-	36,087
Payable From Restricted Assets:					
Customer Deposits	-	125,811	-	78,940	204,751
Total Current Liabilities	73,239	392,123	-	114,660	580,022
NON-CURRENT LIABILITIES					
Compensated Absences	32,730	33,250	-	11,288	77,268
Total Non-current Liabilities	32,730	33,250	-	11,288	77,268
TOTAL LIABILITIES	105,969	425,373	-	125,948	657,290
NET ASSETS					
Invested in Capital Assets	669,361	9,121,254	-	2,359,547	12,150,162
Restricted:					
Sewer Projects	-	156,814	-	-	156,814
Unrestricted	1,004,665	1,408,435	-	283,374	2,696,474
TOTAL NET ASSETS	\$ 1,674,026	\$ 10,686,503	\$ -	\$ 2,642,921	\$ 15,003,450

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, 2008

	Business-type Activities - Enterprise Funds				Total
	Sanitation	Water and Sewer	Cultural Activities	Marina	
OPERATING REVENUES					
Charges for Sales and Services	\$ 1,722,185	\$ 4,014,243	\$ -	\$ 1,715,338	\$ 7,451,766
Other	13,785	2,843	-	26,359	42,987
Total Operating Revenues	<u>1,735,970</u>	<u>4,017,086</u>	<u>-</u>	<u>1,741,697</u>	<u>7,494,753</u>
OPERATING EXPENSES					
Personal Services	706,957	519,256	-	164,587	1,390,800
Contractual Services	424,853	2,102,289	-	520	2,527,662
Operating Supplies	30,210	62,625	-	38,155	130,990
Administrative Overhead	183,370	404,074	-	155,363	742,807
Other Current Charges	236,000	118,435	-	844,571	1,199,006
Depreciation	133,353	512,033	-	184,671	830,057
Total Operating Expenses	<u>1,714,743</u>	<u>3,718,712</u>	<u>-</u>	<u>1,387,867</u>	<u>6,821,322</u>
OPERATING INCOME	<u>21,227</u>	<u>298,374</u>	<u>-</u>	<u>353,830</u>	<u>673,431</u>
NON-OPERATING REVENUES					
Earnings on Investments	26,951	27,151	-	12,438	66,540
Total Non-operating Revenues	<u>26,951</u>	<u>27,151</u>	<u>-</u>	<u>12,438</u>	<u>66,540</u>
INCOME (LOSS) BEFORE TRANSFERS	48,178	325,525	-	366,268	739,971
Transfers In	-	800,000	17,585	-	817,585
Transfers Out	<u>(136,402)</u>	<u>(350,355)</u>	<u>(1,927,080)</u>	<u>(263,433)</u>	<u>(2,677,270)</u>
CHANGE IN NET ASSETS	(88,224)	775,170	(1,909,495)	102,835	(1,119,714)
NET ASSETS - BEGINNING 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>
NET ASSETS - END OF YEAR	<u>\$ 1,674,026</u>	<u>\$ 10,686,503</u>	<u>\$ -</u>	<u>\$ 2,642,921</u>	<u>\$ 15,003,450</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, 2008

	Business-type Activities - Enterprise Funds				
	Sanitation	Water and Sewer	Cultural Activities	Marina	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ 1,785,270	\$ 3,762,776	\$ 11,581	\$ 1,855,224	\$ 7,414,851
Cash Paid to Suppliers for Goods and Services	(866,723)	(2,759,834)	(22,109)	(1,120,052)	(4,768,718)
Cash Paid to and for the Benefit of Employees	(700,594)	(517,223)	(9,323)	(162,653)	(1,389,793)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>217,953</u>	<u>485,719</u>	<u>(19,851)</u>	<u>572,519</u>	<u>1,256,340</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Interfund Proceeds (Payments)	(136,402)	849,645	(1,909,495)	(653,433)	(1,849,685)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(136,402)</u>	<u>849,645</u>	<u>(1,909,495)</u>	<u>(653,433)</u>	<u>(1,849,685)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Grants	-	-	-	-	-
Transfer of Capital Assets	-	-	1,929,346	-	1,929,346
Acquisition and Construction of Capital Assets	(173,643)	(1,833,015)	-	(171,460)	(2,178,118)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(173,643)</u>	<u>(1,833,015)</u>	<u>1,929,346</u>	<u>(171,460)</u>	<u>(248,772)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on Investments	26,951	27,147	-	12,438	66,536
Proceeds From Sale of Investments	-	-	-	-	-
Purchase of Investments	(481)	(12,603)	-	(16,175)	(29,259)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>26,470</u>	<u>14,544</u>	<u>-</u>	<u>(3,737)</u>	<u>37,277</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(65,622)</u>	<u>(483,107)</u>	<u>-</u>	<u>(256,111)</u>	<u>(804,840)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>983,507</u>	<u>1,312,797</u>	<u>-</u>	<u>439,327</u>	<u>2,735,631</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 917,885</u>	<u>\$ 829,690</u>	<u>\$ -</u>	<u>\$ 183,216</u>	<u>\$ 1,930,791</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
OPERATING INCOME	\$ 21,227	\$ 298,374	\$ -	\$ 353,830	\$ 673,431
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation	133,353	512,033	-	184,671	830,057
Changes in Assets and Liabilities:					
(Increase) decrease in Accounts Receivable	49,300	(254,310)	11,581	109,966	(83,463)
(Increase) decrease in Inventories	-	(29,390)	7,402	(18,657)	(40,645)
(Increase) decrease in Prepaid Expenses	(8,485)	(2,260)	2,860	(4,739)	(12,624)
Increase in Customer Deposits	-	3,669	-	3,561	7,230
Increase (decrease) in Accounts Payable	16,195	(7,634)	(32,371)	(58,047)	(81,857)
(Decrease) in Due to Other Governments	-	(36,796)	-	-	(36,796)
Compensated Absences and Related Liabilities	6,363	2,033	(9,323)	1,934	1,007
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 217,953</u>	<u>\$ 485,719</u>	<u>\$ (19,851)</u>	<u>\$ 572,519</u>	<u>\$ 1,256,340</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, 2008**

ASSETS

Investments at Fair Value:

Money Market Funds	\$	324,830
Mutual Funds		17,036
U.S. Government Bonds		6,006,619
Trustee Bank's Mutual Bond Funds		4,911,523
Equities		3,597,184
		<u>14,857,192</u>

Receivables:

Interest and Dividends		20,093
Due From Other Governments		306,295
Other Receivables		7,608
		<u>333,996</u>

TOTAL ASSETS

15,191,188

LIABILITIES

Fee Payable		9,524
		<u>9,524</u>

TOTAL LIABILITIES

9,524

**NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS**

\$ 15,181,664

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, 2008**

ADDITIONS	
Contributions:	
Employer	\$ 682,926
Plan Members	179,265
Total Contributions	<u>862,191</u>
Investment Earnings Including	
Net Increase (Decrease) in Fair Value of Investments	<u>(2,149,382)</u>
TOTAL ADDITIONS	<u>(1,287,191)</u>
DEDUCTIONS	
Benefits	671,322
Administration Expenses	74,126
TOTAL DEDUCTIONS	<u>745,448</u>
CHANGE IN NET ASSETS	(2,032,639)
NET ASSETS - BEGINNING OF YEAR	<u>17,214,303</u>
NET ASSETS - END OF YEAR	<u>\$ 15,181,664</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, 2008

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 works services, and general administration. The City also operates several enterprise activities, including: sanitation, water and sewer, 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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, Cultural Activities, GEMS and Library Special Revenue Funds, and the Capital Projects Fund as major funds. In addition, all three of the City's Enterprise Funds are considered major funds. As a result, the City does not have any non-major funds.

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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

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

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 five special revenue funds consisting of the Waterfront and 49th Street Redevelopment Districts discussed above, GEMS for elderly transportation, Cultural Activities created to account for recreational and performing arts activities, 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 three Enterprise Funds. The Sanitation Fund accounts for refuse collection activities. The Water and Sewer Fund accounts for water and wastewater sales and services. The Marina Fund accounts for activities related to the operations of the City's marina.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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 not to 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING *(Continued)*

1. Modified Accrual:

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

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

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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

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

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.

Property taxes, which were levied during fiscal year 2008 and are uncollected as of September 30, 2008, 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, 2008, 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 \$1,000 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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

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

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.

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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

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

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.

Reclassifications

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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

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

Budgets and Budgetary Accounting

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

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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, 2008 was 3.3487 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 Proprietary 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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, 2008, the bank balance amount of the City's cash deposit accounts was \$3,929,594. The cash deposits are held by a bank that qualifies as a public depository under the Florida Security and Public Deposits Act, as required by Chapter 280, Florida Statutes, and are 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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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

Investments *(Continued)*

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 defined by Florida Statutes; h) taxable or tax-exempt government bonds, notes or other obligations of state or local governments, including municipal corporations and special districts, of investment-grade quality; i) repurchase agreements with a “primary securities dealer” or with the City’s primary state certified public depository that are collateralized pursuant to State law and pursuant to a Master Repurchase Agreement entered into with the selling institution; j) auction rate securities (Dutch Auctions) rated “AA” or “AAA” with 28-35 day resets rated by a nationally-recognized rating agency; and k) corporate debt of corporations whose long-term debt is rated at least “AA-” or equivalent by a nationally recognized rating agency.

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

The City’s investments carried at fair value as of September 30, 2008, are as follows:

Investments	Maturity	Fair Value
Mortgage-backed U.S. Government Agencies	1-26 Months	\$ 249,121
Total Investments		\$ 249,121

Interest Rate Risk - In compliance with the City’s investment policy, as of September 30, 2008, 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 (5) 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, 2008, 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 OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2008

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

Investments (Continued)

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.

General Employees' Pension Fund

Deposits

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

Investments

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

The Pension Fund held the following investments as of September 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Money Market Funds	\$ 65,000	Complies with investment policy
Equity Mutual Funds	4,309,929	Complies with investment policy
Fixed Income Mutual Funds	4,035,919	Complies with investment policy
Total Investments	<u>\$ 8,410,848</u>	

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

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2008

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

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, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$ 147,217	Complies with investment policy
U.S. Government Bonds	1,970,700	Complies with investment policy
Mutual Equity Funds	18,055	Complies with investment policy
Common Stock	<u>2,668,785</u>	Complies with investment policy
Total Investments	<u>\$4,804,757</u>	

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2008

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

Firefighters' Pension Fund (Continued)

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, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Overall Credit Rating</u>
Short-term Money Market	\$ 601,594	Complies with investment policy
Mutual Bond Funds	112,840	Complies with investment policy
Mutual Equity Funds	<u>924,662</u>	Complies with investment policy
Total Investments	<u>\$ 1,639,096</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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

NOTE 3 - RECEIVABLES

Receivables as of September 30, 2008, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts Receivable:			
Billed	\$ 86,192	\$ 953,937	\$1,040,129
Unbilled	-	265,924	265,924
Payroll Advance	11,350	3,662	15,012
Code Enforcement Liens	108,996	-	108,996
Total Receivables	206,538	1,223,523	1,430,061
Allowance for Uncollectibles	(66,866)	(134,377)	(201,243)
Net Total Receivables	\$ 139,672	\$ 1,089,146	\$ 1,228,818

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers consist of the following for the year ended September 30, 2008:

Fund	Transfers In	Transfers Out
General	\$ 1,492,997	\$ 230,000
Waterfront RD	-	100,000
49 th St. RD	310,017	-
GEMS	150,000	-
Capital Projects	-	1,030,017
Cultural Activities - Special Revenue	100,000	17,585
Cultural Activities - Enterprise	17,585	1,927,080
Sanitation	-	319,772
Water and Sewer	800,000	754,429
Marina	-	418,796
Total	\$ 2,870,599	\$ 4,797,679

The transfer-out made by the Marina Enterprise Fund to the General Fund is 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 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 Fund is for capital improvements.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS *(Continued)*

Transfers in and out do not equal by \$1,927,080 for fiscal year ended September 30, 2008. During the course of preparing the City's FY 2007-08 annual budget, it was determined by the City Manager and financial management that the Enterprise Fund accounting for financial activity relating to the City's Casino and Theater operation would be better classified as a special revenue fund and included with other governmental funds for financial reporting. Through the budget process and with final Council approval of the FY 2007-08 operations budget, this change was made and the Casino/Theater Enterprise Fund was reclassified as a special revenue fund beginning October 1, 2007. The continued reliance upon the General Fund in the form of an annual subsidy was considered in the decision to reclassify this fund. In addition, a continued desire to separate or set aside revenue sources derived from Casino/Theater operations for the specific use within the operations of the facility also contributed to the desire for reclassification to a special revenue fund in lieu of inclusion with other general fund activities.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2008 was as follows:

	Beginning Balance 10/1/2007	Additions	Transfer Additions	Deletions	Transfer Deletions	Ending Balance 9/30/2008
Governmental Activities						
Non-Depreciable Assets:						
Land	\$ 592,072	\$ -	\$ -	\$ -	\$ -	\$ 592,072
Construction in Progress	246,475	-	-	-	239,021	7,454
Depreciable Assets:						
Buildings	7,550,761	344,241	2,208,565	-	-	10,103,567
Infrastructure and Improvements	9,982,258	597,031	267,503	-	-	10,846,792
Equipment	3,342,589	263,243	69,953	148,376	-	3,527,409
Total at Historical Cost	<u>21,714,155</u>	<u>1,204,515</u>	<u>2,546,021</u>	<u>148,376</u>	<u>239,021</u>	<u>25,077,294</u>
Less Accumulated Depreciation for:						
Buildings	2,091,322	233,243	318,398	-	-	2,642,963
Infrastructure and Improvements	5,783,211	446,724	8,934	-	-	6,238,869
Equipment	2,418,575	318,268	50,322	144,297	-	2,642,868
Total Accumulated Depreciation	<u>10,293,108</u>	<u>998,235</u>	<u>377,654</u>	<u>144,297</u>	<u>-</u>	<u>11,524,700</u>
Capital Assets, Net	<u>\$ 11,421,047</u>	<u>\$ 206,280</u>	<u>\$ 2,168,367</u>	<u>\$ 4,079</u>	<u>\$(239,021)</u>	<u>\$ 13,552,594</u>

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

NOTE 5 - CAPITAL ASSETS *(Continued)*

Depreciation was charged to governmental activities, as follows:

General Government	\$ 116,001
Public Safety - Fire	75,298
Public Safety - Police	138,767
Leisure Services - Library	48,497
Leisure Services - Office of Director	154
Leisure Services - Recreation Center	51,225
Leisure Services - Casino	30,221
Leisure Services - Theater	24,155
Leisure Services - Parks Maintenance	88,037
Leisure Services - Senior Center	26,198
Leisure Services - GEMS	15,103
Community Development	875
Public Works - Central Garage	12,992
Public Works - Transportation	182,948
Community Redevelopment	187,764
	<u>187,764</u>
Total Depreciation	<u>\$ 998,235</u>

	Beginning Balance 10/1/2007	Additions	Deletions	Transfer Deletions	Ending Balance 9/30/2008
Business-type Activities:					
Non-Depreciable Assets:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Construction in progress	-	30,575	-	-	30,575
Depreciable Assets:					
Buildings	2,946,470	-	-	2,208,565	737,905
Infrastructure and Improvements	16,752,470	1,908,432	-	28,482	18,632,420
Equipment	2,093,834	239,114	272,434	69,953	1,990,561
Total at Historical Cost	<u>21,812,774</u>	<u>2,178,121</u>	<u>272,434</u>	<u>2,307,000</u>	<u>21,411,461</u>
Less Accumulated Depreciation for:					
Buildings	831,215	10,776	-	318,398	523,593
Infrastructure and Improvements	6,727,762	660,859	-	8,934	7,379,687
Equipment	1,522,352	158,423	272,434	50,322	1,358,019
Total Accumulated Depreciation	<u>9,081,329</u>	<u>830,058</u>	<u>272,434</u>	<u>377,654</u>	<u>9,261,299</u>
Capital Assets, Net	<u>\$ 12,731,445</u>	<u>\$ 1,348,063</u>	<u>\$ -</u>	<u>\$ (1,929,346)</u>	<u>\$ 12,150,162</u>

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2008

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, 2008, 2007 or 2006, 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:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities	\$ 468,000	\$ 326,534	\$ 300,579	\$ 493,955	\$ 225,091
Business-like Activities	115,519	92,494	85,930	122,083	38,368
Total	<u>\$ 583,519</u>	<u>\$ 419,028</u>	<u>\$ 386,509</u>	<u>\$ 616,038</u>	<u>\$ 263,459</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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

NOTE 8 - PENSION PLANS *(Continued)*

Description of Plans *(Continued)*

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.

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, 2007:

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

NOTE 8 - PENSION PLANS *(Continued)*

Description of Plans *(Continued)*

	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 9/30/2007)	\$3,125,185	\$1,614,789	\$1,614,789
Internal loans	None	None	None
MEMBERSHIP AND PLAN PROVISIONS			
Current active employees	78	13	27
Retirees and beneficiaries	40	19	13
Terminated - vested active participants	70	6	4
Total members	<u>188</u>	<u>38</u>	<u>44</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%	6.5%	7%
Mortality table	1983 GAM	1983 GAM	RP-2000
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 plans' 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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 noncontributory. 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 \$86,000. 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	10/1/2007	\$ 289,893	100%	\$ -
	10/1/2006	\$ 255,381	100%	\$ -
	10/1/2005	\$ 273,944	100%	\$ -
Firefighters	10/1/2007	\$ 118,764	100%	\$ -
	10/1/2006	\$ 84,917	100%	\$ -
	10/1/2005	\$ 69,899	100%	\$ -
Police Officers	10/1/2007	\$ 224,227	108%	\$ (51,831)
	10/1/2006	\$ 146,921	119%	\$ (35,060)
	10/1/2005	\$ 173,632	101%	\$ (7,534)

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, 2008, were as follows: General Employees - \$209,494, Firefighters - \$159,511, and Police Officers - \$290,398. 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, 2007.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

NOTE 8 - PENSION 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

	Employees' Pension Fund	Police Pension Fund	Firefighters' Pension Fund
ASSETS			
Investments at Fair Value			
Money Market Funds	\$ 64,773	\$ 147,217	112,840
Equities	-	2,689,558	907,626
Mutual Funds	-	-	17,036
U.S. Government Bonds	4,035,919	1,970,700	-
Trustee Bank's Mutual Bond Funds	4,309,929	-	601,594
	8,410,621	4,807,475	1,639,096
Receivables			
Interest and dividends	16,370	-	3,723
Due from other governments	51,822	133,902	120,571
Other receivables	-	-	7,608
TOTAL ASSETS	8,478,813	4,941,377	1,770,998
LIABILITIES			
Fee Payable	8,297	477	750
TOTAL LIABILITIES	8,297	477	750
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
	\$ 8,470,516	\$ 4,940,900	\$ 1,770,248

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

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	\$ 209,494	\$ 319,675	\$ 153,757
Plan Members	-	145,479	33,786
Earnings on Investments	(1,256,021)	(676,493)	(216,868)
TOTAL ADDITIONS	(1,046,527)	(211,339)	(29,325)
DEDUCTIONS			
Benefits Paid	266,600	289,223	115,499
Termination Payments	-	-	-
Administration Expenses	24,254	32,214	17,658
TOTAL DEDUCTIONS	290,854	321,437	133,157
NET INCREASE	(1,337,381)	(532,776)	(162,482)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	9,807,897	5,473,676	1,932,730
END OF YEAR	\$ 8,470,516	\$ 4,940,900	\$ 1,770,248

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 an 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2008

NOTE 9 - DEFERRED COMPENSATION PLAN *(Continued)*

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 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 to acquire water and have its sewage treated at prevailing wholesale rates. During the current year, the City paid the City of St. Petersburg \$2,130,197 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 cannot presently be determined, 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.

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, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Taxes	\$ 5,739,846	\$ 5,739,846	\$ 5,549,893	\$ (189,953)
Licenses & Permits	307,933	307,933	284,461	(23,472)
Intergovernmental Revenue	2,241,242	2,241,242	1,876,768	(364,474)
Charges for Services	588,142	594,142	1,230,944	636,802
Fines and Forfeitures	63,200	63,200	85,566	22,366
Miscellaneous Revenues	246,354	259,083	184,742	(74,341)
Earnings on Investments	190,000	190,000	161,802	(28,198)
Transfers In	1,492,998	1,504,622	750,190	(754,432)
Reserves & Other	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	10,869,715	10,900,068	10,124,366	(775,702)
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
GENERAL GOVERNMENT:				
Legislative	251,100	245,274	211,803	33,471
Legal	84,000	168,015	141,484	26,531
Executive	199,435	197,768	194,635	3,133
Financial	395,124	385,723	379,144	6,579
Human Resources	94,718	94,718	80,665	14,053
Information Technology	340,952	457,489	308,988	148,501
Total	1,365,329	1,548,987	1,316,719	232,268
PUBLIC SAFETY:				
Fire	1,175,134	1,147,665	1,065,468	82,197
Police	3,807,785	3,817,863	3,529,778	288,085
Total	4,982,919	4,965,528	4,595,246	370,282
LEISURE SERVICES:				
Library	636,417	624,384	545,256	79,128
Office of Director	213,436	210,444	207,735	2,709
Recreation Center	485,847	480,762	423,031	57,731
Parks	746,924	733,126	684,002	49,124
Senior Center	204,084	200,279	182,582	17,697
Total	2,286,708	2,248,995	2,042,606	206,389
COMMUNITY DEVELOPMENT:				
Planning & Development	165,487	198,251	149,700	48,551
Code Enforcement	85,067	82,839	83,869	(1,030)
Building Inspections	238,845	264,263	247,814	16,449
Total	489,399	545,353	481,383	63,970
PUBLIC WORKS:				
Building Maintenance	181,231	178,048	173,005	5,043
Central Garage	528,233	523,662	541,721	(18,059)
Office of Director	116,781	116,033	122,677	(6,644)
Streets	549,583	543,462	481,828	61,634
Total	1,375,828	1,361,205	1,319,231	41,974

Continued

CITY OF GULFPORT, FLORIDA

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE - Continued
 YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Transfers Out and Capital Contributions	\$ 230,000	\$ 230,000	\$ 230,000	\$ -
TOTAL CHARGES TO APPROPRIATIONS	10,730,183	10,900,068	9,985,185	914,883
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	139,532	-	139,181	139,181
FUND BALANCE - BEGINNING OF YEAR	4,294,934	4,294,934	4,294,934	-
FUND BALANCE - END OF YEAR	\$ 4,434,466	\$ 4,294,934	\$ 4,434,115	\$ 139,181

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, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Taxes	\$ 123,149	\$ 123,149	\$ 122,678	\$ (471)
Intergovernmental Revenue	195,425	195,425	178,520	(16,905)
Earnings on Investments	1,000	-	2,513	2,513
Appropriated Surplus	163,412	188,412	-	(188,412)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>482,986</u>	<u>506,986</u>	<u>303,711</u>	<u>(203,275)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	72,359	72,359	72,107	252
Operating Expenses	96,627	121,627	57,724	63,903
Capital	214,000	214,000	180,584	33,416
Transfers out	100,000	100,000	100,000	-
TOTAL CHARGES TO APPROPRIATIONS	<u>482,986</u>	<u>507,986</u>	<u>410,415</u>	<u>97,571</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	-	(1,000)	(106,704)	(105,704)
FUND BALANCE - BEGINNING OF YEAR	<u>174,767</u>	<u>174,767</u>	<u>174,767</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 174,767</u>	<u>\$ 173,767</u>	<u>\$ 68,063</u>	<u>\$ (105,704)</u>

CITY OF GULFPORT, FLORIDA

**SPECIAL REVENUE FUND
49TH STREET REDEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Intergovernmental Revenue	\$ 1,557,857	\$ 1,557,857	\$ 300,000	\$ (1,257,857)
Earnings on Investments		-	4,871	4,871
Transfers In	290,017	310,017	310,017	-
Appropriated Surplus	95,685	380,738	-	(380,738)
AMOUNTS AVAILABLE FOR APPROPRIATION	1,943,559	2,248,612	614,888	(1,633,724)
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	55,671	69,852	61,346	8,506
Operating Expenses	3,556	1,376	816	560
Capital	1,884,332	2,177,384	294,698	1,882,686
TOTAL CHARGES TO APPROPRIATIONS	1,943,559	2,248,612	356,860	1,891,752
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	-	-	258,028	258,028
FUND BALANCE - BEGINNING OF YEAR	28,150	28,150	28,150	-
FUND BALANCE - END OF YEAR	\$ 28,150	\$ 28,150	\$ 286,178	\$ 258,028

CITY OF GULFPORT, FLORIDA

**SPECIAL REVENUE FUND
GEMS (GULFPORT ELDERLY MOBILITY SYSTEM)
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Charges for Services	\$ 36,707	\$ 36,707	\$ 19,327	\$ (17,380)
Miscellaneous Revenues	805	805	5,165	4,360
Earnings on Investments	-	-	3,682	3,682
Transfers In	150,000	150,000	150,000	-
Appropriated Surplus	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	187,512	187,512	178,174	(9,338)
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	102,408	102,389	110,120	(7,731)
Operating Expenses	53,702	53,721	53,647	74
TOTAL CHARGES TO APPROPRIATIONS	156,110	156,110	163,767	(7,657)
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	31,402	31,402	14,407	(16,995)
FUND BALANCE - BEGINNING OF YEAR	116,435	116,435	116,435	-
FUND BALANCE - END OF YEAR	\$ 147,837	\$ 147,837	\$ 130,842	\$ (16,995)

CITY OF GULFPORT, FLORIDA

SPECIAL REVENUE FUND
LIBRARY FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Contributions Revenues	\$ -	\$ -	\$ -	\$ -
Earnings on Investments	-	-	2,547	2,547
Transfers In	-	-	-	-
Appropriated Surplus	15,725	15,725	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	15,725	15,725	2,547	2,547
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Operating Expenses	15,725	15,725	15,904	(179)
TOTAL CHARGES TO APPROPRIATIONS	15,725	15,725	15,904	(179)
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	-	-	(13,357)	2,368
FUND BALANCE - BEGINNING OF YEAR	98,171	98,171	98,171	-
FUND BALANCE - END OF YEAR	\$ 98,171	\$ 98,171	\$ 84,814	\$ 2,368

CITY OF GULFPORT, FLORIDA

SPECIAL REVENUE FUND
CULTURAL ACTIVITIES FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Charges for Services	\$ 419,792	\$ 419,792	\$ 337,472	\$ (82,320)
Miscellaneous Revenues	531	531	3,416	2,885
Earnings on Investments	-	-	709	709
Transfers In	100,000	100,000	82,415	(17,585)
Appropriated Surplus	6,012	6,012	-	(6,012)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>526,335</u>	<u>526,335</u>	<u>424,012</u>	<u>(102,323)</u>
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Personal Services	149,379	149,379	160,739	(11,360)
Operating Expenses	275,456	275,456	283,409	(7,953)
Capital	101,500	101,500	1,543	99,957
TOTAL CHARGES TO APPROPRIATIONS	<u>526,335</u>	<u>526,335</u>	<u>445,691</u>	<u>80,644</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	-	-	(21,679)	(21,679)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,679)</u>	<u>\$ (21,679)</u>

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
2007	\$ 289,893	\$ 289,893	100.00%
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%

Police Officers' Retirement Trust Fund			
Year Ended Sept. 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2007	\$ 290,389	\$ 307,322	105.83%
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%

Firefighters' Retirement Trust Fund			
Year Ended Sept. 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2007	\$ 71,381	\$ 118,764	166.38%
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%

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						
10/01/2007	\$ 9,824,316	\$ 8,977,029	\$ (847,287)	109.44%	\$ 2,923,184	-28.99%
10/01/2006	8,744,544	8,271,507	(473,037)	105.72%	2,928,182	-16.15%
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%
Police Officers' Retirement Trust Fund						
10/01/2007	\$ 5,336,192	\$ 5,865,019	\$ 528,827	90.98%	\$ 1,614,789	32.75%
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%
Firefighters' Retirement Trust Fund						
10/01/2007	\$ 1,835,992	\$ 1,915,913	\$ 79,921	95.83%	\$ 593,603	13.46%
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%

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, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
RESOURCES (INFLOWS)				
Intergovernmental Revenue	\$ -	\$ 50,000	\$ -	\$ (50,000)
Infrastructure Tax	1,358,410	1,308,410	1,134,286	(174,124)
Impact Fees	26,000	26,000	199,128	173,128
Earnings on Investments	5,000	5,000	10,747	5,747
Miscellaneous Revenues	-	-	-	-
Transfers In	80,000	80,000	-	(80,000)
Appropriated Surplus	569,501	688,011	-	(688,011)
AMOUNTS AVAILABLE FOR APPROPRIATION	2,038,911	2,157,421	1,344,161	(813,260)
CHARGE TO APPROPRIATIONS (OUTFLOWS)				
Buildings	359,017	275,267	277,851	(2,584)
Improvements Other Than Buildings	471,878	654,138	168,892	485,246
Machinery & Equipment	197,999	197,999	115,099	82,900
Maintenance	-	-	463	(463)
Transfers Out	1,010,017	1,030,017	1,030,017	-
TOTAL CHARGES TO APPROPRIATIONS	2,038,911	2,157,421	1,592,322	565,099
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	-	-	(248,161)	(248,161)
FUND BALANCE - BEGINNING OF YEAR	658,113	658,113	658,113	-
FUND BALANCE - END OF YEAR	\$ 658,113	\$ 658,113	\$ 409,952	\$ (248,161)

STATISTICAL SECTION

City of Gulfport, Florida
Statistical Section
September 30, 2008

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.

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Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time73

Revenue Capacity

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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.....84

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 place85

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 performs87

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, 2008, 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
Net Assets by Component
Last Seven Fiscal Years

	2002	2003	2004	2005	2006	2007	2008
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	\$13,552,594
Restricted	278,332	269,713	285,908	311,484	811,537	658,113	409,952
Unrestricted	6,975,403	6,972,565	6,366,837	5,347,130	4,622,534	4,244,457	4,488,378
Total governmental activities net assets	17,124,359	18,181,958	18,478,721	17,337,107	16,918,322	16,323,617	18,450,924
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	12,150,162
Restricted	106,714	116,389	116,389	138,139	156,814	156,814	156,814
Unrestricted	1,547,257	964,595	506,104	1,805,008	2,829,743	3,234,904	2,696,474
Total business-type activities net of assets	11,279,253	10,896,920	11,595,868	13,267,343	14,766,610	16,123,164	15,003,450
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	25,702,756
Restricted	385,046	386,102	402,297	449,623	968,351	814,927	566,766
Unrestricted	8,522,660	7,937,160	6,872,941	7,152,138	7,452,277	7,479,361	7,184,852
Total business-type activities net of assets	\$28,403,612	\$29,078,878	\$30,074,589	\$30,604,450	\$31,684,932	\$32,446,781	\$33,454,374

City of Gulfport, Florida
Change in Net Assets
Last Seven Fiscal Years

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General Government	\$ 1,288,909	\$1,372,705	\$ 1,338,914	\$ 1,409,319	\$ 1,617,209	\$ 1,727,884	\$ 1,407,979
Public Safety - Police	2,740,753	2,941,623	3,437,742	3,512,439	3,737,832	3,897,891	3,651,578
Public Safety - Fire	855,728	909,780	917,783	979,320	971,362	1,094,198	1,135,347
Public Safety - Protective Services	227,757	222,366	237,485	268,643	313,460	300,644	301,967
Public Services - Transportation	490,994	501,491	505,912	654,629	639,191	647,172	663,528
Public Works - Central Garage	-	-	347,727	399,547	450,383	491,197	549,188
Public Works - Building Maintenance	-	-	-	132,862	158,301	165,278	173,005
Public Works - Office of Director	-	-	-	130,589	112,830	119,705	122,677
Culture and Recreation - Library	495,408	537,625	577,346	581,075	632,084	499,323	593,753
Culture and Recreation - Office of Director	171,968	170,893	169,908	204,455	200,477	207,924	208,352
Culture and Recreation - Recreation Facility	392,517	442,798	499,833	472,025	514,690	537,364	440,971
Culture and Recreation - Parks	550,820	656,377	669,079	733,429	724,492	714,636	772,039
Culture and Recreation - GEMS	-	140,067	186,278	156,827	159,617	167,362	178,870
Culture and Recreation - Human Services	260,397	155,109	164,023	178,966	188,071	181,411	203,505
Culture and Recreation - Casino	-	-	-	-	-	-	370,559
Culture and Recreation - Theater	-	-	-	-	-	-	127,965
Redevelopment	124,016	284,031	289,918	446,104	508,095	477,784	530,331
Total governmental activities expenses	7,599,267	\$8,334,865	9,341,948	10,260,229	10,928,094	11,229,773	11,431,614
Business-type activities:							
Sanitation	1,426,929	\$1,532,244	1,592,422	1,640,391	1,696,931	1,711,019	1,714,743
Water and Sewer	3,014,832	3,423,916	3,193,807	3,217,649	3,365,867	3,662,824	3,718,712
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	1,387,867
Total business-type activities expenses	5,443,474	6,242,188	6,234,634	6,340,169	6,690,681	7,144,597	6,821,322
Total primary government expenses	\$ 13,042,741	\$14,577,053	\$ 15,576,582	\$ 16,600,398	\$ 17,618,775	\$ 18,374,370	\$ 18,252,936
Program Revenues							
Governmental activities:							
Charges for Services							
General Government	\$ 403,079	\$ 533,248	\$ 458,750	\$ 478,395	\$ 779,732	\$ 839,320	\$ 870,221
Public Safety - Police	231,321	251,276	239,272	206,211	81,867	67,502	132,176
Public Safety - Fire	86,901	97,952	81,366	82,548	1,495	7,363	13,290
Public Safety - Protective Services	189,285	156,125	148,319	186,374	249,112	146,746	194,241
Public Services - Transportation	63,855	75,783	63,886	66,694	-	-	-
Public Works - Central Garage	-	-	337,220	200,855	208,299	496,305	237,465
Culture and Recreation - Library	14,916	14,532	16,596	17,451	10,881	10,391	8,403
Culture and Recreation - Recreation Facility	158,265	163,979	145,043	150,097	173,593	168,342	144,175
Culture and Recreation - Parks	3,690	7,060	4,690	6,727	5,763	4,310	1,000
Culture and Recreation - Human Services	17,931	15,381	16,200	14,313	14,669	13,051	19,327
Culture and Recreation - Casino	-	-	-	-	-	-	310,611
Culture and Recreation - Theater	-	-	-	-	-	-	26,861
Operating Grants an Contributions	701,615	753,626	767,237	805,723	823,027	1,002,285	821,534
Capital Grants and Contributions	40,594	363,828	550,409	70,466	72,042	15,754	499,128
Total governmental activities program revenues	1,911,452	2,432,790	2,828,988	2,285,854	2,420,480	2,771,369	3,278,432

City of Gulfport, Florida
Change in Net Assets - Continued
Last Seven Fiscal Years

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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	\$ 1,735,970
Water and Sewer	3,157,115	3,091,974	3,556,182	3,592,049	3,847,146	3,931,746	3,605,432
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	1,741,697
Operating Grants and Contributions	-	31,687	1,400	6,914	-	-	-
Capital Grants and Contributions	75,000	42,413	5,625	2,550	-	-	411,654
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>	<u>7,494,753</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>	<u>\$ 10,773,185</u>
Net (Expense) Revenue							
Governmental activities	\$ (5,687,815)	\$ (5,902,075)	\$ (6,512,960)	\$ (7,974,375)	\$ (8,507,614)	\$ (8,458,404)	\$ (8,153,182)
Business-type activities	461,668	(175,972)	341,336	594,399	693,411	402,176	673,431
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>	<u>\$ (7,479,751)</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	\$ 3,450,430
Franchise Fees	549,651	551,034	591,478	631,381	730,627	705,406	720,232
Utility Taxes	1,374,124	891,643	884,418	911,592	970,814	958,917	961,007
Communications Service Tax	-	510,914	537,096	560,145	554,615	576,288	552,969
Sales Tax - Infrastructure - Restricted	986,102	999,813	1,077,996	1,141,122	1,316,203	1,202,239	1,134,286
Half-cent Sales Tax	660,946	669,439	714,251	713,350	754,315	723,283	683,695
Local Option Gas Tax - Restricted	108,570	109,659	113,981	117,870	126,309	112,549	166,453
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	16,916
State Revenue Sharing	298,913	314,104	355,483	427,811	455,705	412,529	354,623
Investment Income	271,351	171,466	150,758	148,138	286,867	367,414	186,347
Miscellaneous	200,612	188,027	302,943	314,867	190,165	262,302	193,846
Gain/(Loss) on Sale of Capital Asset	-	-	-	-	-	(255,204)	-
Transfers	(2,568,211)	330,829	(519,510)	(989,028)	(715,250)	(807,689)	1,859,685
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>	<u>10,280,489</u>
Business-type activities:							
Investment Income	70,478	14,005	8,180	34,848	90,606	146,689	66,540
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	(1,859,685)
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>	<u>(1,793,145)</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>	<u>\$ 8,487,344</u>
Change in Net Assets							
Governmental activities	\$ (1,845,288)	\$ 932,913	\$ 127,185	\$ (1,141,614)	\$ (418,785)	\$ (594,505)	\$ 2,127,307
Business-type activities	3,311,288	(257,647)	869,026	1,671,475	1,499,267	1,356,554	(1,119,714)
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>	<u>\$ 1,007,593</u>

City of Gulfport, Florida
Fund Balances - Governmental Funds
Last Seven Fiscal Years

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved	\$471,680	\$2,598,529	\$2,420,625	\$2,731,552	\$2,337,152	\$2,574,747	\$3,154,974
Unreserved	6,558,433	4,600,508	3,931,868	2,711,964	2,361,499	1,720,187	1,279,141
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>	<u>\$4,434,115</u>
All Other Governmental Funds							
Reserved	\$278,780	\$97,933	\$55,742	\$127,804	\$463,238	\$403,354	\$412,841
Unreserved reported in:							
Waterfront Redevelopment District Fund	423	1,373	57,960	71,062	68,565	174,767	61,181
49th Street Redevelopment District Fund	35,709	-	(91,180)	(98,306)	35,770	28,150	286,178
Cultural Facilities	-	-	-	-	-	-	(21,679)
GEMS	-	-	-	(56,839)	113,217	116,435	130,842
Capital Projects Fund	-	89,267	448,049	498,604	440,260	352,930	88,807
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>	<u>\$958,170</u>

Note: The Cultural Facilities 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 2008 to a governmental fund.

City of Gulfport, Florida
Changes in Fund Balances - Governmental Funds
Last Seven Fiscal Years

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues							
Taxes	\$4,750,608	\$5,003,733	\$5,421,596	\$5,975,481	\$6,845,377	\$7,015,189	\$6,806,857
Licenses and Permits	246,013	293,043	206,046	243,285	306,434	203,935	284,461
Intergovernmental Revenue	1,820,830	2,142,670	2,586,113	2,227,329	2,354,697	2,299,926	2,554,416
Impact Fees	52,816	37,606	15,890	10,384	22,042	-	-
Charges for Services	869,276	970,211	1,048,678	1,081,450	1,143,570	1,468,483	1,587,743
Fines and Forfeitures	110,682	109,395	124,069	84,677	75,407	80,912	85,566
Miscellaneous Revenues	200,614	272,812	298,216	336,855	141,781	262,303	193,847
Earnings on Investments	271,351	172,405	156,229	149,242	286,867	367,214	186,347
Total Revenues	8,322,190	9,001,875	9,856,837	10,108,703	11,176,175	11,697,962	11,699,237
Expenditures							
General Government	1,231,856	1,360,783	1,388,635	1,381,681	1,496,901	1,618,128	1,369,856
Public Safety	3,907,223	4,639,285	4,668,203	4,465,949	4,829,181	4,877,374	4,772,368
Public Services	349,058	490,480	807,321	1,255,389	1,310,971	1,402,016	1,372,963
Culture and Recreation	2,089,661	2,038,909	1,925,055	2,228,746	2,247,362	2,406,033	2,946,282
Redevelopment	596,437	774,040	1,054,279	741,567	742,650	1,035,853	1,148,658
Total Expenditures	8,174,235	9,303,497	9,843,493	10,073,332	10,627,065	11,339,404	11,610,127
Other Financing Sources (Uses)							
Transfer In	2,484,961	710,516	658,986	629,239	876,697	560,311	1,292,622
Transfer Out	(1,913,162)	(366,309)	(1,236,876)	(1,652,252)	(1,591,947)	(1,368,000)	(1,360,017)
Total Other Financing Sources (Uses)	571,799	344,207	(577,890)	(1,023,013)	(715,250)	(807,689)	(67,395)
Net Change in Fund Balances	\$ 719,754	\$ 42,585	\$ (564,546)	\$ (987,642)	\$ (166,140)	\$ (449,131)	\$ 21,715
Debt Service as a Percentage of Non-capital Expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A

City of Gulfport, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended Sept. 30	Real Property		Personal Property	Less: Tax Exemptions				Total Taxable Assessed Value	Millage Rate *
	Residential Property	Commercial Property		Governmental/ Institutional	\$25,000 Homestead	Homestead Assessment Differential	Widows/ Disability/ Blind		
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
2008	1,407,482,670	154,739,500	17,880,050	91,176,597	99,251,124	377,742,972	6,585,252	1,005,346,275	3.3487

Source: Pinellas County Property Appraiser, 2007 final certified roll (Forms DR403AM and Land Use Recaps)

*The rate used in the calculation of property taxes. One mill equals \$1 per \$1,000 of taxable value. A millage of 3.3487, which is the millage in effect for the City of Gulfport, is equal to \$3.3487 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
Direct and Overlapping Governments
Last Ten Fiscal Years**

City Direct Rates		Overlapping Rates					
Fiscal Year	Basic Rate *	Pinellas County County	Pinellas County Schools	Transit	Emerg. Medical Services	Other	Total Millage
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
2008	3.3487	4.8730	7.7310	0.5601	0.5832	1.5121	18.6081

Sources: Pinellas County Tax Collector, Pinellas County Property Appraiser

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

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

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

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

City of Gulfport, Florida
Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	2008			1998		
	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	\$8,262,700	1	0.82%	\$ -		
CFC Pasadena Yacht LLC	5,873,800	2	0.58%	-		
CFC Pasadena Golf LLC	4,980,270	3	0.50%	-		
Paonessa, Jeffrey L	3,927,841	4	0.39%	1,144,200	8	0.34%
Damkoehler, Gary L	2,928,563	5	0.29%	-		
Lavin, Jerome V.	2,872,400	6	0.29%	2,227,600	3	0.65%
Hernandez, Roberto M	2,749,200	7	0.27%	-		
J L P Management Assoc., Inc.	2,551,600	8	0.25%	1,054,500	9	0.31%
Macomber, Jane E	2,475,293	9	0.25%	-		
Yury Goncharov	2,214,600	10	0.22%	-		
Gulfport Plaza Center INC	2,056,200		-	1,501,000	6	0.44%
U S X Corporation	-		-	6,512,500	1	1.90%
Bay Front Partners	-		-	2,584,100	2	0.75%
Pasadena Yacht and Country	-		-	1,748,300	4	0.51%
Age Institute Fl, Inc.	-		-	1,733,000	5	0.51%
Scott L. Hopes	-		-	1,131,500	7	0.33%
Gulfport Assisted Living Corp.	-		-	1,016,500	10	0.30%
Total	\$40,892,467		3.86%	\$20,653,200		6.04%

Source:

Pinellas County Tax Rolls

City of Gulfport, Florida
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
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
2008	\$3,366,603	\$3,256,529	96.73%	\$110,074

Source: Pinellas County Tax Collector's Office Report

City of Gulfport, Florida
Water Sold by Type of Customer
Over Last Ten Fiscal Years (in Gallons)

	Fiscal Year									
	2008	2007	2006	2005	2004	2003*	2002*	2001*	2000*	1999*
Type of Customer										
Residential	3,167,552	3,448,191	3,298,681	3,334,493	2,110,768					
Commercial	266,362	297,895	321,935	311,633	185,994					
Governmental	82,799	74,954	71,785	75,117	56,429					
Total	3,516,713	3,821,040	3,692,401	3,721,243	2,353,191					
Total direct rate per 1,000 gallons	\$4.66	\$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
Water and Sewer Rates
Last Ten Fiscal Years**

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
2008	\$9.32	\$4.66	\$10.20	\$5.10
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

Source: City of Gulfport Utility Billing System, Incode Software

City of Gulfport, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2008

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	44,035,000	1.25%	550,438
Pinellas County Capital Leases	1,839,370	1.25%	22,992
Pinellas County School District State Bonds ^b	34,640,000	1.25%	433,000
Pinellas County School District Capital Leases	19,630,017	1.25%	<u>245,375</u>
Total Direct and Overlapping debt			<u><u>\$ 1,251,805</u></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
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			
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
2008	12,920	\$ 361,411,160	\$ 27,973	45.3	6.3%*	2,665

Source:

- (A) Pinellas County Planning Department, Bureau of Economic Analysis
- (B) Pinellas County Economic Development
- (C) U.S. Bureau of Labor Statistics (*preliminary annual estimate; Tampa, St. Pete, Clw area)
- (D) 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 countywide 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
Principal Employers^a
Current Year and Ten Years Ago

Employer	2008 ^b			1998 ^c		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Pinellas County School District ^d	17,000	1	3.02%			
Pinellas County Government ^d	6,451	2	1.15%			
Freedom Village	5,000	3	0.89%			
Fidelity	4,000	4	0.71%			
Home Shopping Network	4,000	5	0.71%			
City of St Petersburg ^d	3,741	6	0.66%			
Morton Plant Hospital	3,300	7	0.59%			
Barnett Recovery Systems	3,000	8	0.53%			
Raymond James	3,000	9	0.53%			
Bayfront Medical Center	2,500	10	0.44%			
Total Employment ^{b,c}	563,303		100.00%			

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

^b Source: Pinellas County, FY 2007-2008 Annual Operating and Capital Budget, Pinellas County Clerk Annual Budget FY 2007-2008, and Pinellas County Department of Economic Development.

^c Data for 1999 is not available.

^d Includes part-time personnel budgeted.

City of Gulfport, Florida
Full-time Equivalent
City Government Employees by Function
Last Seven Years

Function/Program	Full-time Equivalent Employees as of September 30,						
	2002	2003	2004	2005	2006	2007	2008
General Government							
City Clerk	2	2	2	2.5	2.5	2.5	2
City Manager	2	2	2	2	2	2	2
Administrative Services	9	8.5	8	8	8	8	8
Information Technology	1	2	2	2	2	2	2
Public Safety							
Police	49.5	47.5	48	47	46	45	44
Fire	13.5	13	13	13	13.5	17.5	15.5
Community Development	4	5	5	8	8	8	7
Public Works	25.5	24.5	24.5	24	26	25	25
Utilities	7	7	7	6	6	6	6
Leisure Services	39.5	39.5	41	41.5	41.5	40.5	38.25
Cultural Facilities	2.5	2.5	6.5	4.25	3.25	5.5	5.5
Marina	3	3	3	3	3	3.5	3.5
Total	158.5	156.5	162	161.25	161.75	165.5	158.75

Notes:

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

City of Gulfport, Florida
Operating Indicators by Function/Program
Last Seven Years

Function/Program	2002	2003	2004	2005	2006	2007	2008
Police							
Felony arrests	727	721	654	776	791	630	244
Traffic violations issued	2,975	2,790	2,542	2,260	2,300	2,201	2,024
City Ordinance violations reported	196	192	200	195	185	182	160
Fire							
Fires Extinguished	54	36	20	65	90	63	41
Emergency responses	2,476	2,569	2,400	2,450	2,000	2,668	2,722
Sanitation							
Refuse collected (tons/day)	30.29	33.33	34.77	31.99	30.80	29.08	27.84
Recyclables collected (tons/day)	2.72	2.83	2.60	2.87	1.69	1.94	2.39
Utilities							
Average daily consumption (thousands of gallons)	1157	1,088	1,043	1,133	1,137	1,046	1,089
Average daily sewage treatment (thousands of gallons)	1,130	1,551	1,118	1,058	850	1,051	781
Recreation							
Participants in After-School Program	87	78	78	78	85	81	54
Participants in Summer Camp Program	174	162	140	140	180	198	142
Library							
Circulation of materials	100,201	105,475	104,654	114,437	111,600	115,489	81,689
Reference questions	7,692	8,097	8,762	10,422	10,900	8,114	8,113
Sponsored programs	121	127	218	200	225	276	252
Senior Center							
Average daily attendance	117	113	115	120	120	148	175
Meals served daily	140	140	140	140	140	140	175
Reassurance calls made daily	40	42	43	45	30	27	22
GEMS							
Number of rides	8,368	8,808	8,272	9,272	13,150	12,105	11,338
Number of subscriptions	126	133	140	147	100	145	163
Number of handicapped members	79	83	87	91	100	38	47
Marina							
Number of slips rented	268	268	247	247	247	247	237
Number of vessels fueled	6,600	6,880	7,000	7,200	7,350	6,475	5,776
Number of gallons dispensed	212,400	225,300	250,000	262,500	275,000	217,144	203,556
Cultural Facilities							
Number of dances held	165	174	183	192	200	226	237
Number of theater rentals	93	98	103	108	125	118	131

Sources: Various governmental departments

City of Gulfport, Florida
Capital Asset Statistics by Function/Program
Last Seven Years

Function/Program	2002	2003	2004	2005	2006	2007	2008
Schools*							
Elementary	1	1	1	1	1	1	1
Junior/Senior High	2	2	2	2	2	2	2
Police							
Stations	1	1	1	1	1	1	1
Patrol units	20	20	20	20	20	20	20
Fire							
Stations	1	1	1	1	1	1	1
Fire trucks	2	2	2	2	2	2	2
Other Public Works							
Streets - Paved	67.63	67.63	67.63	67.63	67.63	67.63	67.63
Streets - Unpaved	32	32	32	32	32	32	32
Streetlights	1,368	1,368	1,368	1,368	1,368	1,368	1,368
Sanitation							
Collection trucks	6	6	6	6	6	6	6
Utilities							
Water mains (miles)	67	67	67	67	67	68	68
Fire hydrants	258	258	258	258	260	265	265
Lift stations	2	2	2	2	2	2	2
Sanitary sewer (miles)	105	105	105	105	105	105	105
Storm drain lines (miles)	23	23	23	23	23	23	23
Stormwater treatment lakes	2	2	2	2	2	2	2
Parks							
Acreage	36.75	36.75	36.75	36.75	36.75	36.75	36.75
Playgrounds	6	6	6	6	6	6	6
Tennis courts	2	2	2	2	2	2	2
Skate parks	1	1	1	1	1	1	1
Volleyball courts	2	2	2	2	2	2	2
Basketball courts	1	1	1	1	1	1	1
Bocce courts	2	2	2	2	2	2	2
Recreation buses	1	1	1	1	1	1	1
Library							
Catalogued items	64,576	68,040	75,380	70,916	74,500	73,665	74,100
GEMS							
Vehicles	3	3	3	3	3	3	3
Marina							
Number of slips	268	268	268	247	247	247	247

Sources: Various governmental departments

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

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Compliance Section

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**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 basic financial statements of the City of Gulfport, Florida (the “City”), as of and for the year ended September 30, 2008, and have issued our report thereon dated March 20, 2009. 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 basic 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 entity’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 entity’s basic financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the combined effect of the deficiencies listed on the Schedule of Findings and Questioned Costs to be a significant deficiency in internal control.

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 basic financial statements will not be prevented or detected by the City’s internal control.

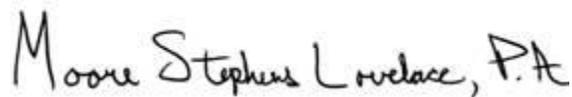
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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

This report is intended solely for the information and use of the Mayor, 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.


Certified Public Accountants

Orlando, Florida
March 20, 2009



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

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Gulfport, Florida (the “City”), with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

As described in the findings noted in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding cash reporting (Finding 08 - 05) that is applicable to the U.S. Department of Housing and Urban Development (“HUD”), Economical Development Initiative.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

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

Internal Control Over Compliance - *Continued*

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program, such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

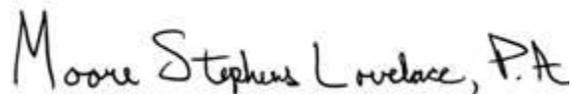
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 as of and for the year ended September 30, 2008, and have issued our report thereon dated March 20, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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



Certified Public Accountants

Orlando, Florida
March 20, 2009

City of Gulfport, Florida

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

<u>Grantor/Pass-through Grantor/Program</u>	<u>CFDA #</u>	<u>Identification Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing & Urban Development</u> Community Development Block Grant	14.218	CD05GLFPRT	\$ 300,000
Economic Development Initiative - Special Project, Neighborhood Initiative	14.251	B-06-SP-FL-0206	<u>198,000</u>
			498,000
<u>U.S. Health and Human Services</u> Special Program for the Aging - Title III - B Grants for Supportive Services and Senior Centers	93.044	EA008-GULFPORT	7,001
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 505,001</u></u>

City of Gulfport, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended September 30, 2008

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unqualified Opinion

- Internal control over financial reporting:

- Material weakness(es) identified? Yes No

- Significant deficiency(ies) identified not considered to be material weakness(es)? Yes No

- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No

- Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported

Type of report issued on compliance for major federal program:

Qualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Federal Program:

CFDA Number

Name of Federal Program

14.218 Community Development Block Grant

14.251 Economical Development Initiative - Special Project

Dollar threshold used to distinguish between Type A and Type B programs: Federal

\$300,000

Auditee qualified as low-risk auditee? No

City of Gulfport, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For The Year Ended September 30, 2008

Section II - Financial Statement Findings

2008-01 - Entity Risk Assessment and Monitoring

Finding

At present, the City does not have formalized processes in place for risk assessment and monitoring internal control activities entity wide on an ongoing basis.

Criteria

There are five key components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring. The presence of all five internal control components is required to minimize the risk of misstatement of financial information. Deficiencies in any of these components could result in an increased risk of misstatement of City's financial information.

Recommendation

We recommend that the City implement formalized policies and procedures to address both risk assessment and monitoring of its internal controls.

City Response

The City Finance Department has already begun the process of formalizing all financial policies and procedures. Once these policies and procedures are documented in written form, testing will be conducted by those not directly involved in the process to ensure that such procedures are easily understood. Finally, as time permits, Finance Staff will conduct random tests to determine if such policies and procedures are being adhered to.

2008-02 - Audit Adjustments

Finding

During the audit, we recommended more than 5 adjusting journal entries. The effect of such entries was to increase net income and net assets by approximately \$200,000 and \$300,000 respectively. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made by the Accounting Department.

Criteria

Presentation, disclosure, and completeness are essential to ensure proper financial reporting.

Recommendation

We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing.

City of Gulfport, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended September 30, 2008

City Response

The Finance Staff has reviewed the listing of entries to determine what procedures need to be implemented to minimize the need for adjusting entries, especially in the area of fixed assets. During the year end closing in FY 2009, staff will conduct a very thorough review of all major audit areas to ensure that significant accounting issues have been properly addressed.

2008-03 - Journal Entry Procedures

Finding

Our review of the general journal entries revealed that many entries lack proper approval by a responsible employee.

Criteria

There are five key components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring. The presence of all five internal control components is required to minimize the risk of misstatement of financial information. Deficiencies in any of these components could result in an increased risk of misstatement of City's financial information.

Recommendation

We recommend the adoption of a policy whereby all journal entries will be approved by the Administrative Services Director or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. We also noted that the explanations accompanying the entries were inadequate in many instances. All journal entries should be accompanied by a full explanation and by reference to adequate supporting data.

City Response

This procedure will be implemented in fiscal 2009.

2008-04 - Reconcile General Ledger Accounts to Subsidiary Ledgers

Finding

During our audit we noted that certain subsidiary ledgers were not in agreement with the general ledger.

Criteria

Presentation, disclosure, and completeness are essential to ensure proper financial reporting.

Recommendation

We recommend that the City adopt a policy requiring monthly reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure the accuracy of the monthly financial statements and underlying subsidiary ledgers. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end.

City of Gulfport, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended September 30, 2008

City Response

The Finance Staff has reviewed the questioned sub-ledgers to determine what procedures need to be implemented to minimize the need for adjusting entries. During the year end closing in FY 2009, staff will conduct a very thorough review of all major audit areas to ensure that significant accounting issues have been properly addressed.

Section III – Federal Award Findings and Questioned Costs Section

08-05 - Reporting- Late Submission of Reports

Information of the federal programs: U.S. Department of Housing and Urban Development (“HUD”), Economical Development Initiative - Special Project - CFDA# 14.251.

Specific Requirement: Based on the Grant agreement, record maintenance and data reporting requirements necessitate submission of the Project Closeout report 30-days after the grantee has drawn down all funds and completed the activities described in the grant application. The final report shall consist of (1) a narrative of all work accomplished during the project period and (2) a completed Financial Status Report (Form 269A) covering the entire project period.

Condition: The grant project was completed in October 2008. There was no close-out report submitted HUD within the 30-day requirement.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with federal grant guidelines.

Recommendation: We recommend that the City of Gulfport report information required by HUD in a timely manner.

Views of responsible officials and planned corrective actions: We concur with this finding and will strengthen our internal coordination to expedite the process by instituting backup plans to avoid unnecessary delays in cases where designated staff is not available for review or approval.

Section IV - Prior Year Audit Findings

2007-01 – Separation of Duties- Accounts Payable Function

Current-Year Status

The Administrative Services Director has transferred the duties and system access rights from the person who had keyed vendor updates to a different account technician who is not involved in the A/P process.

City of Gulfport, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended September 30, 2008

2007-02 – Written Record of Council Minutes

Current-Year Status

The City recently hired a new City Clerk, who assisted them to get up to date on recording the City Council meetings.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the basic financial statements of the City of Gulfport, Florida (the "City"), as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 20, 2009.

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 Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters. That report dated March 20, 2009, includes findings which 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. Corrective actions have been taken to address significant findings and 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, findings as reported in our Schedule of Findings and Questioned Costs should be considered in conjunction with this management letter.

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 basic financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

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 basic 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 basic financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the basic 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 basic 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 did not have any such findings.

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.

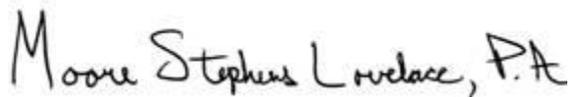
Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with 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, 2008, 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, 2008. 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 City'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 Board of Supervisors, 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor, City Council, management, and the 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
March 20, 2009