

*City of Gulfport
Florida*



*2009
Comprehensive
Annual Financial Report*

Fiscal Year Ended September 30, 2009

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Comprehensive Annual Financial Report
of the
City of Gulfport, Florida
for the
Fiscal Year Ended September 30, 2009

City Council

Michael Yakes

Judy Ryerson

Robert E. Worthington

Michele King

Sam Henderson

City Manager

Jim O'Reilly 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
Table of Contents
Year Ended September 30, 2009

INTRODUCTORY SECTION

Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	v
Organizational Chart	vi

FINANCIAL SECTION

Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	17
Statement of Activities	18
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Assets – Pension Trust Funds	29
Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	30
<i>Notes to Financial Statements</i>	31
Required Supplementary Information:	
<i>Budgetary Comparison Schedules:</i>	
General Fund	64
Waterfront Redevelopment District	66
49th Street Redevelopment District	67
Cultural Activities	68
<i>Pension Data:</i>	
<i>Employee Retirement Plans</i>	
Schedules of Employer Contributions	69
Schedules of Funding Progress	70
<i>Employee Other Postemployment Benefits Plan</i>	
Schedule of Employer Contributions	71
Schedule of Funding Progress	72

Other Supplementary Information:*Budgetary Comparison Schedule:*

Capital Projects Fund	74
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Nonmajor Governmental Funds:

Combining Balance Sheet – Nonmajor Special Revenue Funds	75
--	----

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	76
---	----

Budgetary Comparison Schedule:

GEMS (Gulfport Elderly Mobility System)	77
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STATISTICAL SECTION

Index	80
Net Assets by Component – Last Seven Fiscal Years	81
Change in Net Assets – Last Seven Fiscal Years	82
Fund Balances – Governmental Funds – Last Seven Fiscal Years	84
Changes in Fund Balances – Governmental Funds – Last Seven Fiscal Years	85
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	86
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	87
Principal Property Taxpayers – Current Year and Ten Years Ago	88
Property Tax Levies and Collections – Last Ten Fiscal Years	89
Water Sold by Type of Customer – Over Last Ten Fiscal Years	90
Water and Sewer Rates – Last Ten Fiscal Years	91
Direct and Overlapping Governmental Activities Debt	92
Demographic and Economic Statistics – Last Ten Fiscal Years	93
Principal Employers – Current Year and Nine Years Ago	94
Full-time Equivalent – City Government Employees by Function – Last Five Years	95
Operating Indicators by Function/Program – Last Five Years	96
Capital Asset Statistics by Function/Program – Last Five Years	97

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	101
Independent Auditor's Management Letter	103
Management Letter Schedule of Findings and Recommendations	105

Introductory Section

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CITY OF GULFPORT, FLORIDA

Gateway to the Gulf

DAVID C. HASTINGS, Councilmember, Ward 1
MICHELE KING, Councilmember, Ward 2

MICHAEL J. YAKES, Mayor

JENNIFER SALMON, Councilmember, Ward 3
SAMUEL HENDERSON, Councilmember, Ward 4

<http://www.mygulfport.us>

March 26, 2010

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, 2009. 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, 2009, 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 the 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 12,889 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 an area of unincorporated Pinellas County that is subsequently 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. The City also provides 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 annual 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 similar to current levels at 13,000 permanent residents by the year 2010. While existing infrastructure is adequate to provide for future growth,

future growth is limited in Gulfport as the City is essentially built-out with a scarcity of undeveloped land. Continued declines in the housing market and taxable property valuations pose the largest threat to the City's ability to generate sufficient revenue sources to meet projected needs. In addition, the economic recession that began in 2008 remained present for a large portion of FY 2009 with very slow or gradual improvement towards the end of the fiscal year. A moderate and lengthy recovery is projected for both housing prices and the economy leading to future challenges for the City in meeting the current level of resources or revenues required to fund traditional operations or services.

Ongoing major projects for coming years 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 continues to be necessary for repair and replacement of water and sewer lines. The majority of the City is equipped with antiquated galvanized pipe for its potable water system. Such pipe must be systematically replaced to ensure the continued integrity of the system. The City has an aggressive future plan for asphalt street repair and restoration of brick streets within 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 the City's 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. As a result of strong economic downturn that began in 2008, returns have diminished to a point that total interest earnings are not sufficient to cover banking administrative fees and charges. The City also places idle cash in a Florida Municipal Trust Fund referred to as the Florida Surplus Asset Fund Trust. 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 2009, the average cash/investment pool balance (excluding pension funds) was \$7,464,299 and the earnings on investments totaled \$35,265 or an average return of .47%. 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 3.07%. The City expects continued low returns on investments in fiscal year 2010 as a result of the current economic downturn and low 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. Police officers, firefighters and general employees contribute to their pension plans. All city 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.

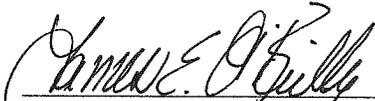
Awards and Acknowledgements

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, 2008. This was the twenty-sixth 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 E. O'Reilly, 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, 2008

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.

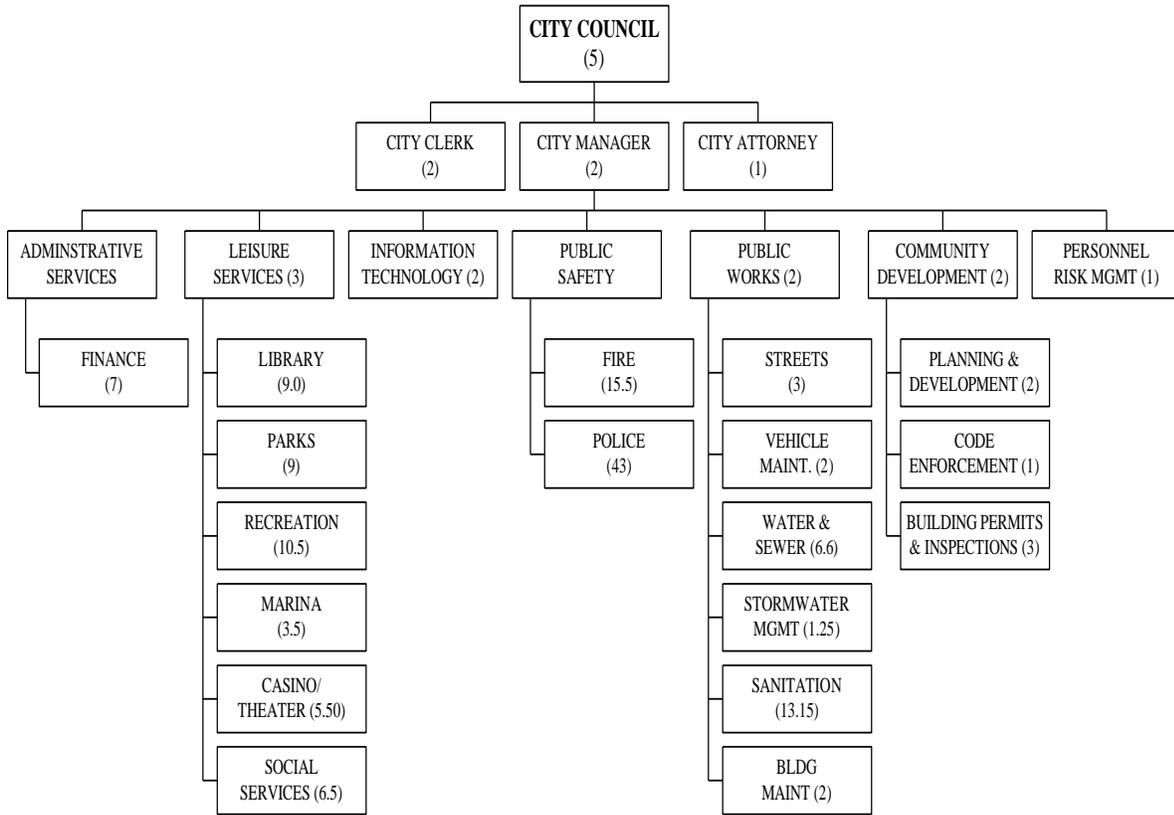


President

Executive Director

ORGANIZATIONAL CHART

For Fiscal 2008/2009 the following organizational chart identifies staffing levels for each department.



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, 2009, 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, 2009, 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.

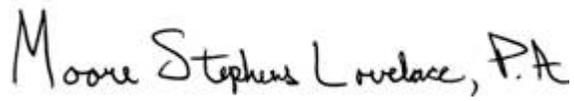
In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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 applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the 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, flowing style.

Certified Public Accountants

Orlando, Florida
March 26, 2010

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2009

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

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

Financial Highlights

- The net assets of the City exceeded its liabilities at the close of Fiscal Year 2009 by \$33,128,538 (net assets). Of this amount, \$6,186,712 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- General Fund revenues decreased by \$253,757 or 2.71% when compared to fiscal year 2008. General Fund expenditures decreased by \$248,025 or 2.54% during this same period. The Excess of Revenues Over (Under) Expenditures in the General Fund showed a shortage of \$386,741. This represents 4.07% of the total expenditures for the year.
- Business-type activities (the City's Enterprise Funds) operating revenues decreased by \$584,762 or 7.8%, while operating expenses increased \$195,892 or 2.87% when compared to last year.
- The City had no long-term debt as of September 30, 2009.

City Highlights

- The City continued the renewal and replacement of underground infrastructure; specifically, sanitary sewer lines, potable water lines, and storm water lines.
- Computer and network server replacement continued, but only on an as-needed basis compared to past years when replacements were done on a three to four year schedule.
- The Building Department went through a software migration process changing to INCODE building software, bringing all building code data and cash collection efforts for the department in line with the in-place INCODE general ledger software programs.
- A three year co-operative agreement was entered into with the State of Florida and Pinellas County to provide additional public transportation between neighboring community St. Petersburg Beach and the City's waterfront business district.
- Fire and EMS response capabilities were enhanced with the replacement of all frontline firefighter breathing apparatus, including tanks, masks, and fill stations.
- Two first responder police patrol vehicles, in-dash video and laptop systems, and the police dispatch UPS were replaced under the City's long-term replacement schedule for police vehicles and equipment.
- A 1997 Ford pickup truck was replaced with a new Ford F-350 truck in the water department.
- A sanitation claw truck vehicle was purchased to replace the older unit and improve the efficiency of the City's sanitation program.
- In addition to annual repair and replacement of the Marina District seawalls, the wood decking of pier #7 at the municipal marina was replaced with an improved wearing surface.
- The municipal marina boat ramp docks were replaced with floating docks to improve safety and provide resident usage during all hours of marina operations and varying tide conditions.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2009

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2009

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. GASB 34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful lives or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. Under an asset management system (the modified approach), a periodic condition assessment must be prepared (at least every third year), which identify assets by category and measures and demonstrates its maintenance of locally established levels of service standards. Under this method the government may record its cost of maintenance in lieu of depreciation. The City has elected to depreciate its infrastructure assets.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceed liabilities by \$33,128,538.

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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 6,407,125	\$ 5,795,468	\$ 2,440,713	\$ 3,510,578	\$ 8,847,838	\$ 9,306,046
Capital Assets	13,268,224	13,552,594	12,880,732	12,150,162	26,148,956	25,702,756
Total Assets	<u>19,675,349</u>	<u>19,348,062</u>	<u>15,321,445</u>	<u>15,660,740</u>	<u>34,996,794</u>	<u>35,008,802</u>
Current Liabilities	802,153	628,274	657,305	580,022	1,459,458	1,208,296
Non-Current Liabilities	316,177	268,864	92,621	77,268	408,798	346,132
Total Liabilities	<u>1,118,330</u>	<u>897,138</u>	<u>749,926</u>	<u>657,290</u>	<u>1,868,256</u>	<u>1,554,428</u>
Net Assets:						
Investments in Capital Assets	13,268,224	13,552,594	12,880,732	12,150,162	26,148,956	25,702,756
Restricted	630,694	409,952	162,176	156,814	792,870	566,766
Unrestricted	4,658,101	4,488,378	1,528,611	2,696,474	6,186,712	7,184,852
Total Net Assets	<u>\$ 18,557,019</u>	<u>\$ 18,450,924</u>	<u>\$ 14,571,519</u>	<u>\$ 15,003,450</u>	<u>\$ 33,128,538</u>	<u>\$ 33,454,374</u>

A large portion of the City's net assets (78.93%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment). The City has no debt related to these assets. The City uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending.

A small portion of the City's net assets (2.39%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,186,712) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2009

There was a \$325,836 decrease in the City's total net assets, as compared to the previous year. During Fiscal Year 2009, the City continued the practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund. The reinstatement of Enterprise Fund transfers in the form of a payment in lieu of taxes or PILOT 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, business-type current assets have decreased. Overall, the City's current assets have decreased by \$458,208, as compared to the previous year.

As of September 30, 2009, 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, 2009 and September 30, 2008.

	CHANGES IN NET ASSETS					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program Revenues						
Charges for Services	\$ 2,666,780	\$ 1,957,770	\$ 6,909,991	\$ 7,494,753	\$ 9,576,771	\$ 9,452,523
Operating Grants & Contributions	416,838	821,534	-	-	416,838	821,534
Capital Grants & Contributions	108,320	499,128	211,189	-	319,509	499,128
General Revenues						
Property Taxes	3,170,777	3,271,910	-	-	3,170,777	3,271,910
Utility Taxes & Franchise Fees	2,369,377	2,234,208	-	-	2,369,377	2,234,208
Sales and Use and Other Taxes	2,147,097	2,534,493	-	-	2,147,097	2,534,493
Investment Income	35,553	186,347	(288)	66,540	35,265	252,887
Other General Revenues	95,653	193,846	-	-	95,653	193,846
Total Revenues	11,010,395	11,699,236	7,120,892	7,561,293	18,131,287	19,260,529
EXPENSES						
Program Activities						
Governmental Activities						
General Government	1,464,964	1,407,979	-	-	1,464,964	1,407,979
Public Safety	4,451,516	4,786,925	-	-	4,451,516	4,786,925
Leisure Services	3,078,008	2,896,013	-	-	3,078,008	2,896,013
Community Development/Redevelopment	1,001,862	1,005,304	-	-	1,001,862	1,005,304
Public Works	1,438,675	1,335,393	-	-	1,438,675	1,335,393
Business-type Activities						
Sanitation	-	-	1,822,851	1,714,743	1,822,851	1,714,743
Water & Sewer	-	-	3,986,988	3,718,712	3,986,988	3,718,712
Marina	-	-	1,212,259	1,387,867	1,212,259	1,387,867
Total Expenses	11,435,025	11,431,614	7,022,098	6,821,322	18,457,123	18,252,936
Increase (Decrease) in Net Assets before Transfers						
Transfers	(424,630)	267,622	98,794	739,971	(325,836)	1,007,593
Transfers	530,725	1,859,685	(530,725)	(1,859,685)	-	-
Increase (Decrease) in Net Assets	106,095	2,127,307	(431,931)	(1,119,714)	(325,836)	1,007,593
Net assets - beginning	18,450,924	16,323,617	15,003,450	16,123,164	33,454,374	32,446,781
Net assets - ending	\$ 18,557,019	\$ 18,450,924	\$ 14,571,519	\$ 15,003,450	\$ 33,128,538	\$ 33,454,374

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
September 30, 2009

Normal Impacts

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

Revenues

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

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

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

Contribution from the Water and Sewer Fund – The City owns and operates the water 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 46% of the City's total expenditures, excluding transfers and 73% 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

During Fiscal Year 2009, the economy and consumer spending declined and the unemployment rate increased. In addition, the continued housing crisis led to another decline in taxable property valuations leading to a decrease in the City's property tax base of 11.7% (see page 86 of Statistical Section). Under

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2009

the continued provisions of State legislation and property tax reform bill HB 1B, coupled with Amendment I, the City Council unanimously adopted a millage rate of 3.4742 mills. While this rate is higher than the previous years' millage rate of 3.3487 mills, it is well below the rolled-back rate of 3.8213, and generated \$255,970 less property tax revenue than the previous year. General Fund revenues in total decreased from the prior year, with an overall decrease of 2.71%.

The City received grant revenues in the amount of \$736,347. This is lower than the previous year's amount of \$1,320,662. Grant receipts this fiscal year included moneys received from the Southwest Florida Water Management District for the Tangerine District stormwater improvement project and Federal Emergency Management Agency for hurricane mitigation efforts at the City Hall complex and the fire station.

User fees for both water and sewer were increased at a rate of 7.75% and 22.32%, respectively. Both increases were necessary to remain compliant with provisions of the wholesale water and sewer agreement with the City of St. Petersburg prohibiting Gulfport's rates from falling below those of the St. Petersburg residents. Overall utility revenues decreased 7.28% over fiscal year 2008, in large part due to the large receipt of State grant money received in Fiscal Year 2008 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. Enterprise fund contributions to the General Fund in excess of normal transfers or charges for administrative support totaled \$1,280,725 or 14.04% of total General Fund revenues. The practice of the City transferring payment in lieu of taxes from the Enterprise Funds to the General Fund or PILOT increased in amount from previous years 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.

The rate charged for fuel decreased at the City's marina facility due to the decreases in gas prices. Slip rental revenue at the marina also fell over the previous year as a result of the poor economy and slip rentals falling below full capacity. In total, marina revenues decreased \$279,486 or 16.05% compared to the previous year.

Earnings on investments decreased from the past year as available rates of return declined in a slowing economy. Interest revenue dropped significantly from \$252,887 to \$35,265, primarily as a result of an overall decrease in the amount of return available from investments. A continuing lower investment return environment and several Federal Reserve prime rate cuts to a rate below twenty-five basis points resulted in a large reduction in return rates for many of the City's investments.

Expenses

Total governmental expenditures, excluding transfers, decreased by \$451,893 or 3.89%. The majority of the decrease is attributable to decreases in personnel costs. Several key positions in the City, including City Manager, Police Chief, and Fire Chief, were transitioned during the year resulting in large salary savings. Other vacant positions were left open throughout the year under the Manager's direction to eliminate personnel where possible through attrition to reduce the costs of operations. No cost of living adjustments were provided for the City's general employee personnel for Fiscal Year 2009, only the union police and fire employees were given such adjustments as required by existing labor agreements. Significant drops in fuel costs over the previous year also had an impact on decreasing overall governmental expenditures.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
September 30, 2009

THE CITY FUNDS

Governmental Funds

As of the year-end, the Governmental Funds (as presented on the balance sheet) reported a combined fund balance of \$5.695 million, which is a 5.6% increase over the previous year (\$5.392 million). As mentioned previously, the City continued 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 \$698,984 as a result of transfers in exceeding transfers out by \$1,085,725, and expenditures exceeding revenues by \$386,741.

The increase to undesignated fund balance in Fiscal Year 2009 leaves an undesignated fund balance at 23.5% of total expenditures in the General Fund. There is, however, an additional stability reserve of \$2,725,017 or 25% of total General Fund budgeted revenues in the prior year. 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 52% 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 Waterfront Redevelopment District fund balance decreased by \$23,277, resulting in an ending fund balance of \$44,786. Intergovernmental grant revenues decreased by \$132,750 over the previous year; however, project expenditures remained in line with the prior year to end with a decreased fund balance.

The 49th Street Redevelopment District fund balance increased by \$62,259, resulting in an ending fund balance of \$348,437. Project expenditures decreased by \$273,680 from the prior year to \$83,180 which was less than the transfer from the General Fund of \$145,000 in the current year. The fund balance in the 49th Street Redevelopment fund consists primarily of prior year Capital Projects Fund and General Fund subsidy or transfer that is designated as matching funds for a stormwater drainage project within the district.

The Capital Projects fund balance decreased by \$350,802, resulting in an ending fund balance of \$59,150. Infrastructure tax revenues decreased \$86,802 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. Other major projects funded through the infrastructure tax include the replacement of breathing apparatus equipment at the Fire Department, replacement of police vehicles, and street and sidewalk repairs.

The Cultural Activities Fund reported expenditures in excess of revenues for 2009 of \$99,663. The ending fund balance for the Cultural Activities Fund was a deficit balance of \$86,342 as a result of the excess of expenditures over revenues. General Fund subsidy was allotted in the fiscal year 2010 budget to address the deficit fund balance at September 30, 2009.

Business-type Funds

Within the Enterprise Funds, which include the City's Sanitation, Water, Sewer, and Stormwater Fund, and Marina Fund, only the Marina showed a positive income before capital contributions and transfers. The total net assets are \$14,571,519, which is \$431,931 lower than the beginning of the year net assets. This was largely due to the continued practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund. Each of the Enterprise Funds is to be reviewed and analyzed as a separate and distinct business, thus the following commentary focuses on each fund.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2009

The Sanitation Fund had an operating loss of \$99,736, which is in contrast to the \$21,227 operating income the fund had in 2008. During Fiscal Year 2009, the City invested heavily in both 40 gallon and 90 gallon side-loader containers in a continued effort to move the Sanitation Department toward a single driver, side loader pick-up operation.

The Water, Sewer, and Stormwater Fund had an operating loss of \$260,085 in Fiscal Year 2009, as compared to a \$298,374 operating income in the previous year. Overall, utility revenues decreased 7.28% over fiscal year 2008 in large part due to the large receipt of State grant money for the construction of major drainage improvements into the Tangerine Parkway the previous year. The City of St. Petersburg provides the City with potable water and treats the City's wastewater. Annual rate increases from the City of St. Petersburg for both water and sewer accounted for a \$66,833 or a 3% increase in operating expenditures for the Fund. 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. In July of 2009, user fees for both water and sewer were increased at a rate of 7.75% and 22.32%, respectively. Both increases were necessary to remain compliant with provisions of the wholesale water and sewer agreement with the City of St. Petersburg prohibiting Gulfport's rates from falling below those of the St. Petersburg residents. The rate increases were also necessary to maintain the Utility Funds profitability, allow for future capital improvement, and provide for future payment in lieu of taxes transfers to the General Fund.

The Marina Fund showed an operating income of \$252,598 in this fiscal year, as compared to \$355,830 the previous year. The continued profitability of the Marina resulted in part from the 2008 increases in the slip rental rates and the new 2008 contract with higher slip rental rates implemented with the Boca Ciega Yacht Club, who is the largest tenant at the Marina. The decline in profitability is attributable to the continued economic slowdown that began in 2008 and resulted in vacancies and less than 100% occupancy at the marina, as well as lower than expected fuel sales for the year. The Marina Fund incurred the largest payment in lieu of taxes transfer to the General Fund of all the Enterprise Funds on a percentage of revenue basis totaling \$382,097 or 26%.

Budgetary Highlights – General Fund

Expenditures for the General Fund final budget increased by \$303,116 or 2.77% over the amount originally budgeted for Fiscal Year 2009. The increased expenditures are primarily funded through an increase in the amount being drawn from prior-year reserves. Key elements of this increase were as follows:

- A \$59,046 increase in Legal budgeted expenditures to pay final costs associated with land use case and non-retainer legal fees relating to vessel foreclosure cases at the municipal marina.
- Reallocation of the remaining three years of lease payments or \$94,924 for the digital phone system purchased to replace the outdated analog phone system that had been in place for over nine years.
- Re-appropriation of \$68,319 in previous year Planning & Development budgeted expenditures to complete the Evaluation and Appraisal Report of the Comprehensive Plan. Also, re-appropriation of \$32,866 in prior year Building Department budgeted expenditures to install and convert building software programs to INCODE, bringing all building code data and cash collection efforts for the department in line with the in-place INCODE general ledger software programs.

Total actual revenues for the General Fund for Fiscal Year 2009 were \$637,186 or 6.5% less than final budgeted revenues. Contributing to this deficit of actual revenues versus final budgeted revenues include: \$97,689 deficit of investment earnings versus budgeted due to market conditions, \$269,451 deficit sales tax, utility, and franchise taxes and fees due to downturn in local and national economy, along with \$99,416 deficit of building permits versus budgeted resulting from decline in real estate market and home sales.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2009

Actual Fiscal year 2009 expenditures for the General Fund were less than final budgeted expenditures by \$2,452,065 or 21.8%. This was due to budget savings across all City departments for Fiscal Year 2009. The largest savings for 2009 was in personnel and benefit costs resulting from vacant positions left open throughout the year under the Manager's direction to eliminate personnel where possible through attrition to reduce the costs of operations. Other key savings between actual expenditures and final budgeted expenditures include: \$257,489 savings in fuel and repair costs, \$92,942 less than budgeted expenditures for street maintenance and repair, in addition to a \$137,374 shortfall between actual information technology expenditures for computers, servers, and phone system purchases and budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2009, the City had \$26,148,956 invested in a variety of capital assets, as compared to \$25,702,756 as of September 30, 2008. This represents a net increase of \$446,200 or 1.74% from the end of last year.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 592,072	\$ 592,072	\$ 20,000	\$ 20,000	\$ 612,072	\$ 612,072
Buildings	10,199,486	10,103,567	737,905	737,905	10,937,391	10,841,472
Improvements Other Than Buildings	10,987,446	10,846,792	19,742,732	18,632,420	30,730,178	29,479,212
Equipment	3,612,745	3,527,409	2,383,851	1,990,561	5,996,596	5,517,970
Total Cost of Assets	25,391,749	25,069,840	22,884,488	21,380,886	48,276,237	46,450,726
Less: Accumulated Depreciation	(12,352,701)	(11,524,700)	(10,153,881)	(9,261,299)	(22,506,582)	(20,785,999)
Construction in Progress	229,176	7,454	150,125	30,575	379,301	38,029
Total	<u>\$ 13,268,224</u>	<u>\$ 13,552,594</u>	<u>\$ 12,880,732</u>	<u>\$ 12,150,162</u>	<u>\$ 26,148,956</u>	<u>\$ 25,702,756</u>

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	\$ 13,552,594	\$ 12,150,162	\$ 25,702,756
Additions	543,631	1,623,152	2,166,783
Retirements at Book Value (Net)	-	-	-
Depreciation	(828,001)	(892,582)	(1,720,583)
Ending Balance	<u>\$ 13,268,224</u>	<u>\$ 12,880,732</u>	<u>\$ 26,148,956</u>

The actual cost of capital asset retirements for the Governmental and Business-type Activities was \$186,179 and \$33,198, respectively. Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Debt Outstanding

The City, with the exception of accrued compensated balances and net other postemployment benefits ("OPEB") obligations, does not have any outstanding debt as of September 30, 2009. Additional information on the City's outstanding debt can be found in Note 7 to the financial statements.

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
September 30, 2009

ECONOMIC FACTORS AND YEAR 2010 BUDGETS AND RATES

The main factor or consideration in preparing the City of Gulfport's budget for fiscal year 2010 was a declining economy and continued 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 Fiscal Year 2010 budget.

The passage of Amendment I approved by the Florida electorate in January 2008 also has been factored into the compilation of the fiscal 2010 budget due to the negative impacts the mandate places on the amount of property tax revenue available to the City in Fiscal Year 2010. 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.

The other item adopted by legislature with important long-term implications was the implementation of a property tax revenue cap. Beginning in Fiscal Year 2009, property tax revenue increases were limited to new construction plus the statewide percentage increase in per capita personal income. This new formula must be used to calculate or determine the maximum millage rate that can 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"). For both Fiscal Years 2009 and 2010, 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 Fiscal Year 2010, City Council approved by a unanimous vote a millage rate of 3.4742 mills. While this rate is the same as the previous year's millage rate, it is well below the rolled-back rate of 3.8648 and will thus generate considerably less property tax revenue. The approved millage rate of 3.4742 mills will generate approximately \$294,402 less revenue when compared to Fiscal Years 2008-09 revenues.

Both water and sewer rates were increased in Fiscal Year 2009. Increases of 7.75% for water and 22.32% for sewer were implemented in July 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 Fiscal Year 2009 budget. With the implementation of the new rates, the City remains compliant with the provision of the wholesale water and sewer agreement with the City of St. Petersburg to charge no less to its retail customers than St. Petersburg charges its residents for the same service.

FINANCIAL CONDITION

The unreserved General Fund balance and the stability reserve balance of the General Fund increased \$832,190 in Fiscal Year 2009. Prior to Fiscal Year 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 Fiscal Year 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 Fiscal Year 2007. This practice of transferring funds from the Enterprise Funds to the General Fund or

CITY OF GULFPORT, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2009

“payments in lieu of taxes” was continued for the fiscal year 2010 budget. Continuing the practice of drawing down fund balance within the General fund was no longer considered an option with the financial effects of property tax revenues resulting from State property tax reform measures. The City ultimately decided to use a combination of budget cuts and “payment in lieu of taxes” to meet the budget shortfall caused by 1) the state legislature’s mandated reduction in property tax revenues, and 2) a need to have a minimum fund balance of 25% in the General Fund 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 down turn 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. The Marina Fund continues to perform well despite declines in the market for slip rental space and increased competition from surrounding marinas. Rates will again be reviewed in Fiscal Year 2010 for possible increases, but may not be feasible as the economic slow-down negatively impacts the number of prospective tenants in the market.

FINANCIAL CONTACT

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

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Basic Financial Statements

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

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CITY OF GULFPORT, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2009

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and Cash Equivalents	\$ 3,729,838	\$ 1,120,828	\$ 4,850,666
Investments	2,043,555	21,968	2,065,523
Restricted Cash and Investments	-	363,573	363,573
Receivables (net)	161,240	837,915	999,155
Due from Other Governments	302,618	4,573	307,191
Internal Balances	39,453	(39,453)	-
Inventories	19,972	111,681	131,653
Prepaid Items	59,560	19,628	79,188
Pension Asset	50,889	-	50,889
Capital Assets:			
Capital Assets not Being Depreciated	821,248	170,125	991,373
Capital Assets Being Depreciated (Net)	<u>12,446,976</u>	<u>12,710,607</u>	<u>25,157,583</u>
Total Capital Assets	<u>13,268,224</u>	<u>12,880,732</u>	<u>26,148,956</u>
Total Assets	<u>19,675,349</u>	<u>15,321,445</u>	<u>34,996,794</u>
LIABILITIES			
Accounts Payable	223,744	287,454	511,198
Accrued Liabilities	329,221	70,607	399,828
Due to Other Governments	3,232	56,164	59,396
Deposits	24,868	201,397	226,265
Long-term Liabilities:			
Due Within One Year	221,088	41,683	262,771
Due in More Than One Year	<u>316,177</u>	<u>92,621</u>	<u>408,798</u>
Total Liabilities	<u>1,118,330</u>	<u>749,926</u>	<u>1,868,256</u>
NET ASSETS			
Invested in Capital Assets	13,268,224	12,880,732	26,148,956
Restricted			
Sewer Projects	-	162,176	162,176
Capital Projects	532,549	-	532,549
Library Projects	98,145	-	98,145
Unrestricted	<u>4,658,101</u>	<u>1,528,611</u>	<u>6,186,712</u>
Total Net Assets	<u>\$ 18,557,019</u>	<u>\$ 14,571,519</u>	<u>\$ 33,128,538</u>

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

CITY OF GULFPORT, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 1,464,964	\$ 732,264	\$ 1,042	\$ -
Public Safety	4,451,516	874,800	4,267	-
Leisure Services	3,078,008	675,693	311,657	108,320
Community Development/Redevelopment	1,001,862	-	-	-
Public Works	1,438,675	384,023	99,872	-
Total Governmental Activities	<u>11,435,025</u>	<u>2,666,780</u>	<u>416,838</u>	<u>108,320</u>
Business-type Activities:				
Sanitation	1,822,851	1,723,115	-	-
Water and Sewer	3,986,988	3,724,665	-	211,189
Marina	1,212,259	1,462,211	-	-
Total Business-type Activities	<u>7,022,098</u>	<u>6,909,991</u>	<u>-</u>	<u>211,189</u>
Total	<u>\$ 18,457,123</u>	<u>\$ 9,576,771</u>	<u>\$ 416,838</u>	<u>\$ 319,509</u>

General Revenues:
Property Tax
Sales Tax
Infrastructure Surtax
Public Service Tax
Gas Tax
State Revenue Sharing
Other Taxes
Franchise Fees
Investment Income
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (731,658)	\$ -	\$ (731,658)
(3,572,449)	-	(3,572,449)
(1,982,338)	-	(1,982,338)
(1,001,862)	-	(1,001,862)
<u>(954,780)</u>	-	<u>(954,780)</u>
<u>(8,243,087)</u>	-	<u>(8,243,087)</u>
-	(99,736)	(99,736)
-	(51,134)	(51,134)
-	<u>249,952</u>	<u>249,952</u>
-	<u>99,082</u>	<u>99,082</u>
<u>(8,243,087)</u>	<u>99,082</u>	<u>(8,144,005)</u>
3,170,777	-	3,170,777
618,605	-	618,605
1,047,484	-	1,047,484
1,595,911	-	1,595,911
166,215	-	166,215
248,886	-	248,886
65,907	-	65,907
773,466	-	773,466
35,553	(288)	35,265
95,653	-	95,653
<u>530,725</u>	<u>(530,725)</u>	<u>-</u>
<u>8,349,182</u>	<u>(531,013)</u>	<u>7,818,169</u>
106,095	(431,931)	(325,836)
<u>18,450,924</u>	<u>15,003,450</u>	<u>33,454,374</u>
<u>\$ 18,557,019</u>	<u>\$ 14,571,519</u>	<u>\$ 33,128,538</u>

CITY OF GULFPORT, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2009

	General	Waterfront Redevelopment District	49th Street Redevelopment District	Cultural Activities	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 3,009,786	\$ 2,130	\$ 351,456	\$ 7,041	\$ 162,629	\$ 196,796	\$ 3,729,838
Investments	2,043,555	-	-	-	-	-	2,043,555
Accounts Receivable (net)	158,235	2,102	-	903	-	-	161,240
Due from Other Funds	108,518	-	-	-	-	-	108,518
Due from Other Governments	145,916	60,783	-	-	95,919	-	302,618
Prepaid Items	51,116	84	19	5,245	-	3,096	59,560
Inventories	11,205	-	-	8,767	-	-	19,972
Total Assets	\$ 5,528,331	\$ 65,099	\$ 351,475	\$ 21,956	\$ 258,548	\$ 199,892	\$ 6,425,301
LIABILITIES AND FUND BALANCES (DEFICIT)							
Liabilities:							
Accounts Payable	\$ 80,839	\$ 740	\$ 52	\$ 7,845	\$ 134,235	\$ 33	\$ 223,744
Accrued Liabilities	312,161	3,326	2,986	6,754	-	3,994	329,221
Due to Other Funds	-	1,234	-	67,831	-	-	69,065
Due to Other Governments	1,815	-	-	1,417	-	-	3,232
Deposits Payable	417	-	-	24,451	-	-	24,868
Deferred Revenue	-	15,013	-	-	65,163	-	80,176
Total Liabilities	395,232	20,313	3,038	108,298	199,398	4,027	730,306
Fund Balances (Deficit):							
Reserved for:							
Inventories and Prepaid Items	62,321	84	19	14,012	-	3,096	79,532
Encumbrances	81,543	-	-	-	59,150	-	140,693
Library Projects	11,581	-	-	-	-	98,145	109,726
Other Improvement Projects	21,281	-	-	-	-	-	21,281
Stability Reserve	2,725,017	-	-	-	-	-	2,725,017
Unreserved (Deficit) Reported In:							
General Fund	2,231,356	-	-	-	-	-	2,231,356
Special Revenue Funds	-	44,702	348,418	(100,354)	-	94,624	387,390
Total Fund Balances (Deficit)	5,133,099	44,786	348,437	(86,342)	59,150	195,865	5,694,995
Total Liabilities and Fund Balances (Deficit)	\$ 5,528,331	\$ 65,099	\$ 351,475	\$ 21,956	\$ 258,548	\$ 199,892	\$ 6,425,301

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

CITY OF GULFPORT, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
as of September 30, 2009

Total fund balances of governmental funds		\$ 5,694,995
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$25,620,925, and the accumulated depreciation is \$12,352,701,</p>		13,268,224
<p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities.</p> <p>Long-term liabilities at year-end consist of:</p>		
Other postemployment benefits	(30,337)	
Compensated absences	(506,928)	
		(537,265)
<p>The pension asset resulting from contributions in excess of the annual required contribution is not a current financial resource and therefore is not reported in governmental funds.</p>		50,889
<p>Deferred revenue from federal and state grants recognized as revenue of the current period</p>		80,176
Total net assets of governmental activities		\$ 18,557,019

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

CITY OF GULFPORT, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	General	Waterfront Redevelopment District	49th Street Redevelopment District	Cultural Activities	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 4,704,881	\$ 277,515	\$ -	\$ -	\$ 1,047,484	\$ -	\$ 6,029,880
Permits and Fees	910,670	-	-	-	-	-	910,670
Intergovernmental Revenues	1,802,571	45,770	-	-	43,157	-	1,891,498
Charges for Services	1,321,844	10,077	-	234,819	-	15,134	1,581,874
Fines and Forfeitures	112,088	-	-	-	-	-	112,088
Investment Income	33,915	122	439	-	732	346	35,554
Miscellaneous Revenues	234,450	2,207	-	117,180	225	14,593	368,655
Total Revenues	<u>9,120,419</u>	<u>335,691</u>	<u>439</u>	<u>351,999</u>	<u>1,091,598</u>	<u>30,073</u>	<u>10,930,219</u>
EXPENDITURES							
Current:							
General Government	1,304,757	-	-	-	-	-	1,304,757
Public Safety	4,325,623	-	-	-	-	-	4,325,623
Leisure Services	2,071,584	143,677	-	451,662	1,034	149,864	2,817,821
Community Development/ Redevelopment	547,714	180,291	83,180	-	-	-	811,185
Public Works	1,257,482	-	-	-	-	-	1,257,482
Capital Outlay	-	-	-	-	641,366	-	641,366
Total Expenditures	<u>9,507,160</u>	<u>323,968</u>	<u>83,180</u>	<u>451,662</u>	<u>642,400</u>	<u>149,864</u>	<u>11,158,234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(386,741)</u>	<u>11,723</u>	<u>(82,741)</u>	<u>(99,663)</u>	<u>449,198</u>	<u>(119,791)</u>	<u>(228,015)</u>
OTHER FINANCING SOURCES and (USES)							
Transfers In	1,280,725	-	145,000	35,000	-	100,000	1,560,725
Transfers (Out)	(195,000)	(35,000)	-	-	(800,000)	-	(1,030,000)
Total Other Financing Sources and (Uses)	<u>1,085,725</u>	<u>(35,000)</u>	<u>145,000</u>	<u>35,000</u>	<u>(800,000)</u>	<u>100,000</u>	<u>530,725</u>
Net Change in Fund Balances	698,984	(23,277)	62,259	(64,663)	(350,802)	(19,791)	302,710
Fund Balances (Deficit) - Beginning	<u>4,434,115</u>	<u>68,063</u>	<u>286,178</u>	<u>(21,679)</u>	<u>409,952</u>	<u>215,656</u>	<u>5,392,285</u>
Fund Balances (Deficit) - Ending	<u>\$ 5,133,099</u>	<u>\$ 44,786</u>	<u>\$ 348,437</u>	<u>\$ (86,342)</u>	<u>\$ 59,150</u>	<u>\$ 195,865</u>	<u>\$ 5,694,995</u>

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

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, 2009

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

Net change in fund balances - total governmental funds		\$ 302,710
Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,014,180) exceeds capital purchases (\$729,810).		(284,370)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:		
Compensated absences	(12,973)	
Other postemployment benefits	(30,337)	
Pension asset	<u>50,889</u>	
		7,579
Under the modified accrual basis of accounting, grant revenues are recognized when both the measureable and available criteria have been met. Grant revenues earned in the current year were not recognized since availability criteria was not met. Under full accrual accounting, all revenues would be recognized.		<u>80,176</u>
Change in net assets of governmental activities		<u>\$ 106,095</u>

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

CITY OF GULFPORT, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2009

Business-type Activities - Enterprise Funds

	Water And			Total
	Sanitation	Sewer	Marina	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 473,058	\$ 642,321	\$ 5,449	\$ 1,120,828
Investments	11,249	8,490	2,229	21,968
Restricted Assets:				
Cash Held for Customer Deposits	-	126,112	75,285	201,397
Cash Held for Sewer Impact Fees	-	162,176	-	162,176
Accounts Receivable (net)	200,194	516,445	121,276	837,915
Due From Other Governments	4,573	-	-	4,573
Inventories	-	41,971	69,710	111,681
Prepaid Items	5,581	11,719	2,328	19,628
Total Current Assets	<u>694,655</u>	<u>1,509,234</u>	<u>276,277</u>	<u>2,480,166</u>
Noncurrent Assets:				
Capital Assets:				
Land	-	-	20,000	20,000
Buildings	230,746	411,965	95,194	737,905
Infrastructure and Improvements	288,572	15,326,736	4,127,424	19,742,732
Equipment and Machinery	1,696,284	632,335	55,232	2,383,851
Construction in Progress	-	109,481	40,644	150,125
Less: Accumulated Depreciation	<u>(1,346,265)</u>	<u>(6,855,217)</u>	<u>(1,952,399)</u>	<u>(10,153,881)</u>
Total Capital Assets (Net)	<u>869,337</u>	<u>9,625,300</u>	<u>2,386,095</u>	<u>12,880,732</u>
Total Noncurrent Assets	<u>869,337</u>	<u>9,625,300</u>	<u>2,386,095</u>	<u>12,880,732</u>
Total Assets	<u>1,563,992</u>	<u>11,134,534</u>	<u>2,662,372</u>	<u>15,360,898</u>

Continued

CITY OF GULFPORT, FLORIDA
STATEMENT OF NET ASSETS - *Continued*
PROPRIETARY FUNDS
September 30, 2009

Business-type Activities - Enterprise Funds

	Sanitation	Water and Sewer	Marina	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 27,453	\$ 254,857	\$ 5,144	\$ 287,454
Accrued Liabilities	41,864	21,116	7,627	70,607
Due to Other Funds	-	-	39,453	39,453
Due to Other Governments	-	49,728	6,436	56,164
Liabilities Payable from Restricted Assets - Deposits	-	126,112	75,285	201,397
Compensated Absences Payable	21,369	19,222	1,092	41,683
Total Current Liabilities	<u>90,686</u>	<u>471,035</u>	<u>135,037</u>	<u>696,758</u>
Noncurrent Liabilities:				
Other Postemployment Benefits	3,535	2,356	589	6,480
Compensated Absences Payable	35,534	35,109	15,498	86,141
Total Noncurrent Liabilities	<u>39,069</u>	<u>37,465</u>	<u>16,087</u>	<u>92,621</u>
Total Liabilities	<u>129,755</u>	<u>508,500</u>	<u>151,124</u>	<u>789,379</u>
NET ASSETS				
Invested in Capital Assets	869,337	9,625,300	2,386,095	12,880,732
Restricted for Sewer Projects	-	162,176	-	162,176
Unrestricted	564,900	838,558	125,153	1,528,611
Total Net Assets	<u>\$ 1,434,237</u>	<u>\$ 10,626,034</u>	<u>\$ 2,511,248</u>	<u>\$ 14,571,519</u>

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

CITY OF GULFPORT, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds			
	Sanitation	Water And Sewer	Marina	Total
Operating Revenues:				
Charges for Services	\$ 1,713,471	\$ 3,724,217	\$ 1,461,651	\$ 6,899,339
Miscellaneous Revenues	9,644	448	560	10,652
Total Operating Revenues	1,723,115	3,724,665	1,462,211	6,909,991
Operating Expenses:				
Personal Services	702,126	543,833	173,495	1,419,454
Contracted Services	383,646	2,169,122	6,000	2,558,768
Supplies and Materials	97,958	95,198	495,551	688,707
Repairs and Maintenance	291,859	123,746	18,076	433,681
Administrative Overhead	186,688	426,514	174,518	787,720
Other Services and Charges	24,226	48,225	130,653	203,104
Depreciation	136,348	578,112	211,320	925,780
Total Operating Expenses	1,822,851	3,984,750	1,209,613	7,017,214
Operating Income (Loss)	(99,736)	(260,085)	252,598	(107,223)
Nonoperating Revenues (Expenses):				
Investment Income (Loss)	(562)	(198)	472	(288)
Interest Expense	-	(2,238)	(2,646)	(4,884)
Total Nonoperating Revenues (Expenses)	(562)	(2,436)	(2,174)	(5,172)
Income (Loss) Before Contributions and Transfers	(100,298)	(262,521)	250,424	(112,395)
Capital Contributions	-	211,189	-	211,189
Transfers In	-	750,000	-	750,000
Transfers (Out)	(139,491)	(759,137)	(382,097)	(1,280,725)
Change in Net Assets	(239,789)	(60,469)	(131,673)	(431,931)
Total Net Assets - Beginning	1,674,026	10,686,503	2,642,921	15,003,450
Total Net Assets - Ending	\$ 1,434,237	\$ 10,626,034	\$ 2,511,248	\$ 14,571,519

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

CITY OF GULFPORT, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds			
	Water And			
	Sanitation	Sewer	Marina	Total
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 1,699,932	\$ 4,038,087	\$ 1,415,276	\$ 7,153,295
Payments to Suppliers	(983,094)	(2,806,374)	(842,630)	(4,632,098)
Payments to Employees	(676,719)	(522,387)	(169,153)	(1,368,259)
Net Cash Provided by Operating Activities	<u>40,119</u>	<u>709,326</u>	<u>403,493</u>	<u>1,152,938</u>
Cash Flows from Noncapital Financing Activities				
Transfers (to) Other Funds	(139,491)	(759,137)	(382,097)	(1,280,725)
Transfers from Other Funds	-	750,000	39,453	789,453
Net Cash (Used) In Noncapital Financing Activities	<u>(139,491)</u>	<u>(9,137)</u>	<u>(342,644)</u>	<u>(491,272)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition/Construction of Capital Assets	(336,324)	(1,082,158)	(237,868)	(1,656,350)
Capital Contributions	-	211,189	-	211,189
Payable interest payments	-	(2,238)	(2,646)	(4,884)
Net Cash (Used) In Capital and Related Financing Activities	<u>(336,324)</u>	<u>(873,207)</u>	<u>(240,514)</u>	<u>(1,450,045)</u>
Cash Flows from Investing Activities				
(Purchase) of Investments	(8,569)	(8,490)	(2,229)	(19,288)
Gain (Loss) on Investments	(562)	(198)	472	(288)
Net Cash (Used) In Investing Activities	<u>(9,131)</u>	<u>(8,688)</u>	<u>(1,757)</u>	<u>(19,576)</u>
Net (Decrease) in Cash and Cash Equivalents	(444,827)	(181,706)	(181,422)	(807,955)
Cash and Cash Equivalents at Beginning of Year	<u>917,885</u>	<u>1,112,315</u>	<u>262,156</u>	<u>2,292,356</u>
Cash and Cash Equivalents at End of Year	<u>\$ 473,058</u>	<u>\$ 930,609</u>	<u>\$ 80,734</u>	<u>\$ 1,484,401</u>

Continued

CITY OF GULFPORT, FLORIDA
STATEMENT OF CASH FLOWS - *Continued*
PROPRIETARY FUNDS
For The Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds			
	Sanitation	Water And Sewer	Marina	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ (99,736)	\$ (260,085)	\$ 252,598	\$ (107,223)
Depreciation	136,348	578,112	211,320	925,780
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(18,610)	313,121	(43,280)	251,231
(Increase) Decrease in Due from Other Governments	(4,573)	-	-	(4,573)
(Increase) Decrease in Prepaid Items	2,904	(9,459)	3,411	(3,144)
(Increase) Decrease in Inventories	-	4,510	(6,279)	(1,769)
Increase (Decrease) in Accounts Payable	(1,621)	47,739	(21,400)	24,718
Increase (Decrease) in Due to Other Governments	-	13,641	6,436	20,077
Increase (Decrease) in OPEB	3,535	2,356	589	6,480
Increase (Decrease) in Accrued Liabilities	15,820	14,442	2,265	32,527
Increase (Decrease) in Compensated Absences	6,052	4,648	1,488	12,188
Increase (Decrease) in Customer Deposits	-	301	(3,655)	(3,354)
Total Adjustments	<u>139,855</u>	<u>969,411</u>	<u>150,895</u>	<u>1,260,161</u>
Net Cash Provided by Operating Activities	<u>\$ 40,119</u>	<u>\$ 709,326</u>	<u>\$ 403,493</u>	<u>\$ 1,152,938</u>

There were no noncash transactions.

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

CITY OF GULFPORT, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
September 30, 2009

ASSETS

Cash	\$ 6,104
Interest Receivable	21,099
Due From Government	239,435
	266,638

Investments, at Fair Value:

Money Market Funds	253,023
U.S. Government Obligations	85,557
U.S. Government Instrumentalities	842,942
Asset-Backed Securities	234,482
Corporate Bonds	832,172
Corporate Stocks	3,717,714
Equity Mutual Funds	5,161,647
Fixed Income Mutual Funds	4,522,609
Total Investments	15,650,146

Total Assets	15,916,784
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LIABILITIES

Accounts Payable	16,798
Total Liabilities	16,798

Net Assets Held in Trust

for Pension Benefits	\$ 15,899,986
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The notes to the financial statements are an integral part of the financial statements.

CITY OF GULFPORT, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For The Year Ended September 30, 2009

ADDITIONS

Employer Contributions	\$ 581,022
Employee Contributions	<u>223,491</u>
Total Contributions	<u>804,513</u>
Investment Income	<u>766,294</u>
Total Contributions and Income	<u>1,570,807</u>

DEDUCTIONS

Benefits	708,956
Administrative Expense	<u>143,529</u>
Total Deductions	<u>852,485</u>

Change in Net Assets	718,322
Net Assets - Beginning of Year	<u>15,181,664</u>
Net Assets - End of Year	<u><u>\$ 15,899,986</u></u>

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2009

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.

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 (statement of net assets and statement of activities) are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables, and long-term liabilities. The City’s Fiduciary

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

B. BASIC FINANCIAL STATEMENTS *(Continued)*

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, leisure services, community development and redevelopment, and public works) of the City that are otherwise supported by general government revenues (property, sales and use tax, and certain intergovernmental revenues, etc.). For the most part, the effect of interfund activity has been removed from this statement. The expenses for each functional category are reduced by program revenues to ascertain the net cost of the function. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are those costs that are allocated to functions and activities in accordance with the City's indirect cost allocation plan. The "Expenses" column includes both direct and indirect expenses. Program revenues are defined as charges for services and operating and capital grants and contributions 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 and contributions 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are summarized into a single column. The City has reported the General Fund, Waterfront Redevelopment District, 49th Street Redevelopment District, Cultural Activities, and Capital Projects Fund as major funds. In addition, all three of the City's Enterprise Funds are major funds. The City has reported the GEMS and Library Fund as non-major funds.

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION

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

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

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 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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

2. Proprietary Funds: *(Continued)*

Enterprise Funds *(Continued)*

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.

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

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

1. Modified Accrual:

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

Cash and Investments *(Continued)*

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 PRIME (formerly the Florida Local Government Surplus Funds Trust Fund), 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. The Fund B Surplus Funds Trust Fund is an external investment pool which is accounted for as a fluctuating net asset value (NAV) pool. The Fund B fair value factor at September 30, 2009, was .54915069 which was used to calculate the fair value of the City's investment. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the Florida PRIME and Fund B. All other investments are carried at fair value.

Receivables and Payables

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

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

Property taxes, which were levied during fiscal year 2009 and are uncollected as of September 30, 2009, 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 expenditure or expense at the time the inventory item is consumed or sold.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

Prepaid Expenditures/Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2009, are recorded as prepaid items. These payments are recorded as expenditures or expenses when consumed rather than when purchased.

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.

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

Net Assets

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

- **Invested in Capital Assets** - This component of net assets consists of capital assets, net of accumulated depreciation. Currently, the City has no capital related debt.
- **Restricted Assets** - This component consists of net assets that have constraints placed on them either externally by third parties (grantors and contributors) or by law, through constitutional provisions of enabling legislation. The City would typically use restricted assets first, as appropriated opportunities arise, but reserves the right to selectively defer the use of these funds.
- **Unrestricted** - This component consists of net assets that do not meet the definition of "invested in capital assets" and "restricted." Designations of net assets made by the City's management are included in this component because these types of constraints are internal and management can remove or modify them.

Reserves, Designations, and Restrictions

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

- **Reserved for Encumbrances** - indicates a portion of the fund balance that has been segregated for expenditure upon vendor performance. This reflects items or services that have been ordered or committed for at year-end, which have not been received nor paid for.
- **Reserved for Inventories and Prepaid Items** - indicates a portion of the fund balance that has been segregated for expenditures incurred which apply to the following accounting period.
- **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.
- **Reserved for Other Improvement Projects** - indicates a portion of the fund balance which has been segregated for expenditures funded by contributions received by the City.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

Reserves, Designations, and Restrictions *(Continued)*

- **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.

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 Districts, 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

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

Budgets and Budgetary Accounting *(Continued)*

- 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.

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, 2009, was 3.4742 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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

G. PROPERTY TAXES *(Continued)*

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.

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.

Deposits

At September 30, 2009, the bank balance amount of the City's cash deposit accounts was \$686,846. The cash deposits are held by a bank that qualifies as a public depository under

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

Deposits *(Continued)*

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 (“CMOs”) with very accurately defined maturities issued by Federal Agencies and instrumentalities and limited to VATM/accretion directed CMOs or planned amortization class CMOs or sequential bonds CMOs; e) bankers acceptance guaranteed by banking institutions with a bank rating of “AA” on its long-term debt; f) prime commercial paper having received an “A1/P1” or higher rating by a nationally recognized rating agency; g) non-negotiable certificates of deposit and bank investment contracts (“BIC”), which can be insured, collateralized at the Federal Reserve, or qualify as state-qualified public deposits, as 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

Investments *(Continued)*

The City's investments carried at fair value as of September 30, 2009, are as follows:

	Fair Value	Weighted Average Maturity	Credit Rating
Florida Surplus Asset Fund Trust	\$ 2,002,797	21 days ⁽¹⁾	S&P AAAM
Florida PRIME	19,096	33 days ⁽¹⁾	S&P AAAM
Local Government Surplus Funds Trust Fund Pool B	41,861	see below ⁽²⁾	not rated
U.S. Government Instrumentalities	1,768	114 days	S&P AAA
Mutual Funds	4,581,846	n/a	S&P AAAM
Total Investments	\$ 6,647,368		

(1) The weighted average maturity does not exceed 60 days in accordance with S&P guidelines.

(2) The weighted average life at September 30, 2009, was 6.69 years.

Interest Rate Risk - In compliance with the City's investment policy, as of September 30, 2009, 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, 2009, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, U.S. Government Agency securities, and government investment pools, and by pre-qualifying the financial institutions with which the City does business. 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2009

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

General Employees' Pension Fund (Continued)

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 Funds held the following investments as of September 30, 2009:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Money Market Funds	\$ 51,120	n/a	Complies
Equity Mutual Funds	5,136,200	n/a	with
Fixed Income Mutual Funds	3,856,791	n/a	City Policy
Total Investments	<u>\$ 9,044,111</u>		

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

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

Police Pension Fund

Deposits

Fifth Third Bank 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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

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

Police Pension Fund *(Continued)*

Investments *(Continued)*

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, 2009:

	Fair Value	Weighted Average Maturity	Credit Rating
Money Market Funds	\$ 181,732	n/a	
U.S. Government Obligations	85,557		
U.S. Government Instrumentalities	842,942	114 days	S&P AAA
Asset-Backed Securities	234,482		S&P AAA-BBB
Corporate Bonds	832,172		S&P AAA-BBB
Corporate Stocks	2,707,809	n/a	
Equity Mutual Funds	14,404	n/a	
Total Investments	\$ 4,899,098		

Credit Risk – To mitigate credit risk, the City’s investment policy limits the minimum credit quality rating of investments, as rated by nationally recognized statistical rating organizations (NRSROs). The City primarily invests in U.S. government securities, mutual funds, and overnight repurchase agreements. Money market accounts are held with qualified public depositories who meet the State of Florida requirements.

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

Salem Trust Company periodically holds uninvested cash in its capacity as custodian of the Firefighters’ Pension Fund (the “Firefighters’ Pension”). These funds exist temporarily as cash in the process of collection from the sale of securities.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2009

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 any one issuing company, no more than 10% of the Firefighters' Pension 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, 2009:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Money Market Funds	\$ 20,171	n/a	Complies
Corporate Stocks	1,009,905	n/a	with
Equity Mutual Funds	11,043	n/a	City Policy
Fixed Income Mutual Funds	665,818	n/a	
Total Investments	<u>\$ 1,706,937</u>		

Credit Risk – To mitigate credit risk, the City's investment policy limits the minimum credit quality rating of investments, as rated by nationally recognized statistical rating organizations (NRSROs). The City primarily invests in U.S. government securities, mutual funds, and overnight repurchase agreements. Money market accounts are held with qualified public depositories who meet the State of Florida requirements.

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, 2009

NOTE 3 - RECEIVABLES

Receivables as of September 30, 2009, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts Receivable:			
Billed	\$ 84,454	\$ 831,669	\$ 916,123
Unbilled	-	227,969	227,969
Payroll Advance	9,886	3,661	13,547
Code Enforcement Liens	134,384	-	134,384
Total Receivables	<u>228,724</u>	<u>1,063,299</u>	<u>1,292,023</u>
Allowance for Uncollectibles	<u>(67,484)</u>	<u>(225,384)</u>	<u>(292,868)</u>
Net Total Receivables	<u>\$ 161,240</u>	<u>\$ 837,915</u>	<u>\$ 999,155</u>

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers consist of the following for the year ended September 30, 2009:

Fund	Transfers In	Transfers Out
General	\$ 1,280,725	\$ 195,000
Waterfront Redevelopment District	-	35,000
49th Street Redevelopment District	145,000	-
Cultural Activities	35,000	-
Capital Projects	-	800,000
Sanitation	-	139,491
Water and Sewer	750,000	759,137
Marina	-	382,097
Nonmajor Fund:		
GEMS	<u>100,000</u>	<u>-</u>
Total	<u>\$ 2,310,725</u>	<u>\$ 2,310,725</u>

The transfer out made by the Marina 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, 2009

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

Interfund payables and receivables consist of the following for the year ended September 30, 2009:

Fund	Due From	Due To
General	\$ 108,518	\$ -
Waterfront Redevelopment District	-	1,234
Cultural Activities	-	67,831
Marina	-	39,453
Total	\$ 108,518	\$ 108,518

Interfund balances between the General Fund and other funds are to cover payments made by the General Fund to be reimbursed in the next fiscal year.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2009, was as follows:

	Beginning Balance 10/1/2008	Additions	Deletions	Transfers	Ending Balance 9/30/2009
Governmental Activities					
Non-Depreciable Assets:					
Land	\$ 592,072	\$ -	\$ -	\$ -	\$ 592,072
Construction in Progress	7,454	221,722	-	-	229,176
Depreciable Assets:					
Buildings	10,103,567	95,919	-	-	10,199,486
Infrastructure and Improvements	10,846,792	140,654	-	-	10,987,446
Equipment	3,527,409	271,515	186,179	-	3,612,745
Total at Historical Cost	25,077,294	729,810	186,179	-	25,620,925
Less Accumulated Depreciation for:					
Buildings	2,642,963	240,691	-	-	2,883,654
Infrastructure and Improvements	6,238,869	456,262	-	-	6,695,131
Equipment	2,642,868	317,227	186,179	-	2,773,916
Total Accumulated Depreciation	11,524,700	1,014,180	186,179	-	12,352,701
Capital Assets, Net	\$13,552,594	\$ (284,370)	\$ -	\$ -	\$13,268,224

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 5 - CAPITAL ASSETS *(Continued)*

Depreciation was charged to governmental activities, as follows:

General Government	\$ 160,491
Public Safety	184,688
Leisure Services	271,864
Community Development/Redevelopment	202,783
Public Works	<u>194,354</u>
Total Depreciation	<u>\$1,014,180</u>

	Beginning Balance 10/1/2008	Additions	Deletions	Transfers	Ending Balance 9/30/2009
Business-type Activities					
Non-Depreciable Assets:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Construction in Progress	30,575	119,550	-	-	150,125
Depreciable Assets:					
Buildings	737,905	-	-	-	737,905
Infrastructure and Improvements	18,632,420	1,110,312	-	-	19,742,732
Equipment	1,990,561	426,488	33,198	-	2,383,851
Total at Historical Cost	<u>21,411,461</u>	<u>1,656,350</u>	<u>33,198</u>	<u>-</u>	<u>23,034,613</u>
Less Accumulated Depreciation for:					
Buildings	523,593	9,629	-	-	533,222
Infrastructure and Improvements	7,379,687	756,795	-	-	8,136,482
Equipment	1,358,019	159,356	33,198	-	1,484,177
Total Accumulated Depreciation	<u>9,261,299</u>	<u>925,780</u>	<u>33,198</u>	<u>-</u>	<u>10,153,881</u>
Capital Assets, Net	<u>\$12,150,162</u>	<u>\$ 730,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,880,732</u>

NOTE 6 - RISK MANAGEMENT

The City is subject to losses in the normal course of operations resulting from general liability, property and casualty, workers' compensation, employee health and accident, environmental, and antitrust matters. The City has purchased commercial insurance to protect against employee health losses. The City participates in 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 6 - RISK MANAGEMENT *(Continued)*

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, 2009, 2008, or 2007, nor is the City aware of any contingent assessments.

NOTE 7 - LONG-TERM LIABILITIES

The City's long-term liabilities consist of accrued compensated absences and liability for other postemployment benefits. The change in long-term liabilities is as follows:

	Balance 10/1/2008	Additions	Deletions	Balance 9/30/2009	Due in One Year
Governmental Activities:					
Compensated Absences	\$ 493,955	\$ 504,400	\$ (491,427)	\$ 506,928	\$ 221,088
Other Postemployment Benefits	-	30,337	-	30,337	-
	<u>\$ 493,955</u>	<u>\$ 534,737</u>	<u>\$ (491,427)</u>	<u>\$ 537,265</u>	<u>\$ 221,088</u>
Business-Type Activities:					
Compensated Absences	\$ 122,083	\$ 112,584	\$ (106,843)	\$ 127,824	\$ 41,683
Other Postemployment Benefits	-	6,480	-	6,480	-
	<u>\$ 122,083</u>	<u>\$ 119,064</u>	<u>\$ (106,843)</u>	<u>\$ 134,304</u>	<u>\$ 41,683</u>

Compensated absences will be liquidated in future periods primarily by the General Fund.

NOTE 8 - PENSION PLANS

Description of Plans

The City contributes to three single-employer defined benefit 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; however, more information on each individual plan can be found in this section.

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 8 - PENSION PLANS *(Continued)*

Description of Plans *(Continued)*

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 entry age normal actuarial cost method and the Police and Fire Pension Plans use the frozen entry-age actuarial cost method. 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, 2008, the date of the latest actuarial valuations:

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 8 - PENSION PLANS *(Continued)*

Description of Plans *(Continued)*

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>
ACCOUNTING POLICIES AND PLAN ASSETS			
Establishing and amending authority	City Ordinance	City Ordinance	City Ordinance
Basis of accounting	Accrual	Accrual	Accrual
Asset valuation reporting	4 year smooth	4 year smooth	4 year smooth
Actuarial valuation	4 year smooth	4 year smooth	4 year smooth
Covered payroll (fiscal year 9/30/2008)	\$2,971,401	\$662,515	\$1,730,088
Internal loans	None	None	None
MEMBERSHIP AND PLAN PROVISIONS			
Current active employees	77	13	28
Retirees and beneficiaries	40	19	14
Terminated - vested active participants	72	6	5
Total members	<u>189</u>	<u>38</u>	<u>47</u>
New entrants allowed	Yes	Yes	Yes
NORMAL RETIREMENT BENEFIT			
Age	62	55 ⁽¹⁾	55 ⁽¹⁾
Years to vest	5	10	10
Accrual	1.75	2.50	2.50
Maximum	100%	100%	100%
Disability benefits:			
Line of duty	None	50%	42%
Non-line of duty (maximum)	None	Accrued Benefit	Accrued Benefit
ASSUMPTIONS AND LIABILITIES			
Actuarial assumptions			
Investment return	7.5%	8%	8%
Inflation increase	0%	3%	3%
Salary increase	6%	5.5%	7%
Mortality table	1983 GAM	1983 GAM	RP-2000
Post retirement benefit increase	0%	0%	0%
Amortization method	(2)	(2)	(2)
Amortization period (in years)	30	28	27

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 8 - PENSION PLANS *(Continued)*

Description of Plans *(Continued)*

A concentration of investments exists in the General Employees' and Fire Pension Plans since more than 5% of each Plan's assets is invested in the trustee bank's mutual funds.

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. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City has the authority to establish and amend provisions of the plan. The plan does not require contributions from the members. The City contributes 12% of the annual compensation of participating employees. The City Council has the authority to establish and amend contributions under the plan. For fiscal year 2009, the City contributed approximately \$66,890. Contributions made by the City were equal to the required contributions.

Three-Year Trend Information and Funding Progress

	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
General Employees	09/30/08	\$ 307,287	100%	\$ -
	09/30/07	\$ 289,893	100%	\$ -
	09/30/06	\$ 255,381	100%	\$ -
Firefighters	09/30/08	\$ 105,376	100%	\$ -
	09/30/07	\$ 108,048	100%	\$ -
	09/30/06	\$ 84,917	100%	\$ -
Police Officers	09/30/08	\$ 172,174	130%	\$ (50,889)
	09/30/07	\$ 224,227	100%	\$ -
	09/30/06	\$ 146,921	100%	\$ -

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 8 - PENSION PLANS *(Continued)*

Three-Year Trend Information and Funding Progress *(Continued)*

General Employees' Pension Plan

As of October 1, 2008, the actuarial accrued liability (AAL) for benefits was \$9,630,830. Assets of the Plan are valued at market, and the current value is \$9,939,493, resulting in an unfunded actuarial accrued liability (UAAL) of \$(308,663) or 103.2%. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,971,401. The ratio of the UAAL to the covered payroll was (10.4)%.

Firefighters' Pension Plan

As of October 1, 2008, the actuarial accrued liability (AAL) for benefits was \$2,020,710. Assets of the Plan are valued at market, and the current value is \$1,955,292, resulting in an unfunded actuarial accrued liability (UAAL) of \$65,418 or 96.8%. The covered payroll (annual payroll of active employees covered by the Plan) was \$662,515. The ratio of the UAAL to the covered payroll was 9.9%.

Police Officers' Pension Plan

As of October 1, 2008, the actuarial accrued liability (AAL) for benefits was \$6,290,481. Assets of the Plan are valued at market, and the current value is \$5,630,157, resulting in an unfunded actuarial accrued liability (UAAL) of \$660,324 or 89.5%. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,730,088. The ratio of the UAAL to the covered payroll was 38.2%.

The required schedules of funding progress, immediately following the notes to the financial statements, present multi-year trend information about whether the actuarial value of each plan's assets is increasing or decreasing over time relative to its actuarial accrued liability for benefits.

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, 2009, were as follows: General Employees - \$198,707, Firefighters - \$97,487, and Police Officers - \$284,828. 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, 2008. Benefits are projected based upon the types of benefits and benefit levels and cost-sharing arrangements as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 8 - PENSION PLANS *(Continued)*

Calculation of Net Pension Obligation (Asset)

Actuarially Determined Contribution (A)	\$ 223,063
Interest on NPO	(4,146)
Adjustment to (A)	<u>(46,743)</u>
Annual Pension Cost	172,174
Contributions Made	<u>223,063</u>
Increase in NPO	(50,889)
NPO Beginning of Year	-
NPO End of Year	<u><u>\$ (50,889)</u></u>

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2009

NOTE 8 - PENSION PLANS (Continued)

Pension Plan Financial Statements

CITY OF GULFPORT, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
 September 30, 2009

	General Employees' Pension	Police Officers' Pension	Firefighters' Pension	Total
ASSETS				
Cash	\$ -	\$ 6,104	\$ -	\$ 6,104
Interest Receivable	17,816	-	3,283	21,099
Due From Government	49,633	127,448	62,354	239,435
Investments, at Fair Value:				
Money Market Funds	51,120	181,732	20,171	253,023
U.S. Government Obligations	-	85,557	-	85,557
U.S. Government Instrumentalities	-	842,942	-	842,942
Asset-Backed Securities	-	234,482	-	234,482
Corporate Bonds	-	832,172	-	832,172
Corporate Stocks	-	2,707,809	1,009,905	3,717,714
Equity Mutual Funds	5,136,200	14,404	11,043	5,161,647
Fixed Income Mutual Funds	3,856,791	-	665,818	4,522,609
Total Investments	<u>9,044,111</u>	<u>4,899,098</u>	<u>1,706,937</u>	<u>15,650,146</u>
Total Assets	<u>9,111,560</u>	<u>5,032,650</u>	<u>1,772,574</u>	<u>15,916,784</u>
LIABILITIES				
Accounts Payable	<u>11,484</u>	<u>4,564</u>	<u>750</u>	<u>16,798</u>
Total Liabilities	<u>11,484</u>	<u>4,564</u>	<u>750</u>	<u>16,798</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 9,100,076</u>	<u>\$ 5,028,086</u>	<u>\$ 1,771,824</u>	<u>\$15,899,986</u>

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 8 - PENSION PLANS *(Continued)*

Pension Plan Financial Statements *(Continued)*

CITY OF GULFPORT, FLORIDA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 For The Year Ended September 30, 2009

	General Employees' Pension	Police Officers' Pension	Firefighters' Pension	Total
ADDITIONS				
Employer Contributions	\$ 198,707	\$ 284,828	\$ 97,487	\$ 581,022
Employee Contributions	45,015	142,713	35,763	223,491
Total Contributions	243,722	427,541	133,250	804,513
Investment Income	722,161	30,954	13,179	766,294
Total Contributions and Income	965,883	458,495	146,429	1,570,807
DEDUCTIONS				
Benefits	281,580	314,823	112,553	708,956
Administrative Expense	54,743	56,486	32,300	143,529
Total Deductions	336,323	371,309	144,853	852,485
Change in Net Assets	629,560	87,186	1,576	718,322
Net Assets - Beginning of Year	8,470,516	4,940,900	1,770,248	15,181,664
Net Assets - End of Year	\$ 9,100,076	\$ 5,028,086	\$ 1,771,824	\$ 15,899,986

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.

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 9 - DEFERRED COMPENSATION PLAN *(Continued)*

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 POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

Effective for the fiscal year ended September 30, 2009, the City implemented GASB Statement No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, for certain post employment healthcare and life insurance benefits provided by the City. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$347,145 at October 1, 2008, the date of the transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefit liability at the date of transition.

The Other Postemployment Benefit Plan (“OPEB Plan”) is a single-employer benefit plan administered by the City. Retiree’s are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs, it means that the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. GASB No. 45 calls this the “implicit rate subsidy.”

Retirees and their dependents are permitted to remain covered under the City’s respective medical and insurance plans as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employers per Ch. 112.08, F.S. The City Council has the authority to amend benefits of the OPEB Plan. The OPEB Plan does not issue a stand-alone report.

Funding Policy

For the OPEB Plan, contributions requirements of the City are established and may be amended through action of the City Council. Currently, there are 125 active participants and two retirees. The City’s OPEB benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. There is no Trust Fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term investments in accordance with the investment policy and described previously. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on those investments. The City selected an interest rate of 5% for this purpose.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) *(Continued)*

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's net obligation to the OPEB Plan:

	FY09 Valuation as of 10/1/2008
Normal Cost (service cost for one year)	\$ 39,327
Amortization of Unfunded Actuarial Accrued Liability	15,083
Interest on Normal Cost and Amortization	2,345
Annual Required Contribution (ARC)	56,755
Adjustment to ARC	-
Annual OPEB Cost (expense)	56,755
Estimated Employer Contributions Made	(19,938)
Increase/(Decrease) in Net OPEB Obligation	36,817
Net OPEB Obligation at Beginning of Year	-
Net OPEB Obligation at End of Year	\$ 36,817

Calculations are based upon the types of benefits provided under the terms of the OPEB plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. The City's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2009 with no applicable preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions toward OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$56,755	\$19,938	35.13%	\$36,817

Funded Status and Funding Progress

As of October 1, 2008, the OPEB Plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$347,145. Assets of the OPEB Plan are valued at market; however, the current value is \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$347,145 or a 0% funded ratio. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$6,172,207. The ratio of the UAAL to the covered payroll was 5.6%.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Funded Status and Funding Progress *(Continued)*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the ARC are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL.

Actuarial Methods and Assumptions

In any long-term actuarial valuation, certain assumptions are made regarding the population, the investment discount rates, and the benefits provided. The actuarial assumptions included a payroll growth rate of 3% and healthcare inflation of 9%, reduced annually to an ultimate rate of 5% after five years. The remaining amortization period at September 30, 2009, was 30 years. The Entry Age Normal actuarial cost method was used, with amortization of the UAAL as a level percent of expected payroll (closed over 30 years). The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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 \$2,109,680 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2009

NOTE 11 - COMMITMENTS *(Continued)*

Litigation

The government is a defendant in various lawsuits. Although the outcome of these lawsuits 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.

NOTE 12 - FUND DEFICIT

The Cultural Activities Fund has an ending fund deficit of \$(86,342) at September 30, 2009. The deficit will be funded by future user charges and donations.

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Required Supplementary Information

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

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,786,632	\$ 4,786,632	\$ 4,704,881	\$ (81,751)
Permits and Fees	1,122,704	1,122,704	910,670	(212,034)
Intergovernmental Revenues	2,085,254	2,085,254	1,802,571	(282,683)
Charges for Services	1,307,851	1,307,851	1,321,844	13,993
Fines and Forfeitures	73,200	73,200	112,088	38,888
Investment Income	142,000	142,000	33,915	(108,085)
Miscellaneous Revenues	334,709	239,964	234,450	(5,514)
Total Revenues	<u>9,852,350</u>	<u>9,757,605</u>	<u>9,120,419</u>	<u>(637,186)</u>
EXPENDITURES				
General Government				
Legislative	264,698	264,698	256,028	(8,670)
Legal	122,857	181,903	163,316	(18,587)
Executive	209,476	209,476	89,037	(120,439)
Financial	409,901	409,901	371,603	(38,298)
Human Resources	100,901	100,901	107,287	6,386
Information Technology	359,936	454,860	317,486	(137,374)
Total	<u>1,467,769</u>	<u>1,621,739</u>	<u>1,304,757</u>	<u>(316,982)</u>
Public Safety				
Fire	1,204,716	1,205,459	1,019,716	(185,743)
Police	3,767,791	3,767,791	3,305,907	(461,884)
Total	<u>4,972,507</u>	<u>4,973,250</u>	<u>4,325,623</u>	<u>(1,101,983)</u>
Leisure Services				
Library	592,764	592,764	553,398	(39,366)
Office of Director	220,808	220,808	225,669	4,861
Recreation Center	544,949	544,949	483,862	(61,087)
Parks	760,035	760,035	639,768	(120,267)
Senior Center	216,706	216,706	168,887	(47,819)
Total	<u>2,335,262</u>	<u>2,335,262</u>	<u>2,071,584</u>	<u>(263,678)</u>
Community Development				
Planning & Development	263,407	331,726	256,657	(75,069)
Building Inspections	325,850	358,716	291,057	(67,659)
Total	<u>589,257</u>	<u>690,442</u>	<u>547,714</u>	<u>(406,406)</u>

Continued

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE - Continued
GENERAL FUND
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public Works				
Building Maintenance	\$ 227,243	\$ 230,505	\$ 223,415	\$ (7,090)
Central Garage	669,524	709,330	451,841	(257,489)
Office of Director	130,308	132,708	127,213	(5,495)
Streets	546,205	547,955	455,013	(92,942)
Total	<u>1,573,280</u>	<u>1,620,498</u>	<u>1,257,482</u>	<u>(363,016)</u>
Total Expenditures	<u>10,938,075</u>	<u>11,241,191</u>	<u>9,507,160</u>	<u>(2,452,065)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(1,085,725)</u>	<u>(1,483,586)</u>	<u>(386,741)</u>	<u>1,814,879</u>
OTHER FINANCING SOURCES AND (USES)				
Issuance of Capital Lease	-	91,434	-	(91,434)
Transfers In	1,280,725	1,280,725	1,280,725	-
Transfers (Out)	<u>(195,000)</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>1,085,725</u>	<u>1,177,159</u>	<u>1,085,725</u>	<u>(91,434)</u>
Net Change in Fund Balance	-	(306,427)	698,984	1,005,411
Fund Balance - Beginning	<u>-</u>	<u>211,682</u>	<u>4,434,115</u>	<u>4,222,433</u>
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ (94,745)</u>	<u>\$ 5,133,099</u>	<u>\$ 5,227,844</u>

Notes to Schedule

This schedule was prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
WATERFRONT REDEVELOPMENT DISTRICT
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>			Variance with Budget - Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes	\$ 274,643	\$ 274,643	\$ 277,515	\$ 2,872
Intergovernmental Revenues	79,151	79,151	45,770	(33,381)
Charges for Services	37,440	37,440	10,077	(27,363)
Investment Income	2,000	2,000	122	(1,878)
Miscellaneous Revenues	<u>21,877</u>	<u>21,877</u>	<u>2,207</u>	<u>(19,670)</u>
Total Revenues	<u>415,111</u>	<u>415,111</u>	<u>335,691</u>	<u>(79,420)</u>
EXPENDITURES				
Leisure Services				
Personal Services	85,200	85,200	76,611	(8,589)
Operating	115,542	115,542	60,002	(55,540)
Capital Outlay	-	-	7,064	7,064
Community Development/Redevelopment				
Personal Services	74,865	74,865	84,845	9,980
Operating	110,441	110,441	90,946	(19,495)
Capital Outlay	<u>-</u>	<u>6,882</u>	<u>4,500</u>	<u>(2,382)</u>
Total Expenditures	<u>386,048</u>	<u>392,930</u>	<u>323,968</u>	<u>(68,962)</u>
Excess of Revenues Over Expenditures	<u>29,063</u>	<u>22,181</u>	<u>11,723</u>	<u>(10,458)</u>
OTHER FINANCING (USES)				
Transfers (Out)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Total Other Financing (Uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net Change in Fund Balance	(5,937)	(12,819)	(23,277)	(10,458)
Fund Balance - Beginning	<u>-</u>	<u>6,882</u>	<u>68,063</u>	<u>61,181</u>
Fund Balance - Ending	<u>\$ (5,937)</u>	<u>\$ (5,937)</u>	<u>\$ 44,786</u>	<u>\$ 50,723</u>

Notes to Schedule

This schedule was prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
49TH STREET REDEVELOPMENT DISTRICT
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenues	\$ 450,000	\$ 450,000	\$ -	\$ (450,000)
Investment Income	-	-	439	439
Total Revenues	<u>450,000</u>	<u>450,000</u>	<u>439</u>	<u>(449,561)</u>
EXPENDITURES				
Community Development/Redevelopment				
Personal Services	58,029	58,029	68,975	10,946
Operating	3,391	3,391	2,100	(1,291)
Capital Outlay	<u>500,000</u>	<u>1,459,196</u>	<u>12,105</u>	<u>(1,447,091)</u>
Total Expenditures	<u>561,420</u>	<u>1,520,616</u>	<u>83,180</u>	<u>(1,437,436)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(111,420)</u>	<u>(1,070,616)</u>	<u>(82,741)</u>	<u>987,875</u>
OTHER FINANCING SOURCES				
Transfers In	<u>145,000</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
Total Other Financing Sources	<u>145,000</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
Net Change in Fund Balance	33,580	(925,616)	62,259	987,875
Fund Balance - Beginning	<u>-</u>	<u>959,196</u>	<u>286,178</u>	<u>(673,018)</u>
Fund Balance - Ending	<u>\$ 33,580</u>	<u>\$ 33,580</u>	<u>\$ 348,437</u>	<u>\$ 314,857</u>

Notes to Schedule

This schedule was prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CULTURAL ACTIVITIES
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 310,869	\$ 310,869	\$ 234,819	\$ (76,050)
Miscellaneous Revenues	<u>130,470</u>	<u>130,470</u>	<u>117,180</u>	<u>(13,290)</u>
Total Revenues	<u>441,339</u>	<u>441,339</u>	<u>351,999</u>	<u>(89,340)</u>
EXPENDITURES				
Leisure Services				
Personal Services	151,904	151,904	166,453	14,549
Operating	322,705	322,705	283,714	(38,991)
Capital Outlay	<u>15,000</u>	<u>115,000</u>	<u>1,495</u>	<u>(113,505)</u>
Total Expenditures	<u>489,609</u>	<u>589,609</u>	<u>451,662</u>	<u>(137,947)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(48,270)</u>	<u>(148,270)</u>	<u>(99,663)</u>	<u>48,607</u>
OTHER FINANCING SOURCES				
Transfers In	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total Other Financing Sources	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Net Change in Fund Balance	(13,270)	(113,270)	(64,663)	48,607
Fund Balance (Deficit) - Beginning	<u>13,270</u>	<u>113,270</u>	<u>(21,679)</u>	<u>(134,949)</u>
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (86,342)</u>	<u>\$ (86,342)</u>

Notes to Schedule

This schedule was prepared on the basis of generally accepted accounting principles.

CITY OF GULFPORT, FLORIDA
EMPLOYEE RETIREMENT PLANS
SCHEDULES OF EMPLOYER CONTRIBUTIONS

General Employees' Pension Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2008	\$ 307,287	\$ 307,287	100.00%
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%

Police Officers' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2008	\$ 289,234	\$ 289,234	100.00%
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%

Firefighters' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2008	\$ 84,563	\$ 105,376	124.61%
2007	71,381	108,048	151.37%
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%

CITY OF GULFPORT, FLORIDA
EMPLOYEE RETIREMENT PLANS
SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of		Actuarial Accrued Liability (AAL) -		Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
	Assets (a)	Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)				
General Employees' Pension Trust Fund ⁽¹⁾							
10/01/08	\$ 9,939,493	\$ 9,630,830	\$ (308,663)	103.2%	\$ 2,971,401	-10.4%	
10/01/07	9,824,316	8,977,029	(847,287)	109.4%	2,923,184	-29.0%	
10/01/06	8,744,544	8,845,865	101,321	98.9%	2,928,182	3.5%	
10/01/05	7,921,381	7,921,381	-	100.0%	2,685,500	0.0%	
10/01/04	7,506,362	7,506,362	-	100.0%	2,506,544	0.0%	
10/01/03	6,483,009	6,483,009	-	100.0%	2,481,242	0.0%	

Actuarial Valuation Date	Actuarial Value of		Actuarial Accrued Liability (AAL) -		Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
	Assets (a)	Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)				
Police Officers' Retirement Trust Fund							
10/01/08	\$ 5,630,157	\$ 6,290,481	\$ 660,324	89.5%	\$ 1,730,088	38.2%	
10/01/07	5,336,192	6,126,896	790,704	87.1%	1,614,789	49.0%	
10/01/06	4,870,283	5,423,074	552,791	89.8%	1,732,555	31.9%	
10/01/05	4,441,862	4,700,902	259,040	94.5%	1,638,451	15.8%	
10/01/04	4,150,171	4,414,025	263,854	94.0%	1,511,309	17.5%	
10/01/03	4,026,582	4,300,764	274,182	93.6%	1,304,449	21.0%	

Actuarial Valuation Date	Actuarial Value of		Actuarial Accrued Liability (AAL) -		Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
	Assets (a)	Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)				
Firefighters' Retirement Trust Fund							
10/01/08	\$ 1,955,292	\$ 2,020,710	\$ 65,418	96.8%	\$ 662,515	9.9%	
10/01/07	1,835,992	1,915,913	79,921	95.8%	593,603	13.5%	
10/01/06	1,648,029	1,764,672	116,643	93.4%	498,219	23.4%	
10/01/05	1,515,050	1,605,919	90,869	94.3%	408,805	22.2%	
10/01/04	1,498,680	1,478,500	(20,180)	101.4%	569,383	-3.5%	
10/01/03	1,455,619	1,448,097	(7,522)	100.5%	480,088	-1.6%	

- (1) Two changes have been made to the assumptions and methods since the prior valuation report for General Employees' Pension Trust Fund.
1. The method of developing actuarial assets for funding purposes has been changes from the use of pure market to a four-year averaging technique which specifically considers the average market value return for the most recent four years.
 2. At the request of the Division of Retirement, the City is now required to fund a percentage of payroll versus a specific dollar amount.

CITY OF GULFPORT, FLORIDA
EMPLOYEE OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions toward OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$ 56,755	\$ 19,938	35.13%	\$ 36,817
9/30/2008	N/A	N/A	N/A	N/A
9/30/2007	N/A	N/A	N/A	N/A

The provisions of GASB Statement No. 45 were implemented in fiscal year 2009. Accordingly, data is not available for fiscal years 2007 and 2008.

CITY OF GULFPORT, FLORIDA
EMPLOYEE OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
10/01/08	\$ -	\$ 347,145	\$ 347,145	0.0%	\$ 6,172,207	5.6%

The provisions of GASB Statement No. 45 were implemented in fiscal year 2009. Accordingly, data is not available for fiscal years 2007 and 2008.

Other Supplementary Information

This financial statement provides budgetary comparison schedules for the capital projects fund and the GEMS (Gulfport Elderly Mobility System) as well as a combining balance sheet – nonmajor special revenue funds and combining statement of revenues, expenditures, and changes in fund balances – nonmajor special revenue funds.

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Budget - Over (Under)
REVENUES			
Taxes	\$ 1,214,261	\$ 1,047,484	\$ (166,777)
Permits and Fees	26,000	-	(26,000)
Intergovernmental Revenues	-	43,157	43,157
Investment Income	1,000	732	(268)
Miscellaneous Revenues	-	225	225
Total Revenues	<u>1,241,261</u>	<u>1,091,598</u>	<u>(149,663)</u>
EXPENDITURES			
General Government			
Capital Outlay	9,501	11,611	2,110
Public Safety			
Capital Outlay	280,395	226,470	(53,925)
Leisure Services			
Operating	-	1,034	1,034
Capital Outlay	4,306	139,503	135,197
Public Works			
Capital Outlay	<u>577,557</u>	<u>263,782</u>	<u>(313,775)</u>
Total Expenditures	<u>871,759</u>	<u>642,400</u>	<u>(229,359)</u>
Excess of Revenues Over Expenditures	<u>369,502</u>	<u>449,198</u>	<u>79,696</u>
OTHER FINANCING (USES)			
Transfers (Out)	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Total Other Financing (Uses)	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Net Change in Fund Balance	(430,498)	(350,802)	79,696
Fund Balance - Beginning	<u>430,498</u>	<u>409,952</u>	<u>(20,546)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 59,150</u>	<u>\$ 59,150</u>

CITY OF GULFPORT, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2009

	<u>GEMS</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 98,651	\$ 98,145	\$ 196,796
Prepaid Items	<u>3,096</u>	<u>-</u>	<u>3,096</u>
Total Assets	<u>\$ 101,747</u>	<u>\$ 98,145</u>	<u>\$ 199,892</u>
LIABILITIES			
Accounts Payable	\$ 33	\$ -	\$ 33
Accrued Liabilities	<u>3,994</u>	<u>-</u>	<u>3,994</u>
Total Liabilities	<u>4,027</u>	<u>-</u>	<u>4,027</u>
FUND BALANCES			
Reserved for:			
Inventories and Prepaid Items	3,096	-	3,096
Library Projects	-	98,145	98,145
Unreserved	<u>94,624</u>	<u>-</u>	<u>94,624</u>
Total Fund Balances	<u>97,720</u>	<u>98,145</u>	<u>195,865</u>
Total Liabilities and Fund Balances	<u>\$ 101,747</u>	<u>\$ 98,145</u>	<u>\$ 199,892</u>

CITY OF GULFPORT, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2009

	<u>GEMS</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
REVENUES			
Charges for Services	\$ 15,134	\$ -	\$ 15,134
Investment Income	203	143	346
Miscellaneous Revenues	998	13,595	14,593
Total Revenues	<u>16,335</u>	<u>13,738</u>	<u>30,073</u>
EXPENDITURES			
Current:			
Leisure Services	149,457	407	149,864
Total Expenditures	<u>149,457</u>	<u>407</u>	<u>149,864</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(133,122)</u>	<u>13,331</u>	<u>(119,791)</u>
OTHER FINANCING SOURCES and (USES)			
Transfers In	100,000	-	100,000
Total Other Financing Sources and (Uses)	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net Change in Fund Balances	(33,122)	13,331	(19,791)
Fund Balances - Beginning	<u>130,842</u>	<u>84,814</u>	<u>215,656</u>
Fund Balances - Ending	<u>\$ 97,720</u>	<u>\$ 98,145</u>	<u>\$ 195,865</u>

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GEMS (Gulfport Elderly Mobility System)
For the Year Ended September 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Budget - Over (Under)
REVENUES			
Intergovernmental Revenues	\$ 56,341	\$ -	\$ (56,341)
Charges for Services	36,707	15,134	(21,573)
Investment Income	-	203	203
Miscellaneous Revenues	<u>3,305</u>	<u>998</u>	<u>(2,307)</u>
Total Revenues	<u>96,353</u>	<u>16,335</u>	<u>(80,018)</u>
EXPENDITURES			
Leisure Services			
Personal Services	108,057	105,494	(2,563)
Operating	62,987	43,963	(19,024)
Capital Outlay	<u>62,601</u>	<u>-</u>	<u>(62,601)</u>
Total Expenditures	<u>171,044</u>	<u>149,457</u>	<u>(21,587)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(74,691)</u>	<u>(133,122)</u>	<u>(58,431)</u>
OTHER FINANCING SOURCES			
Transfers In	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	25,309	(33,122)	(58,431)
Fund Balance - Beginning	<u>37,292</u>	<u>130,842</u>	<u>93,550</u>
Fund Balance - Ending	<u>\$ 62,601</u>	<u>\$ 97,720</u>	<u>\$ 35,119</u>

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Statistical Section

City of Gulfport, Florida
Statistical Section
September 30, 2009

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

PAGE

Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.....81

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax86

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 future92

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 place93

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.....96

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, 2009, 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

	2003	2004	2005	2006	2007	2008	2009
Governmental Activities							
Invested in capital assets, net of related debt	\$ 10,939,680	\$ 11,825,976	\$ 11,678,493	\$ 11,484,251	\$ 11,421,047	\$ 13,552,594	\$ 13,268,224
Restricted	269,713	285,908	311,484	811,537	658,113	409,952	630,694
Unrestricted	6,972,565	6,366,837	5,347,130	4,622,534	4,244,457	4,488,378	4,658,101
Total governmental activities net assets	18,181,958	18,478,721	17,337,107	16,918,322	16,323,617	18,450,924	18,557,019
Business-type Activities							
Invested in capital assets, net of related debt	9,815,936	10,973,375	11,324,196	11,780,053	12,731,446	12,150,162	12,880,732
Restricted	116,389	116,389	138,139	156,814	156,814	156,814	162,176
Unrestricted	964,595	506,104	1,805,008	2,829,743	3,234,904	2,696,474	1,528,611
Total business-type activities net of assets	10,896,920	11,595,868	13,267,343	14,766,610	16,123,164	15,003,450	14,571,519
Primary Government							
Invested in capital assets, net of related debt	20,755,616	22,799,351	23,002,689	23,264,304	24,152,493	25,702,756	26,148,956
Restricted	386,102	402,297	449,623	968,351	814,927	566,766	792,870
Unrestricted	7,937,160	6,872,941	7,152,138	7,452,277	7,479,361	7,184,852	6,186,712
Total business-type activities net of assets	\$ 29,078,878	\$ 30,074,589	\$ 30,604,450	\$ 31,684,932	\$ 32,446,781	\$ 33,454,374	\$ 33,128,538

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General Government	\$ 1,372,705	\$ 1,338,914	\$ 1,409,319	\$ 1,617,209	\$ 1,727,884	\$ 1,407,979	\$ 1,464,964
Public Safety - Police	2,941,623	3,437,742	3,512,439	3,737,832	3,897,891	3,651,578	3,354,567
Public Safety - Fire	909,780	917,783	979,320	971,362	1,094,198	1,135,347	1,096,949
Public Safety - Protective Services	222,366	237,485	268,643	313,460	300,644	301,967	291,057
Public Services - Transportation	501,491	505,912	654,629	639,191	647,172	663,528	624,505
Public Works - Central Garage	-	347,727	399,547	450,383	491,197	549,188	460,620
Public Works - Building Maintenance	-	-	132,862	158,301	165,278	173,005	226,337
Public Works - Office of Director	-	-	130,589	112,830	119,705	122,677	127,213
Culture and Recreation - Library	537,625	577,346	581,075	632,084	499,323	593,753	601,274
Culture and Recreation - Office of Director	170,893	169,908	204,455	200,477	207,924	208,352	225,826
Culture and Recreation - Recreation Facility	442,798	499,833	472,025	514,690	537,364	440,971	534,620
Culture and Recreation - Parks	656,377	669,079	733,429	724,492	714,636	772,039	710,646
Culture and Recreation - GEMS	140,067	186,278	156,827	159,617	167,362	178,870	305,417
Culture and Recreation - Human Services	155,109	164,023	178,966	188,071	181,411	203,505	196,283
Culture and Recreation - Casino	-	-	-	-	-	370,559	360,554
Culture and Recreation - Theater	-	-	-	-	-	127,965	143,388
Redevelopment	284,031	289,918	446,104	508,095	477,784	530,331	710,805
Total Governmental activities expenses	8,334,865	9,341,948	10,260,229	10,928,094	11,229,773	11,431,614	11,435,025
Business-type activities:							
Sanitation	1,532,244	1,592,422	1,640,391	1,696,931	1,711,019	1,714,743	1,822,851
Water and Sewer	3,423,916	3,193,807	3,217,649	3,365,867	3,662,824	3,718,712	3,986,988
Cultural Activities	456,624	476,759	438,634	504,898	563,448	-	-
Marina	829,404	971,646	1,043,495	1,122,985	1,207,306	1,387,867	1,212,259
Total business-type activities expenses	6,242,188	6,234,634	6,340,169	6,690,681	7,144,597	6,821,322	7,022,098
Total primary government expenses	\$ 14,577,053	\$ 15,576,582	\$ 16,600,398	\$ 17,618,775	\$ 18,374,370	\$ 18,252,936	\$ 18,457,123
Program Revenues							
Governmental activities:							
Charges for Services							
General Government	\$ 533,248	\$ 458,750	\$ 478,395	\$ 779,732	\$ 839,320	\$ 870,221	\$ 832,136
Public Safety - Police	251,276	239,272	206,211	81,867	67,502	132,176	129,242
Public Safety - Fire	97,952	81,366	82,548	1,495	7,363	13,290	10,716
Public Safety - Protective Services	156,125	148,319	186,374	249,112	146,746	194,241	139,062
Public Services - Transportation	75,783	63,886	66,694	-	-	-	-
Public Works - Central Garage	-	337,220	200,855	208,299	496,305	237,465	384,023
Culture and Recreation - Library	14,532	16,596	17,451	10,881	10,391	8,403	10,719
Culture and Recreation - Recreation Facility	163,979	145,043	150,097	173,593	168,342	144,175	177,523
Culture and Recreation - Parks	7,060	4,690	6,727	5,763	4,310	1,000	2,000
Culture and Recreation - Human Services	15,381	16,200	14,313	14,669	13,051	19,327	41,911
Culture and Recreation -Casino	-	-	-	-	-	310,611	320,018
Culture and Recreation -Theater	-	-	-	-	-	26,861	30,729
Operating Grants and Contributions	753,626	767,237	805,723	823,027	1,002,285	821,534	1,005,539
Capital Grants and Contributions	363,828	550,409	70,466	72,042	15,754	499,128	108,320
Total governmental activities program revenues	2,432,790	2,828,988	2,285,854	2,420,480	2,771,369	3,278,432	3,191,938
Business-type activities:							
Charges for Services							
Sanitation	1,675,831	1,701,094	1,769,902	1,815,774	1,810,665	1,735,970	1,723,115
Water and Sewer	3,091,974	3,556,182	3,592,049	3,847,146	3,931,746	3,605,432	3,724,665
Cultural Activities	268,270	295,699	283,887	370,468	384,728	-	-
Marina	956,041	1,015,970	1,279,266	1,350,704	1,419,634	1,741,697	1,462,211
Operating Grants an Contributions	31,687	1,400	6,914	-	-	-	-
Capital Grants and Contributions	42,413	5,625	2,550	-	-	411,654	211,189
Total business-type activities program revenues	6,066,216	6,575,970	6,934,568	7,384,092	7,546,773	7,494,753	7,121,180
Total primary government program revenues	\$ 8,499,006	\$ 9,404,958	\$ 9,220,422	\$ 9,804,572	\$ 10,318,142	\$ 10,773,185	\$ 10,313,118

Continued

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Net (Expense) Revenue							
Governmental activities	\$ (5,902,075)	\$ (6,512,960)	\$ (7,974,375)	\$ (8,507,614)	\$ (8,458,404)	\$ (8,153,182)	\$ (8,243,087)
Business-type activities	(175,972)	341,336	594,399	693,411	402,176	673,431	99,082
Total primary government net expense	<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>	<u>\$ (8,144,005)</u>
General Revenues and Other changes in Net Assets							
Governmental activities:							
Taxes:							
Ad Valorem	\$ 2,050,330	\$ 2,330,608	\$ 2,731,240	\$ 3,273,118	\$ 3,556,585	\$ 3,450,430	\$ 3,170,777
Franchise Fees	551,034	591,478	631,381	730,627	705,406	720,232	773,466
Utility Taxes	891,643	884,418	911,592	970,814	958,917	961,007	991,398
Communications Service Tax	510,914	537,096	560,145	554,615	576,288	552,969	604,513
Sales Tax - Infrastructure - Restricted	999,813	1,077,996	1,141,122	1,316,203	1,202,239	1,134,286	1,047,484
Half-cent Sales Tax	669,439	714,251	713,350	754,315	723,283	683,695	618,605
Local Option Gas Tax - Restricted	109,659	113,981	117,870	126,309	112,549	166,453	166,215
Transportation Impact Fees - Restricted	37,606	15,890	10,384	22,043	15,754	-	-
Other Taxes	10,124	84,753	113,889	123,298	33,526	16,916	65,907
State Revenue Sharing	314,104	355,483	427,811	455,705	412,529	354,623	248,886
Investment Income	171,466	150,758	148,138	286,867	367,414	186,347	35,553
Miscellaneous	188,027	302,943	314,867	190,165	262,302	193,846	95,653
Gain/(Loss) on Sale of Capital Asset	-	-	-	-	(255,204)	-	-
Transfers	330,829	(519,510)	(989,028)	(715,250)	(807,689)	1,859,685	530,725
Total governmental activities	<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>	<u>8,349,182</u>
Business-type activities:							
Investment Income	14,005	8,180	34,848	90,606	146,689	66,540	(288)
Gain on sale of capital assets	-	-	53,200	-	-	-	-
Miscellaneous	235,149	-	-	-	-	-	-
Transfers	(330,829)	519,510	989,028	715,250	807,689	(1,859,685)	(530,725)
Total business-type activities	<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>	<u>(531,013)</u>
Total primary government	<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>	<u>\$ 7,818,169</u>
Change in Net Assets							
Governmental activities	\$ 932,913	\$ 127,185	\$ (1,141,614)	\$ (418,785)	\$ (594,505)	\$ 2,127,307	\$ 106,095
Business-type activities	(257,647)	869,026	1,671,475	1,499,267	1,356,554	(1,119,714)	(431,931)
Total primary government	<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>	<u>\$ (325,836)</u>

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 2,598,529	\$ 2,420,625	\$ 2,731,552	\$ 2,337,152	\$ 2,574,747	\$ 3,154,974	\$ 2,901,743
Unreserved	4,600,508	3,931,868	2,711,964	2,361,499	1,720,187	1,279,141	2,231,356
Total general fund	<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>	<u>\$ 5,133,099</u>
All Other Governmental Funds							
Reserved	\$ 97,933	\$ 55,742	\$ 127,804	\$ 463,238	\$ 403,354	\$ 412,841	\$ 174,506
Unreserved reported in:							
Waterfront Redevelopment District Fund	1,373	57,960	71,062	68,565	174,767	61,181	44,702
49th Street Redevelopment District Fund		(91,180)	(98,306)	35,770	28,150	286,178	348,418
Cultural Facilities						(21,679)	(100,354)
GEMS		-	(56,839)	113,217	116,435	130,842	94,624
Capital Projects Fund	89,267	448,049	498,604	440,260	352,930	88,807	-
Total all other governmental funds	<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>	<u>\$ 561,896</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						
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Taxes	\$ 5,003,733	\$ 5,421,596	\$ 5,975,481	\$ 6,845,377	\$ 7,015,189	\$ 6,806,857	\$ 6,029,880
Licenses and Permits	293,043	206,046	243,285	306,434	203,935	284,461	910,670
Intergovernmental Revenue	2,142,670	2,586,113	2,227,329	2,354,697	2,299,926	2,554,416	1,891,498
Impact Fees	37,606	15,890	10,384	22,042	-	-	-
Charges for Services	970,211	1,048,678	1,081,450	1,143,570	1,468,483	844,936	1,581,874
Fines and Forfeitures	109,395	124,069	84,677	75,407	80,912	85,566	112,088
Miscellaneous Revenues	272,812	298,216	336,855	141,781	262,303	193,847	35,554
Earnings on Investments	172,405	156,229	149,242	286,867	367,214	186,347	368,655
Total Revenues	9,001,875	9,856,837	10,108,703	11,176,175	11,697,962	10,956,430	10,930,219
Expenditures							
General government	1,360,783	1,388,635	1,381,681	1,496,901	1,618,128	1,369,856	1,304,757
Public Safety	4,639,285	4,668,203	4,465,949	4,829,181	4,877,374	4,772,368	4,325,623
Public Services	490,480	807,321	1,255,389	1,310,971	1,402,016	1,372,963	1,257,482
Culture and Recreation	2,038,909	1,925,055	2,228,746	2,247,362	2,406,033	2,946,282	2,817,821
Redevelopment	774,040	1,054,279	741,567	742,650	1,035,853	1,148,658	1,452,551
Debt Service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total Expenditures	9,303,497	9,843,493	10,073,332	10,627,065	11,339,404	11,610,127	11,158,234
Other Financing Sources (Uses)							
Transfer In	710,516	658,986	629,239	876,697	560,311	2,035,429	1,560,725
Transfer Out	(366,309)	(1,236,876)	(1,652,252)	(1,591,947)	(1,368,000)	(1,360,017)	(1,030,000)
Total other financing sources (uses)	344,207	(577,890)	(1,023,013)	(715,250)	(807,689)	675,412	530,725
Net change in fund balances	\$ 42,585	\$ (564,546)	\$ (987,642)	\$ (166,140)	\$ (449,131)	\$ 21,715	\$ 302,710
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			Less: Tax Exemptions				Total Taxable Assessed Value	Millage Rate *
	Residential Property	Commercial Property	Personal Property	Governmental/ Institutional	\$25,000 Homestead	Homestead Assessment Differential	Widows/ Disability/ Blind		
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
2009	1,242,522,200	160,551,200	17,044,530	94,314,776	169,992,000	258,470,796	7,055,438	890,284,920	3.4742

Source: Pinellas County Property Appraiser, 2008 final certified roll (Forms DR403AM and Land Use Recaps)

* The rate used in the calculation of property taxes. One mil equals \$1 per \$1,000 of taxable value. A millage of 3.4742 which is the millage in effect for the City of Gulfport is equal to \$3.4742 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	Pinellas County Schools	Transit	Emerg. Medical Services	Other	Total Millage
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
2009	3.4742	4.8730	8.3460	0.5601	0.5832	1.5106	19.3471

Sources: Pinellas County Tax Collector, Pinellas County Property Appraiser

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

** "Other" includes Pinellas County Planning council, Juvenile Welfare Board, South West Florida Water Management District and Pinellas Ancluse 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	2009			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Seaside Villas Gulfport LLC	\$ 7,000,000	1	0.79%	\$ -		
CFC Pasadena Yacht LLC	4,835,370	2	0.54%	-		
CFC Pasadena Golf LLC	4,374,446	3	0.49%	-		
Paonessa, Jeffrey L	3,855,778	4	0.43%	2,711,300	3	0.74%
Levine, Alan M	2,785,897	5	0.31%	-		
Lavin, Jerome V.	2,476,806	6	0.28%	2,314,900	4	0.63%
Hernandez, Roberto M	2,333,699	7	0.26%	-		
Macomber, Jane E	2,194,408	8	0.25%	-		
JLP Management Assoc Inc	2,107,530	9	0.24%	1,158,300	8	0.32%
Yury Goncharov	1,912,338	10	0.21%	-		
Gulfport Plaza Center INC	-		-	1,554,200	6	0.42%
U S X Corporation	-		-	1,444,200	7	0.39%
G&D Investments	-		-	3,421,100	2	0.93%
Pasadena Yacht and Country	-		-	4,801,100	1	1.31%
Boca Raton	-		-	1,599,800	5	0.44%
Aberrnathy, Ernest W	-		-	1,158,000	9	0.32%
Silverberg, Edward D	-		-	1,030,800	10	0.28%
Total	<u>\$33,876,272</u>		<u>3.81%</u>	<u>\$21,193,700</u>		<u>5.78%</u>

Source: Pinellas County Tax Rolls

City of Gulfport, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended Sept. 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$1,576,087	\$1,528,955	97.01%	\$6,843	\$1,535,798	97.44%
2001	\$1,711,561	\$1,655,360	96.72%	\$13,479	\$1,668,839	97.50%
2002	\$1,875,586	\$1,797,901	95.86%	\$4,940	\$1,802,841	96.12%
2003	\$2,086,129	\$2,013,989	96.54%	\$1,418	\$2,015,407	96.61%
2004	\$2,399,916	\$2,324,315	96.85%	\$6,293	\$2,330,608	97.11%
2005	\$2,814,168	\$2,720,772	96.68%	\$10,468	\$2,731,240	97.05%
2006	\$3,377,783	\$3,268,744	96.77%	\$4,375	\$3,273,119	96.90%
2007	\$3,681,961	\$3,549,457	96.40%	\$7,128	\$3,556,585	96.59%
2008	\$3,366,603	\$3,241,148	96.27%	\$15,381	\$3,256,529	96.73%
2009	\$3,093,027	\$3,006,688	97.21%	\$2,520	\$3,009,208	97.29%

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Type of Customer										
Residential	3,142,239	3,167,552	3,448,191	3,298,681	3,334,493	2,110,768				
Commercial	261,856	266,362	297,895	321,935	311,633	185,994				
Governmental	125,989	82,799	74,954	71,785	75,117	56,429				
Total	3,530,084	3,516,713	3,821,040	3,692,401	3,721,243	2,353,191				
Total direct rate per 1,000 gallons	\$5.02	\$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
2009	\$10.04	\$5.02	\$12.48	\$6.24
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

Source: City of Gulfport Utility Billing System, INCODE Software

City of Gulfport, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2009

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
DIRECT DEBT			
City of Gulfport	\$ -	-	\$ -
OVERLAPPING DEBT			
Pinellas County Capital Improvement Revenue Bonds	22,600,000	1.25%	282,500
Pinellas County Capital Leases	96,083	1.25%	1,201
Pinellas County School District State Bonds ^b	32,360,000	1.25%	404,500
Pinellas County School District Capital Leases	20,350,543	1.25%	<u>254,382</u>
Total Direct and Overlapping debt			<u>\$ 942,583</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	Personal Income ^(A)	Per Capita Personal Income	Median Age ^(A)	Unemployment Rate ^(B)	School Enrollment ^(C)
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
2009	12,889	\$ 367,826,282	\$ 28,538	45.7	11.8%	2,366

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)

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

**Pinellas County, Florida
Principal Employers
Current Year and Nine Years Ago**

Employer	2009 ^a			2000 ^b		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Pinellas County School District	13,850	1	3.46%			
Fidelity Information Services	4,000	2	1.00%			
Home Shopping Network	4,000	3	1.00%			
Bay Pines VA Medical Center	3,500	4	0.87%			
Nielsen Media Research	3,000	5	0.75%			
City of St Petersburg	2,748	6	0.69%			
Raymond James	2,600	7	0.65%			
Pinellas County Sheriff	2,509	8	0.63%			
Tech Data Corp.	2,500	9	0.62%			
Pinellas County Board of County Commissioners ^c	2,041	10	0.51%			
Total Employment ^a	400,055		100.00%			

^a Source: Florida Research and Economic Database and Pinellas County Department of Economic Development

^b Source: Data for 2000 is not available
FY 2007-2008, and Pinellas County Department of Economic Development.

^c Source: Includes part-time personnel budgeted

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

Function/Program	Full-time Equivalent Employees as of September 30th				
	2005	2006	2007	2008	2009
General Government					
City Clerk	2.5	2.5	2.5	2	2
City Manager	2	2	2	2	2
Administrative Services	8	8	8	8	8
Information Technology	2	2	2	2	2
Public Safety					
Police	47	46	45	44	43
Fire	13	13.5	17.5	15.5	15.5
Community Development	8	8	8	7	8
Public Works	24	26	25	25	24
Utilities	6	6	6	6	6
Leisure Services	41.5	41.5	40.5	38.25	36
Cultural Facilities	4.25	3.25	5.5	5.5	5.5
Marina	3	3	3.5	3.5	3.5
Total	161.25	161.75	165.5	158.75	155.5

Notes:

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

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

Function/Program	2005	2006	2007	2008	2009
Police					
Reported Crime (UCR Part One)	637	694	698	725	742
Reported Traffic Crashes	180	159	161	173	150
Calls for Service	26,195	29,648	34,111	35,482	38,322
Fire					
Fires Extinguished	65	90	63	41	32
Emergency responses	2,450	2,000	2,668	2,700	2,606
Sanitation					
Refuse collected (tons/day)	31.99	30.80	29.08	27.84	24.55
Recyclables collected (tons/day)	2.87	1.69	1.94	2.39	2.90
Utilities					
Average daily consumption (thousands of gallons)	1,133	1,137	1,046	1,089	1,142
Average daily sewage treatment (thousands of gallons)	1,058	850	1,051	781	806
Recreation					
Participants in After-School Program	78	85	81	54	50
Participants in Summer Camp Program	140	180	198	142	127
Library					
Circulation of materials	114,437	111,600	115,489	81,689	93,698
Reference questions	10,422	10,900	8,114	8,113	8,772
Sponsored programs	200	225	276	252	278
Senior Center					
Average daily attendance	120	120	148	175	200
Meals served daily	140	140	140	175	60
Reassurance calls made daily	45	30	27	22	26
GEMS					
Number of rides	9,272	13,150	12,105	11,338	10,927
Number of subscriptions	147	100	145	163	157
Number of handicapped members	91	100	38	47	69
Marina					
Number of slips rented	247	247	247	237	237
Number of vessels fueled	7,200	7,350	6,475	5,776	3,831
Number of gallons dispensed	262,500	275,000	217,144	203,556	198,653
Cultural Facilities					
Number of dances held	192	200	226	237	302
Number of theater rentals	108	125	118	131	139

Sources: Various government departments

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

Function/Program	2005	2006	2007	2008	2009
Schools*					
Elementary	1	1	1	1	1
Junior/Senior High	2	2	2	2	2
Police					
Stations	1	1	1	1	1
Patrol units	20	20	20	20	20
Fire					
Stations	1	1	1	1	1
Fire Trucks	2	2	2	2	2
Other Public Works					
Streets - Paved	67.63	67.63	67.63	67.63	67.63
Streets - Unpaved	32	32	32	32	32
Streetlights	1,368	1,368	1,368	1,368	1,368
Sanitation					
Collection trucks	6	6	6	6	6
Utilities					
Water mains (miles)	67	67	68	68	68
Fire hydrants	258	260	265	265	265
Lift stations	2	2	2	2	2
Sanitary sewer (miles)	105	105	105	105	105
Storm drain lines (miles)	23	23	23	23	23
Stormwater treatment lakes	2	2	2	2	2
Parks					
Acreage	36.75	36.75	36.75	36.75	36.75
Playgrounds	6	6	6	6	6
Tennis Courts	2	2	2	2	2
Skate Parks	1	1	1	1	1
Volleyball Courts	2	2	2	2	2
Basketball Courts	1	1	1	1	1
Bocce Courts	2	2	2	2	2
Recreation Buses	1	1	1	1	1
Library					
Catalogued items	70,916	74,500	73,665	74,100	74,100
GEMS					
Vehicles	3	3	3	3	3
Marina					
Number of slips	247	247	247	247	247

Sources: Various government departments

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

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Compliance Section

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**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 (the “City”) as of and for the year ended September 30, 2009, and have issued our report thereon dated March 26, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

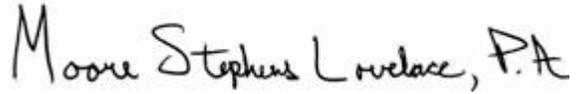
Compliance and Other Matters

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

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

We noted certain matters that we reported to the City's management, in a separate letter dated March 26, 2010.

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 26, 2010



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 (the "City") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 26, 2010.

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 26, 2010, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports:

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. Those not fully completed, if any, have been included in the current year 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. In connection with our audit, such recommendations are noted in the following management letter comments under the heading "Current Year Recommendations."

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

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the basic financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual

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

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.

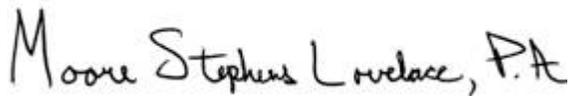
Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal City for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the basic financial statements. The legal City is disclosed in the notes to the basic 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, 2009, 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, 2009. 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.

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 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 26, 2010

CITY OF GULFPORT

MANAGEMENT LETTER SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Fiscal Year Ended September 30, 2009

Prior Year Comments

2008-01 - Entity Risk Assessment and Monitoring

Observation

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.

Current Year Status

The City has started the process of reviewing and formalizing all City policies and procedures. The City hired a third party consultant to review the City's record and development retention program. This is the first phase for the City's centralized policy and procedures manual. The City expects this to be fully implemented in fiscal 2010.

2008-02 - Audit Adjustments

Observation

During the audit, we recommended more than five 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.

Current Year Status

The administrative services director, along with management, has reviewed the monthly closing procedures currently in place and has incorporated additional review and evaluation steps to the process. The City has implemented a formalized process where each closing or adjusting transaction is reviewed by management in a timely manner. This issue has been fully addressed.

2008-03 - Journal Entry Procedures

Observation

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

Current Year Status

This issue has been fully addressed.

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.

Current Year Status

This issue has been fully addressed.

CITY OF GULFPORT

MANAGEMENT LETTER SCHEDULE OF FINDINGS AND RECOMMENDATIONS

(Continued)

Fiscal Year Ended September 30, 2009

2008-05 – Reporting - Late Submission of Reports

Finding

The City had a grant with the U.S. Department of Housing and Urban Development (“HUD”), Economical Development Initiative - Special Project - CFDA# 14.251. The grant project was completed in October 2008. There was no close-out report submitted to HUD within the 30-day requirement.

Current Year Status

The HUD grant close out report has been submitted and the City has received the certificate of Project Completion from HUD.

Current Year Comments

2009-01 – Review Bank Reconciliations

Finding

During our review of the September 20, 2009, bank reconciliation, we noted that the reconciliation had a reconciling item of approximately \$69,000, which should not have been included on the September 30, 2009 bank reconciliation. The outstanding reconciling item was wired out as a payment in October 2009. The reconciling item should have been recorded as an insurance payable at September 30, 2009.

Recommendation

We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the manager of accounting. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. If necessary, the accounting clerk who prepares the reconciliations should be given additional training and instruction on how to prepare them accurately and completely.