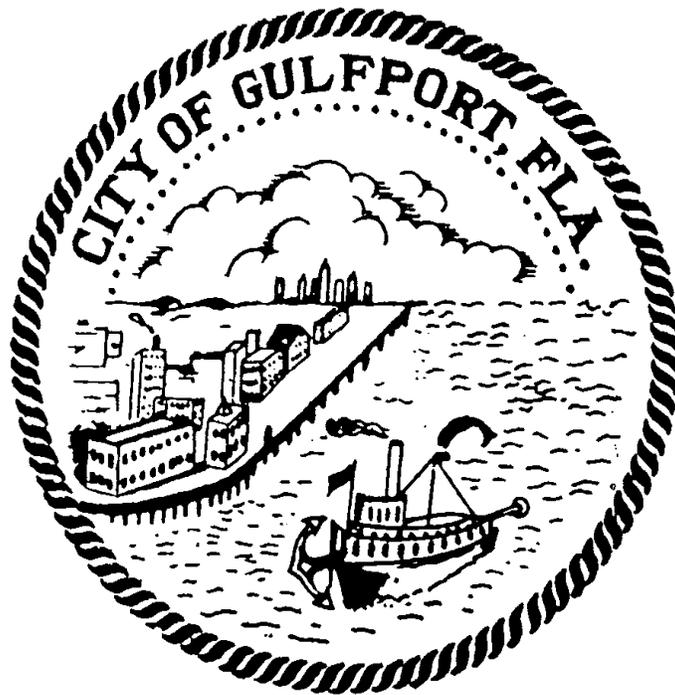


*City of Gulfport  
Florida*



*2010  
Comprehensive  
Annual Financial Report*

*Fiscal Year Ending September 30, 2010*

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Comprehensive Annual Financial Report  
of the  
City of Gulfport, Florida  
for the  
Fiscal Year Ended September 30, 2010

Michael J. Yakes, Mayor  
Michele King, Vice Mayor  
Sam Henderson  
David Hastings  
Jennifer Salmon



City Manager  
James E. O'Reilly

City Clerk  
Lesley DeMuth

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, 2010**

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# 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

March 17, 2011

<http://www.mygulfport.us>

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, 2010. 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, 2010, 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 12,217 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 Boca 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 elderly and handicapped residents. 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 unencumbered appropriations from one 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 only 5% of the City's tax base. The City's housing stock is diverse with many older historic frame homes. Gulfport has limited potential for expansion. Redevelopment and reuse continue to be the most viable alternatives for economic improvements. Gulfport continues to be 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 funding.

Future projections place Gulfport's population similar to current levels at 12,500 permanent residents by the year 2015. 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 value of the housing market and taxable property valuations pose the largest threat to the City's continued 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 fiscal year 2010 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 49<sup>th</sup> Street Redevelopment Corridor with emphasis on the latter. A significant amount of resources will be necessary for repair and replacement of water and sewer lines. Considerable renewal and replacement work is required to abate the problem of groundwater infiltration in sewer lines throughout 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. Continued economic downturns and the Federal Reserve policy of holding the prime rate below twenty five basis points in response to a sluggish slow to recover economy have diminished annual returns. 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 continues to implement a conservative investment philosophy with the idea that the preservation of principal is more important than the return on the principal.

During fiscal year 2010, the average cash/investment pool balance (excluding pension funds) was \$6,497,876 and the earnings on investments totaled \$30,271 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 in line with the previous year's rate of .47%. The City expects continued low returns on investments in fiscal year 2011 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 the City Clerk.

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

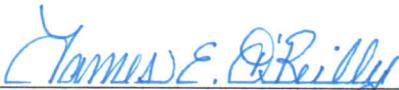
### **Awards and Acknowledgements**

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, 2009. This was the twenty-seventh 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, 2009

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.

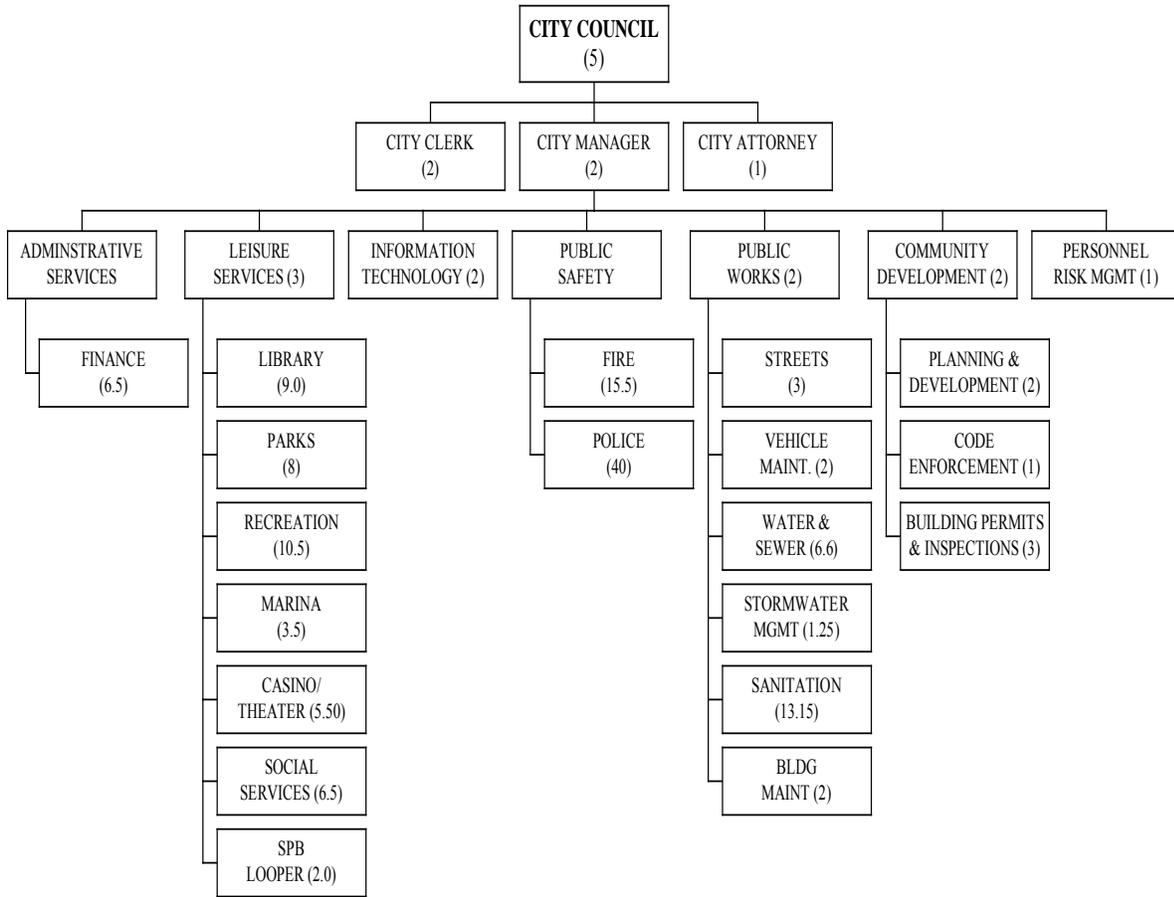


President

Executive Director

## ORGANIZATIONAL CHART

For Fiscal 2009/2010 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, 2010, 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, 2010, 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.

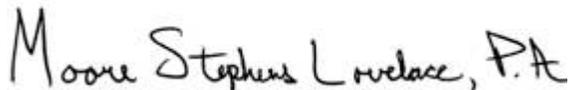
In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**  
*(Concluded)*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, the other supplemental information section, and the statistical section, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

  
Certified Public Accountants

Orlando, Florida  
March 17, 2011

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

September 30, 2010

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

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

**Financial Highlights**

- The net assets of the City exceeded its liabilities at the close of fiscal year 2010 by \$31,886,037 (net assets). Of this amount, \$4,928,053 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- General Fund revenues decreased by \$437,965 or 4.8% when compared to fiscal year 2009. General Fund expenditures increased by \$30,340 or .32% during this same period. The Excess of Revenues Over (Under) Expenditures in the General Fund showed a shortage of \$855,046. This represents 8.96% of the total expenditures for the year.
- Business-type activities (the City's Enterprise Funds) operating revenues increased by \$256,031 or 3.7%, and operating expenses increased \$342,580 or 4.9% when compared to last year.
- The City had no long-term debt as of September 30, 2010.

**City Highlights**

- The City Clerk's Department established a comprehensive records management plan and began implementation at each department level.
- A joint project with neighboring city, St. Petersburg, was entered into along with the US Housing and Urban Development Agency (HUD) to improve the 49<sup>th</sup> Street corridor median, sidewalk and street surface appearance.
- A linear park was constructed on the Tangerine Greenway with assistance from a Florida Recreation Assistance Development Program (FRDAP) grant that includes new walkways, advanced landscaping, decorative water features and lighting enhancements.
- A new recycling truck was purchased in the Sanitation Department under (age and mileage criteria) within the long term capital improvement budget.
- A sewer cleaning trailer was purchased to replace the older unit and improve the efficiency of the equipment designed to clean lines of debris in both sanitary and storm water lines.
- Roof replacement and repairs were undertaken at the City's Senior Center through a capital grant received from the State of Florida Department of Elder Affairs and the Pinellas Pasco Area Agency for the Aging.
- Improvements were done at the City Marina to the dry storage area to both accommodate more vessels and enhance access to the area including the installation of security fencing.
- 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.

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

September 30, 2010

- The lights at the tennis courts in Chase Park were replaced with a new light configuration that provides more evenly distributed light on the courts at a lower level for more efficient maintenance. Additionally, the long in place courts were resurfaced.
- 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.
- Year two of a three year co-operative agreement continued with the State of Florida and Pinellas County to provide additional public transportation between neighboring community St. Pete Beach and the City's waterfront business district.

### **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 covers all or most of the cost of operation, including depreciation.

### **Fund Financial Statements**

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

The Governmental Funds presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

### **Statement of Net Assets**

Net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceed liabilities by \$31,886,037.

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.

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

**STATEMENT OF NET ASSETS**  
**As of Fiscal Year End**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 5,449,937	\$ 6,407,125	\$ 1,779,493	\$ 2,440,713	\$ 7,229,430	\$ 8,847,838
Capital Assets	13,039,582	13,268,224	13,438,558	12,880,732	26,478,140	26,148,956
<b>Total Assets</b>	<u>18,489,519</u>	<u>19,675,349</u>	<u>15,218,051</u>	<u>15,321,445</u>	<u>33,707,570</u>	<u>34,996,794</u>
Current Liabilities	728,561	802,153	629,971	657,305	1,358,532	1,459,458
Non-Current Liabilities	358,606	316,177	104,395	92,621	463,001	408,798
<b>Total Liabilities</b>	<u>1,087,167</u>	<u>1,118,330</u>	<u>734,366</u>	<u>749,926</u>	<u>1,821,533</u>	<u>1,868,256</u>
Net Assets:						
Investments in Capital Assets	13,039,582	13,268,224	13,438,558	12,880,732	26,478,140	26,148,956
Restricted	315,869	630,694	163,975	162,176	479,844	792,870
Unrestricted	4,046,901	4,658,101	881,152	1,528,611	4,928,053	6,186,712
<b>Total Net Assets</b>	<u>\$ 17,402,352</u>	<u>\$ 18,557,019</u>	<u>\$ 14,483,685</u>	<u>\$ 14,571,519</u>	<u>\$ 31,886,037</u>	<u>\$ 33,128,538</u>

A large portion of the City's net assets (83.04%) reflects its investment in capital assets (e.g., land, land improvements, buildings and equipment). The City has no debt related to these assets. The City uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending.

A small portion of the City's net assets (1.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,928,053) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a \$1,242,501 decrease in the City's total net assets, as compared to the previous year. In an effort to mitigate the shortfall of revenues and the City's ability to generate the same revenues as the previous year, fiscal year 2009 general fund savings were utilized in fiscal year 2010 to meet the appropriated obligations of the general fund. Another year of double digit declines in the real estate market combined with continued economic slowdowns necessitated the use of reserves along with the continued practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund. As a result, business-type current assets have decreased. Overall, the City's current assets have decreased by \$1,618,408, as compared to the previous year.

As of September 30, 2010, 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.

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

**Changes in Net Assets**

The following schedule reflects the changes in net assets for the years ended September 30, 2010 and September 30, 2009.

**CHANGES IN NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 2,338,022	\$ 2,666,780	\$ 7,166,022	\$ 6,909,991	\$ 9,504,044	\$ 9,576,771
Operating Grants & Contributions	299,506	416,838	-	-	299,506	416,838
Capital Grants & Contributions	141,578	108,320	1,800	211,189	143,378	319,509
<b>General Revenues</b>						
Property Taxes	2,828,088	3,170,777	-	-	2,828,088	3,170,777
Utility Taxes & Franchise Fees	2,540,387	2,369,377	-	-	2,540,387	2,369,377
Sales and Use and Other Taxes	2,145,826	2,147,097	-	-	2,145,826	2,147,097
Investment Income	24,515	35,553	5,756	(288)	30,271	35,265
Other General Revenues	137,649	95,653	-	-	137,649	95,653
<b>Total Revenues</b>	<b>10,455,571</b>	<b>11,010,395</b>	<b>7,173,578</b>	<b>7,120,892</b>	<b>17,629,149</b>	<b>18,131,287</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
<b>Governmental Activities</b>						
General Government	1,533,211	1,464,964	-	-	1,533,211	1,464,964
Public Safety	4,548,966	4,451,516	-	-	4,548,966	4,451,516
Leisure Services	3,296,543	3,078,008	-	-	3,296,543	3,078,008
Community Development/Redevelopment	923,838	1,001,862	-	-	923,838	1,001,862
Public Works	1,207,680	1,438,675	-	-	1,207,680	1,438,675
<b>Business-type Activities</b>						
Sanitation	-	-	1,740,500	1,822,851	1,740,500	1,822,851
Water & Sewer	-	-	4,358,861	3,986,988	4,358,861	3,986,988
Marina	-	-	1,262,051	1,212,259	1,262,051	1,212,259
<b>Total Expenses</b>	<b>11,510,238</b>	<b>11,435,025</b>	<b>7,361,412</b>	<b>7,022,098</b>	<b>18,871,650</b>	<b>18,457,123</b>
<b>Increase (Decrease) in Net Assets before Transfers</b>	<b>(1,054,667)</b>	<b>(424,630)</b>	<b>(187,834)</b>	<b>98,794</b>	<b>(1,242,501)</b>	<b>(325,836)</b>
Transfers	(100,000)	530,725	100,000	(530,725)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>(1,154,667)</b>	<b>106,095</b>	<b>(87,834)</b>	<b>(431,931)</b>	<b>(1,242,501)</b>	<b>(325,836)</b>
Net assets - beginning	18,557,019	18,450,924	14,571,519	15,003,450	33,128,538	33,454,374
Net assets - ending	<b>\$ 17,402,352</b>	<b>\$ 18,557,019</b>	<b>\$ 14,483,685</b>	<b>\$ 14,571,519</b>	<b>\$ 31,886,037</b>	<b>\$ 33,128,538</b>

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

**Normal Impacts**

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

Revenues

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

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

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

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

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

Expenses

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

*Increase/Decrease in Authorized Personnel* – Changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 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

General Fund revenues in total decreased from the prior year, with an overall decrease of 4.8%. The effects of previous property tax legislation and prolonged economic slowdowns negatively impacted the

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

September 30, 2010

general funds ability to generate the same revenues as the previous year. The City's property tax base decreased 10.5% (see Table 5 of Statistical Section) with a subsequent decrease of \$342,689 in property tax revenue when compared to the previous year. Emergency Medical Services reimbursement was reduced \$210,446 under new terms of an agreement with Pinellas County for Advanced Life Support paramedic staffing. In addition, funding received from the Pinellas County Library Co-operative decreased. Funding under this agreement is based upon Pinellas County millage and property values, which declined in fiscal year 2010 as the real estate market within Pinellas County continued to fall in value from previous years. As a result of continued decline in both the economy and consumer spending Infrastructure Surtax revenues decreased in fiscal year 2010 by \$95,768. Sharp declines continued in the amount of return available from investments compared to previous years as the Federal Reserve held the prime rate below twenty five basis points in response to a sluggish slow to recover economy.

The City received grant revenues in the amount of \$442,884. This is lower than the previous year's amount of \$736,347. Grant monies were received from the US Housing and Urban Development Agency (HUD) to improve the 49<sup>th</sup> street corridor median, sidewalk and street surface appearance. Continued construction of a linear park on the Tangerine Greenway was funded with grant dollars from the Florida Recreation Assistance Development Program (FRDAP). The State of Florida Department of Transportation (FDOT) provided matching grant funds for the operating costs associated with additional public transportation between neighboring community St. Peter Beach and the City's waterfront business district. Senior Center recreational programs continued to receive grant assistance from the Florida Department of Elder Affairs and the Police Department received partial reimbursement from the US Department of Justice for the cost of replacing bullet proof vests for certified officers.

User fees for all three Enterprise Fund activities including Utilities, Sanitation and the Marina, increased over the previous fiscal year. Water and Sewer user fees were enhanced by a full year of collections on rates that were increased mid way through fiscal year 2009. In total, Utility revenues for water and sewer sales increased \$105,125 or 2.8% compared to the previous year. There were small increases in recycling sales revenues within the Sanitation fund as the market for recyclables opened up more than last year. Increases in the rate charged for fuel at the City's marina facility due to the increases in gas prices resulted in greater gross fuel sales. Slip rental revenue at the Marina remained fairly flat over the previous year as a result of the poor economy and previous year declines in slip rentals leaving the facility below full capacity. In total, Marina revenues increased \$102,163 or 7% compared to the previous year.

Expenses

Total governmental expenditures, excluding transfers, increased by \$75,213 or .66%. There were no reductions to key services provided to the City of Gulfport citizens for fiscal year 2010. The majority of the increase is attributable to personnel cost increases as several key positions in the City including City Manager, Police Chief and Fire Chief were permanently filled in fiscal year 2010. All of these positions were opened as a result of retirements. Again as in the previous year, no cost of living adjustments (COLA) were provided for the City's general employee personnel. A 2% merit raise was made available to both Police and General employees with Fire personnel still receiving both merit and COLA raises in line with the provisions of a three year labor agreement. Further increases in governmental expenditures occurred from significant premium increases in the cost of employee health care coverage. Finally, in an effort to mitigate rising employer or City required pension contributions in the General Employee Pension Plan resulting from 2008 market declines the City had been utilizing previous year excess funding amounts or reserves to meet annual contribution requirements. This practice was not undertaken for fiscal year 2010 and full funding requirements were met with current assets or resources.

Expenditures in the Business-type or Enterprise funds increased by \$342,580 or 4.9%. The majority of this increase is attributable to wholesale water and sewer fee increases on potable water and sewer treatment from the City of St. Petersburg. Rates for water and sewer are subject to annual review and

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

adjustment under the current wholesale agreement and were increased 4.6% and 5.8% respectively. Premium increases in employee health care coverage also contributed to the overall increase in Business-type fund expenditures as employees in these funds participate in the same health care plan as Governmental Fund employees.

**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 approximately \$4.892 million, which is a 14.1% decrease when compared to the previous year (\$5.695 million). In addition to the practice of transferring payment in lieu of taxes from the Enterprise Funds to the General Fund a substantial amount of General Fund reserves were appropriated in FY 2010 to cover budgeted appropriations. A total of \$492,466 in General Fund reserves were utilized, or 5.1% of total expenditures in the General Fund.

The decrease to undesignated fund balance in fiscal year 2010 leaves an undesignated fund balance at 17.7% of total expenditures in the General Fund. There is however, an additional stability reserve of \$2,810,298 or 25% of total previous year approved General Fund budget. 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 47% of total expenditures. While this may seem high, it is 5% lower than the previous year amount of 52%. Reserve balances are necessary for the City, which is very vulnerable during hurricane season, to maintain a high enough reserve to perform City operations in the event of a natural disaster.

The fund balance of the Special Revenue Funds except the Cultural Activities Fund decreased slightly to a balance of \$193,266. This group of funds is made up of the Waterfront Redevelopment District, St. Peter Beach Looper Trolley Fund, 49<sup>th</sup> Street Redevelopment Fund, Gulfport Elderly Mobility System Fund and the Library Fund. These funds rely on subsidy or transfer from the General Fund for operations and received \$202,420 during 2010. Prior year Capital Projects and General Fund subsidy or transfer that was designated as matching funds for a stormwater drainage project within the 49<sup>th</sup> Street Redevelopment District were returned as this project was placed on hold during FY 2010 due to an overall shortfall of required project matching grant funds. The Library Fund balance consists of unspent public bequeaths from 2007.

The Capital Projects fund balance increased by \$69,428 resulting in an ending fund balance of \$128,578. Infrastructure tax revenues decreased \$95,768 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 tennis court lights at Chase Park, replacement of police vehicles, and street and sidewalk repairs.

The Cultural Activities Fund reported expenditures in excess of revenues for 2010 of \$98,671. The ending fund balance for the Cultural Activities Fund was a deficit balance of \$70,013 as a result of the excess of expenditures over revenues. A large General Fund subsidy of \$215,000 was allotted in the fiscal year 2010 budget to address the deficit fund balance from previous year end September 30, 2009, but the Casino and Theater performance continued to struggle in the sluggish economy ending the year again with a negative fund balance. Future subsidies from the General Fund will continue to be reviewed in an effort to provide adequate amounts to mitigate the current negative ending fund balance.

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

Business-type Funds

Within the Enterprise Funds, which include the City's Sanitation, Water and Sewer Fund, and Marina Fund, both the Marina and Sanitation showed a positive income before capital contributions and transfers. The total net assets are \$14,483,685, which is \$87,834 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.

The Sanitation Fund had an operating income of \$31,358, which is in contrast to the \$99,736 operating loss the fund had in 2009. During fiscal year 2010 the City continued the investment in both 40 gallon and 90 gallon side-loader containers which aided in a continued effort to move the Sanitation Department towards a single driver, side loader pick-up operation. A reduction in staff and labor costs resulted from the increased level of automation.

The Water and Sewer Fund had an operating loss of \$528,054 in fiscal year 2010, as compared to a \$260,085 operating loss in 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 \$250,950 or 11.5% increase in operating expenditures for the fund. The City continued its efforts to replace underground infrastructure including water, sewer lines and stormwater lines throughout the community. Depreciation expense for the Utility fund increased \$136,396 or 23.6% over the previous year with \$1,262,385 in capital improvements and replacement of utility infrastructure work completed during fiscal year 2010.

The Marina Fund showed an operating income of \$302,924 in this fiscal year, as compared to \$252,598 the previous year. Profitability in the Marina fund is attributable to higher than expected fuel sales for the year; the addition of a dry slip storage area and large increases in transient or overnight slip rentals. 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 \$500,000 or 32%.

**Budgetary Highlights – General Fund**

Expenditures for the General Fund final budget increased by \$81,543 or .79% over the amount originally budgeted for fiscal year 2010. 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:

- Reallocation of the remaining two years of lease payments or \$64,138 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 \$7,500 in previous year Finance budgeted expenditures to complete the Other Postemployment Benefits Program (OPEB) actuarial valuation as required under GASB No. 45 for fiscal year 2010 annual financial reporting.
- Costs of \$5,318 associated with the emergency repair of the Police Department generator and annual service contract fees of \$1,096 for Fire Department air pack refurbishments.

Total actual revenues for the General Fund for fiscal year 2010 were \$173,518 or 1.9% less than final budgeted revenues. Contributing to this deficit of actual revenues versus final budgeted revenues include: \$67,366 deficit of investment earnings versus budgeted due to market conditions; \$73,283 deficit sales tax, utility and franchise taxes and fees due to downturn in local and national economy; along with \$120,097 deficit of building permits versus budgeted resulting from decline in real estate market and home sales. Revenues from fines relating to code enforcement exceeded budgeted revenues by \$21,569 or 25% in part because of the increase in number of foreclosures and vacant properties.

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

Actual fiscal year 2010 expenditures for the General Fund were less than final budgeted expenditures by \$781,537 or 7.6%. This was due to budget savings across all City departments for fiscal year 2010. The largest savings for 2010 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. Key positions funded for fiscal year 2010 were ultimately eliminated including a Fire Captain, Police Lieutenant and Leisure Services Director with the hiring of a new Fire and Police Chief and a permanent City Manager. Legal fees decreased considerably for the year with the settlement of the Pasadena Properties case in early fiscal year 2010 and the termination of agreement for legal services for outside counsel representation.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

As of September 30, 2010, the City had \$26,478,140 invested in a variety of capital assets, as compared to \$26,148,956 as of September 30, 2009. This represents a net increase of \$329,184 or 1.26% from the end of last year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 592,072	\$ 592,072	\$ 20,000	\$ 20,000	\$ 612,072	\$ 612,072
Buildings	10,222,177	10,199,486	737,905	737,905	10,960,082	10,937,391
Improvements other than Bldg.	11,709,491	10,987,446	21,050,654	19,742,732	32,760,145	30,730,178
Equipment	3,655,088	3,612,745	2,498,409	2,383,851	6,153,497	5,996,596
Total Cost of Assets	26,178,828	25,391,749	24,306,968	22,884,488	50,485,796	48,276,237
Less: Accumulated Depreciation	(13,217,174)	(12,352,701)	(11,022,859)	(10,153,881)	(24,240,033)	(22,506,582)
Construction in Progress	77,928	229,176	154,449	150,125	232,377	379,301
Total	<u>\$ 13,039,582</u>	<u>\$ 13,268,224</u>	<u>\$ 13,438,558</u>	<u>\$ 12,880,732</u>	<u>\$ 26,478,140</u>	<u>\$ 26,148,956</u>

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

	<b>Change in Capital Assets</b>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Beginning Balance	\$ 13,268,224	\$ 12,880,732	\$ 26,148,956
Additions	635,831	1,426,804	2,062,635
Retirements at book value (net)	-	-	-
Depreciation	(864,473)	(868,978)	(1,733,451)
Ending Balance	<u>\$ 13,039,582</u>	<u>\$ 13,438,558</u>	<u>\$ 26,478,140</u>

The actual cost of capital asset retirements for the Governmental and Business-type Activities was \$135,635 and \$179,227, respectively.

Debt Outstanding

The City, with the exception of accrued compensated balances, does not have any outstanding debt as of September 30, 2010.

**CITY OF GULFPORT, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
September 30, 2010

**ECONOMIC FACTORS AND YEAR 2011 BUDGETS AND RATES**

The City, as well as Pinellas County and the State of Florida as a whole, continue to be in the midst of very difficult economic times. The collapse of the real estate market, the sub-prime mortgage crisis, along with bankruptcies of major financial institutions have contributed to this situation. Again as was the case for the last two budget years the main factor or consideration in preparing the City of Gulfport's budget for fiscal year 2011 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 have little or no growth in the fiscal year 2011 budget.

Key Factors considered in preparing the City of Gulfport's budget for fiscal year 2011 include:

- Total taxable assessed values for the City decreased approximately 9.7% for fiscal year 2011. The City's millage rate remained the same at 3.4742 mills for fiscal year 2011, reflecting a loss of \$261,434.
- Utility (Water & Sewer) PILOT fund transfers to the General Fund in the amount of \$539,463 to offset diminished recurring revenues.
- Marina PILOT fund transfers to the General Fund in the amount of \$454,953.
- Sanitation PILOT fund transfers to the General Fund in the amount of \$127,727.
- Utilize the General Employee Defined Benefit Pension Plan stabilization fund balance in the amount of \$200,000 to mitigate increases in pension contributions predicated by market performance.
- A reduction of \$461,070 or 4.8% to personnel costs City-wide for all funds and activities with the elimination of 5.0 full-time equivalent positions City-wide, due to program consolidations.
- Salary freezes for all non-bargaining unit employees.
- A \$230,798 or 2.8% reduction to operating costs City-wide for all funds and activities.
- Reduction of \$18,904 or 2.8% in total employee health insurance costs City-wide.
- Proposed implementation of Red Light Camera program including \$220,000 additional fine revenue.
- No increase to customer water and sewer rates with continued compliance in terms of wholesale agreement with the City of St. Petersburg.

**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 53<sup>rd</sup> 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, 2010

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,808,153	\$ 493,535	\$ 3,301,688
Investments	2,034,854	14,938	2,049,792
Restricted Cash and Investments	-	364,510	364,510
Receivables (net)	265,208	905,064	1,170,272
Due from Other Governments	97,487	6,208	103,695
Internal Balances	151,995	(151,995)	-
Inventories	22,056	134,369	156,425
Prepaid Items	21,350	12,864	34,214
Pension Asset	48,834	-	48,834
Capital Assets:			
Capital Assets not Being Depreciated	670,000	174,449	844,449
Capital Assets Being Depreciated (Net)	12,369,582	13,264,109	25,633,691
Total Capital Assets	<u>13,039,582</u>	<u>13,438,558</u>	<u>26,478,140</u>
<b>Total Assets</b>	<u>18,489,519</u>	<u>15,218,051</u>	<u>33,707,570</u>
<b>LIABILITIES</b>			
Accounts Payable	167,288	243,828	411,116
Liabilities Payable from Restricted Assets	-	200,535	200,535
Accrued Liabilities	299,744	58,073	357,817
Due to Other Governments	1,578	81,299	82,877
Deposits	22,010	-	22,010
Long-term Liabilities:			
Due Within One Year	237,941	46,236	284,177
Due in More Than One Year	358,606	104,395	463,001
<b>Total Liabilities</b>	<u>1,087,167</u>	<u>734,366</u>	<u>1,821,533</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	13,039,582	13,438,558	26,478,140
Restricted			
Sewer Projects	-	163,975	163,975
Capital Projects	216,479	-	216,479
Library Projects	99,390	-	99,390
Unrestricted	<u>4,046,901</u>	<u>881,152</u>	<u>4,928,053</u>
<b>Total Net Assets</b>	<u>\$ 17,402,352</u>	<u>\$ 14,483,685</u>	<u>\$ 31,886,037</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, 2010

<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	\$ 1,533,211	\$ 792,623	\$ 1,516	\$ -
Public Safety	4,548,966	671,732	7,799	-
Leisure Services	3,296,543	568,447	290,191	(7,788)
Community Development/Redevelopment	923,838	-	-	149,366
Public Works	1,207,680	305,220	-	-
<b>Total Governmental Activities</b>	<u>11,510,238</u>	<u>2,338,022</u>	<u>299,506</u>	<u>141,578</u>
Business-type Activities:				
Sanitation	1,740,500	1,771,858	-	-
Water and Sewer	4,358,861	3,829,790	-	1,800
Marina	1,262,051	1,564,374	-	-
<b>Total Business-type Activities</b>	<u>7,361,412</u>	<u>7,166,022</u>	<u>-</u>	<u>1,800</u>
<b>Total</b>	<u>\$ 18,871,650</u>	<u>\$ 9,504,044</u>	<u>\$ 299,506</u>	<u>\$ 143,378</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**

<b>Governmental</b>		
<u>Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (739,072)	\$ -	\$ (739,072)
(3,869,435)	-	(3,869,435)
(2,445,693)	-	(2,445,693)
(774,472)	-	(774,472)
<u>(902,460)</u>	<u>-</u>	<u>(902,460)</u>
<u>(8,731,132)</u>	<u>-</u>	<u>(8,731,132)</u>
-	31,358	31,358
-	(527,271)	(527,271)
-	302,323	302,323
<u>-</u>	<u>(193,590)</u>	<u>(193,590)</u>
<u>(8,731,132)</u>	<u>(193,590)</u>	<u>(8,924,722)</u>
2,828,088	-	2,828,088
610,663	-	610,663
951,716	-	951,716
1,681,880	-	1,681,880
164,994	-	164,994
349,459	-	349,459
68,994	-	68,994
858,507	-	858,507
24,515	5,756	30,271
137,649	-	137,649
<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
<u>7,576,465</u>	<u>105,756</u>	<u>7,682,221</u>
(1,154,667)	(87,834)	(1,242,501)
<u>18,557,019</u>	<u>14,571,519</u>	<u>33,128,538</u>
<u>\$ 17,402,352</u>	<u>\$ 14,483,685</u>	<u>\$ 31,886,037</u>

**CITY OF GULFPORT, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2010

	General	Waterfront Redevelopment District	49th Street Redevelopment District	Cultural Activities	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 2,436,974	\$ 98,723	\$ 1,675	\$ 6,867	\$ 136,778	\$ 127,136	\$ 2,808,153
Investments	2,034,854	-	-	-	-	-	2,034,854
Accounts Receivable (net)	219,944	42,210	-	3,054	-	-	265,208
Due from Other Funds	252,758	-	-	-	-	-	252,758
Due from Other Governments	33,486	-	64,001	-	-	-	97,487
Prepaid Items	16,662	217	6	4,095	-	370	21,350
Inventories	12,753	-	-	9,303	-	-	22,056
<b>Total Assets</b>	<b>\$ 5,007,431</b>	<b>\$ 141,150</b>	<b>\$ 65,682</b>	<b>\$ 23,319</b>	<b>\$ 136,778</b>	<b>\$ 127,506</b>	<b>\$ 5,501,866</b>
<b>LIABILITIES AND FUND</b>							
<b>BALANCES (DEFICIT)</b>							
Liabilities:							
Accounts Payable	\$ 83,423	\$ 855	\$ 64,055	\$ 10,755	\$ 8,200	\$ -	\$ 167,288
Accrued Liabilities	283,235	3,064	2,638	6,685	-	4,122	299,744
Due to Other Funds	-	-	47,963	52,800	-	-	100,763
Due to Other Governments	40	356	-	1,182	-	-	1,578
Deposits Payable	100	-	-	21,910	-	-	22,010
Deferred Revenue	-	18,019	-	-	-	-	18,019
<b>Total Liabilities</b>	<b>366,798</b>	<b>22,294</b>	<b>114,656</b>	<b>93,332</b>	<b>8,200</b>	<b>4,122</b>	<b>609,402</b>
Fund Balances (Deficit):							
Reserved for:							
Inventories and Prepaid Items	29,415	217	6	13,398	-	370	43,406
Encumbrances	72,957	-	-	-	97,577	-	170,534
Library Projects	11,581	-	-	-	-	99,390	110,971
Other Improvement Projects	21,956	-	-	-	-	-	21,956
Stability Reserve	2,810,298	-	-	-	-	-	2,810,298
Unreserved (Deficit) Reported In:							
General Fund	1,694,426	-	-	-	-	-	1,694,426
Special Revenue Funds	-	118,639	(48,980)	(83,411)	-	23,624	9,872
Capital Projects Fund	-	-	-	-	31,001	-	31,001
<b>Total Fund Balances (Deficit)</b>	<b>4,640,633</b>	<b>118,856</b>	<b>(48,974)</b>	<b>(70,013)</b>	<b>128,578</b>	<b>123,384</b>	<b>4,892,464</b>
<b>Total Liabilities and Fund</b>							
<b>Balances (Deficit)</b>	<b>\$ 5,007,431</b>	<b>\$ 141,150</b>	<b>\$ 65,682</b>	<b>\$ 23,319</b>	<b>\$ 136,778</b>	<b>\$ 127,506</b>	<b>\$ 5,501,866</b>

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, 2010

**Total fund balances of governmental funds** \$ 4,892,464

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$26,256,756, and the accumulated depreciation is \$13,217,174, 13,039,582

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Long-term liabilities at year-end consist of:

Other postemployment benefits	(61,145)	
Compensated absences	(535,402)	
		(596,547)

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. 48,834

Deferred revenue from federal and state grants recognized as revenue of the current period 18,019

**Total net assets of governmental activities** \$ 17,402,352

*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, 2010

	General	Waterfront Redevelopment District	49th Street Redevelopment District	Cultural Activities	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 4,507,302	\$ 219,621	\$ -	\$ -	\$ 951,716	\$ -	\$ 5,678,639
Permits and Fees	1,002,607	-	-	-	-	-	1,002,607
Intergovernmental Revenues	1,557,190	70,444	149,365	-	57,375	-	1,834,374
Charges for Services	1,295,688	10,599	-	238,747	-	15,604	1,560,638
Fines and Forfeitures	108,418	-	-	-	-	-	108,418
Investment Income	24,515	-	-	-	-	-	24,515
Miscellaneous Revenues	186,734	3,963	800	114,659	97	2,284	308,537
<b>Total Revenues</b>	<u>8,682,454</u>	<u>304,627</u>	<u>150,165</u>	<u>353,406</u>	<u>1,009,188</u>	<u>17,888</u>	<u>10,517,728</u>
<b>EXPENDITURES</b>							
Current:							
General Government	1,355,987	-	-	-	-	-	1,355,987
Public Safety	4,382,445	-	-	-	-	-	4,382,445
Leisure Services	2,016,670	176,857	-	452,077	70	140,369	2,786,043
Community Development/ Redevelopment	470,957	153,700	289,979	-	-	-	914,636
Public Works	1,311,441	-	-	-	-	-	1,311,441
Capital Outlay	-	-	-	-	469,707	-	469,707
<b>Total Expenditures</b>	<u>9,537,500</u>	<u>330,557</u>	<u>289,979</u>	<u>452,077</u>	<u>469,777</u>	<u>140,369</u>	<u>11,220,259</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(855,046)</u>	<u>(25,930)</u>	<u>(139,814)</u>	<u>(98,671)</u>	<u>539,411</u>	<u>(122,481)</u>	<u>(702,531)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Transfers In	680,000	100,000	52,420	215,000	330,017	50,000	1,427,437
Transfers (Out)	(317,420)	-	(310,017)	(100,000)	(800,000)	-	(1,527,437)
<b>Total Other Financing Sources and (Uses)</b>	<u>362,580</u>	<u>100,000</u>	<u>(257,597)</u>	<u>115,000</u>	<u>(469,983)</u>	<u>50,000</u>	<u>(100,000)</u>
<b>Net Change in Fund Balances</b>	(492,466)	74,070	(397,411)	16,329	69,428	(72,481)	(802,531)
<b>Fund Balances (Deficit) - Beginning</b>	5,133,099	44,786	348,437	(86,342)	59,150	195,865	5,694,995
<b>Fund Balances (Deficits) - Ending</b>	<u>\$ 4,640,633</u>	<u>\$ 118,856</u>	<u>\$ (48,974)</u>	<u>\$ (70,013)</u>	<u>\$ 128,578</u>	<u>\$ 123,384</u>	<u>\$ 4,892,464</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, 2010

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

Net change in fund balances - total governmental funds		\$ (802,531)
<p>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 (\$1,000,108) exceeds capital purchases (\$771,466).</p>		
		(228,642)
<p>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:</p>		
Compensated absences	(28,474)	
Other postemployment benefits	(30,808)	
Pension asset	<u>(2,055)</u>	
		(61,337)
<p>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.</p>		
		<u>(62,157)</u>
Change in net assets of governmental activities		<u>\$ (1,154,667)</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, 2010

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water And</b>			
	<b>Sanitation</b>	<b>Sewer</b>	<b>Marina</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 318,671	\$ 170,542	\$ 4,322	\$ 493,535
Investments	7,291	5,770	1,877	14,938
Restricted Assets:				
Cash Held for Customer Deposits	-	126,576	73,959	200,535
Cash Held for Sewer Impact Fees	-	163,975	-	163,975
Accounts Receivable (net)	210,789	499,627	194,648	905,064
Due from Other Funds	-	-	-	-
Due From Other Governments	6,208	-	-	6,208
Inventories	-	46,415	87,954	134,369
Prepaid Items	673	10,639	1,552	12,864
<b>Total Current Assets</b>	<b>543,632</b>	<b>1,023,544</b>	<b>364,312</b>	<b>1,931,488</b>
Noncurrent Assets:				
Capital Assets:				
Land	-	-	20,000	20,000
Buildings	230,746	411,965	95,194	737,905
Infrastructure and Improvements	288,572	16,591,120	4,170,962	21,050,654
Equipment and Machinery	1,716,348	728,702	53,359	2,498,409
Construction in Progress	-	109,481	44,968	154,449
Less: Accumulated Depreciation	(1,286,528)	(7,567,161)	(2,169,170)	(11,022,859)
Total Capital Assets (Net)	949,138	10,274,107	2,215,313	13,438,558
<b>Total Noncurrent Assets</b>	<b>949,138</b>	<b>10,274,107</b>	<b>2,215,313</b>	<b>13,438,558</b>
<b>Total Assets</b>	<b>1,492,770</b>	<b>11,297,651</b>	<b>2,579,625</b>	<b>15,370,046</b>

*Continued*

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF NET ASSETS - Continued  
PROPRIETARY FUNDS  
September 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sanitation</b>	<b>Water and Sewer</b>	<b>Marina</b>	<b>Total</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 25,911	\$ 214,197	\$ 3,720	\$ 243,828
Accrued Liabilities	35,516	15,690	6,867	58,073
Due to Other Funds	-	-	151,995	151,995
Due to Other Governments	-	75,057	6,242	81,299
Liabilities Payable from Restricted				
Assets - Deposits	-	126,576	73,959	200,535
Compensated Absences Payable	19,447	21,354	5,435	46,236
<b>Total Current Liabilities</b>	<b>80,874</b>	<b>452,874</b>	<b>248,218</b>	<b>781,966</b>
Noncurrent Liabilities:				
Other Postemployment Benefits	7,124	4,749	1,187	13,060
Compensated Absences Payable	36,541	38,886	15,908	91,335
<b>Total Noncurrent Liabilities</b>	<b>43,665</b>	<b>43,635</b>	<b>17,095</b>	<b>104,395</b>
<b>Total Liabilities</b>	<b>124,539</b>	<b>496,509</b>	<b>265,313</b>	<b>886,361</b>
<b>NET ASSETS</b>				
Invested in Capital Assets	949,138	10,274,107	2,215,313	13,438,558
Restricted for Sewer Projects	-	163,975	-	163,975
Unrestricted	419,093	363,060	98,999	881,152
<b>Total Net Assets</b>	<b>\$ 1,368,231</b>	<b>\$ 10,801,142</b>	<b>\$ 2,314,312</b>	<b>\$ 14,483,685</b>

*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, 2010

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sanitation</b>	<b>Water And Sewer</b>	<b>Marina</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,762,175	\$ 3,829,168	\$ 1,540,405	\$ 7,131,748
Miscellaneous Revenues	9,683	622	23,969	34,274
<b>Total Operating Revenues</b>	<u>1,771,858</u>	<u>3,829,790</u>	<u>1,564,374</u>	<u>7,166,022</u>
<b>Operating Expenses:</b>				
Personal Services	723,443	579,560	179,104	1,482,107
Contracted Services	395,896	2,420,072	1,676	2,817,644
Supplies and Materials	63,797	78,344	565,908	708,049
Repairs and Maintenance	235,681	112,374	21,639	369,694
Administrative Overhead	181,532	404,396	165,294	751,222
Other Services and Charges	25,098	48,590	109,185	182,873
Depreciation	115,053	714,508	218,644	1,048,205
<b>Total Operating Expenses</b>	<u>1,740,500</u>	<u>4,357,844</u>	<u>1,261,450</u>	<u>7,359,794</u>
<b>Operating Income (Loss)</b>	<u>31,358</u>	<u>(528,054)</u>	<u>302,924</u>	<u>(193,772)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment Income	2,636	2,379	741	5,756
Interest Expense	-	(1,017)	(601)	(1,618)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>2,636</u>	<u>1,362</u>	<u>140</u>	<u>4,138</u>
<b>Income (Loss) Before Contributions and Transfers</b>	33,994	(526,692)	303,064	(189,634)
Capital Contributions	-	1,800	-	1,800
Transfers In	-	800,000	-	800,000
Transfers (Out)	(100,000)	(100,000)	(500,000)	(700,000)
<b>Change in Net Assets</b>	<u>(66,006)</u>	<u>175,108</u>	<u>(196,936)</u>	<u>(87,834)</u>
<b>Total Net Assets - Beginning</b>	<u>1,434,237</u>	<u>10,626,034</u>	<u>2,511,248</u>	<u>14,571,519</u>
<b>Total Net Assets - Ending</b>	<u>\$ 1,368,231</u>	<u>\$ 10,801,142</u>	<u>\$ 2,314,312</u>	<u>\$ 14,483,685</u>

*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, 2010

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sanitation</b>	<b>Water And Sewer</b>	<b>Marina</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 1,759,628	\$ 3,847,072	\$ 1,489,676	\$ 7,096,376
Payments to Suppliers	(898,638)	(3,082,471)	(882,788)	(4,863,897)
Payments to Employees	(727,117)	(576,684)	(174,513)	(1,478,314)
<b>Net Cash Provided by Operating Activities</b>	<u>133,873</u>	<u>187,917</u>	<u>432,375</u>	<u>754,165</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers (to) Other Funds	(100,000)	(100,000)	(500,000)	(700,000)
Transfers from Other Funds	-	800,000	112,542	912,542
<b>Net Cash Provided (Used) In Noncapital Financing Activities</b>	<u>(100,000)</u>	<u>700,000</u>	<u>(387,458)</u>	<u>212,542</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition/Construction of Capital Assets	(194,854)	(1,363,315)	(47,862)	(1,606,031)
Capital Contributions	-	1,800	-	1,800
Payable interest payments	-	(1,017)	(601)	(1,618)
<b>Net Cash (Used) In Capital and Related Financing Activities</b>	<u>(194,854)</u>	<u>(1,362,532)</u>	<u>(48,463)</u>	<u>(1,605,849)</u>
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sale and Maturity of Investments	3,958	2,720	352	7,030
Gain (Loss) on Investments	2,636	2,379	741	5,756
<b>Net Cash Provided In Investing Activities</b>	<u>6,594</u>	<u>5,099</u>	<u>1,093</u>	<u>12,786</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(154,387)	(469,516)	(2,453)	(626,356)
Cash and Cash Equivalents at Beginning of Year	<u>473,058</u>	<u>930,609</u>	<u>80,734</u>	<u>1,484,401</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 318,671</u>	<u>\$ 461,093</u>	<u>\$ 78,281</u>	<u>\$ 858,045</u>

*Continued*

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF CASH FLOWS - Continued  
PROPRIETARY FUNDS  
For The Year Ended September 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water And</b>			<b>Total</b>
	<b>Sanitation</b>	<b>Sewer</b>	<b>Marina</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ 31,358	\$ (528,054)	\$ 302,924	\$ (193,772)
Depreciation	115,053	714,508	218,644	1,048,205
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(10,595)	16,818	(73,372)	(67,149)
(Increase) Decrease in Due from Other Governments	(1,635)	-	-	(1,635)
(Increase) Decrease in Prepaid Items	4,908	1,080	776	6,764
(Increase) Decrease in Inventories	-	(4,444)	(18,244)	(22,688)
Increase (Decrease) in Accounts Payable	(1,542)	(40,660)	(1,424)	(43,626)
Increase (Decrease) in Due to Other Governments	-	25,329	(194)	25,135
Increase (Decrease) in OPEB	3,589	2,393	598	6,580
Increase (Decrease) in Accrued Liabilities	(6,348)	(5,426)	(760)	(12,534)
Increase (Decrease) in Compensated Absences	(915)	5,909	4,753	9,747
Increase (Decrease) in Customer Deposits	-	464	(1,326)	(862)
<b>Total Adjustments</b>	<b>102,515</b>	<b>715,971</b>	<b>129,451</b>	<b>947,937</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 133,873</b>	<b>\$ 187,917</b>	<b>\$ 432,375</b>	<b>\$ 754,165</b>

**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, 2010

**ASSETS**

Cash	\$ 55,115
Interest Receivable	15,316
Due From Government	<u>30,120</u>
	<u>100,551</u>

Investments, at Fair Value:

Money Market Funds	510,899
U.S. Government Obligations	217,671
U.S. Government Instrumentalities	886,813
Asset-Backed Securities	1,342,143
Corporate Bonds	986,875
Corporate Stocks	3,135,723
Equity Mutual Funds	5,198,429
Fixed Income Mutual Funds	<u>5,251,457</u>
Total Investments	17,530,010

<b>Total Assets</b>	<u>17,630,561</u>
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**LIABILITIES**

Accounts Payable	<u>29,676</u>
<b>Total Liabilities</b>	<u>29,676</u>

**Net Assets Held in Trust**

<b>for Pension Benefits</b>	<u>\$ 17,600,885</u>
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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, 2010

**ADDITIONS**

Employer Contributions	\$ 858,376
Employee Contributions	<u>285,241</u>
<b>Total Contributions</b>	<u>1,143,617</u>

Investment Income	<u>1,545,353</u>
<b>Total Contributions and Income</b>	<u>2,688,970</u>

**DEDUCTIONS**

Benefits	812,919
Administrative Expense	<u>175,152</u>
<b>Total Deductions</b>	<u>988,071</u>

<b>Change in Net Assets</b>	1,700,899
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<b>Net Assets - Beginning of Year</b>	<u>15,899,986</u>
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<b>Net Assets - End of Year</b>	<u>\$ 17,600,885</u>
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*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, 2010**

### **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 major special revenue funds.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

#### **B. BASIC FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide statements (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 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, Water Redevelopment District, 49<sup>th</sup> 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 (Gulfport Elderly Mobility System), 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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

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

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

##### 1. Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income. The following is a description of the 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 49<sup>th</sup> Street Redevelopment Districts discussed previously, 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 governmental capital projects.

##### 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.

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

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

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

##### 2. Proprietary Funds: *(Continued)*

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

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

##### 3. Fiduciary Funds:

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

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

#### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

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

##### 1. Modified Accrual:

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

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

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

##### 2. Accrual:

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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.

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 Local Government Surplus Funds Trust Fund), a 2a7-like pool, is carried at amortized cost, which approximates market.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

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

##### Cash and Investments *(Continued)*

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 (Fund B) 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, 2010, is .707058094 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 2010 and are uncollected as of September 30, 2010, 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.

##### Prepaid Expenditures/Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2010, are recorded as prepaid items. These payments are recorded as expenditures or expenses when consumed rather than when purchased.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

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

##### 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, 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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

### 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. A portion of the net assets of the Water and Sewer Enterprise Fund are restricted for improvement of the City's sewer system, through the use of sewer impact fees.
- **Unrestricted** - This component consists of net assets that do not meet the definition of "invested in capital assets" and "restricted."

##### Reserves

The government fund financial statements use reserves 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. Usage of reserves 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.
- **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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

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

##### **Budgets and Budgetary Accounting**

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

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

#### F. ENCUMBRANCES

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

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

#### G. PROPERTY TAXES

The assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the Pinellas County Property Appraiser and Pinellas County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit cities to levy property taxes at a rate of up to ten mills. The millage rate in effect for the fiscal year ended September 30, 2010, 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 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. The City does not accrue its portion of the county-held certificates due to the immateriality of the amount.

#### H. INTERFUND TRANSACTIONS

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

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

### 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, 2010, the bank balance amount of the City's cash deposit accounts was \$3,550,812. The cash deposits are held by a bank that qualifies as a public depository under the Florida Security and Public Deposits Act, as required by Chapter 280, Florida Statutes, and are considered fully insured.

#### **Investments**

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

The City adopted its own investment policy that also authorizes the City to invest in the following: a) Florida Municipal Investment Trust Funds; b) Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency; c) obligations of government-sponsored corporations (instrumentalities - which are usually "AAA" rated but have no explicit government guarantee), which are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve; d) collateralized mortgage obligations ("CMO's") with very accurately defined maturities issued by Federal Agencies and instrumentalities and limited to VATM/accretion directed CMO's or planned amortization class CMO's or sequential bonds CMO's; e) bankers acceptance guaranteed by banking institutions with a bank rating of "AA" on its long-term debt; f) prime commercial paper having received an "A1/P1" or higher rating by a nationally recognized rating agency; g) non-negotiable certificates of deposit and bank investment contracts ("BIC"), which can

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2010**

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

#### **Investments *(Continued)***

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

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

The City’s investments carried at fair value as of September 30, 2010, are as follows:

	<b>Fair Value</b>	<b>Weighted Average Maturity</b>	<b>Credit Rating</b>
Florida Surplus Asset Fund Trust	\$ 2,007,047	57 days (1)	S&P AAAf/S1
Florida PRIME	7	52 days (1)	S&P AAAM
Fund B Surplus Funds Trust Fund	41,692	see below (2)	not rated
U.S. Government Instrumentalities	1,046	see below (3)	S&P AAA
Total Investments	<u>\$ 2,049,792</u>		

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

(2) The weighted average life at September 30, 2010 was 7.49 years.

(3) The weighted average life at September 30, 2010 was .7 years.

**Interest Rate Risk** - In compliance with the City’s investment policy, as of September 30, 2010, the City minimized the interest rate risk related to the decline in fair 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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2010**

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

#### **Investments *(Continued)***

Credit Risk - In compliance with the City's Investment Policy, as of September 30, 2010, 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.

##### **Investments**

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

The Pension Fund held the following investments as of September 30, 2010:

	<b>Fair Value</b>	<b>Weighted Average Maturity</b>	<b>Credit Rating</b>
Money Market Funds	\$ 299,996	n/a	Complies
Equity Mutual Funds	5,144,827	n/a	with
Fixed Income Mutual Funds	4,476,340	n/a	City Policy
Total Investments	\$ 9,921,163		

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

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

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

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

#### Police Pension Fund

##### Deposits

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

##### Investments

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

The Police Pension held the following fixed investments as of September 30, 2010:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Money Market Funds	\$ 183,859	n/a	
U.S. Government Obligations	217,671		
U.S. Government Instrumentalities	886,813	114 days	S&P AAA
Asset-Backed Securities	234,294		S&P AAA-BBB
Corporate Bonds	986,875		
Corporate Stocks	3,135,723	n/a	
Equity Mutual Funds	10,105	n/a	
Total Investments	<u>\$ 5,655,340</u>		

Credit Risk - To mitigate credit risk, the Police Pension's investment policy limits the minimum credit quality rating of investments, as rated by nationally recognized statistical rating organizations (NRSROs).

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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2010

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

#### Firefighters' Pension Fund

##### Deposits

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

##### Investments

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

The Firefighters' Pension held the following fixed investments as of September 30, 2010:

	<b>Fair Value</b>	<b>Weighted Average Maturity</b>	<b>Credit Rating</b>
Money Market Funds	\$ 27,044	n/a	
Common Equity Securities	1,107,849		S&P AAA-BBB
Equity Mutual Funds	43,497	n/a	
Fixed Income Mutual Funds	775,117	n/a	
Total Investments	<u>\$ 1,953,507</u>		

Credit Risk - To mitigate credit risk, the Firefighters' Pension's investment policy limits the minimum credit quality rating of investments, as rated by nationally recognized statistical rating organizations (NRSROs).

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, 2010**

### NOTE 3 - RECEIVABLES

Receivables as of September 30, 2010, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable:			
Billed	\$ 212,835	\$ 1,010,270	\$ 1,223,105
Unbilled	7,363	220,243	227,606
Payroll Advance	9,360	3,441	12,801
Code Enforcement Liens	38,445	-	38,445
Total Receivables	268,003	1,233,954	1,501,957
Allowance for Uncollectibles	(2,795)	(328,890)	(331,685)
Net Total Receivables	\$ 265,208	\$ 905,064	\$ 1,170,272

### NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers consist of the following for the year ended September 30, 2010:

Fund	Transfers In	Transfers Out
General	\$ 680,000	\$ 317,420
Water Redevelopment District	100,000	-
49th Street Redevelopment District	52,420	310,017
Cultural Activities	215,000	100,000
Capital Projects	330,017	800,000
Sanitation	-	100,000
Water and Sewer	800,000	100,000
Marina	-	500,000
Nonmajor Fund		
GEMS	50,000	-
Total	\$ 2,227,437	\$ 2,227,437

The transfers out made by the Marina, Sanitation, and Water and Sewer funds to the General Fund represent payments in lieu of taxes. The transfers from the General Fund to the 49<sup>th</sup> Street Redevelopment District and GEMS are to fund operations and capital projects. The transfer from the Capital Projects Fund to the Water and Sewer Fund was for renewal and replacement of water and sewer lines. The transfer from the 49<sup>th</sup> Street Redevelopment District to the Capital Projects Fund is for capital improvements.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2010**

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

Interfund payables and receivables consist of the following for the year ended September 30, 2010:

Fund	Due From	Due To
General	\$ 252,758	\$ -
49th Street Redevelopment District	-	47,963
Cultural Activities	-	52,800
Marina	-	151,995
	\$ 252,758	\$ 252,758

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, 2010, was as follows:

	Beginning Balance 10/1/2009		Additions	Deletions	Transfers	Ending Balance 9/30/2010	
<b>Governmental Activities:</b>							
Non-depreciable Assets:							
Land	\$ 592,072	\$ -	\$ -	\$ -	\$ -	\$ 592,072	
Construction in Progress	229,176	65,822	-	(217,070)	-	77,928	
Depreciable Assets:							
Buildings	10,199,486	22,691	-	-	-	10,222,177	
Infrastructure and Improvements	10,987,446	510,475	5,500	217,070	-	11,709,491	
Equipment	3,612,745	172,478	130,135	-	-	3,655,088	
Total at Historical Cost	25,620,925	771,466	135,635	-	-	26,256,756	
Less Accumulated Depreciation for:							
Buildings	2,883,654	301,759	-	-	-	3,185,413	
Infrastructure and Improvements	6,695,131	465,285	5,500	-	-	7,154,916	
Equipment	2,773,916	233,064	130,135	-	-	2,876,845	
Total Accumulated Depreciation	12,352,701	1,000,108	135,635	-	-	13,217,174	
<b>Governmental Activities</b>							
<b>Capital Assets, Net</b>	\$ 13,268,224	\$ (228,642)	\$ -	\$ -	\$ -	\$ 13,039,582	

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2010**

### NOTE 5 - CAPITAL ASSETS *(Continued)*

Depreciation was charged to governmental activities, as follows:

General Government	\$	102,118
Public Safety		172,389
Leisure Services		315,395
Community Development/ Redevelopment		201,697
Public Works		208,509
	<u>\$</u>	<u>1,000,108</u>

	Beginning Balance 10/1/2009	Additions	Deletions	Ending Balance 9/30/2010
<b>Business-Type Activities:</b>				
Non-depreciable Assets:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in Progress	150,125	4,324	-	154,449
Depreciable Assets:				
Buildings	737,905	-	-	737,905
Infrastructure and Improvements	19,742,732	1,307,922	-	21,050,654
Equipment	2,383,851	293,785	179,227	2,498,409
Total at Historical Cost	<u>23,034,613</u>	<u>1,606,031</u>	<u>179,227</u>	<u>24,461,417</u>
Less Accumulated Depreciation for:				
Buildings	533,222	9,629	-	542,851
Infrastructure and Improvements	8,136,482	905,213	-	9,041,695
Equipment	1,484,177	133,363	179,227	1,438,313
Total Accumulated Depreciation	<u>10,153,881</u>	<u>1,048,205</u>	<u>179,227</u>	<u>11,022,859</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 12,880,732</u>	<u>\$ 557,826</u>	<u>\$ -</u>	<u>\$ 13,438,558</u>

### NOTE 6 - RISK MANAGEMENT

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

**CITY OF GULFPORT, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Year Ended September 30, 2010**

**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, 2010, 2009 or 2008, 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 10/1/2009	Additions	Deletions	Balance 9/30/2010	Due in One Year
Governmental Activities:					
Compensated Absences	\$ 506,928	\$ 492,994	\$ (464,520)	\$ 535,402	\$ 237,941
Other Postemployment Benefits	30,337	30,808	-	61,145	-
	<u>\$ 537,265</u>	<u>\$ 523,802</u>	<u>\$ (464,520)</u>	<u>\$ 596,547</u>	<u>\$ 237,941</u>
Business-Type Activities:					
Compensated Absences	\$ 127,824	\$ 104,223	\$ (94,476)	\$ 137,571	\$ 46,236
Other Postemployment Benefits	6,480	6,580	-	13,060	-
	<u>\$ 134,304</u>	<u>\$ 110,803</u>	<u>\$ (94,476)</u>	<u>\$ 150,631</u>	<u>\$ 46,236</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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

### NOTE 8 - PENSION PLANS *(Continued)*

#### Description of Plans *(Continued)*

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

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

The General Employees' Pension Plan uses the 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, 2010, the date of the latest actuarial valuations:

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2010**

### NOTE 8 - PENSION PLANS *(Continued)*

#### Description of Plans *(Continued)*

	General Employees	Firefighters	Police Officers
<b>ACCOUNTING POLICIES AND PLAN ASSETS</b>			
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 9/30/2010)	\$3,172,592	\$765,404	\$1,834,094
Internal loans	None	None	None
<b>MEMBERSHIP AND PLAN PROVISIONS</b>			
Current active employees	72	14	29
Retirees and beneficiaries	44	18	15
Terminated - vested active participants	76	8	5
Total members	<u>192</u>	<u>40</u>	<u>49</u>
New entrants allowed	Yes	Yes	Yes
<b>NORMAL RETIREMENT BENEFIT</b>			
Age	62	55 (1)	55 (1)
Years to vest	5	10	10
Accrual	2.00	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
<b>ASSUMPTIONS AND LIABILITIES</b>			
<b>Actuarial assumptions</b>			
Investment return	7.5%	8%	8%
Inflation increase	0%	3%	3%
Salary increase	6%	5.5%	7%
Mortality table	RP-2000	RP-2000	RP-2000
Post retirement benefit increase	0%	0%	0%
Amortization method	(2)	(2)	(2)
Amortization period (in years)	28	29	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.

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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2010**

### NOTE 8 - PENSION PLANS *(Continued)*

#### **Description of Plans *(Continued)***

Plans covering City employees, firefighters and police officers are contributory. City employees contribute 2.7% of salary (pre-tax). 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 2010, the City contributed approximately \$66,068. Contributions made by the City were equal to the required contributions.

#### **Three-Year Trend Information**

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
General Employees	09/30/10	\$ 400,230	100%	\$ -
	09/30/09	\$ 298,530	100%	\$ -
	09/30/08	\$ 307,287	100%	\$ -
Firefighters	09/30/10	\$ 80,187	100%	\$ -
	09/30/09	\$ 35,738	100%	\$ -
	09/30/08	\$ 28,993	100%	\$ -
Police Officers	09/30/10	\$ 206,699	100%	\$ (48,834)
	09/30/09	\$ 182,970	100%	\$ (49,963)
	09/30/08	\$ 223,063	100%	\$ (50,889)

The required schedules of funding progress immediately following the notes to the financial statements presents 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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2010

### NOTE 8 - PENSION PLANS (Continued)

#### 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, 2010, were as follows: General Employees - \$400,232, Firefighters - \$165,102, and Police Officers - \$272,870. 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.

#### Calculation of Net Pension Obligation (Asset)

Actuarially Determined Contribution (A)	\$ 206,699
Interest on NPO	(3,997)
Adjustment to (A)	6,052
Annual Pension Cost	<u>208,754</u>
Contributions Made	<u>206,699</u>
Increase in NPO	2,055
NPO Beginning of Year	<u>(50,889)</u>
NPO End of Year	<u><u>\$ (48,834)</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, 2010

### NOTE 8 - PENSION PLANS *(Continued)*

#### Pension Plan Financial Statements

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF FIDUCIARY NET ASSETS  
PENSION TRUST FUNDS  
September 30, 2010

	General Employees'	Police Officers' Pension	Firefighters' Pension	Total
<b>ASSETS</b>				
Cash	\$ -	\$ 55,115	\$ -	\$ 55,115
Interest Receivable	11,357	-	3,959	15,316
Due From Government	-	-	30,120	30,120
Investments, at Fair Value:				
Money Market Funds	299,996	183,859	27,044	510,899
U.S. Government Obligations	-	217,671	-	217,671
U.S. Government Instrumentalities	-	886,813	-	886,813
Asset-Backed Securities	-	234,294	1,107,849	1,342,143
Corporate Bonds	-	986,875	-	986,875
Corporate Stocks	-	3,135,723	-	3,135,723
Equity Mutual Funds	5,144,827	10,105	43,497	5,198,429
Fixed Income Mutual Funds	4,476,340	-	775,117	5,251,457
Total Investments	9,921,163	5,655,340	1,953,507	17,530,010
<b>Total Assets</b>	9,932,520	5,710,455	1,987,586	17,630,561
<b>LIABILITIES</b>				
Accounts Payable	5,664	10,899	13,113	29,676
<b>Total Liabilities</b>	5,664	10,899	13,113	29,676
<b>Net Assets Held in Trust for Pension Benefits</b>	\$ 9,926,856	\$ 5,699,556	\$ 1,974,473	\$ 17,600,885

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUNDS  
For The Year Ended September 30, 2010

	General Employees'	Police Officers' Pension	Firefighters' Pension	Total
<b>ADDITIONS</b>				
Employer Contributions	\$ 400,232	\$ 292,156	\$ 165,988	\$ 858,376
Employee Contributions	83,125	163,721	38,395	285,241
<b>Total Contributions</b>	483,357	455,877	204,383	1,143,617
Investment Income	753,278	628,349	163,726	1,545,353
<b>Total Contributions and Income</b>	1,236,635	1,084,226	368,109	2,688,970
<b>DEDUCTIONS</b>				
Benefits	374,425	332,178	106,316	812,919
Administrative Expense	35,430	80,578	59,144	175,152
<b>Total Deductions</b>	409,855	412,756	165,460	988,071
<b>Change in Net Assets</b>	826,780	671,470	202,649	1,700,899
<b>Net Assets - Beginning of Year</b>	9,100,076	5,028,086	1,771,824	15,899,986
<b>Net Assets - End of Year</b>	\$ 9,926,856	\$ 5,699,556	\$ 1,974,473	\$ 17,600,885

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (*Continued*)

Year Ended September 30, 2010

### 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.

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

### NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (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 adjusted actuarially determined liability of \$332,062 at October 1, 2009. A roll-forward calculation was performed utilizing OPEB Plan assumptions based on the last actuarial valuation dated October 1, 2008. For financial reporting purposes, no liability was 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.”

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2010

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

#### Plan Description (Continued)

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 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.

#### 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:

	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
Interest on Net OPEB Obligation	1,841
Adjustment to ARC	(1,270)
Annual OPEB Cost (Expense)	57,326
Estimated Employer Contributions Made	(19,938)
Increase/(Decrease) in Net OPEB Obligation	37,388
Net OPEB Obligation at Beginning of Year	36,817
Net OPEB Obligation at End of Year	\$ 74,205

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2010

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

#### Annual OPEB Cost and Net OPEB Obligation (Continued)

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 and related contribution information was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions toward OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 57,326	\$ 19,938	34.78%	\$ 74,205
9/30/2009	56,755	19,938	35.13%	36,817

#### Funded Status and Funding Progress

As of September 30, 2010, the OPEB Plan was unfunded. The actuarial accrued liability (AAL) for benefits \$332,062. Assets of the OPEB Plan are valued at market; however, the current value is \$0, resulting in an unfunded actuarial accrued liability of \$332,062 or a 0% funded ratio. The covered payroll was \$6,357,373. The ratio of the UAAL to covered payroll was 5.2%. 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

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. 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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations.

In any long-term actuarial valuation, certain assumptions are made regarding the population, future employment, termination, mortality, the healthcare cost trend, 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, 2010, was 29 years. The Normal Entry Age 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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2010

### 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 \$2,342,389 for these services.

#### **Grants**

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

#### **Litigation**

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

The 49<sup>th</sup> Street Redevelopment District fund has an ending fund deficit of \$(48,974) at September 30, 2010. The deficit will be funded by future intergovernmental agreements and donations.

The Cultural Activities fund has an ending fund deficit of \$(70,013) at September 30, 2010. The deficit will be funded by future user charges and donations.

### NOTE 13 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended September 30, 2010, expenditures in the Leisure Services department of the Water Redevelopment District fund exceeded appropriations. These excesses of expenditures were funded by prior year unrestricted fund balances available in the current fiscal period.

## **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.

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**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended September 30, 2010

	<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>		
<b>REVENUES</b>				
Taxes	\$ 4,513,338	\$ 4,513,338	\$ 4,507,302	\$ (6,036)
Permits and Fees	1,122,704	1,122,704	1,002,607	(120,097)
Intergovernmental Revenues	1,630,473	1,630,473	1,557,190	(73,283)
Charges for Services	1,246,040	1,246,040	1,295,688	49,648
Fines and Forfeitures	86,849	86,849	108,418	21,569
Investment Income	91,881	91,881	24,515	(67,366)
Miscellaneous Revenues	164,687	164,687	186,734	22,047
<b>Total Revenues</b>	<u>8,855,972</u>	<u>8,855,972</u>	<u>8,682,454</u>	<u>(173,518)</u>
<b>EXPENDITURES</b>				
General Government				
Legislative	291,030	291,030	268,685	(22,345)
Legal	122,857	122,857	99,705	(23,152)
Executive	204,995	204,995	176,690	(28,305)
Financial	432,094	439,594	416,062	(23,532)
Human Resources	86,886	86,886	79,391	(7,495)
Information Technology	323,121	390,750	315,454	(75,296)
<b>Total</b>	<u>1,460,983</u>	<u>1,536,112</u>	<u>1,355,987</u>	<u>(180,125)</u>
Public Safety				
Fire	1,247,958	1,249,054	1,058,009	(191,045)
Police	3,426,836	3,432,154	3,324,436	(107,718)
<b>Total</b>	<u>4,674,794</u>	<u>4,681,208</u>	<u>4,382,445</u>	<u>(298,763)</u>
Leisure Services				
Library	582,302	582,302	577,482	(4,820)
Office of Director	221,397	221,397	90,531	(130,866)
Recreation Center	511,282	511,282	482,758	(28,524)
Parks	700,511	700,511	682,949	(17,562)
Senior Center	188,220	188,220	182,950	(5,270)
<b>Total</b>	<u>2,203,712</u>	<u>2,203,712</u>	<u>2,016,670</u>	<u>(187,042)</u>
Community Development				
Planning & Development	207,394	207,394	217,489	10,095
Building Inspections	314,036	314,036	253,468	(60,568)
<b>Total</b>	<u>521,430</u>	<u>521,430</u>	<u>470,957</u>	<u>(50,473)</u>

*Continued*

**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - Continued**  
**GENERAL FUND**  
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
Public Works				
Building Maintenance	\$ 222,056	\$ 222,056	\$ 232,773	\$ 10,717
Central Garage	528,780	528,780	502,069	(26,711)
Office of Director	128,537	128,537	124,919	(3,618)
Streets	497,202	497,202	451,680	(45,522)
Total	<u>1,376,575</u>	<u>1,376,575</u>	<u>1,311,441</u>	<u>(65,134)</u>
<b>Total Expenditures</b>	<u>10,237,494</u>	<u>10,319,037</u>	<u>9,537,500</u>	<u>(781,537)</u>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<u>(1,381,522)</u>	<u>(1,463,065)</u>	<u>(855,046)</u>	<u>608,019</u>
<b>OTHER FINANCING SOURCES</b>				
<b>AND (USES)</b>				
Transfers In	680,000	680,000	680,000	-
Transfers (Out)	<u>(317,420)</u>	<u>(317,420)</u>	<u>(317,420)</u>	<u>-</u>
<b>Total Other Financing</b>				
<b>Sources and (Uses)</b>	<u>362,580</u>	<u>362,580</u>	<u>362,580</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(1,018,942)	(1,100,485)	(492,466)	608,019
<b>Fund Balance - Beginning</b>	<u>1,018,942</u>	<u>1,100,485</u>	<u>5,133,099</u>	<u>4,032,614</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,640,633</u>	<u>\$ 4,640,633</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Over (Under)</u>
<b>REVENUES</b>				
Taxes	\$ 224,350	\$ 224,350	\$ 219,621	\$ (4,729)
Intergovernmental Revenues	70,000	70,000	70,444	444
Charges for Services	11,591	11,591	10,599	(992)
Investment Income	2,000	2,000	-	(2,000)
Miscellaneous Revenues	300	300	3,963	3,663
<b>Total Revenues</b>	<u>308,241</u>	<u>308,241</u>	<u>304,627</u>	<u>(3,614)</u>
<b>EXPENDITURES</b>				
Leisure Services				
Personal Services	86,120	86,120	108,648	22,528
Operating	55,414	55,414	68,209	12,795
Community Development/Redevelopment				
Personal Services	82,866	82,866	95,327	12,461
Operating	99,638	99,638	58,373	(41,265)
Capital Outlay	25,000	25,000	-	(25,000)
<b>Total Expenditures</b>	<u>349,038</u>	<u>349,038</u>	<u>330,557</u>	<u>(18,481)</u>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<u>(40,797)</u>	<u>(40,797)</u>	<u>(25,930)</u>	<u>14,867</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	100,000	100,000	100,000	-
<b>Total Other Financing Sources</b>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	59,203	59,203	74,070	14,867
<b>Fund Balance - Beginning</b>	<u>(59,203)</u>	<u>(59,203)</u>	<u>44,786</u>	<u>103,989</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,856</u>	<u>\$ 118,856</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 250,000	\$ 250,000	\$ 149,365	\$ (100,635)
Miscellaneous Revenues	-	-	800	800
<b>Total Revenues</b>	<u>250,000</u>	<u>250,000</u>	<u>150,165</u>	<u>(99,835)</u>
<b>EXPENDITURES</b>				
Community Development/Redevelopment				
Personal Services	74,794	74,794	73,718	(1,076)
Operating	3,391	3,391	1,074	(2,317)
Capital Outlay	250,000	250,000	215,187	(34,813)
<b>Total Expenditures</b>	<u>328,185</u>	<u>328,185</u>	<u>289,979</u>	<u>(38,206)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(78,185)</u>	<u>(78,185)</u>	<u>(139,814)</u>	<u>(61,629)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers In	52,420	52,420	52,420	-
Transfers (Out)	(310,017)	(310,017)	(310,017)	-
<b>Total Other Financing Sources and (Uses)</b>	<u>(257,597)</u>	<u>(257,597)</u>	<u>(257,597)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(335,782)	(335,782)	(397,411)	(61,629)
<b>Fund Balance - Beginning</b>	<u>335,782</u>	<u>335,782</u>	<u>348,437</u>	<u>12,655</u>
<b>Fund Balance (Deficit) - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,974)</u>	<u>\$ (48,974)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Over (Under)</u>
<b>REVENUES</b>				
Charges for Services	\$ 310,869	\$ 310,869	\$ 238,747	\$ (72,122)
Miscellaneous Revenues	129,912	129,912	114,659	(15,253)
<b>Total Revenues</b>	<u>440,781</u>	<u>440,781</u>	<u>353,406</u>	<u>(87,375)</u>
<b>EXPENDITURES</b>				
Leisure Services				
Personal Services	158,028	158,028	168,067	10,039
Operating	<u>297,470</u>	<u>297,470</u>	<u>284,010</u>	<u>(13,460)</u>
<b>Total Expenditures</b>	<u>455,498</u>	<u>455,498</u>	<u>452,077</u>	<u>(3,421)</u>
<b>(Deficiency) of Revenues</b> <b>(Under) Expenditures</b>	<u>(14,717)</u>	<u>(14,717)</u>	<u>(98,671)</u>	<u>(83,954)</u>
<b>OTHER FINANCING</b>				
<b>SOURCES AND (USES)</b>				
Transfers In	215,000	215,000	215,000	-
Transfers (Out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<b>Total Other Financing</b> <b>Sources and (Uses)</b>	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	100,283	100,283	16,329	(83,954)
<b>Fund Balance (Deficit) - Beginning</b>	<u>(100,283)</u>	<u>(100,283)</u>	<u>(86,342)</u>	<u>13,941</u>
<b>Fund Balance (Deficit) - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (70,013)</u>	<u>\$ (70,013)</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
2010	\$ 400,230	\$ 400,232	100.00%
2009	298,530	298,530	100.00%
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%

Police Officers' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2010	\$ 272,869	\$ 272,870	100.00%
2009	249,141	249,141	100.00%
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%

Firefighters' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2010	\$ 165,102	\$ 165,102	100.00%
2009	98,246	138,881	141.36%
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%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
		(AAL) - Entry Age (b)					
General Employees' Pension Trust Fund							
10/01/10	\$ 10,412,695	\$ 10,947,296	\$ 534,601	95.1%	\$ 2,909,604	18.4%	
10/01/09	10,064,317	10,908,842	844,525	92.3%	2,983,075	28.3%	
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%	

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
		(AAL) - Frozen Entry Age (b)					
Police Officers' Retirement Trust Fund							
10/01/10	\$ 6,052,371	\$ 6,798,061	\$ 745,690	89.0%	\$ 1,834,094	40.7%	
10/01/09	5,835,729	6,509,560	673,831	89.6%	1,770,812	38.1%	
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%	

Firefighters' Retirement Trust Fund							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
		(AAL) - Frozen Entry Age (b)					
10/01/10	\$ 2,167,659	\$ 2,246,828	\$ 79,169	96.5%	\$ 765,404	10.3%	
10/01/09	2,046,151	2,323,232	277,081	88.1%	718,895	38.5%	
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%	

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

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
9/30/2010	\$ 56,755	\$ 19,938	35.1%
9/30/2009	56,755	19,938	35.1%

The provisions of GASB Statement No. 45 were implemented in fiscal year 2009. There is no requirement to report data from prior fiscal periods.

**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 <sup>(1)</sup>	\$ -	\$ 332,062	\$ 332,062	0.0%	\$ 6,357,373	5.2%
10/01/08	-	347,145	347,145	0.0%	6,172,207	5.6%

(1) Actuarial valuation not performed for fiscal year 2010; however roll-forward calculation performed using the OPEB Plan assumptions to determine adjusted Actuarial Accrued Liability.

The provisions of GASB Statement No. 45 were implemented in fiscal year 2009. There is no requirement to report data from prior fiscal periods.

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## **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, 2010

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget - Over (Under)</u>
<b>REVENUES</b>			
Taxes	\$ 1,071,338	\$ 951,716	\$ (119,622)
Permits and Fees	5,000	-	(5,000)
Intergovernmental Revenues	2,750,000	57,375	(2,692,625)
Investment Income	1,000	-	(1,000)
Miscellaneous Revenues	<u>-</u>	<u>97</u>	<u>97</u>
<b>Total Revenues</b>	<u>3,827,338</u>	<u>1,009,188</u>	<u>(2,818,150)</u>
<b>EXPENDITURES</b>			
General Government			
Capital Outlay	70,000	69,086	(914)
Public Safety			
Capital Outlay	2,846,338	87,938	(2,758,400)
Public Works			
Capital Outlay	283,691	263,679	(20,012)
Human Services			
Capital Outlay	22,424	22,692	268
Leisure Services			
Operating	-	70	70
Capital Outlay	<u>30,000</u>	<u>26,312</u>	<u>(3,688)</u>
<b>Total Expenditures</b>	<u>3,252,453</u>	<u>469,777</u>	<u>(2,782,676)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>574,885</u>	<u>539,411</u>	<u>(35,474)</u>
<b>OTHER FINANCING</b>			
<b>SOURCES AND (USES)</b>			
Transfers In	330,017	330,017	-
Transfers (Out)	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
<b>Total Other Financing Sources and (Uses)</b>	<u>(469,983)</u>	<u>(469,983)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	104,902	69,428	(35,474)
<b>Fund Balance - Beginning</b>	<u>(104,902)</u>	<u>59,150</u>	<u>164,052</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ 128,578</u>	<u>\$ 128,578</u>

**CITY OF GULFPORT, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
September 30, 2010

	<u>GEMS</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 27,746	\$ 99,390	\$ 127,136
Prepaid Items	370	-	370
<b>Total Assets</b>	<u>\$ 28,116</u>	<u>\$ 99,390</u>	<u>\$ 127,506</u>
<b>LIABILITIES</b>			
Accrued Liabilities	\$ 4,122	\$ -	\$ 4,122
<b>Total Liabilities</b>	<u>4,122</u>	<u>-</u>	<u>4,122</u>
<b>FUND BALANCES</b>			
Reserved for:			
Prepaid Items	370	-	370
Library Projects	-	99,390	99,390
Unreserved	23,624	-	23,624
<b>Total Fund Balances</b>	<u>23,994</u>	<u>99,390</u>	<u>123,384</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 28,116</u>	<u>\$ 99,390</u>	<u>\$ 127,506</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, 2010

	<u>GEMS</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>REVENUES</b>			
Charges for Services	\$ 15,604	\$ -	\$ 15,604
Miscellaneous Revenues	902	1,382	2,284
<b>Total Revenues</b>	<u>16,506</u>	<u>1,382</u>	<u>17,888</u>
<b>EXPENDITURES</b>			
Current:			
Leisure Services	140,232	137	140,369
<b>Total Expenditures</b>	<u>140,232</u>	<u>137</u>	<u>140,369</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(123,726)</u>	<u>1,245</u>	<u>(122,481)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	50,000	-	50,000
<b>Total Other Financing Sources</b>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>Net Change in Fund Balances</b>	(73,726)	1,245	(72,481)
<b>Fund Balances - Beginning</b>	<u>97,720</u>	<u>98,145</u>	<u>195,865</u>
<b>Fund Balances - Ending</b>	<u>\$ 23,994</u>	<u>\$ 99,390</u>	<u>\$ 123,384</u>

**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GEMS (Gulfport Elderly Mobility System)**  
**For the Year Ended September 30, 2010**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget - Over (Under)</u>
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 56,341	\$ -	\$ (56,341)
Charges for Services	12,323	15,604	3,281
Miscellaneous Revenues	3,305	902	(2,403)
<b>Total Revenues</b>	<u>71,969</u>	<u>16,506</u>	<u>(55,463)</u>
<b>EXPENDITURES</b>			
Leisure Services			
Personal Services	108,989	101,539	(7,450)
Operating	39,221	38,693	(528)
Capital Outlay	62,600	-	(62,600)
<b>Total Expenditures</b>	<u>210,810</u>	<u>140,232</u>	<u>(70,578)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(138,841)</u>	<u>(123,726)</u>	<u>15,115</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	50,000	50,000	-
<b>Total Other Financing Sources</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(88,841)	(73,726)	15,115
<b>Fund Balance - Beginning</b>	<u>88,841</u>	<u>97,720</u>	<u>8,879</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ 23,994</u>	<u>\$ 23,994</u>

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# Statistical Section

**City of Gulfport, Florida**  
**Statistical Section**  
**September 30, 2010**

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.

	<b>PAGE</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.....	79
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax .....	84
<b>Debt Capacity</b>	
This schedule presents information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future .....	90
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place .....	91
<b>Operating Information</b>	
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.....	94

**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, 2010, 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**

	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>							
Invested in capital assets, net of related debt	\$ 11,825,976	\$ 11,678,493	\$ 11,484,251	\$ 11,421,047	\$ 13,552,594	\$ 13,268,224	\$ 13,039,582
Restricted	285,908	311,484	811,537	658,113	409,952	630,694	315,869
Unrestricted	6,366,837	5,347,130	4,622,534	4,244,457	4,488,378	4,658,101	4,046,901
<b>Total governmental activities net assets</b>	<b>\$ 18,478,721</b>	<b>\$ 17,337,107</b>	<b>\$ 16,918,322</b>	<b>\$ 16,323,617</b>	<b>\$ 18,450,924</b>	<b>\$ 18,557,019</b>	<b>\$ 17,402,352</b>
<b>Business-type Activities</b>							
Invested in capital assets, net of related debt	\$ 10,973,375	\$ 11,324,196	\$ 11,780,053	\$ 12,731,446	\$ 12,150,162	\$ 12,880,732	\$ 13,438,558
Restricted	116,389	138,139	156,814	156,814	156,814	162,176	163,975
Unrestricted	506,104	1,805,008	2,829,743	3,234,904	2,696,474	1,528,611	881,152
<b>Total business-type activities net of assets</b>	<b>\$ 11,595,868</b>	<b>\$ 13,267,343</b>	<b>\$ 14,766,610</b>	<b>\$ 16,123,164</b>	<b>\$ 15,003,450</b>	<b>\$ 14,571,519</b>	<b>\$ 14,483,685</b>
<b>Primary Government</b>							
Invested in capital assets, net of related debt	\$ 22,799,351	\$ 23,002,689	\$ 23,264,304	\$ 24,152,493	\$ 25,702,756	\$ 26,148,956	\$ 26,478,140
Restricted	402,297	449,623	968,351	814,927	566,766	792,870	479,844
Unrestricted	6,872,941	7,152,138	7,452,277	7,479,361	7,184,852	6,186,712	4,928,053
<b>Total business-type activities net of assets</b>	<b>\$ 30,074,589</b>	<b>\$ 30,604,450</b>	<b>\$ 31,684,932</b>	<b>\$ 32,446,781</b>	<b>\$ 33,454,374</b>	<b>\$ 33,128,538</b>	<b>\$ 31,886,037</b>

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

	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>							
Governmental activities:							
General Government	\$ 1,338,914	\$ 1,409,319	\$ 1,617,209	\$ 1,727,884	\$ 1,407,979	\$ 1,464,964	\$ 1,533,211
Public Safety - Police	3,437,742	3,512,439	3,737,832	3,897,891	3,651,578	3,354,567	3,490,957
Public Safety - Fire	917,783	979,320	971,362	1,094,198	1,135,347	1,096,949	1,058,009
Public Safety - Protective Services	237,485	268,643	313,460	300,644	301,967	291,057	253,468
Public Services - Transportation	505,912	654,629	639,191	647,172	663,528	624,505	347,919
Public Works - Central Garage	347,727	399,547	450,383	491,197	549,188	460,620	502,069
Public Works - Building Maintenance	-	132,862	158,301	165,278	173,005	226,337	232,773
Public Works - Office of Director	-	130,589	112,830	119,705	122,677	127,213	124,919
Culture and Recreation - Library	577,346	581,075	632,084	499,323	593,753	601,274	577,619
Culture and Recreation - Office of Director	169,908	204,455	200,477	207,924	208,352	225,826	90,531
Culture and Recreation - Recreation Facility	499,833	472,025	514,690	537,364	440,971	534,620	482,828
Culture and Recreation - Parks	669,079	733,429	724,492	714,636	772,039	710,646	1,193,449
Culture and Recreation - GEMS & SPB LOOPER	186,278	156,827	159,617	167,362	178,870	305,417	317,089
Culture and Recreation - Human Services	164,023	178,966	188,071	181,411	203,505	196,283	182,950
Culture and Recreation - Casino	-	-	-	-	370,559	360,554	332,773
Culture and Recreation - Theater	-	-	-	-	127,965	143,388	119,304
Redevelopment	289,918	446,104	508,095	477,784	530,331	710,805	670,370
<b>Total Governmental activities expenses</b>	<b>9,341,948</b>	<b>10,260,229</b>	<b>10,928,094</b>	<b>11,229,773</b>	<b>11,431,614</b>	<b>11,435,025</b>	<b>11,510,238</b>
Business-type activities:							
Sanitation	1,592,422	1,640,391	1,696,931	1,711,019	1,714,743	1,822,851	1,740,500
Water and Sewer	3,193,807	3,217,649	3,365,867	3,662,824	3,718,712	3,986,988	4,358,861
Cultural Activities	476,759	438,634	504,898	563,448	-	-	-
Marina	971,646	1,043,495	1,122,985	1,207,306	1,387,867	1,212,259	1,262,051
<b>Total business-type activities expenses</b>	<b>6,234,634</b>	<b>6,340,169</b>	<b>6,690,681</b>	<b>7,144,597</b>	<b>6,821,322</b>	<b>7,022,098</b>	<b>7,361,412</b>
<b>Total primary government expenses</b>	<b>\$ 15,576,582</b>	<b>\$ 16,600,398</b>	<b>\$ 17,618,775</b>	<b>\$ 18,374,370</b>	<b>\$ 18,252,936</b>	<b>\$ 18,457,123</b>	<b>\$ 18,871,650</b>
<b>Program Revenues</b>							
Governmental activities:							
Charges for Services							
General Government	\$ 458,750	\$ 478,395	\$ 779,732	\$ 839,320	\$ 870,221	\$ 832,136	\$ 792,623
Public Safety - Police	239,272	206,211	81,867	67,502	132,176	129,242	170,683
Public Safety - Fire	81,366	82,548	1,495	7,363	13,290	10,716	9,460
Public Safety - Protective Services	148,319	186,374	249,112	146,746	194,241	139,062	108,544
Public Services - Transportation	63,886	66,694	-	-	-	-	-
Public Works - Central Garage	337,220	200,855	208,299	496,305	237,465	384,023	305,220
Culture and Recreation - Library	16,596	17,451	10,881	10,391	8,403	10,719	7,184
Culture and Recreation - Recreation Facility	145,043	150,097	173,593	168,342	144,175	177,523	192,977
Culture and Recreation - Parks	4,690	6,727	5,763	4,310	1,000	2,000	300
Culture and Recreation - Human Services	16,200	14,313	14,669	13,051	19,327	41,911	28,676
Culture and Recreation -Casino	-	-	-	-	310,611	320,018	314,706
Culture and Recreation -Theater	-	-	-	-	26,861	30,729	24,604
Operating Grants and Contributions	767,237	805,723	823,027	1,002,285	821,534	1,005,539	682,551
Capital Grants and Contributions	550,409	70,466	72,042	15,754	499,128	108,320	141,578
<b>Total governmental activities program revenues</b>	<b>\$ 2,828,988</b>	<b>\$ 2,285,854</b>	<b>\$ 2,420,480</b>	<b>\$ 2,771,369</b>	<b>\$ 3,278,432</b>	<b>\$ 3,191,938</b>	<b>\$ 2,779,106</b>
Business-type activities:							
Charges for Services							
Sanitation	\$ 1,701,094	\$ 1,769,902	\$ 1,815,774	\$ 1,810,665	\$ 1,735,970	\$ 1,723,115	\$ 1,771,858
Water and Sewer	3,556,182	3,592,049	3,847,146	3,931,746	3,605,432	3,724,665	3,829,790
Cultural Activities	295,699	283,887	370,468	384,728	-	-	-
Marina	1,015,970	1,279,266	1,350,704	1,419,634	1,741,697	1,462,211	1,564,374
Operating Grants and Contributions	1,400	6,914	-	-	-	-	-
Capital Grants and Contributions	5,625	2,550	-	-	411,654	211,189	1,800
<b>Total business-type activities program revenues</b>	<b>\$ 6,575,970</b>	<b>\$ 6,934,568</b>	<b>\$ 7,384,092</b>	<b>\$ 7,546,773</b>	<b>\$ 7,494,753</b>	<b>\$ 7,121,180</b>	<b>\$ 7,167,822</b>
<b>Total primary government program revenues</b>	<b>\$ 9,404,958</b>	<b>\$ 9,220,422</b>	<b>\$ 9,804,572</b>	<b>\$ 10,318,142</b>	<b>\$ 10,773,185</b>	<b>\$ 10,313,118</b>	<b>\$ 9,946,928</b>

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

	2004	2005	2006	2007	2008	2009	2010
<b>Net (Expense) Revenue</b>							
Governmental activities	\$ (6,512,960)	\$ (7,974,375)	\$ (8,507,614)	\$ (8,458,404)	\$ (8,153,182)	\$ (8,243,087)	\$ (8,731,132)
Business-type activities	341,336	594,399	693,411	402,176	673,431	99,082	(193,590)
Total primary government net expense	\$ (6,171,624)	\$ (7,379,976)	\$ (7,814,203)	\$ (8,056,228)	\$ (7,479,751)	\$ (8,144,005)	\$ (8,924,722)
<b>General Revenues and Other changes in Net Assets</b>							
Governmental activities:							
Taxes:							
Ad Valorem	\$ 2,330,608	\$ 2,731,240	\$ 3,273,118	\$ 3,556,585	\$ 3,450,430	\$ 3,170,777	\$ 2,828,088
Franchise Fees	591,478	631,381	730,627	705,406	720,232	773,466	858,507
Utility Taxes	884,418	911,592	970,814	958,917	961,007	991,398	1,130,867
Communications Service Tax	537,096	560,145	554,615	576,288	552,969	604,513	551,013
Sales Tax - Infrastructure - Restricted	1,077,996	1,141,122	1,316,203	1,202,239	1,134,286	1,047,484	951,716
Half-cent Sales Tax	714,251	713,350	754,315	723,283	683,695	618,605	610,663
Local Option Gas Tax - Restricted	113,981	117,870	126,309	112,549	166,453	166,215	164,994
Transportation Impact Fees - Restricted	15,890	10,384	22,043	15,754	-	-	-
Other Taxes	84,753	113,889	123,298	33,526	16,916	65,907	68,994
State Revenue Sharing	355,483	427,811	455,705	412,529	354,623	248,886	349,459
Investment Income	150,758	148,138	286,867	367,414	186,347	35,553	24,515
Miscellaneous	302,943	314,867	190,165	262,302	193,846	95,653	137,649
Gain/(Loss) on Sale of Capital Asset	-	-	-	(255,204)	-	-	-
Transfers	(519,510)	(989,028)	(715,250)	(807,689)	1,859,685	530,725	(100,000)
Total governmental activities	\$ 6,640,145	\$ 6,832,761	\$ 8,088,829	\$ 7,863,899	\$ 10,280,489	\$ 8,349,182	\$ 7,576,465
Business-type activities:							
Investment Income	\$ 8,180	\$ 34,848	\$ 90,606	\$ 146,689	\$ 66,540	\$ (288)	\$ 5,756
Gain on sale of capital assets	-	53,200	-	-	-	-	-
Transfers	519,510	989,028	715,250	807,689	(1,859,685)	(530,725)	100,000
Total business-type activities	\$ 527,690	\$ 1,077,076	\$ 805,856	\$ 954,378	\$ (1,793,145)	\$ (531,013)	\$ 105,756
Total primary government	\$ 7,167,835	\$ 7,909,837	\$ 8,894,685	\$ 8,818,277	\$ 8,487,344	\$ 7,818,169	\$ 7,682,221
<b>Change in Net Assets</b>							
Governmental activities	\$ 127,185	\$ (1,141,614)	\$ (418,785)	\$ (594,505)	\$ 2,127,307	\$ 106,095	\$ (1,154,667)
Business-type activities	869,026	1,671,475	1,499,267	1,356,554	(1,119,714)	(431,931)	(87,834)
Total primary government	\$ 996,211	\$ 529,861	\$ 1,080,482	\$ 762,049	\$ 1,007,593	\$ (325,836)	\$ (1,242,501)

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

	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	\$ 2,420,625	\$ 2,731,552	\$ 2,337,152	\$ 2,574,747	\$ 3,154,974	\$ 2,901,743	\$ 2,946,207
Unreserved	3,931,868	2,711,964	2,361,499	1,720,187	1,279,141	2,231,356	1,694,426
Total general fund	<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>	<u>\$ 4,640,633</u>
All Other Governmental Funds							
Reserved	\$ 55,742	\$ 127,804	\$ 463,238	\$ 403,354	\$ 412,841	\$ 174,506	\$ 210,958
Unreserved reported in:							
Waterfront Redevelopment District Fund	57,960	71,062	68,565	174,767	61,181	44,702	118,639
49th Street Redevelopment District Fund	(91,180)	(98,306)	35,770	28,150	286,178	348,418	(48,980)
Cultural Facilities	-	-	-	-	(21,679)	(100,354)	(83,411)
GEMS	-	(56,839)	113,217	116,435	130,842	94,624	23,624
Capital Projects Fund	448,049	498,604	440,260	352,930	88,807	-	31,001
Total all other governmental funds	<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>	<u>\$ 251,831</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**

	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>							
Taxes	\$ 5,421,596	\$ 5,975,481	\$ 6,845,377	\$ 7,015,189	\$ 6,806,857	\$ 6,029,880	\$ 5,678,639
Licenses and Permits	206,046	243,285	306,434	203,935	284,461	910,670	1,002,607
Intergovernmental Revenue	2,586,113	2,227,329	2,354,697	2,299,926	2,554,416	1,891,498	1,834,374
Impact Fees	15,890	10,384	22,042	-	-	-	-
Charges for Services	1,048,678	1,081,450	1,143,570	1,468,483	844,936	1,581,874	1,560,638
Fines and Forfeitures	124,069	84,677	75,407	80,912	85,566	112,088	108,418
Miscellaneous Revenues	298,216	336,855	141,781	262,303	193,847	35,554	24,515
Earnings on Investments	156,229	149,242	286,867	367,214	186,347	368,655	308,537
<b>Total Revenues</b>	<b>9,856,837</b>	<b>10,108,703</b>	<b>11,176,175</b>	<b>11,697,962</b>	<b>10,956,430</b>	<b>10,930,219</b>	<b>10,517,728</b>
<b>Expenditures</b>							
General government	1,388,635	1,381,681	1,496,901	1,618,128	1,369,856	1,304,757	1,355,987
Public Safety	4,668,203	4,465,949	4,829,181	4,877,374	4,772,368	4,325,623	4,382,445
Public Services	807,321	1,255,389	1,310,971	1,402,016	1,372,963	1,257,482	1,311,441
Culture and Recreation	1,925,055	2,228,746	2,247,362	2,406,033	2,946,282	2,817,821	2,786,043
Redevelopment	1,054,279	741,567	742,650	1,035,853	1,148,658	1,452,551	1,384,343
<b>Total Expenditures</b>	<b>9,843,493</b>	<b>10,073,332</b>	<b>10,627,065</b>	<b>11,339,404</b>	<b>11,610,127</b>	<b>11,158,234</b>	<b>11,220,259</b>
<b>Other Financing Sources (Uses)</b>							
Transfer In	658,986	629,239	876,697	560,311	2,035,429	1,560,725	1,427,437
Transfer Out	(1,236,876)	(1,652,252)	(1,591,947)	(1,368,000)	(1,360,017)	(1,030,000)	(1,527,437)
<b>Total other financing sources (uses)</b>	<b>(577,890)</b>	<b>(1,023,013)</b>	<b>(715,250)</b>	<b>(807,689)</b>	<b>675,412</b>	<b>530,725</b>	<b>(100,000)</b>
<b>Net change in fund balances</b>	<b>\$ (564,546)</b>	<b>\$ (987,642)</b>	<b>\$ (166,140)</b>	<b>\$ (449,131)</b>	<b>\$ 21,715</b>	<b>\$ 302,710</b>	<b>\$ (802,531)</b>
Debt service as a percentage of non-capital expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Fiscal Year Ended Sept. 30	Real Property		Personal Property	Less: Tax Exemptions					Total Taxable Assessed Value	Millage Rate *
	Residential Property	Commercial Property		Governmental/ Institutional	\$25,000 Homestead	Homestead Assessment Differential	Widows/ Disability/ Blind			
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	
2010	1,073,945,817	144,038,327	16,477,353	91,738,983	166,891,870	170,486,824	6,775,477	798,568,343	3.4742	

**Source:** Pinellas County Property Appraiser, 2009 final certified roll (Forms DR403V 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**

<b>Direct Rates</b>		<b>Overlapping Rates</b>					
<b>Fiscal Year</b>	<b>Basic Rate *</b>	<b>Pinellas County</b>	<b>Pinellas County Schools</b>	<b>Transit</b>	<b>Emerg. Medical Services</b>	<b>Other**</b>	<b>Total Millage</b>
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	8.0610	0.5601	0.5832	1.5551	19.1066
2010	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 Anclote River Basin.

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

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

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

<u>Taxpayer</u>	<u>2010</u>			<u>2000</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Seaside Villas Gulfport LLC	\$ 6,100,000	1	0.85%			
CFC Pasadena Yacht LLC	3,983,313	2	0.55%			
Paonessa, Jeffrey L	3,901,379	3	0.54%	\$ 2,711,300	3	0.74%
CFC Pasadena Golf LLC	3,509,572	4	0.49%			
Levine, Alan M	2,804,489	5	0.39%			
Lavin, Jerome V.	2,388,126	6	0.33%	2,314,900	4	0.63%
Hernandez, Roberto M	2,211,753	7	0.31%			
Macomber, Jane E	2,174,033	8	0.30%			
Damkoehler, Gary L	1,906,325	9	0.27%			
SME Investments	1,838,667	10	0.26%			
JLP Management Assoc Inc				1,158,300	8	0.32%
Yury Goncharov						
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%
Abernrathy, Ernest W				1,158,000	9	0.32%
Silverberg, Edward D				1,030,800	10	0.28%
<b>Total</b>	<u><u>\$ 30,817,657</u></u>		<u><u>4.29%</u></u>	<u><u>\$ 21,193,700</u></u>		<u><u>5.78%</u></u>

**Source:** Pinellas County Tax Rolls

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

<b>Fiscal Year Ended Sept. 30</b>	<b>Total Tax Levy</b>	<b>Tax Collections</b>	<b>Percentage of Levy Collected</b>	<b>Amount Uncollected</b>
2001	\$1,711,561	\$1,668,839	97.50%	\$42,722
2002	\$1,875,586	\$1,802,841	96.12%	\$72,745
2003	\$2,086,129	\$2,015,407	96.61%	\$70,722
2004	\$2,399,916	\$2,330,608	97.11%	\$69,308
2005	\$2,814,168	\$2,731,240	97.05%	\$82,928
2006	\$3,377,783	\$3,273,119	96.90%	\$104,664
2007	\$3,681,961	\$3,556,585	96.59%	\$125,376
2008	\$3,366,603	\$3,256,529	96.73%	\$110,074
2009	\$3,093,027	\$3,009,208	97.29%	\$83,819
2010	\$2,776,835	\$2,699,875	97.23%	\$76,960

**Source:** Pinellas County Tax Collector's Office Report

**City of Gulfport, Florida**  
**Water Sold by Type of Customer**  
**Over Last Seven Fiscal Years**

	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
<b>Type of Customer</b>							
Residential	2,865,646	3,142,239	3,167,552	3,448,191	3,298,681	3,334,493	2,110,768
Commercial	252,456	261,856	266,362	297,895	321,935	311,633	185,994
Governmental	106,315	125,989	82,799	74,954	71,785	75,117	56,429
<b>Total</b>	<b>3,224,417</b>	<b>3,530,084</b>	<b>3,516,713</b>	<b>3,821,040</b>	<b>3,692,401</b>	<b>3,721,243</b>	<b>2,353,191</b>
Total direct rate per 1,000 gallons	\$5.02	\$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  
Over Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Water</b>		<b>Sewer</b>	
	<b>Monthly Base Rate</b>	<b>Rate per 1,000 Gallons</b>	<b>Monthly Base Rate</b>	<b>Rate per 1,000 Gallons</b>
2010	\$ 10.04	\$ 5.02	\$ 12.48	\$ 6.24
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

Source: City of Gulfport Utility Billing System, Incode Software

**City of Gulfport, Florida**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2010**

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>DIRECT DEBT</b>			
City of Gulfport	\$ -	-	\$ -
<b>OVERLAPPING DEBT</b>			
Pinellas County Capital Leases	30,814	1.24%	382
Pinellas County School District State Bonds <sup>b</sup>	29,955,000	1.24%	371,442
Total Direct and Overlapping debt			<u>\$ 371,824</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.

<sup>a</sup> 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.

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

**City of Gulfport, Florida**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Population	Per Capita		Median Age (A)	Unemployment Rate (B)	School Enrollment ( C )
		Personal Income (A)	Personal Income			
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%	2,450
2010	12,217	339,192,788	27,764	50.2	12.6%	2,332

**Source:**

- (A) Pinellas County Economic Development
- (B) U. S. Bureau of Labor Statistics (\*preliminary annual estimate; Tampa, St Pete, Clw area)
- (C) Pinellas County School Board (Boca Ciega High School, Gulfport Montessori and Hamilton Disston)

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

<b>Employer</b>	<b>2010 a</b>			<b>2001 b</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
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%			

<sup>a</sup> Source: Clearwater Regional Chamber of Commerce

<sup>b</sup> Source: Data for 2001 is not available

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

<b>Function/Program</b>	<b>Full-time Equivalent Employees as of September 30th</b>				
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General Government					
City Clerk	2.50	2.50	2.00	2.00	2.00
City Manager	2.00	2.00	2.00	2.00	2.00
Administrative Services	8.00	8.00	8.00	8.00	7.50
Information Technology	2.00	2.00	2.00	2.00	2.00
Public Safety					
Police	46.00	45.00	43.00	43.00	40.00
Fire	13.50	17.50	15.50	15.50	16.50
Community Development	8.00	8.00	7.00	8.00	8.00
Public Works	26.00	25.00	24.00	24.00	24.00
Utilities	6.00	6.00	6.00	6.00	6.00
Leisure Services	41.50	40.50	38.25	38.00	39.00
Cultural Facilities	3.25	5.50	5.50	5.50	5.50
Marina	3.00	3.50	3.50	3.50	3.50
<b>Total</b>	<b>161.75</b>	<b>165.50</b>	<b>156.75</b>	<b>157.50</b>	<b>156.00</b>

**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	2006	2007	2008	2009	2010
<b>Police</b>					
Reported Crime (UCR Part One)	694	698	725	742	558
Reported Traffic Crashes	159	161	173	150	151
Calls for Service	29,648	34,111	35,482	38,322	34,005
<b>Fire</b>					
Fires Extinguished	90	63	41	32	27
Emergency responses	2,000	2,668	2,700	2,606	2,829
<b>Sanitation</b>					
Refuse collected (tons/day)	30.80	29.08	27.84	24.55	24.79
Recyclables collected (tons/day)	1.69	1.94	2.39	2.90	2.13
<b>Utilities</b>					
Average daily consumption (thousands of gallons)	1,137	1,046	1,089	1,142	989
Average daily sewage treatment (thousands of gallons)	850	1,051	781	806	1,051
<b>Recreation</b>					
Participants in After-School Program	85	81	54	50	45
Participants in Summer Camp Program	180	198	142	127	110
<b>Library</b>					
Circulation of materials	111,600	115,489	81,689	93,698	90,749
Reference questions	10,900	8,114	8,113	8,772	7,990
Sponsored programs	225	276	252	278	253
<b>Senior Center</b>					
Average daily attendance	120	148	175	200	250
Meals served daily	140	140	175	60	60
Reassurance calls made daily	30	27	22	26	30
<b>GEMS</b>					
Number of rides	13,150	12,105	11,338	10,927	10,454
Number of subscriptions	100	145	163	157	186
Number of handicapped members	100	38	47	69	103
<b>Marina</b>					
Number of slips rented	247	247	237	237	209
Number of vessels fueled	7,350	6,475	5,776	3,831	3,994
Number of gallons dispensed	275,000	217,144	203,556	198,653	189,152
<b>Cultural Facilities</b>					
Number of dances held	200	226	237	302	271
Number of theater rentals	125	118	131	139	63

**Sources:** Various government departments

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

<b>Function/Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Schools*</b>					
Elementary	1	1	1	1	1
Junior/Senior High	2	2	2	2	2
<b>Police</b>					
Stations	1	1	1	1	1
Patrol units	20	20	20	20	20
<b>Fire</b>					
Stations	1	1	1	1	1
Fire Trucks	2	2	2	2	2
<b>Other Public Works</b>					
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
<b>Sanitation</b>					
Collection trucks	6	6	6	6	6
<b>Utilities</b>					
Water mains (miles)	67	68	68	68	68
Fire hydrants	260	265	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
<b>Parks</b>					
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
<b>Library</b>					
Catalogued items	74,500	73,665	74,100	74,100	74,438
<b>GEMS</b>					
Vehicles	3	3	3	3	3
<b>Marina</b>					
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, Florida (the “City”), as of and for the year ended September 30, 2010, and have issued our report thereon dated March 17, 2011. 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.

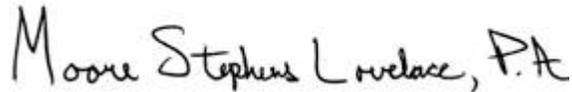
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

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

***Compliance and Other Matters***

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

This report is intended solely for the information and use of the 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 17, 2011



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

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

We have audited the basic financial statements of the City of Gulfport, Florida (the "City"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 17, 2011.

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. Disclosures in that report, which is dated March 17, 2011, should be considered in conjunction with this management letter.

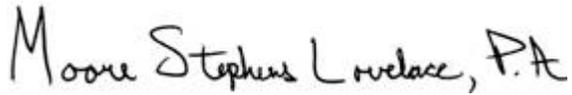
Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned 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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Those recommendations not fully completed, if any, have been included in the attached Schedule of Recommendations and Responses.
- 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 "Prior Year Comments."
- 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.

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

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the basic financial statements. The legal authority 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, 2010, 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, 2010. 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 17, 2011

# CITY OF GULFPORT

## SCHEDULE OF RECOMMENDATIONS AND RESPONSES

Fiscal Year Ended September 30, 2010

### Prior Year Comments

#### 2008-01 - Entity Risk Assessment and Monitoring

##### **Observation**

At present, the City does not have a complete document which formalizes the City's processes for performing risk assessment and monitoring internal control activities entity-wide on an ongoing basis.

##### **Current-Year Status**

The City has made progress and has documented several processes during the fiscal year. However, the issue has not been fully resolved to address all City processes.

##### **Management Response**

The City expects this to be fully implemented in fiscal year 2011.

#### 2009-01 - Review Bank Reconciliations

##### **Observation**

During our audit, we noted that bank reconciliations were not being reviewed for accuracy and completeness on a timely basis.

##### **Current-Year Status**

This issue has been fully resolved.

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