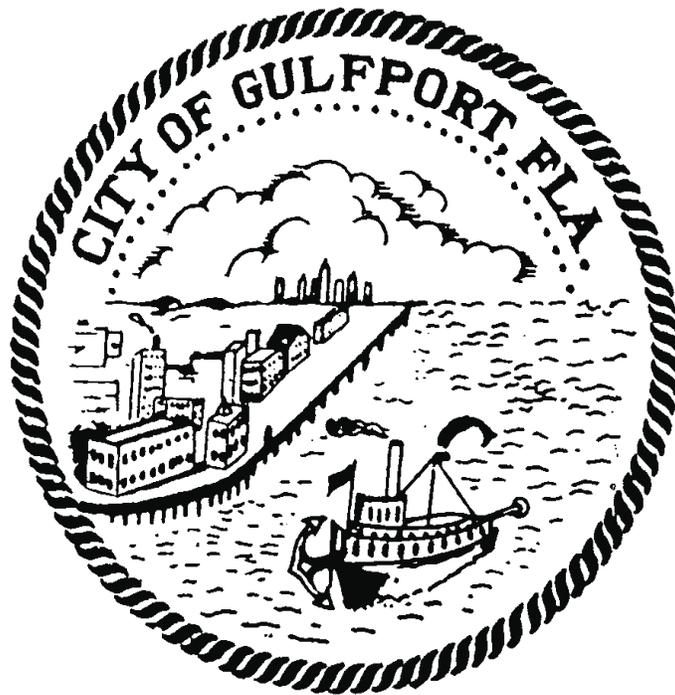


*City of Gulfport  
Florida*



*2011  
Comprehensive  
Annual Financial Report*

*Fiscal Year Ended September 30, 2011*

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Comprehensive Annual Financial Report  
of the  
City of Gulfport, Florida  
for the  
Fiscal Year Ended September 30, 2011

Michael J. Yakes, Mayor  
David C. Hastings, Vice Mayor  
Sam Henderson  
Barbara Banno  
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, 2011**

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**INTRODUCTORY SECTION**

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

**FINANCIAL SECTION**

<b>Report of Independent Certified Public Accountants</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements:</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	17
Statement of Activities	18
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	20
Reconciliation of the Balance Sheets of Governmental Funds To the Statement of Net Assets	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Assets - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Fiduciary Net Assets - Pension Trust Funds	29
Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	30
<i>Notes to Financial Statements</i>	31
<b>Required Supplementary Information:</b>	
<i>Budgetary Comparison Schedules:</i>	
General Fund	65
Waterfront Redevelopment District	67
<i>Pension Data:</i>	
<i>Employee Retirement Plans</i>	
Schedules of Employer Contributions	68
Schedules of Funding	69

*Employee Other Postemployment Benefits Plan*

Schedule of Funding Progress	70
Schedule of Employer Contributions	71

**Other Supplementary Information:**

*Budgetary Comparison Schedule:*

49 <sup>th</sup> Street Redevelopment District	75
Capital Projects Fund	76

*Nonmajor Governmental Funds:*

Combining Balance Sheet - Nonmajor Funds	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Funds	78

**STATISTICAL SECTION**

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

**COMPLIANCE SECTION**

Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	101
Independent Auditor’s Management Letter	103
Schedule of Findings	105

## **Introductory Section**

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# CITY OF GULFPORT, FLORIDA

## *Gateway to the Gulf*

DANIEL LIEDTKE, Councilmember, Ward 1  
BARBARA BANNO, Councilmember, Ward 2

MICHAEL J. YAKES, Mayor

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

March 28, 2012

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, 2011. 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, Carr, Riggs & Ingram, LLC, 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, 2011, 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 12,022 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 continued significant and prolonged downturns in the economy and the housing market continue to challenge the City's ability to generate sufficient revenue to meet actual and projected needs. Pension costs continue to rise due to stock market losses and low interest rates. The national and local economy has remained sluggish, showing slow or gradual improvements with a lengthy projected recovery. Since housing prices began to decline in late 2008 the City has lost \$286,895,526, or 28.5% of assessed taxable real estate value. Values in taxable real estate peaked at just over \$1 billion in FY 2008 and continued a steady decline the past three years to a level just over

\$718,000,000 for fiscal year end 2011. Declines in taxable value coupled with legislative or constitutional amendments limiting millage rates have led to an overall cumulative loss of \$2,835,200 in property tax revenues over the past four years when compared to collections from FY 2007. Simply stated, the City has received \$2,835,200 less in ad valorem revenue over the past four years.

The following table illustrates the decline in taxable real estate values and ad valorem property tax revenues over the past five fiscal years

	FY 07	FY 08	FY 09	FY 10	FY 11
<b>TAXABLE</b>					
<b>VALUES</b>	\$949,098,346	\$1,005,346,275	\$890,284,920	\$798,568,343	\$718,451,015
<b>AD VALOREM</b>					
<b>REVENUES</b>	\$3,556,585	\$3,256,529	\$3,009,208	\$2,699,875	\$2,425,528
<b>MILLAGE</b>					
<b>RATES</b>	3.8700	3.3487	3.4742	3.4742	3.4742

In an effort to help mitigate revenue losses stemming from the decline in the housing market and downturn in the economy the City has enacted budget cuts over the past several years. Several of the budget cuts undertaken have focused on personnel cuts and include hiring freezes, the elimination of positions, and salary or wage freezes. A total of six (6) full time equivalent employee positions or a 3.7 percent reduction to the City’s workforce of 162 full time equivalents have been eliminated as of fiscal year end 2011. In addition, the City has reduced healthcare benefits for employees and utilized stability reserves in the General Employee Pension Fund in an effort to offset increases in both health care costs and pension fund actuarial contribution amounts resulting from stock market losses and low interest rates.

Long term financial planning efforts for the City will continue to involve discussion surrounding the City’s ability to generate sufficient revenue sources to meet projected needs. Both taxes & fees will be reviewed annually along with service delivery models to determine the best approach to meeting the service needs of residents. Meeting these needs going forward will pose great challenges without strong recoveries in both the housing market and the economy in future years.

Despite downturns in the economy the City remains focused on continuing to improve both the City Waterfront District and the 49th Street Redevelopment Corridor through infrastructure improvements and collaborative efforts with merchants and residents within the districts. In the future significant resources will be necessary for repair and replacement of water and sewer lines throughout the City’s aging utility systems. The abatement of groundwater infiltration in sewer lines throughout the City is a high priority currently and going forward.

**Cash management and financial practices.** The City continues to maintain a 25% Fund Balance, (or excess General Fund balance) above a reserve fund in the General Fund ensuring financial stability and recognizing the potential for natural disasters with Gulfport being located at the gateway to the Gulf of Mexico. By policy, the City must maintain reserve funds in the General Fund in an amount equal to twenty five (25) percent of the City’s General Fund Budget previous year balance. For FY 2011 year end the reserve balance was \$4,325,835, or 41.9%. The amount of the reserve balance has been maintained for the past several fiscal years after years of decline from 2003

to 2007 when reserve funds were utilized to make up revenue shortfalls needed to balance annual budget appropriations. Starting in FY 2008 the City discontinued the practice of utilizing General Fund revenues to make up revenue shortfalls in general government operations and reinstated once again the practice or usage of PILOT (Payment in Lieu of Taxes) transfers from the City's Enterprise Funds to mitigate revenue shortfalls in the General Fund. For FY 2011 a total of \$1,122,143 in PILOT transfers were approved and appropriated from the Enterprise Funds. The following chart illustrates the amount by fund of PILOT transfers to the General Fund over the past five (5) fiscal years.

	FY 07	FY 08	FY 09	FY 10	FY 11
<b>UTILITY</b>					
<b>PILOT</b>	\$0	\$317,688	\$359,137	\$0	\$539,463
<b>SANITATION</b>					
<b>PILOT</b>	\$0	\$136,402	\$139,491	\$100,000	\$127,727
<b>MARINA</b>					
<b>PILOT</b>	\$0	\$158,622	\$287,352	\$500,000	\$454,953

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 yield consistent with those available through the bank. 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 2011, the average cash/investment pool balance (excluding pension funds) was \$5,701,624 and the earnings on investments totaled \$18,307 or an average return of .32%. Earnings on investments have been adjusted to reflect unrecognized gains and losses as a result of Government Standards Board Statement 31, which requires all investments to be valued at fair market value. The average rate of return was lower than the previous year's rate of .47%. The City expects continued low returns on investments in fiscal year 2012 as a result of the continued economic downturn and low interest rates in the fixed income market.

### **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, 2010. This was the twenty-eighth 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, 2010

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.



*Linda C. Davison*

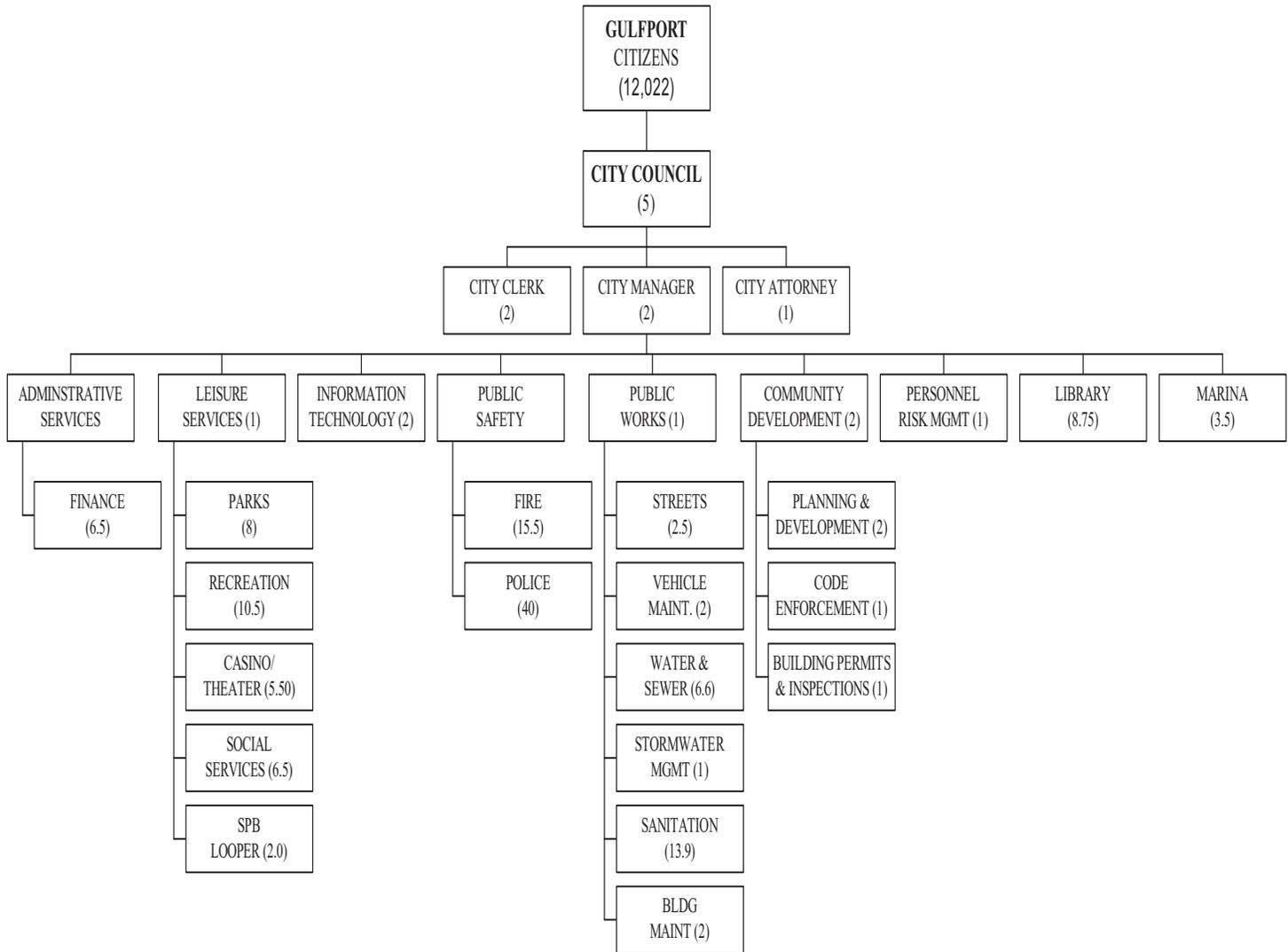
President

*Jeffrey R. Emer*

Executive Director

# ORGANIZATIONAL CHART

For Fiscal 2010/2011 the following organizational chart identifies staffing levels for each department.



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## **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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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Florida (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Florida, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, certain errors resulting in overstatement of previously reported business-type activities accumulated depreciation and understatement of net assets, beginning of the year, were discovered by management of the City during the current year. Accordingly, an adjustment has been made to net assets as of the beginning of the year to correct the error. In addition, as discussed in Note 13 to the financial statements, the governmental fund balances – beginning of the year have been restated due to implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the City of Gulfport, Florida'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 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.

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 of Gulfport, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements and schedules. 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 and statistical sections 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Certified Public Accountants  
Clearwater, Florida  
March 28, 2012

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

The City's Comprehensive Annual Financial Report (CAFR) was prepared in accordance with generally accepted accounting principles (GAAP) applicable to government entities. This Management's Discussion and Analysis report (MD&A) is required supplementary information (RSI) in accordance with GAAP and presents an overview of financial information included in the CAFR. 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 Condition Overview**

The following Key financial metrics indicate that the City remains in sound financial condition:

- *Operating results* reflects the degree to which budgets met expectations. Both actual revenues and actual expenditures were within reasonable proximity of budgeted amounts for FY 2011.
- *Liquidity* reflects the City's ability to pay current liabilities with current assets. The City maintained sufficient, prudent liquidity levels throughout FY 2011 and at year end.
- *Reserves and fund balance* reflect the provision of financial resources for future needs and contingencies. The City's reserves and fund balances provided reasonable and sufficient working capital for operations and security for contingencies throughout FY 2011 and at year end.
- *Debt levels and debt payments* reflect the impacts of the City's borrowing decisions. The City maintained a long standing position of having no outstanding debt as of September 30, 2011.
- *Trends* reflect the degree to which the above key financial metrics are changing. Conservative estimates for the pace and amount of recovery in the economy and the housing market could impact the City's ability to maintain or enhance service levels in the future.

### **Financial Highlights**

- The net assets of the City exceeded its liabilities at the close of fiscal year 2011 by \$30,723,883 (net assets). Of this amount, \$3,858,975 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental Fund revenues decreased by \$298,176 or 2.8% when compared to fiscal year 2010. Governmental Fund expenditures decreased by \$67,997 or .61% during this same period. The Excess of Revenues Over (Under) Expenditures in the Governmental Funds showed a shortage of \$932,710. This represents 8.36% of the total expenditures for the year.
- Business-type activities (the City's Enterprise Funds) operating revenues increased by \$114,435 or 1.6% and operating expenses decreased \$46,961 or .64% when compared to last year.
- The City had no long-term debt as of September 30, 2011.

## **Overview of the Financial Statements**

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

## **Government-wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

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

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

While the Business-type Activity – Enterprise column on the Business-type Fund Financial Statements is the same as the Business-type Activities column on the Government-wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources), which is reflected on the page following each statement. The flow of current financial resources will reflect inter-fund transfers and other financial sources, as well as capital expenditures. The reconciliation will eliminate these transactions and 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 and sidewalks) has 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 identifies assets by category and measures and demonstrates its maintenance of locally established levels of service standards. Under this method the government may record its cost of maintenance in lieu of depreciation. The City has elected to depreciate its infrastructure assets.

## GOVERNMENT-WIDE FINANCIAL 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 \$30,723,883.

The following table reflects the condensed Statement of Net Assets for the current year as compared to the previous year. For more detailed information, see the Statement of Net Assets.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010, as restated	2011	2010, as restated
Current and Other Assets	\$5,412,574	\$ 5,449,937	\$1,025,008	\$ 1,779,493	\$6,437,582	\$ 7,229,430
Capital Assets	12,736,483	13,039,582	13,185,782	13,588,444	25,922,265	26,628,026
<b>Total Assets</b>	<b>18,149,057</b>	<b>18,489,519</b>	<b>14,210,790</b>	<b>15,367,937</b>	<b>32,359,847</b>	<b>33,857,456</b>
Current Liabilities	482,248	728,561	610,589	629,971	1,092,837	1,358,532
Non-Current Liabilities	418,525	358,606	115,602	104,395	534,127	463,001
<b>Total Liabilities</b>	<b>909,773</b>	<b>1,087,167</b>	<b>726,191</b>	<b>734,366</b>	<b>1,635,964</b>	<b>1,821,533</b>
Net Assets:						
Investments in Capital Assets	12,736,483	13,039,582	13,185,782	13,588,444	25,922,265	26,628,026
Restricted	774,617	315,869	168,026	163,975	942,643	479,844
Unrestricted	3,728,184	4,046,901	130,791	881,152	3,858,975	4,928,053
<b>Total Net Assets</b>	<b>\$17,239,284</b>	<b>\$17,402,352</b>	<b>\$13,484,599</b>	<b>\$14,633,571</b>	<b>\$30,723,883</b>	<b>\$32,035,923</b>

A large portion of the City's net assets (84.37%) reflects its investment in capital assets (e.g., land, land improvements, buildings and equipment). The City has no debt related to these assets. The City uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending.

A small portion of the City's net assets (3.1%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,858,975) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a \$1,312,040 decrease in the City's total net assets, as compared to the previous year. Continued efforts to mitigate the shortfall of revenues and the general funds ability to generate the same

revenues as the previous year, necessitated the practice of transferring payment in lieu of taxes PILOT 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 \$791,848, as compared to the previous year.

As of September 30, 2011, the City is able to report positive balances in total net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous fiscal year.

### Changes in Net Assets

The following schedule reflects the changes in net assets for the years ended September 30, 2011 and September 30, 2010.

#### CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010, as restated	2011	2010, as restated
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 2,530,935	\$ 2,338,022	\$ 7,280,457	\$ 7,166,022	9,811,392	\$ 9,504,044
Operating Grants & Contributions	316,360	299,506			316,360	299,506
Capital Grants & Contributions	168,861	141,578	4,050	1,800	172,911	143,378
<b>General Revenues</b>						
Property Taxes	2,528,300	2,828,088			2,528,300	2,828,088
Utility Taxes & Franchise Fees	2,387,202	2,540,387			2,387,202	2,540,387
Sales and Use and Other Taxes	2,119,813	2,145,826			2,119,813	2,145,826
Impact Fees						
Investment Income	16,355	24,515	1,952	5,756	18,307	30,271
Gain (Loss) on Sale of Capital Assets						
Other General Revenues	152,262	137,649			152,262	137,649
<b>Total Revenues</b>	<b>10,220,088</b>	<b>10,455,571</b>	<b>7,286,459</b>	<b>7,173,578</b>	<b>17,506,547</b>	<b>17,629,149</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
<b>Governmental Activities</b>						
General Government	1,510,297	1,533,211			1,510,297	1,533,211
Public Safety	4,854,216	4,548,966			4,854,216	4,548,966
Leisure Services	2,756,663	3,296,543			2,756,663	3,296,543
Community Development/Redevelopment	850,180	923,838			850,180	923,838
Public Works	1,533,943	1,207,680			1,533,943	1,207,680
<b>Business-type Activities</b>						
Sanitation			1,629,234	1,740,500	1,629,234	1,740,500
Water & Sewer			4,183,768	4,219,032	4,183,768	4,219,032
Cultural Activities						
Marina			1,500,286	1,251,994	1,500,286	1,251,994
<b>Total Expenses</b>	<b>11,505,299</b>	<b>11,510,238</b>	<b>7,313,288</b>	<b>7,211,526</b>	<b>18,818,587</b>	<b>18,721,764</b>
<b>Increase (Decrease) in Net Assets</b>						
<b>before Transfers</b>	(1,285,211)	(1,054,667)	(26,829)	(37,948)	(1,312,040)	(1,092,615)
Transfers	1,122,143	(100,000)	(1,122,143)	100,000	-	-
Accounting Change	-	-	-	-	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>(163,068)</b>	<b>(1,154,667)</b>	<b>(1,148,972)</b>	<b>62,052</b>	<b>(1,312,040)</b>	<b>(1,092,615)</b>
Net assets - beginning	17,402,352	18,557,019	14,633,571	14,571,519	32,035,923	33,128,538
Net assets - ending	<u>\$17,239,284</u>	<u>\$ 17,402,352</u>	<u>\$13,484,599</u>	<u>\$14,633,571</u>	<u>\$30,723,883</u>	<u>\$32,035,923</u>

## **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. Historically staffing costs (salary and related benefits) represent 45% of the City's total expenditures, excluding transfers and 70% of the General Fund expenditures, excluding transfers.

*Salary Increases (cost of living, merit and market adjustment)* – The ability to attract and retain qualified personnel 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 increased from the prior year. This is primarily due to the inclusion of the City's Casino/Theater and Elderly Mobility System GEMS revenues within the General Fund as required under the reporting guidelines of GASB 54. Both of these programs or activities were previously reported as stand-alone Special Revenue Funds. Together these two programs contributed \$360,014 to the total revenues for the General Fund in FY 2011. Without the inclusion of these two activities as required under GASB 54 the General Fund reported a total decline in total revenue from the previous fiscal year of \$139,403 or 1.6%. Continued declines in the value of real and personal property coupled with sluggish

growth in the economy negatively impacted the general funds ability to generate the same revenues as the previous year. The City's property tax base decreased 9.7% (see Table 5 of Statistical Section) with a subsequent decrease of \$274,337 in property tax revenue when compared to the previous year. In addition, funding received from the Pinellas County Library Co-operative decreased by \$14,577 or 8%. Funding under this agreement is based upon Pinellas County millage and property values, which declined in fiscal year 2011 as the real estate market within Pinellas County continued to fall in value from previous years. Infrastructure Surtax revenues also decreased again for the third fiscal year in a row as a result of continued decline in overall consumer spending throughout FY 2011. Returns available from investments compared to previous years also remain low as the Federal Reserve continued to hold the prime rate below twenty five basis points in response to a sluggish slow to recover economy. In the fourth quarter of FY 2011 new revenue totaling \$21,384 was generated from the implementation of three Red Light Cameras within the City. Under this joint program with American Traffic Solutions, Inc. (ATS) the City contracted to install, monitor and administer all billings associated with the program. Current legislation allows for the State of Florida to receive 52% of each citation paid leaving the balance to be split between the City and ATS.

Grant revenues received for the year totaled \$485,221 representing a slight increase of \$44,137 or 10% over the previous year's receipts. Grant monies for public safety enhancement totaling \$44,690 were received from the US Department of Justice under the Community Oriented Policing Services COPS Grant. Under this program a full time patrol officer is funded on a declining reimbursement structure over the next several fiscal years. Small amounts in addition to the COPS grant were also received from the State of Florida for safety and training equipment including bullet proof vests and a new license plate recognition program. The construction of a linear park on the Tangerine Greenway continued in FY 2011 with \$46,000 in grant dollars from the Florida Recreation Assistance Development Program (FRDAP). Improvements included the construction of new bridges and the installation of lighting along previously constructed grant funded walking trails. The State of Florida Department of Transportation (FDOT) provided reimbursement or matching grant funds totaling \$73,400 for the operating costs associated with additional public transportation between neighboring communities of St. Pete Beach, South Pasadena and the City's waterfront business district. Senior Center recreational programs continued to receive grant assistance from the Florida Department of Elder Affairs. In addition, a grant totaling \$78,090 was received from the Florida Department of Elder Affairs to assist with capital improvements at the Senior Center facility including roof repair, floor replacement and the installation of a stand-by generator needed during emergency conditions.

Revenues generated from user fees or charges for services for Enterprise Fund activities within Sanitation and the Marina increased over the previous fiscal year. In total, Marina revenues increased \$85,682 or 5% compared to the previous 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. Sanitation revenues from waste pick up and recycling fees remained strong in FY 2011 due to ordinance provisions that call for fixed monthly charges to homeowners and business property owners regardless of occupancy. Recycling sales revenues within the Sanitation fund continued to increase as the market for recyclables opened up more than last year. Overall recycling sales rose by \$9,497 or 34% over previous year amounts. Both water and sewer user fees remained stable with collections equaling amounts from FY 2010. The large number of vacant homes resulting from the housing crisis and prolonged downturn in the economy as well as unemployment continued to impact water sales to both residential and commercial customers in FY 2011. See Table 14 within the Statistical Section of the CAFR where water volume sales are detailed over the past ten years. Sales volumes began to decline with the downturn in the housing market and subsequent economical decline beginning in 2008.

### Expenses

Total governmental expenditures, excluding transfers, decreased by \$67,997 or .61%. There were no reductions to key services provided to the City of Gulfport citizens for fiscal year 2011. The City Manager imposed a hiring freeze that began in FY 2010 remained in place for FY 2011. In addition,

salary and benefit savings were realized through the elimination of several full time positions within the City in FY 2011 including:

- Leisure Services Director
- Administrative Assistant (Leisure Services)
- Building Inspector
- Fire Captain
- Permit Technician

Only Fire Department collective bargaining unit employees that belong to the International Association of Firefighters IAFF union received any wage increase during FY 2011. FY 2011 was the third and final year of a three year collective bargaining agreement between the City and the Firefighters union and allowed for both cost of living (COLA) and merit raises for all members. Police Department collective bargaining unit employees negotiated a three year agreement with the City under the membership of the Police Benevolent Association or PBA that provided take home vehicles for the first time to officers, but provided no wage increase for the first year of the contract in FY 2011. No cost of living (COLA) adjustments or merit raises were provided for the City's general employee personnel and management. Savings totaling \$18,904 were realized in employee health care coverage costs after the City joined the Public Risk Management PRM insurance pool. Under this pool, the City has combined its 120 full time employee base that receives health care benefits to the over 4500 participant pool of members within PRM to maximize costs related to health care coverage. In an effort to mitigate rising employer or City required pension contributions in the General Employee Pension Plan resulting from market declines the City utilized previous year excess funding amounts or stability reserves totaling \$152,117 to meet annual contribution requirements.

Despite wholesale water and sewer fee increases on potable water and sewer treatment from the City of St. Petersburg overall expenditures in the Business-type or Enterprise Funds decreased by \$46,961 or .64%. Rates for water and sewer are subject to annual review and adjustment under the current wholesale agreement and were increased 6.7% and 3.6% respectively. Drier than normal weather conditions throughout FY 2011 coupled with recent repairs to sewer lines that in the past have had significant infiltration problems both helped alleviate measurable volumes of wastewater subject to billing from the City of St. Petersburg. In addition, Personnel and operating savings were realized in both the Sanitation and Utility Departments in part due to employee turnover and fleet repair savings. Premium decreases in employee health care coverage also contributed to the overall decrease in Business-type fund expenditures as employees in these funds participate in the same health care plan as Governmental Fund employees. The Marina fund operating expenses totaled \$238,665 or 19% more than the previous year expenditures in large part as a result of increases in the wholesale cost of premium gasoline and diesel sold at the marina.

## **THE CITY FUNDS**

### Governmental Funds

As of the year-end September 30, 2011, the Governmental Funds (as presented on the balance sheet) reported a combined fund balance of \$5.082 million, which is a 3.9% increase when compared to the previous year (\$4.892 million). The Non-major Governmental Funds had \$495,659 excess of revenues over expenditures for FY 2011, while the General Fund and the Waterfront Redevelopment District Fund finished FY 2011 with net decreases to fund balance.

The Governmental Accounting Standards Board ("GASB") issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB-54"). One objective of this standard was to improve, including the understandability, the usefulness of fund balance information by providing clear classifications. GASB-54 abandoned the reserved, unreserved, and designated classifications of fund balance and replaced them with five classifications: nonspendable, restricted, committed, assigned, and

unassigned. The requirements of this statement are effective for the City of Gulfport's financial statements for the fiscal year ending September 30, 2011. In the General Fund a total fund balance of \$4,325,835 exists at year end 2011. Out of this total fund balance \$4,277,803 is unassigned, \$9,548 is committed for an existing phone lease and \$38,484 is designated nonspendable as it related to inventories and prepaid items. The FY 2011 unassigned fund balance of \$4,277,803 is available for unforeseen emergencies and is considered necessary for the City, which is very vulnerable during hurricane season, to maintain a high enough reserve to perform City operations in the event of a natural disaster.

The Waterfront Redevelopment District Fund includes financial activity related to the final year of a three year joint effort with the Pinellas County Suncoast Transit Authority (PSTA) to run a loop trolley route between St. Pete Beach and the City of Gulfport under the provisions of a grant from the Florida Department of Transportation (FDOT). Expenditures stemming from the matching grant requirements of this program led to a decline of \$67,447 or 57% of the Waterfront Redevelopment District fund balances.

The fund balance of the Non-major Governmental Funds increased during FY 2011 to a balance of \$704,653. This group of funds is made up of the Capital Projects Fund, 49<sup>th</sup> Street Redevelopment Fund and the Library Fund. Due in large part to excess revenues over expenditures within the Capital Projects Fund an additional \$525,659 increase to fund balance was realized for FY 2011 in the Non-major Governmental Funds. The Library Fund balance consists of unspent public bequeaths from 2007.

### Business-type Funds

Within the Enterprise Funds, which include the City's Sanitation, Water, Sewer and Stormwater Fund, and Marina Fund, both the Marina and Sanitation showed a positive income before capital contributions and transfers. The total net assets are \$13,484,599, which is \$1,148,972 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 \$172,187, which is \$140,829 larger than the operating income the fund had in 2010. During fiscal year 2011 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, Sewer and Stormwater Fund had an operating loss of \$354,504 in fiscal year 2011, as compared to a \$528,054 operating loss in the previous year. Overall stormwater revenues decreased by \$70,756 or 23% as a result of large write offs in previously billed stormwater amounts to the Pinellas County School Board. The School Board was successful in gaining court approved exemption from stormwater fees in FY 2011 under the provisions of legal action with the City of Clearwater. City of Gulfport Administration felt as if claims against the School Board for past due unpaid stormwater would now be uncollectable as a result of court decisions in the case of the City of Clearwater. Depreciation expense for the Utility fund decreased \$124,872 or 17.5% over the previous year as minimal capital improvements and replacement of utility infrastructure work was completed during fiscal year 2011. Starting in FY 2011 and continuing today the City began identifying funding method alternatives for future infrastructure replacement.

The Marina Fund showed an operating income of \$149,941 in this fiscal year, as compared to \$302,924 the previous year. Total revenues for the Marina Fund operations were hindered by significant negative revenue adjustments which were made in FY 2011 to outstanding slip rental receivables after court ordered bankruptcy settlements. A total of \$25,022 in receivables was written off for Marina Fund operations in FY 2011. Continued profitability in the Marina fund is attributable to higher than expected fuel sales for the year; the addition of a dry slip storage area in 2010 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 \$454,953 or 27.5%.

## **Budgetary Highlights – General Fund**

Expenditures for the General Fund final budget increased by \$130,382 or 1.3% over the amount originally budgeted for fiscal year 2011. The increased expenditures are primarily funded through an increase in the amount being drawn from prior-year reserves and \$57,425 of grant funds received from the Community Oriented Police Services COPS program. Key elements of this increase were as follows:

- Reallocation of the remaining two years of lease payments or \$36,843 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 \$14,000 in previous year budgeted expenditures to provide fireworks display at the City's centennial celebration in October 2010.
- Re-appropriation of \$6,082 of previous year budgeted expenditures associated with the Federal Emergency Management Association Flood Plain Engineering Study.
- Re-appropriation of \$16,031 of previous year budgeted expenditures for unleaded and diesel purchases used in City fleet operations.

Total actual revenues for the General Fund for fiscal year 2011 were \$290,962 or 3.3% less than final budgeted revenues. Contributing to this deficit of actual revenues versus final budgeted revenues include: \$192,926 deficit sales tax, utility and franchise taxes and fees due to continued downturns in local and national economy; \$38,845 deficit of investment earnings versus budgeted due to market conditions; along with \$31,883 deficit of building permits versus budgeted resulting from decline in real estate market and home sales. Revenues from fines relating to red light camera violations fell short of budgeted revenues by \$125,935 or 52% in part because of the legislative changes allowing for the State of Florida to collect the first \$83 of every \$158 fine. Revenues that came in over budgeted amounts for FY 2011 include: property tax collections of \$21,211; intergovernmental revenues \$15,210 in excess of budget received from first responder emergency medical services contract with Pinellas County; cell tower rental revenues of \$10,463 in excess of budgeted revenues and library contributions of \$19,837 over budgeted amount for FY 2011.

Actual fiscal year 2011 expenditures for the General Fund were less than final budgeted expenditures by \$213,492 or 2.2%. Savings were realized across all City departments for fiscal year 2011 with the exception of Police and Fire. The largest savings for 2011 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. Costs for public safety activities were impacted primarily by personal services costs including overtime and benefit buy outs generated from retirements during the year. The cost of paying employees for accumulated sick and vacation accruals at the time of retirement are not budgeted as the majority of these costs can be absorbed through lower cost replacements in the positions. Within the Fire Department overtime costs increased substantially as the City was required to maintain staffing of four personnel twenty four hours a day on the fire apparatus under more stringent requirements of the ISO rating agency. Slight overage in the actual costs of Public Works functions above budgeted amounts totaling \$4,909 or .3% were realized in FY 2011 due to unforeseen rises in the cost of fuel during the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2011, the City had \$25,922,265 invested in a variety of capital assets, as compared to \$26,628,026 as of September 30, 2010, as restated. This represents a net decrease of \$705,761 or 2.65% from the end of last year.

	<b>Capital Assets As of September 30th</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<b>2011</b>	<b>2010</b>	<b>2010,</b>		<b>2011</b>	<b>2010,</b>
			<b>as restated</b>		<b>as restated</b>	
Land	\$ 592,072	\$ 592,072	\$ 20,000	\$ 20,000	\$ 612,072	\$ 612,072
Buildings	10,315,295	10,222,177	737,905	737,905	11,053,200	10,960,082
Improvements other than Bldg.	12,145,163	11,709,491	21,223,825	21,050,654	33,368,988	32,760,145
Equipment	3,351,228	3,655,088	2,588,108	2,498,409	5,939,336	6,153,497
Software	328,154	-	49,410	-	377,564	-
Total Cost of Assets	<u>26,731,912</u>	<u>26,178,828</u>	<u>24,619,248</u>	<u>24,306,968</u>	<u>51,351,160</u>	<u>50,485,796</u>
Less: Accumulated Depreciation	(13,995,429)	(13,217,174)	(11,599,503)	(10,872,973)	(25,594,932)	(24,090,147)
Construction in Progress	-	77,928	166,037	154,449	166,037	232,377
Total	<u>\$ 12,736,483</u>	<u>\$ 13,039,582</u>	<u>\$ 13,185,782</u>	<u>\$ 13,588,444</u>	<u>\$ 25,922,265</u>	<u>\$ 26,628,026</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, as restated	\$ 13,039,582	\$ 13,588,444	\$ 26,628,026
Additions	475,156	323,868	799,024
Depreciation	<u>(778,255)</u>	<u>(726,530)</u>	<u>(1,504,785)</u>
Ending Balance	<u>\$ 12,736,483</u>	<u>\$ 13,185,782</u>	<u>\$ 25,922,265</u>

The actual cost of capital asset retirements for the Governmental and Business-type Activities was \$189,980 and \$198,998, respectively.

### Debt Outstanding

The City, with the exception of accrued compensated balances, does not have any outstanding debt as of September 30, 2011.

## ECONOMIC FACTORS AND YEAR 2012 BUDGETS AND RATES

The continued declines in revenue collections from property taxes, stagnant growth in the economy and historically high unemployment as was the case for the last two budget years persists as the main factors or considerations in preparing the City of Gulfport's budget for fiscal year 2012. 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.) to fund 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 2012 budget. The budget development process for FY 2012 was focused on the City's ability to fund present and future levels of General Fund operations and services.

Key Factors considered in preparing the City of Gulfport's budget for fiscal year 2012 include:

- FY 2012 property tax revenues were increased 4.7%, or \$110,843 with the adoption of 4.0000 mills which represent a 4.7% increase over the rolled back rate of 3.8176.
- Utility (Water & Sewer) PILOT fund transfers to the General Fund in the amount of \$546,715 to offset diminished recurring revenues.
- Marina PILOT fund transfers to the General Fund in the amount of \$375,000.
- Sanitation PILOT fund transfers to the General Fund in the amount of \$350,000.
- Utilize the General Employee Defined Benefit Pension Plan stabilization fund balance in the amount of \$300,000 to mitigate increases in pension contributions predicated by market performance.
- A reduction of \$383,435 or 4.3% to personnel costs City-wide for all funds and activities
- Salary freezes for all employees.
- A \$240,504 or 3% increase to operating costs City-wide for all funds and activities.
- Increase of \$6,702 or 1% in total employee health insurance costs City-wide.
- Reduction of Red Light Camera program revenues of \$100,000 based on collection data available.
- Increase to customer water and sewer rates of 10% with continued compliance in terms of wholesale agreement with the City of St. Petersburg.
- Increase to customer garbage and recycling rates of 12.5% in effort to maintain level of PILOT fund transfer to the General Fund.

#### **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, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,447,684	\$ 230,753	\$ 4,678,437
Investments	124,021	11,794	135,815
Restricted Cash and Investments	-	363,012	363,012
Receivables (net)	252,311	738,215	990,526
Due from Other Governments	87,053	-	87,053
Internal Balances	415,289	(415,289)	-
Inventories	23,492	95,523	119,015
Prepaid Items	14,992	1,000	15,992
Pension Asset	47,732	-	47,732
Capital Assets:			
Capital Assets not Being Depreciated	592,072	186,037	778,109
Capital Assets Being Depreciated and Amortized (Net)	<u>12,144,411</u>	<u>12,999,745</u>	<u>25,144,156</u>
Total Capital Assets	<u>12,736,483</u>	<u>13,185,782</u>	<u>25,922,265</u>
<b>Total Assets</b>	<u>18,149,057</u>	<u>14,210,790</u>	<u>32,359,847</u>
<b>LIABILITIES</b>			
Accounts Payable	123,466	274,098	397,564
Liabilities Payable from Restricted Assets	-	194,986	194,986
Accrued Liabilities	99,149	23,865	123,014
Due to Other Governments	9,023	75,635	84,658
Deposits	32,752	-	32,752
Long-term Liabilities:			
Due Within One Year	226,858	42,005	268,863
Due in More Than One Year	<u>418,525</u>	<u>115,602</u>	<u>534,127</u>
<b>Total Liabilities</b>	<u>909,773</u>	<u>726,191</u>	<u>1,635,964</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	12,736,483	13,185,782	25,922,265
Restricted			
Sewer Projects	-	168,026	168,026
Capital Projects	688,133	-	688,133
Library Projects	86,484	-	86,484
Unrestricted	<u>3,728,184</u>	<u>130,791</u>	<u>3,858,975</u>
<b>Total Net Assets</b>	<u>\$ 17,239,284</u>	<u>\$ 13,484,599</u>	<u>\$ 30,723,883</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, 2011

<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	\$ 1,510,297	\$ 775,326	\$ -	\$ -
Public Safety	4,854,216	879,322	27,438	44,690
Leisure Services	2,756,663	544,316	288,922	78,090
Community Development/Redevelopment	850,180	-	-	46,081
Public Works	1,533,943	331,971	-	-
<b>Total Governmental Activities</b>	<u>11,505,299</u>	<u>2,530,935</u>	<u>316,360</u>	<u>168,861</u>
Business-type Activities:				
Sanitation	1,629,234	1,801,421	-	-
Water and Sewer	4,183,768	3,828,980	-	4,050
Marina	1,500,286	1,650,056	-	-
<b>Total Business-type Activities</b>	<u>7,313,288</u>	<u>7,280,457</u>	<u>-</u>	<u>4,050</u>
<b>Total</b>	<u>\$ 18,818,587</u>	<u>\$ 9,811,392</u>	<u>\$ 316,360</u>	<u>\$ 172,911</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, Restated

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 Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (734,971)	\$ -	\$ (734,971)
(3,902,766)	-	(3,902,766)
(1,845,335)	-	(1,845,335)
(804,099)	-	(804,099)
(1,201,972)	-	(1,201,972)
<u>(8,489,143)</u>	<u>-</u>	<u>(8,489,143)</u>
-	172,187	172,187
-	(350,738)	(350,738)
-	149,770	149,770
-	<u>(28,781)</u>	<u>(28,781)</u>
<u>(8,489,143)</u>	<u>(28,781)</u>	<u>(8,517,924)</u>
2,528,300	-	2,528,300
624,111	-	624,111
917,000	-	917,000
1,603,472	-	1,603,472
162,730	-	162,730
351,205	-	351,205
64,767	-	64,767
783,730	-	783,730
16,355	1,952	18,307
152,262	-	152,262
<u>1,122,143</u>	<u>(1,122,143)</u>	<u>-</u>
<u>8,326,075</u>	<u>(1,120,191)</u>	<u>7,205,884</u>
(163,068)	(1,148,972)	(1,312,040)
<u>17,402,352</u>	<u>14,633,571</u>	<u>32,035,923</u>
<u>\$ 17,239,284</u>	<u>\$ 13,484,599</u>	<u>\$ 30,723,883</u>

**CITY OF GULFPORT, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2011

	<b>General</b>	<b>Waterfront Redevelopment District</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,653,847	\$ 35,658	\$ 758,179	\$ 4,447,684
Investments	124,021	-	-	124,021
Accounts Receivable (net)	213,858	38,453	-	252,311
Due from Other Funds	463,252	-	-	463,252
Due from Other Governments	87,053	-	-	87,053
Prepaid Items	14,992	-	-	14,992
Inventories	23,492	-	-	23,492
<b>Total Assets</b>	<b>\$ 4,580,515</b>	<b>\$ 74,111</b>	<b>\$ 758,179</b>	<b>\$ 5,412,805</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
Liabilities:				
Accounts Payable	\$ 115,725	\$ 2,986	\$ 4,755	\$ 123,466
Accrued Liabilities	97,180	1,161	808	99,149
Due to Other Funds	-	-	47,963	47,963
Due to Other Governments	9,023	-	-	9,023
Deposits Payable	32,752	-	-	32,752
Deferred Revenue	-	18,555	-	18,555
<b>Total Liabilities</b>	<b>254,680</b>	<b>22,702</b>	<b>53,526</b>	<b>330,908</b>
Fund Balances (Deficit):				
Nonspendable for Inventories and Prepaid Items	38,484			38,484
Restricted for Waterfront Redevelopment	-	13,964	-	13,964
Restricted for Library	-	-	86,484	86,484
Restricted for Infrastructure	-	-	657,827	657,827
Committed for Phone Lease	9,548	-	-	9,548
Assigned for Waterfront Redevelopment	-	37,445	-	37,445
Unassigned	4,277,803	-	(39,658)	4,238,145
<b>Total Fund Balances (Deficit)</b>	<b>4,325,835</b>	<b>51,409</b>	<b>704,653</b>	<b>5,081,897</b>
<b>Total Liabilities and Fund Balances (Deficit)</b>	<b>\$ 4,580,515</b>	<b>\$ 74,111</b>	<b>\$ 758,179</b>	<b>\$ 5,412,805</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, 2011

**Total fund balances of governmental funds** \$ 5,081,897

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 \$26,731,912, and the accumulated depreciation and amortization is \$13,995,429. 12,736,483

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	(96,552)	
Compensated absences	(548,831)	
		(645,383)

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. 47,732

Deferred revenue from federal and state grants recognized as revenue of the current period 18,555

**Total net assets of governmental activities** \$ 17,239,284

*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, 2011

	<b>General</b>	<b>Waterfront Redevelopment District</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 4,161,921	\$ 176,801	\$ 917,000	\$ 5,255,722
Permits and Fees	907,627	-	-	907,627
Intergovernmental Revenues	1,659,217	73,401	124,171	1,856,789
Charges for Services	1,559,097	15,419	-	1,574,516
Fines and Forfeitures	274,675	-	-	274,675
Investment Income	16,355	-	-	16,355
Miscellaneous Revenues	324,173	8,092	1,603	333,868
<b>Total Revenues</b>	<u>8,903,065</u>	<u>273,713</u>	<u>1,042,774</u>	<u>10,219,552</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,331,030	-	-	1,331,030
Public Safety	4,744,719	-	-	4,744,719
Leisure Services	2,423,643	210,920	15,113	2,649,676
Community Development/ Redevelopment	389,699	155,240	66,765	611,704
Public Works	1,349,896	-	-	1,349,896
Capital Outlay	-	-	465,237	465,237
<b>Total Expenditures</b>	<u>10,238,987</u>	<u>366,160</u>	<u>547,115</u>	<u>11,152,262</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,335,922)</u>	<u>(92,447)</u>	<u>495,659</u>	<u>(932,710)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers In	1,122,143	25,000	30,000	1,177,143
Transfers (Out)	(55,000)	-	-	(55,000)
<b>Total Other Financing Sources and (Uses)</b>	<u>1,067,143</u>	<u>25,000</u>	<u>30,000</u>	<u>1,122,143</u>
<b>Net Change in Fund Balances</b>	(268,779)	(67,447)	525,659	189,433
<b>Fund Balances - Beginning, Restated</b>	<u>4,594,614</u>	<u>118,856</u>	<u>178,994</u>	<u>4,892,464</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,325,835</u>	<u>\$ 51,409</u>	<u>\$ 704,653</u>	<u>\$ 5,081,897</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, 2011

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

Net change in fund balances - total governmental funds	\$	189,433
<p>Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated and amortized over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization (\$890,307) exceeds capital purchases (\$587,208).</p>		
		(303,099)
<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	(13,429)	
Other postemployment benefits	(35,407)	
Pension asset	<u>(1,102)</u>	
		(49,938)
<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>536</u>
Change in net assets of governmental activities	\$	<u>(163,068)</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, 2011

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water And</b>			<b>Total</b>
	<b>Sanitation</b>	<b>Sewer</b>	<b>Marina</b>	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 208,529	\$ 4,728	\$ 17,496	\$ 230,753
Investments	5,354	4,911	1,529	11,794
Restricted Assets:				
Cash Held for Customer Deposits	-	135,053	59,933	194,986
Cash Held for Sewer Impact Fees	-	168,026	-	168,026
Accounts Receivable (net)	201,617	462,938	73,660	738,215
Inventories	-	49,123	46,400	95,523
Prepaid Items	-	-	1,000	1,000
<b>Total Current Assets</b>	<u>415,500</u>	<u>824,779</u>	<u>200,018</u>	<u>1,440,297</u>
Noncurrent Assets:				
Capital Assets:				
Land	-	-	20,000	20,000
Buildings	230,746	411,965	95,194	737,905
Infrastructure and Improvements	295,053	16,714,107	4,214,665	21,223,825
Equipment and Machinery	1,797,816	735,879	54,413	2,588,108
Software	12,167	36,274	969	49,410
Construction in Progress	-	109,481	56,556	166,037
Less: Accumulated Depreciation and Amortization	<u>(1,247,121)</u>	<u>(7,982,619)</u>	<u>(2,369,763)</u>	<u>(11,599,503)</u>
Total Capital Assets (Net)	<u>1,088,661</u>	<u>10,025,087</u>	<u>2,072,034</u>	<u>13,185,782</u>
<b>Total Noncurrent Assets</b>	<u>1,088,661</u>	<u>10,025,087</u>	<u>2,072,034</u>	<u>13,185,782</u>
<b>Total Assets</b>	<u>1,504,161</u>	<u>10,849,866</u>	<u>2,272,052</u>	<u>14,626,079</u>

*Continued*

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF NET ASSETS - Continued  
PROPRIETARY FUNDS  
September 30, 2011

	<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	\$ 4,061	\$ 260,887	\$ 9,150	\$ 274,098
Accrued Liabilities	18,371	3,043	2,451	23,865
Due to Other Funds	-	263,294	151,995	415,289
Due to Other Governments	-	70,593	5,042	75,635
Liabilities Payable from Restricted Assets - Deposits	-	135,053	59,933	194,986
Compensated Absences Payable	17,504	18,507	5,994	42,005
<b>Total Current Liabilities</b>	<u>39,936</u>	<u>751,377</u>	<u>234,565</u>	<u>1,025,878</u>
Noncurrent Liabilities:				
Other Postemployment Benefits	11,249	7,499	1,875	20,623
Compensated Absences Payable	39,336	39,393	16,250	94,979
<b>Total Noncurrent Liabilities</b>	<u>50,585</u>	<u>46,892</u>	<u>18,125</u>	<u>115,602</u>
<b>Total Liabilities</b>	<u>90,521</u>	<u>798,269</u>	<u>252,690</u>	<u>1,141,480</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	1,088,661	10,025,087	2,072,034	13,185,782
Restricted for Sewer Projects	-	168,026	-	168,026
Unrestricted	324,979	(141,516)	(52,672)	130,791
<b>Total Net Assets</b>	<u>\$ 1,413,640</u>	<u>\$ 10,051,597</u>	<u>\$ 2,019,362</u>	<u>\$ 13,484,599</u>

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

**CITY OF GULFPORT, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For The Year Ended September 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water And</b>			<b>Total</b>
	<b>Sanitation</b>	<b>Sewer</b>	<b>Marina</b>	
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,791,663	\$ 3,828,980	\$ 1,649,072	\$ 7,269,715
Miscellaneous Revenues	9,758	-	984	10,742
<b>Total Operating Revenues</b>	<u>1,801,421</u>	<u>3,828,980</u>	<u>1,650,056</u>	<u>7,280,457</u>
<b>Operating Expenses:</b>				
Personal Services	658,477	526,824	170,188	1,355,489
Contracted Services	353,547	2,489,167	3,502	2,846,216
Supplies and Materials	103,186	79,025	813,601	995,812
Repairs and Maintenance	190,204	49,467	18,244	257,915
Administrative Overhead	178,487	404,396	165,294	748,177
Other Services and Charges	23,778	44,969	114,949	183,696
Depreciation	121,555	589,636	214,337	925,528
<b>Total Operating Expenses</b>	<u>1,629,234</u>	<u>4,183,484</u>	<u>1,500,115</u>	<u>7,312,833</u>
<b>Operating Income (Loss)</b>	<u>172,187</u>	<u>(354,504)</u>	<u>149,941</u>	<u>(32,376)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment Income	949	826	177	1,952
Interest Expense	-	(284)	(171)	(455)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>949</u>	<u>542</u>	<u>6</u>	<u>1,497</u>
<b>Income (Loss) Before Contributions and Transfers</b>	173,136	(353,962)	149,947	(30,879)
Capital Contributions	-	4,050	-	4,050
Transfers (Out)	(127,727)	(539,463)	(454,953)	(1,122,143)
<b>Change in Net Assets</b>	45,409	(889,375)	(305,006)	(1,148,972)
<b>Total Net Assets - Beginning, Restated</b>	<u>1,368,231</u>	<u>10,940,972</u>	<u>2,324,368</u>	<u>14,633,571</u>
<b>Total Net Assets - Ending</b>	<u>\$ 1,413,640</u>	<u>\$ 10,051,597</u>	<u>\$ 2,019,362</u>	<u>\$ 13,484,599</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, 2011

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water And</b>			<b>Total</b>
	<b>Sanitation</b>	<b>Sewer</b>	<b>Marina</b>	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 1,814,854	\$ 3,874,133	\$ 1,731,996	\$ 7,420,983
Payments to Suppliers	(868,432)	(3,022,927)	(1,048,442)	(4,939,801)
Payments to Employees	(670,645)	(539,061)	(173,015)	(1,382,721)
<b>Net Cash Provided by Operating Activities</b>	<u>275,777</u>	<u>312,145</u>	<u>510,539</u>	<u>1,098,461</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers (to) Other Funds	(127,727)	(539,463)	(454,953)	(1,122,143)
Due to Other Funds	-	263,294	-	263,294
<b>Net Cash (Used) In Noncapital Financing Activities</b>	<u>(127,727)</u>	<u>(276,169)</u>	<u>(454,953)</u>	<u>(858,849)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition/Construction of Capital Assets	(261,078)	(194,713)	(56,792)	(512,583)
Capital Contributions	-	4,050	-	4,050
Payable interest payments	-	(284)	(171)	(455)
<b>Net Cash (Used) In Capital and Related Financing Activities</b>	<u>(261,078)</u>	<u>(190,947)</u>	<u>(56,963)</u>	<u>(508,988)</u>
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sale and Maturity of Investments	1,937	859	348	3,144
Income Received from Investments	949	826	177	1,952
<b>Net Cash Provided In Investing Activities</b>	<u>2,886</u>	<u>1,685</u>	<u>525</u>	<u>5,096</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(110,142)	(153,286)	(852)	(264,280)
Cash and Cash Equivalents at Beginning of Year	<u>318,671</u>	<u>461,093</u>	<u>78,281</u>	<u>858,045</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 208,529</u>	<u>\$ 307,807</u>	<u>\$ 77,429</u>	<u>\$ 593,765</u>

*Continued*

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF CASH FLOWS - Continued  
PROPRIETARY FUNDS  
For The Year Ended September 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water And</b>			
	<b>Sanitation</b>	<b>Sewer</b>	<b>Marina</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ 172,187	\$ (354,504)	\$ 149,941	\$ (32,376)
Depreciation	121,555	589,636	214,337	925,528
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	9,172	36,689	120,988	166,849
(Increase) Decrease in Due from Other Governments	6,208	-	-	6,208
(Increase) Decrease in Prepaid Items	673	10,639	552	11,864
(Increase) Decrease in Inventories	-	(2,708)	41,554	38,846
Increase (Decrease) in Accounts Payable	(21,850)	40,617	1,220	19,987
Increase (Decrease) in Due to Other Governments	-	(4,464)	(1,200)	(5,664)
Increase (Decrease) in OPEB	4,125	2,750	688	7,563
Increase (Decrease) in Accrued Liabilities	(17,145)	(12,647)	(4,416)	(34,208)
Increase (Decrease) in Compensated Absences	852	(2,340)	901	(587)
Increase (Decrease) in Customer Deposits	-	8,477	(14,026)	(5,549)
<b>Total Adjustments</b>	<u>103,590</u>	<u>666,649</u>	<u>360,598</u>	<u>1,130,837</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 275,777</u>	<u>\$ 312,145</u>	<u>\$ 510,539</u>	<u>\$ 1,098,461</u>

There were no noncash transactions.

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

**CITY OF GULFPORT, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION TRUST FUNDS**  
September 30, 2011

**ASSETS**

Contribution Receivable	\$ 112,566
Interest Receivable	91,154
Due From Government	<u>108,244</u>
	<u>311,964</u>

Investments, at Fair Value:

Money Market Funds	267,933
Asset-Backed Securities	1,131,392
Real Estate	67,825
Equity Mutual Funds	8,323,668
Fixed Income Mutual Funds	<u>7,429,396</u>
Total Investments	17,220,214

<b>Total Assets</b>	<u>17,532,178</u>
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**LIABILITIES**

Accounts Payable	<u>52,846</u>
<b>Total Liabilities</b>	<u>52,846</u>

**Net Assets Held in Trust  
for Pension Benefits**

\$ 17,479,332

*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, 2011

**ADDITIONS**

Employer Contributions	\$ 889,213
Employee Contributions	<u>270,337</u>
<b>Total Contributions</b>	<u>1,159,550</u>
Investment (Loss)	<u>(124,330)</u>
<b>Total Contributions and Investment (Loss)</b>	<u>1,035,220</u>

**DEDUCTIONS**

Benefits	930,252
Administrative Expense	<u>226,521</u>
<b>Total Deductions</b>	<u>1,156,773</u>

<b>Change in Net Assets</b>	(121,553)
<b>Net Assets - Beginning of Year</b>	<u>17,600,885</u>
<b>Net Assets - End of Year</b>	<u>\$ 17,479,332</u>

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

# **CITY OF GULFPORT, FLORIDA**

## **NOTES TO FINANCIAL STATEMENTS**

**Year Ended September 30, 2011**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. REPORTING ENTITY**

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

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

#### **Blended Component Units**

The City has included the Gulfport Community Redevelopment Agency (“CRA”) in these financial statements. The City Council is the governing body of this agency, which was approved by the Board of County Commissioners of Pinellas County under Chapter 163, Florida Statutes, to act as the redevelopment agency for the Gulfport Community Redevelopment Districts. There are two separate and distinct redevelopment districts in the City, which are referred to as the “Waterfront” and “49th Street” Redevelopment Districts. The operations of these two redevelopment districts are reported as special revenue funds. The Waterfront Redevelopment District is presented as a major special revenue fund and its substantial restricted revenue stream comes from incremental property taxes and grants.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

### 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. 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 and Waterfront Redevelopment District as major funds. In addition, all three of the City's Enterprise Funds are major funds. The City has reported the 49<sup>th</sup> Street Redevelopment District, Library Fund, and Capital Projects 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, 2011

### 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 accounted for in another fund.
- b) **Special Revenue Funds** - These funds are used to account for and report the proceeds of specific revenue sources (other than debt service or major capital projects) that are legally restricted or committed to expenditures for specified purposes. The City has three special revenue funds consisting of the Waterfront and 49<sup>th</sup> Street Redevelopment Districts discussed previously 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 used to account for and report financial resources restricted, committed, or assigned to expenditure 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 is used to account for refuse collection activities. The Water and Sewer Fund is used to account for water and wastewater sales and services. The Marina Fund is used to account for activities related to the operations of the City's marina.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

### 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, 2011

### 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 and Florida Surplus Asset Fund Trust (SAFE) are 2a7-like pools carried at amortized cost, which approximates market.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

### 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, these pools operate 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, 2011 is .7568386 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 2011 and are uncollected as of September 30, 2011, 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, 2011, 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, 2011

### 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 or estimated historical cost, if purchased, and fair market value, if contributed or donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred and are not capitalized. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives: buildings 20-50 years; improvements other than buildings, including infrastructure assets, 5-70 years; and equipment 3-20 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.

##### **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.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

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

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

##### Net Assets *(Continued)*

- **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." Designations of net assets made by the City's management are included in this component because these types of constraints are internal and management can remove or modify them.

##### Fund Balance

In accordance with GASB Statement No. 54, the City classified governmental fund balances as follows:

- **Nonspendable Fund Balance** – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City's highest level of decision-making authority, which is an ordinance. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.
- **Assigned Fund Balance** – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Commissioners or (b) a body or official to which the City Commissioners have delegated the authority to assign amounts to be used for specific purposes. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's budget.
- **Unassigned Fund Balance** – Unassigned fund balance is the residual classification for the General Fund.

The City Council can establish, modify or rescind committed fund balance through the formal approval of an ordinance. The City Manager has the official authority to assign fund balance in accordance with the City's Comprehensive Fund Balance Policy.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

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

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

##### **Fund Balance *(Continued)***

The City intends that restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that would prohibit doing this, such as grant agreements with dollar-for-dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### **Minimum Fund Balance Policy**

It is the goal of the City to achieve and maintain an unassigned General Fund balance equal to 25% of the City's General Fund Budget previous year balance. The reserves can only be used for an emergency as authorized in section 310 and 311 of the City Charter. If during any year, money is appropriated out of the unassigned fund and is spent in an amount that results in the unassigned funds being depleted below the required twenty five (25) percent budget minimum, then the City Council shall in subsequent years add to the unassigned funds the lesser of a total of two hundred fifty thousand dollars (\$250,000) per year or whatever amount is necessary to achieve unassigned funds that are twenty five (25) percent of the previous fiscal year. These additions shall continue until funds in the unassigned fund have been increased to equal at least twenty five (25) percent of the City's General Fund budget for the previous year.

##### **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, Capital Projects, Sanitation, Water and Sewer, and Marina Funds.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

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

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

##### **Budgets and Budgetary Accounting *(Continued)***

- 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, except that the General Fund is presented on a non-GAAP budgetary basis, as described on pages 65 and 66.
- g) Subsequent Appropriations - Supplemental appropriations were necessary for the General Fund, Waterfront Redevelopment District Special Revenue Fund, 49th Street Redevelopment District 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 committed or assigned fund balance depending on the method of approval of the contract or purchase order. 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, 2011

### 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, 2011 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, 2011

### 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, 2011, the bank balance amount of the City's cash deposit accounts was \$3,119,699. 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, 2011

### 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, 2011, are as follows:

	<b>Fair Value</b>	<b>Weighted Average Maturity</b>	<b>Credit Rating</b>
Florida Surplus Asset Fund Trust	\$ 2,009,962	(1)	S&P AAAM
Florida PRIME	12,160	38 days (1)	S&P AAAM
Fund B Surplus Funds Trust Fund	35,443	see below (2)	not rated
Total Investments	\$ 2,057,565		

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

(2) The weighted average life at September 30, 2011 was 4.82 years.

Interest Rate Risk - In compliance with the City’s investment policy, as of September 30, 2011, 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, 2011

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

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

Credit Risk - In compliance with the City’s Investment Policy, as of September 30, 2011, 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, 2011:

	<b>Fair Value</b>	<b>Weighted Average Maturity</b>	<b>Credit Rating</b>
Money Market Funds	\$ 67,204	n/a	Complies
Equity Mutual Funds	5,301,813	n/a	with
Fixed Income Mutual Funds	4,235,948	n/a	City Policy
Total Investments	\$ 9,604,965		

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, 2011

### 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, 2011:

	Fair Value	Weighted Average Maturity	Credit Rating
Money Market Funds	\$ 182,145	n/a	
Real Estate Holdings	67,825	n/a	
Equity Mutual Funds	3,021,855	n/a	
Fixed Income Mutual Funds	2,377,740	3.1 - 7.8 yrs	AA3 - B
Total Investments	\$ 5,649,565		

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, 2011

### 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, 2011:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Money Market Funds	\$ 18,584	n/a	
Asset-Backed Securities	1,131,392		
Fixed Income Mutual Funds	815,708	n/a	
Total Investments	<u>\$ 1,965,684</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, 2011**

### NOTE 3 - RECEIVABLES

Receivables as of September 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable:			
Billed	\$ 203,501	\$ 776,216	\$ 979,717
Unbilled	8,419	237,693	246,112
Payroll Advance	8,098	3,190	11,288
Code Enforcement Liens	34,939	-	34,939
Total Receivables	254,957	1,017,099	1,272,056
Allowance for Uncollectibles	(2,646)	(278,884)	(281,530)
Net Total Receivables	\$ 252,311	\$ 738,215	\$ 990,526

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

Interfund transfers consist of the following for the year ended September 30, 2011:

Fund	Transfers In	Transfers Out
General	\$ 1,122,143	\$ 55,000
Waterfront Redevelopment District	25,000	-
Sanitation	-	127,727
Water and Sewer	-	539,463
Marina	-	454,953
Nonmajor Fund:		
49th Street Redevelopment District	30,000	-
Total	\$ 1,177,143	\$ 1,177,143

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 Waterfront Redevelopment District and 49<sup>th</sup> Street Redevelopment District are to fund capital projects.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2011**

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

Interfund payables and receivables consist of the following for the year ended September 30, 2011:

Fund	Due From	Due To
General	\$ 463,252	\$ -
Water and Sewer Fund	-	263,294
Marina	-	151,995
Nonmajor Fund:		
49th Street Redevelopment District	-	47,963
	\$ 463,252	\$ 463,252

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, 2011 was as follows:

	Beginning Balance 10/1/2010	Additions	Deletions	Transfers	Ending Balance 9/30/2011
<b>Governmental Activities:</b>					
Non-depreciated Assets:					
Land	\$ 592,072	\$ -	\$ -	\$ -	\$ 592,072
Construction in Progress	77,928	-	77,928	-	-
Depreciated and Amortized Assets:					
Buildings	10,222,177	93,118	-	-	10,315,295
Infrastructure and Improvements	11,709,491	435,672	-	-	12,145,163
Equipment	3,326,934	136,346	112,052	-	3,351,228
Software	328,154	-	-	-	328,154
Total at Historical Cost	26,256,756	665,136	189,980	-	26,731,912
Less Accumulated Depreciation and Amortization for:					
Buildings	3,185,413	210,807	-	-	3,396,220
Infrastructure and Improvements	7,154,916	452,755	-	-	7,607,671
Equipment	2,582,461	171,497	112,052	-	2,641,906
Software	294,384	55,248	-	-	349,632
Total Accumulated Depreciation and Amortization	13,217,174	890,307	112,052	-	13,995,429
<b>Governmental Activities Capital Assets, Net</b>	\$ 13,039,582	\$ (225,171)	\$ 77,928	\$ -	\$ 12,736,483

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2011**

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

Depreciation and amortization was charged to governmental activities, as follows:

General Government	\$	96,056
Public Safety		158,725
Leisure Services		218,155
Community Development/ Redevelopment		228,250
Public Works		189,121
	\$	890,307

	Beginning Balance 10/1/2010	Additions	Deletions	Transfers/ Adjustments	Ending Balance 9/30/2011
<b>Business-Type Activities:</b>					
Non-depreciated Assets:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Construction in Progress	154,449	11,588	-	-	166,037
Depreciated and Amortized Assets:					
Buildings	737,905	-	-	-	737,905
Infrastructure and Improvements	21,050,654	173,171	-	-	21,223,825
Equipment	2,448,999	338,107	198,998	-	2,588,108
Software	49,410	-	-	-	49,410
Total at Historical Cost	24,461,417	522,866	198,998	-	24,785,285
Less Accumulated Depreciation and Amortization for:					
Buildings	542,851	9,629	-	-	552,480
Infrastructure and Improvements	8,891,809	774,965	-	-	9,666,774
Equipment	1,388,903	140,934	198,998	-	1,330,839
Software	49,410	-	-	-	49,410
Total Accumulated Depreciation and Amortization	10,872,973	925,528	198,998	-	11,599,503
<b>Business-Type Activities</b>					
<b>Capital Assets, Net</b>	\$ 13,588,444	\$ (402,662)	\$ -	\$ -	\$ 13,185,782

### 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, 2011**

### 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, 2011, 2010, or 2009, 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 10/1/2010	Additions	Deletions	Balance 9/30/2011	Due in One Year
Governmental Activities:					
Compensated Absences	\$ 535,402	\$ 494,182	\$ (480,753)	\$ 548,831	\$ 226,858
Other Postemployment Benefits	61,145	35,407	-	96,552	-
	<u>\$ 596,547</u>	<u>\$ 529,589</u>	<u>\$ (480,753)</u>	<u>\$ 645,383</u>	<u>\$ 226,858</u>
Business-Type Activities:					
Compensated Absences	\$ 137,571	\$ 104,404	\$ (104,991)	\$ 136,984	\$ 42,005
Other Postemployment Benefits	13,060	7,563	-	20,623	-
	<u>\$ 150,631</u>	<u>\$ 111,967</u>	<u>\$ (104,991)</u>	<u>\$ 157,607</u>	<u>\$ 42,005</u>

Governmental activities compensated absences and other post employment benefits 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, 2011

### 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, 2011, the date of the latest actuarial valuations:

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

### 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 9/30/2011)	\$2,938,775	\$840,413	\$1,774,895
Internal loans	None	None	None
<b>MEMBERSHIP AND PLAN PROVISIONS</b>			
Current active employees	67	13	29
Retirees and beneficiaries	49	20	18
Terminated - vested active participants	78	9	4
Total members	194	42	51
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	2.83
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>			
Actuarial assumptions			
Investment return	7.5%	8%	8%
Payroll/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)	27	30	29

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, 2011**

### 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 8% 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 2011, the City contributed approximately \$69,838. 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	09/30/11	\$ 477,965	100%	\$ -
	09/30/10	\$ 400,230	100%	\$ -
	09/30/09	\$ 298,530	100%	\$ -
Firefighters	09/30/11	\$ 82,780	100%	\$ -
	09/30/10	\$ 80,187	100%	\$ -
	09/30/09	\$ 35,738	100%	\$ -
Police Officers	09/30/11	\$ 292,296	100%	\$ (47,732)
	09/30/10	\$ 207,828	100%	\$ (48,834)
	09/30/09	\$ 183,895	100%	\$ (49,963)

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

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

#### **Funded Status and Funding Progress**

##### General Employees' Pension Plan

As of October 1, 2011, the General Employees' Pension Plan Actuarial Accrued Liability (AAL) is \$11,406,495. Assets of the General Employees' Pension Plan are valued at market and the current value is \$10,385,632, resulting in an unfunded AAL (UAAL) of \$1,020,863 (91.05% funded ratio). The covered payroll for the year was \$2,719,159, and the ratio of the UAAL to covered payroll was 37.54%.

##### Firefighters' Pension Plan

As of October 1, 2011, the Firefighters' Pension Plan Actuarial Accrued Liability (AAL) is \$2,155,819. Assets of the Firefighters' Pension Plan are valued at market and the current value is \$2,203,590, resulting in an unfunded AAL (UAAL) of \$47,771 (97.83% funded ratio). The covered payroll for the year was \$840,413, and the ratio of the UAAL to covered payroll was 5.68%.

##### Police Officers' Pension Plan

As of October 1, 2011, the Police Officers' Pension Plan Actuarial Accrued Liability (AAL) is \$6,086,228. Assets of the Police Officers' Pension Plan are valued at market and the current value is \$6,948,828, resulting in an unfunded AAL (UAAL) of \$862,600 (87.59% funded ratio). The covered payroll for the year was \$1,774,895, and the ratio of the UAAL to covered payroll was 48.60%.

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, 2011

### 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, 2011, were as follows: General Employees - \$477,965, Firefighters - \$163,527, and Police Officers - \$370,917. 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)	\$ 291,194
Interest on NPO	(3,907)
Adjustment to (A)	5,009
Annual Pension Cost	<u>292,296</u>
Contributions Made	<u>291,194</u>
Increase in NPO	1,102
NPO Beginning of Year	<u>(48,834)</u>
NPO End of Year	<u><u>\$ (47,732)</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, 2011

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

#### Pension Plan Financial Statements

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF FIDUCIARY NET ASSETS  
PENSION TRUST FUNDS  
September 30, 2011

	<u>Employees'</u> <u>Pension</u>	<u>Police Officers'</u> <u>Pension</u>	<u>Firefighters'</u> <u>Pension</u>	<u>Total</u>
<b>ASSETS</b>				
Contributions Receivable	\$ 85,063	\$ -	\$ 27,503	\$ 112,566
Interest Receivable	11,762	74,496	4,896	91,154
Due From Government	-	79,723	28,521	108,244
Investments, at Fair Value:				
Money Market Funds	67,204	182,145	18,584	267,933
Asset-Backed Securities	-	-	1,131,392	1,131,392
Real Estate	-	67,825	-	67,825
Equity Mutual Funds	5,301,813	3,021,855	-	8,323,668
Fixed Income Mutual Funds	4,235,948	2,377,740	815,708	7,429,396
Total Investments	<u>9,604,965</u>	<u>5,649,565</u>	<u>1,965,684</u>	<u>17,220,214</u>
<b>Total Assets</b>	<u>9,701,790</u>	<u>5,803,784</u>	<u>2,026,604</u>	<u>17,532,178</u>
<b>LIABILITIES</b>				
Accounts Payable	<u>22,818</u>	<u>15,187</u>	<u>14,841</u>	<u>52,846</u>
<b>Total Liabilities</b>	<u>22,818</u>	<u>15,187</u>	<u>14,841</u>	<u>52,846</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u>\$ 9,678,972</u>	<u>\$ 5,788,597</u>	<u>\$ 2,011,763</u>	<u>\$ 17,479,332</u>

**CITY OF GULFPORT, FLORIDA**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUNDS  
For The Year Ended September 30, 2011

	<u>General</u> <u>Employees'</u>	<u>Police Officers'</u> <u>Pension</u>	<u>Firefighters'</u> <u>Pension</u>	<u>Total</u>
<b>ADDITIONS</b>				
Employer Contributions	\$ 328,764	\$ 397,796	\$ 162,653	\$ 889,213
Employee Contributions	78,269	149,085	42,983	270,337
<b>Total Contributions</b>	<u>407,033</u>	<u>546,881</u>	<u>205,636</u>	<u>1,159,550</u>
Investment Income (Loss)	(212,990)	51,693	36,967	(124,330)
<b>Total Contributions and Income</b>	<u>194,043</u>	<u>598,574</u>	<u>242,603</u>	<u>1,035,220</u>
<b>DEDUCTIONS</b>				
Benefits	373,028	419,308	137,916	930,252
Administrative Expense	68,899	90,225	67,397	226,521
<b>Total Deductions</b>	<u>441,927</u>	<u>509,533</u>	<u>205,313</u>	<u>1,156,773</u>
<b>Change in Net Assets</b>	<u>(247,884)</u>	<u>89,041</u>	<u>37,290</u>	<u>(121,553)</u>
<b>Net Assets - Beginning of Year</b>	<u>9,926,856</u>	<u>5,699,556</u>	<u>1,974,473</u>	<u>17,600,885</u>
<b>Net Assets - End of Year</b>	<u>\$ 9,678,972</u>	<u>\$ 5,788,597</u>	<u>\$ 2,011,763</u>	<u>\$ 17,479,332</u>

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2011

### 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 were implemented prospectively, with the actuarial accrued liability (AAL) of \$514,511 at October 1, 2010. The last actuarial valuation is dated October 1, 2010. 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, 2011

### 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 119 active participants and three retirees with two covered spouses. 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. 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:

	FY11 Valuation as of 10/1/2010
Normal Cost (service cost for one year)	\$ 45,368
Amortization of Unfunded Actuarial Accrued Liability	23,335
Interest on Normal Cost and Amortization	3,226
Annual Required Contribution (ARC)	71,929
Interest on Net OPEB Obligation	3,710
Adjustment to ARC	(3,224)
Annual OPEB Cost (Expense)	72,415
Estimated Employer Contributions Made	(29,445)
Increase/(Decrease) in Net OPEB Obligation	42,970
Net OPEB Obligation at Beginning of Year	74,205
Net OPEB Obligation at End of Year	\$ 117,175

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2011**

### 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
9/30/2011	\$ 72,415	\$ 29,445	40.66%	\$ 117,175
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 October 1, 2010, the OPEB Plan was unfunded and the AAL for benefits is \$514,511. Assets of the OPEB Plan are valued at market; however, the current value is \$0, resulting in an unfunded AAL (UAAL) of \$514,511 (0% funded ratio). The covered payroll was \$5,975,532 and the ratio of the UAAL to covered payroll was 8.6%. 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/inflation 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, 2011 was 28 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, 2011

### 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 \$2,416,895 for these services.

#### **Encumbrances**

The General Fund has outstanding encumbrances of \$9,548 at September 30, 2011. This purchase was authorized by an ordinance resulting in a commitment of fund balance. The remaining encumbrances for nonmajor funds at September 30, 2011 total \$102,968.

#### **Grants**

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

#### **Litigation**

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

### NOTE 12 - FUND DEFICIT

The 49<sup>th</sup> Street Redevelopment District fund has an ending fund deficit of \$(39,658) at September 30, 2011. The deficit will be funded by future intergovernmental agreements and donations.

# CITY OF GULFPORT, FLORIDA

## NOTES TO FINANCIAL STATEMENTS *(Continued)*

**Year Ended September 30, 2011**

### NOTE 13 - RESTATEMENT OF PRIOR PERIOD FUND BALANCE

During fiscal year ended September 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 clarifies governmental fund balance classifications and fund type definitions. In light of this standard, the City determined that the Cultural Activities Fund and Gulfport Elderly Mobility System Fund no longer met the criteria for reporting as special revenue funds and were consolidated into the General Fund, resulting in the restatement of beginning fund balance as described below. The components of the restatement are outlined in the following table.

	General Fund	Cultural Activities	Nonmajor Funds
Beginning Fund Balance	\$ 4,640,633	\$ (70,013)	\$ 202,988
Consolidation of funds:			
Cultural Activities Fund	(70,013)	70,013	-
Gulfport Elderly Mobility System	23,994	-	(23,994)
Fund Balance, as Restated	\$ 4,594,614	\$ -	\$ 178,994

### NOTE 14 - RESTATEMENT OF PRIOR PERIOD NET ASSETS

During fiscal year ended September 30, 2011, the City discovered an error in the system calculation of depreciation of their capital assets in the Water and Sewer Fund and Marina Fund. To properly adjust depreciation for these assets, an adjustment to the Net Assets of the Water and Sewer Fund and the Marina Fund was made. The components of the restatement are outlined in the following table.

	Water and Sewer	Marina	Business-type Activities
Beginning Net Assets	\$ 10,801,142	\$ 2,314,312	\$ 14,486,685
Effect of Accumulated Depreciation Adjustment	139,830	10,056	149,886
Beginning Net Assets Restated	\$ 10,940,972	\$ 2,324,368	\$ 14,636,571

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## **Required Supplementary Information**

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

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**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<b>Amounts (Budgetary Basis)</b>	<b>Final Budget - Over (Under)</b>
<b>REVENUES</b>				
Taxes	\$ 4,297,824	\$ 4,297,824	\$ 4,161,921	\$ (135,903)
Permits and Fees	1,040,054	1,040,054	907,627	(132,427)
Intergovernmental Revenues	1,624,524	1,681,949	1,659,217	(22,732)
Charges for Services	1,265,198	1,265,198	1,318,700	53,502
Fines and Forfeitures	316,849	316,849	274,675	(42,174)
Investment Income	55,200	55,200	16,355	(38,845)
Miscellaneous Revenues	178,379	178,379	205,996	27,617
<b>Total Revenues</b>	<u>8,778,028</u>	<u>8,835,453</u>	<u>8,544,491</u>	<u>(290,962)</u>
<b>EXPENDITURES</b>				
General Government				
Legislative	277,958	277,958	257,571	(20,387)
Legal	97,500	97,500	94,213	(3,287)
Executive	208,289	208,289	204,754	(3,535)
Financial	413,922	413,922	395,904	(18,018)
Human Resources	84,593	84,593	79,673	(4,920)
Information Technology	320,610	357,453	298,915	(58,538)
<b>Total</b>	<u>1,402,872</u>	<u>1,439,715</u>	<u>1,331,030</u>	<u>(108,685)</u>
Public Safety				
Fire	1,177,532	1,177,532	1,204,373	26,841
Police	3,464,029	3,521,454	3,540,346	18,892
<b>Total</b>	<u>4,641,561</u>	<u>4,698,986</u>	<u>4,744,719</u>	<u>45,733</u>
Leisure Services				
Library	515,716	515,716	482,246	(33,470)
Office of Director	62,097	76,097	74,224	(1,873)
Recreation Center	484,169	484,169	455,988	(28,181)
Parks	693,846	693,846	636,674	(57,172)
Senior Center	199,223	199,223	178,899	(20,324)
<b>Total</b>	<u>1,955,051</u>	<u>1,969,051</u>	<u>1,828,031</u>	<u>(141,020)</u>
Community Development				
Planning & Development	197,013	203,095	168,669	(34,426)
Building Inspections	201,233	201,033	221,030	19,997
<b>Total</b>	<u>398,246</u>	<u>404,128</u>	<u>389,699</u>	<u>(14,429)</u>

*Continued*

**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - Continued**  
**GENERAL FUND**  
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<b>Amounts (Budgetary Basis)</b>	<b>Final Budget - Over (Under)</b>
<b>EXPENDITURES (Continued)</b>				
Public Works				
Building Maintenance	\$ 232,413	\$ 232,413	\$ 229,809	\$ (2,604)
Central Garage	522,960	538,991	593,570	54,579
Office of Director	126,127	126,127	118,534	(7,593)
Streets	447,456	447,456	407,983	(39,473)
Total	<u>1,328,956</u>	<u>1,344,987</u>	<u>1,349,896</u>	<u>4,909</u>
<b>Total Expenditures</b>	<u>9,726,686</u>	<u>9,856,867</u>	<u>9,643,375</u>	<u>(213,492)</u>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<u>(948,658)</u>	<u>(1,021,414)</u>	<u>(1,098,884)</u>	<u>(77,470)</u>
<b>OTHER FINANCING SOURCES</b>				
<b>AND (USES)</b>				
Issuance of Capital Lease	-	36,843	-	(36,843)
Transfers In	1,122,143	1,122,143	1,122,143	-
Transfers (Out)	<u>(156,886)</u>	<u>(156,886)</u>	<u>(156,886)</u>	<u>-</u>
<b>Total Other Financing</b>				
<b>Sources and (Uses)</b>	<u>965,257</u>	<u>1,002,100</u>	<u>965,257</u>	<u>(36,843)</u>
<b>Net Change in Fund Balance</b>	16,599	(19,314)	(133,627)	(114,313)
<b>Fund Balance - Beginning</b>	<u>(16,599)</u>	<u>19,314</u>	<u>4,640,633</u>	<u>4,621,319</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	4,507,006	<u>\$ 4,507,006</u>

**Reconciliation to GAAP Basis**

Amounts reported in the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds include the Gulfport Elderly Mobility System (GEMS) and the Cultural Activities Program. These activities were not budgeted as programs of the General Fund for the fiscal year ended September 30, 2011.

Effect of combining beginning fund balances with General Fund for GEMS and Cultural Activities	(46,019)
Revenues and transfers in of the GEMS and Cultural Activities	460,460
Expenditures and transfers out of the GEMS and Cultural Activities	<u>(595,612)</u>
Ending Fund Balance of the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 4,325,835</u>

**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**WATERFRONT REDEVELOPMENT DISTRICT**  
For the Year Ended September 30, 2011

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Budget - Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 177,887	\$ 177,887	\$ 176,801	\$ (1,086)
Intergovernmental Revenues	82,251	82,251	73,401	(8,850)
Charges for Services	11,591	11,591	15,419	3,828
Miscellaneous Revenues	300	300	8,092	7,792
<b>Total Revenues</b>	<u>272,029</u>	<u>272,029</u>	<u>273,713</u>	<u>1,684</u>
<b>EXPENDITURES</b>				
Leisure Services				
Personal Services	86,120	86,120	112,630	26,510
Operating	90,273	90,273	98,290	8,017
Community Development/Redevelopment				
Personal Services	80,562	80,562	91,148	10,586
Operating	107,607	107,607	64,092	(43,515)
Capital Outlay	36,000	36,000	-	(36,000)
<b>Total Expenditures</b>	<u>400,562</u>	<u>400,562</u>	<u>366,160</u>	<u>(34,402)</u>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<u>(128,533)</u>	<u>(128,533)</u>	<u>(92,447)</u>	<u>36,086</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	25,000	25,000	25,000	-
<b>Total Other Financing Sources</b>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(103,533)	(103,533)	(67,447)	36,086
<b>Fund Balance - Beginning</b>	<u>103,533</u>	<u>103,533</u>	<u>118,856</u>	<u>15,323</u>
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,409</u>	<u>\$ 51,409</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
2011	\$ 477,965	\$ 477,965	100.00%
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%

Police Officers' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2011	\$ 370,917	\$ 370,917	100.00%
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%

Firefighters' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2011	\$ 163,527	\$ 163,527	100.00%
2010	165,102	165,102	100.00%
2009	98,246	138,881	141.36%
2008	84,563	105,316	124.61%
2007	71,381	108,048	151.37%
2006	65,048	84,917	130.55%

**CITY OF GULFPORT, FLORIDA**  
**EMPLOYEE RETIREMENT PLANS**  
**SCHEDULES 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)
<b>General Employees' Pension Trust Fund</b>						
10/01/11	\$ 10,385,632	\$ 11,406,495	\$ 1,020,863	91.1%	\$ 2,719,159	37.5%
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%
<b>Police Officers' Retirement Trust Fund</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
10/01/11	\$ 6,086,228	\$ 6,948,828	\$ 862,600	87.6%	\$ 1,774,895	48.6%
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%
<b>Firefighters' Retirement Trust Fund</b>						
10/01/11	\$ 2,155,819	\$ 2,203,590	\$ 47,771	97.8%	\$ 840,413	5.7%
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%

**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)
10/01/10	\$ -	\$ 514,511	\$ 514,511	0.0%	\$ 5,975,532	8.6%
10/1/08 (1)	-	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.

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

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
9/30/2011	\$ 71,929	\$ 29,445	40.94%
9/30/2010	56,755	19,938	35.13%
9/30/2009	56,755	19,938	35.13%

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 section provides budgetary comparison schedules for the 49<sup>th</sup> street redevelopment fund and capital projects fund as well as a combining balance sheet – nonmajor funds and combining statement of revenues, expenditures, and changes in fund balances – nonmajor funds.

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**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**49TH STREET REDEVELOPMENT DISTRICT**  
For the Year Ended September 30, 2011

	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Budget - Over (Under)</b>
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 78,000	\$ 46,081	\$ (31,919)
<b>Total Revenues</b>	<u>78,000</u>	<u>46,081</u>	<u>(31,919)</u>
<b>EXPENDITURES</b>			
Community Development/Redevelopment			
Personal Services	72,489	60,992	(11,497)
Operating	1,495	808	(687)
Capital Outlay	<u>78,000</u>	<u>4,965</u>	<u>(73,035)</u>
<b>Total Expenditures</b>	<u>151,984</u>	<u>66,765</u>	<u>(85,219)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(73,984)</u>	<u>(20,684)</u>	<u>53,300</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	<u>30,000</u>	<u>30,000</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(43,984)	9,316	53,300
<b>Fund Balance (Deficit) - Beginning</b>	<u>43,984</u>	<u>(48,974)</u>	<u>(92,958)</u>
<b>Fund Balance (Deficit) - Ending</b>	<u>\$ -</u>	<u>\$ (39,658)</u>	<u>\$ (39,658)</u>

**CITY OF GULFPORT, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUND**  
For the Year Ended September 30, 2011

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget - Over (Under)</u>
<b>REVENUES</b>			
Taxes	\$ 1,071,338	\$ 917,000	\$ (154,338)
Intergovernmental Revenues	2,750,000	78,090	(2,671,910)
Investment Income	1,000	-	(1,000)
Miscellaneous Revenues	-	27	27
<b>Total Revenues</b>	<u>3,822,338</u>	<u>995,117</u>	<u>(2,827,221)</u>
<b>EXPENDITURES</b>			
General Government			
Capital Outlay	486,050	268,122	(217,928)
Public Safety			
Capital Outlay	2,790,500	22,344	(2,768,156)
Public Works			
Capital Outlay	182,856	41,860	(140,996)
Human Services			
Capital Outlay	-	93,119	93,119
Leisure Services			
Operating	-	631	631
Capital Outlay	50,000	39,792	(10,208)
<b>Total Expenditures</b>	<u>3,509,406</u>	<u>465,868</u>	<u>(3,043,538)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>312,932</u>	<u>529,249</u>	<u>216,317</u>
<b>Net Change in Fund Balance</b>	312,932	529,249	216,317
<b>Fund Balance - Beginning</b>	<u>(15,406)</u>	<u>128,578</u>	<u>143,984</u>
<b>Fund Balance - Ending</b>	<u>\$ 297,526</u>	<u>\$ 657,827</u>	<u>\$ 360,301</u>

**CITY OF GULFPORT, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR FUNDS**  
September 30, 2011

	<u>Special Revenue Funds</u>			
	<b>49th Street</b>			
	<b>Redevelopment</b>		<b>Capital</b>	<b>Total Nonmajor</b>
	<b>District</b>	<b>Library Fund</b>	<b>Projects</b>	<b>Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,168	\$ 86,484	\$ 662,527	\$ 758,179
<b>Total Assets</b>	<u>\$ 9,168</u>	<u>\$ 86,484</u>	<u>\$ 662,527</u>	<u>\$ 758,179</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 55	\$ -	\$ 4,700	\$ 4,755
Accrued Liabilities	808	-	-	808
Due to Other Funds	47,963	-	-	47,963
<b>Total Liabilities</b>	<u>48,826</u>	<u>-</u>	<u>4,700</u>	<u>53,526</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted for Library	-	86,484	-	86,484
Restricted for Infrastructure	-	-	657,827	657,827
Unassigned (Deficit)	(39,658)	-	-	(39,658)
<b>Total Fund Balances (Deficit)</b>	<u>(39,658)</u>	<u>86,484</u>	<u>657,827</u>	<u>704,653</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,168</u>	<u>\$ 86,484</u>	<u>\$ 662,527</u>	<u>\$ 758,179</u>

**CITY OF GULFPORT, FLORIDA**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR FUNDS  
 For the Year Ended September 30, 2011

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Funds</u>
	<u>49th Street</u>			
	<u>Redevelopment District</u>	<u>Library Fund</u>	<u>Capital Projects</u>	
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 917,000	\$ 917,000
Intergovernmental Revenues	46,081	-	78,090	124,171
Miscellaneous Revenues	-	1,576	27	1,603
<b>Total Revenues</b>	<u>46,081</u>	<u>1,576</u>	<u>995,117</u>	<u>1,042,774</u>
<b>EXPENDITURES</b>				
Current:				
Leisure Services	-	14,482	631	15,113
Community Development/ Redevelopment	66,765	-	-	66,765
Capital Outlay	-	-	465,237	465,237
<b>Total Expenditures</b>	<u>66,765</u>	<u>14,482</u>	<u>465,868</u>	<u>547,115</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(20,684)</u>	<u>(12,906)</u>	<u>529,249</u>	<u>495,659</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	30,000	-	-	30,000
<b>Total Other Financing Sources</b>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<b>Net Change in Fund Balances</b>	9,316	(12,906)	529,249	525,659
<b>Fund Balances (Deficit) - Beginning</b>	<u>(48,974)</u>	<u>99,390</u>	<u>128,578</u>	<u>178,994</u>
<b>Fund Balances (Deficit) - Ending</b>	<u>\$ (39,658)</u>	<u>\$ 86,484</u>	<u>\$ 657,827</u>	<u>\$ 704,653</u>

## **Statistical Section**

**City of Gulfport, Florida**  
**Statistical Section**  
**September 30, 2011**

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.

**Financial Trends** **PAGE**

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

**Revenue Capacity**

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.....86

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place..... 92

**Operating Information**

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

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years. The City implemented GASB Statement No. 34 in 2002; schedules presenting financial trends include information beginning in that year.

**Note:** As of September 30, 2011, the City had no long-term general obligation or general bonded debt outstanding, and there had been no general obligation debt for the prior 10 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**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities</b>							
Invested in capital assets, net of related debt	\$11,678,493	\$11,484,251	\$11,421,047	\$13,552,594	\$13,268,224	\$13,039,582	\$12,736,483
Restricted	311,484	811,537	658,113	409,952	630,694	315,869	774,617
Unrestricted	<u>5,347,130</u>	<u>4,622,534</u>	<u>4,244,457</u>	<u>4,488,378</u>	<u>4,658,101</u>	<u>4,046,901</u>	<u>3,728,184</u>
Total governmental activities net assets	\$17,337,107	\$16,918,322	\$16,323,617	\$18,450,924	\$18,557,019	\$17,402,352	\$17,239,284
<b>Business-type Activities</b>							
Invested in capital assets, net of related debt	\$11,324,196	\$11,780,053	\$12,731,446	\$12,150,162	\$12,880,732	\$13,588,444	\$13,185,782
Restricted	138,139	156,814	156,814	156,814	162,176	163,975	168,026
Unrestricted	<u>1,805,008</u>	<u>2,829,743</u>	<u>3,234,904</u>	<u>2,696,474</u>	<u>1,528,611</u>	<u>881,152</u>	<u>130,791</u>
Total business-type activities net of assets	\$13,267,343	\$14,766,610	\$16,123,164	\$15,003,450	\$14,571,519	\$14,633,571	\$13,484,599
<b>Primary Government</b>							
Invested in capital assets, net of related debt	\$23,002,689	\$23,264,304	\$24,152,493	\$25,702,756	\$26,148,956	\$26,478,140	\$25,922,265
Restricted	449,623	968,351	814,927	566,766	792,870	479,844	942,643
Unrestricted	<u>7,152,138</u>	<u>7,452,277</u>	<u>7,479,361</u>	<u>7,184,852</u>	<u>6,186,712</u>	<u>4,928,053</u>	<u>3,858,975</u>
Total business-type activities net of assets	\$30,604,450	\$31,684,932	\$32,446,781	\$33,454,374	\$33,128,538	\$31,886,037	\$30,723,883

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>							
Governmental activities:							
General Government	\$1,409,319	\$1,617,209	\$1,727,884	\$1,407,979	\$1,464,964	\$1,533,211	\$1,510,297
Public Safety - Police	3,512,439	3,737,832	3,897,891	3,651,578	3,354,567	3,490,957	3,649,843
Public Safety - Fire	979,320	971,362	1,094,198	1,135,347	1,096,949	1,058,009	1,204,373
Public Safety - Protective Services	268,643	313,460	300,644	301,967	291,057	253,468	221,030
Public Services - Transportation	654,629	639,191	647,172	663,528	624,505	347,919	407,983
Public Works - Central Garage	399,547	450,383	491,197	549,188	460,620	502,069	593,570
Public Works - Building Maintenance	132,862	158,301	165,278	173,005	226,337	232,773	413,856
Public Works - Office of Director	130,589	112,830	119,705	122,677	127,213	124,919	118,534
Culture and Recreation - Library	581,075	632,084	499,323	593,753	601,274	577,619	497,360
Culture and Recreation - Office of Director	204,455	200,477	207,924	208,352	225,826	90,531	74,224
Culture and Recreation - Recreation Facility	472,025	514,690	537,364	440,971	534,620	482,828	455,988
Culture and Recreation - Parks	733,429	724,492	714,636	772,039	710,646	1,193,449	743,661
Culture and Recreation - GEMS & SPB LOOPER	156,827	159,617	167,362	178,870	305,417	317,089	367,815
Culture and Recreation - Human Services	178,966	188,071	181,411	203,505	196,283	182,950	178,899
Culture and Recreation - Casino				370,559	360,554	332,773	325,433
Culture and Recreation - Theater				127,965	143,388	119,304	113,283
Redevelopment	446,104	508,095	477,784	530,331	710,805	670,370	629,150
<b>Total Governmental activities expenses</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>	<b>\$11,505,299</b>
Business-type activities:							
Sanitation	\$1,640,391	\$1,696,931	\$1,711,019	\$1,714,743	\$1,822,851	\$1,740,500	\$1,629,234
Water and Sewer	3,217,649	3,365,867	3,662,824	3,718,712	3,986,988	4,358,861	4,183,768
Cultural Activities	438,634	504,898	563,448				
Marina	1,043,495	1,122,985	1,207,306	1,387,867	1,212,259	1,262,051	1,500,286
<b>Total business-type activities expenses</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>7,313,288</b>
<b>Total primary government expenses</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>\$18,818,587</b>
<b>Program Revenues</b>							
Governmental activities:							
Charges for Services							
General Government	\$478,395	\$779,732	\$839,320	\$870,221	\$832,136	\$792,623	\$775,326
Public Safety - Police	206,211	81,867	67,502	132,176	129,242	170,683	351,223
Public Safety - Fire	82,548	1,495	7,363	13,290	10,716	9,460	424,466
Public Safety - Protective Services	186,374	249,112	146,746	194,241	139,062	108,544	103,633
Public Services - Transportation	66,694	-	-	-	-	-	30,797
Public Works - Central Garage	200,855	208,299	496,305	237,465	384,023	305,220	331,971
Culture and Recreation - Library	17,451	10,881	10,391	8,403	10,719	7,184	19,485
Culture and Recreation - Recreation Facility	150,097	173,593	168,342	144,175	177,523	192,977	139,777
Culture and Recreation - Parks	6,727	5,763	4,310	1,000	2,000	300	1,494
Culture and Recreation - Human Services	14,313	14,669	13,051	19,327	41,911	28,676	12,094
Culture and Recreation -Casino				310,611	320,018	314,706	311,679
Culture and Recreation -Theater				26,861	30,729	24,604	28,990
Operating Grants and Contributions	805,723	823,027	1,002,285	821,534	1,005,539	682,551	316,360
Capital Grants and Contributions	70,466	72,042	15,754	499,128	108,320	141,578	168,861
<b>Total governmental activities program revenues</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>	<b>\$3,016,156</b>
Business-type activities:							
Charges for Services							
Sanitation	\$1,769,902	\$1,815,774	\$1,810,665	\$1,735,970	\$1,723,115	\$1,771,858	\$1,801,421
Water and Sewer	3,592,049	3,847,146	3,931,746	3,605,432	3,724,665	3,829,790	3,828,980
Cultural Activities	283,887	370,468	384,728				
Marina	1,279,266	1,350,704	1,419,634	1,741,697	1,462,211	1,564,374	1,650,056
Operating Grants and Contributions	6,914	-	-				
Capital Grants and Contributions	2,550	0	0	411,654	211,189	1,800	4,050
<b>Total business-type activities program revenues</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>\$7,284,507</b>
<b>Total primary government program revenues</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>	<b>\$10,300,663</b>

**City of Gulfport, Florida**  
**Table 2 - Change in Net Assets - Continued**  
**Last Seven Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Net (Expense) Revenue</b>							
Governmental activities	(\$7,974,375)	(\$8,507,614)	(\$8,458,404)	(\$8,153,182)	(\$8,243,087)	(\$8,731,132)	(\$8,489,143)
Business-type activities	594,399	693,411	402,176	673,431	99,082	(193,590)	(28,781)
Total primary government net expense	<u>(\$7,379,976)</u>	<u>(\$7,814,203)</u>	<u>(\$8,056,228)</u>	<u>(\$7,479,751)</u>	<u>(\$8,144,005)</u>	<u>(\$8,924,722)</u>	<u>(\$8,517,924)</u>
<b>General Revenues and Other changes in Net Assets</b>							
Governmental activities:							
Taxes:							
Ad Valorem	\$2,731,240	\$3,273,118	\$3,556,585	\$3,450,430	\$3,170,777	\$2,828,088	\$2,528,300
Franchise Fees	631,381	730,627	705,406	720,232	773,466	858,507	783,730
Utility Taxes	911,592	970,814	958,917	961,007	991,398	1,130,867	1,077,748
Communications Service Tax	560,145	554,615	576,288	552,969	604,513	551,013	525,724
Sales Tax - Infrastructure - Restricted	1,141,122	1,316,203	1,202,239	1,134,286	1,047,484	951,716	917,000
Half-cent Sales Tax	713,350	754,315	723,283	683,695	618,605	610,663	624,111
Local Option Gas Tax - Restricted	117,870	126,309	112,549	166,453	166,215	164,994	162,730
Transportation Impact Fees - Restricted	10,384	22,043	15,754				
Other Taxes	113,889	123,298	33,526	16,916	65,907	68,994	64,767
State Revenue Sharing	427,811	455,705	412,529	354,623	248,886	349,459	351,205
Investment Income	148,138	286,867	367,414	186,347	35,553	24,515	16,355
Miscellaneous	314,867	190,165	262,302	193,846	95,653	137,649	152,262
Gain/(Loss) on Sale of Capital Asset Transfers	(989,028)	(715,250)	(807,689)	1,859,685	530,725	(100,000)	1,122,143
Total governmental activities	<u>\$6,832,761</u>	<u>\$8,088,829</u>	<u>\$7,863,899</u>	<u>\$10,280,489</u>	<u>\$8,349,182</u>	<u>\$7,576,465</u>	<u>\$8,326,075</u>
Business-type activities:							
Investment Income	\$34,848	\$90,606	\$146,689	\$66,540	(\$288)	\$5,756	\$1,952
Gain on sale of capital assets	53,200	-	-				
Miscellaneous Transfers	989,028	715,250	807,689	-1,859,685	(530,725)	100,000	(1,122,143)
Total business-type activities	<u>\$1,077,076</u>	<u>\$805,856</u>	<u>\$954,378</u>	<u>-\$1,793,145</u>	<u>(\$531,013)</u>	<u>\$105,756</u>	<u>(\$1,120,191)</u>
Total primary government	<u>\$7,909,837</u>	<u>\$8,894,685</u>	<u>\$8,818,277</u>	<u>\$8,487,344</u>	<u>\$7,818,169</u>	<u>\$7,682,221</u>	<u>\$7,205,884</u>
<b>Change in Net Assets</b>							
Governmental activities	(\$1,141,614)	(\$418,785)	(\$594,505)	\$2,127,307	\$106,095	(\$1,154,667)	(\$163,068)
Business-type activities	1,671,475	1,499,267	1,356,554	-1,119,714	(431,931)	(87,834)	(1,148,972)
Total primary government	<u>\$529,861</u>	<u>\$1,080,482</u>	<u>\$762,049</u>	<u>\$1,007,593</u>	<u>(\$325,836)</u>	<u>(\$1,242,501)</u>	<u>(\$1,312,040)</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund							
Nonspendable	*	*	*	*	*	*	38,484
Committed	*	*	*	*	*	*	9,548
Unassigned	*	*	*	*	*	*	4,277,803
<b>Total General Fund</b>	*	*	*	*	*	*	<b>4,325,835</b>
All Other Governmental Funds							
Restricted	*	*	*	*	*	*	758,275
Assigned	*	*	*	*	*	*	37,445
Unassigned	*	*	*	*	*	*	(39,658)
<b>Total All Other Governmental Funds</b>	*	*	*	*	*	*	<b>756,062</b>

Note:

\* Information not available prior to the implementation of GASB Statement 54.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>							
Taxes	\$5,975,481	\$6,845,377	\$7,015,189	\$6,806,857	\$6,029,880	\$5,678,639	\$5,255,722
Licenses and Permits	243,285	306,434	203,935	284,461	910,670	1,002,607	907,627
Intergovernmental Revenue	2,227,329	2,354,697	2,299,926	2,554,416	1,891,498	1,834,374	1,856,789
Impact Fees	10,384	22,042	0	0	0	0	0
Charges for Services	1,081,450	1,143,570	1,468,483	844,936	1,581,874	1,560,638	1,574,516
Fines and Forfeitures	84,677	75,407	80,912	85,566	112,088	108,418	274,675
Earnings on Investments	336,855	141,781	262,303	193,847	35,554	24,515	16,355
Miscellaneous Revenues	149,242	286,867	367,214	186,347	368,655	308,537	333,868
<b>Total Revenues</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>10,219,552</b>
<b>Expenditures</b>							
General government	\$1,381,681	\$1,496,901	\$1,618,128	\$1,369,856	\$1,304,757	\$1,355,987	\$1,331,030
Public Safety	4,465,949	4,829,181	4,877,374	4,772,368	4,325,623	4,382,445	4,744,719
Public Services	1,255,389	1,310,971	1,402,016	1,372,963	1,257,482	1,311,441	1,349,896
Culture and Recreation	2,228,746	2,247,362	2,406,033	2,946,282	2,817,821	2,786,043	2,649,676
Redevelopment	741,567	742,650	1,035,853	1,148,658	1,452,551	1,384,343	1,076,941
Debt Service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total Expenditures</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>11,152,262</b>
<b>Other Financing sources (Uses)</b>							
Transfer In	629,239	876,697	560,311	2,035,429	1,560,725	1,427,437	1,177,143
Transfer Out	(1,652,252)	(1,591,947)	(1,368,000)	(1,360,017)	(1,030,000)	(1,527,437)	(55,000)
<b>Total other financing sources (uses)</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>1,122,143</b>
<b>Net change in fund balances</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>	<b>\$189,433</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		Less: Tax Exemptions					Total Taxable Assessed Value	Millage Rate *
	Residential Property	Commercial Property	Personal Property	Governmental/ Institutional	\$25,000 Homestead	Homestead Assessment Differential	Widows/ Disability/ Blind		
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
2011	923,293,178	127,600,207	19,592,603	85,054,875	162,965,943	97,945,583	6,068,572	718,451,015	3.4742

**Source:** Pinellas County Property Appraiser, 2010 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**

City Direct Rates		Overlapping Rates					
Fiscal Year	Basic Rate *	Pinellas County	Pinellas County Schools	Transit	Emerg. Medical Services	Other**	Total Millage
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
2011	3.4742	4.8730	8.3400	0.5601	0.5832	1.4410	19.2715

**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**

<b>Taxpayer</b>	<b>2011</b>			<b>2001</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Seaside Villas Gulfport LLC	\$6,710,000	1	1.02%			
Paonessa, Jeffrey L	\$3,031,802	2	0.46%	\$3,119,000	3	0.78%
CFC Pasadena Golf LLC	\$3,018,377	3	0.46%			
Lavin Gulfport Properties LLC	\$2,332,218	4	0.36%	\$2,303,100	4	0.58%
CFC Pasadena Yacht LLC	\$2,126,790	5	0.32%	\$4,726,100	1	1.19%
49th Street LLC	\$1,770,000	6	0.27%			
JLP Management Assoc Inc	\$1,749,141	7	0.27%	\$1,245,900	8	0.31%
Levine, Alan M	\$1,679,822	8	0.26%			
Hernandez, Roberto M	\$1,652,564	9	0.25%			
Heithaus, Henry Joseph	\$1,529,637	10	0.23%			
G&D Investments				\$3,442,000	2	0.86%
CFS Gulfport				\$1,599,800	5	0.40%
Gulfport Plaza Center INC				\$1,554,000	6	0.39%
Abernathy, Ernest W				\$1,357,300	7	0.34%
Mitchell, Jeffrey L				\$1,260,900	9	0.32%
Arrojo, Luis R				1,295,100	10	0.33%
<b>Total</b>	<b>\$25,600,351</b>		<b>3.90%</b>	<b>\$21,903,200</b>		<b>4.86%</b>

**Source:**

Pinellas County Tax Rolls

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

<u>Fiscal Year Ended Sept. 30</u>	<u>Total Tax Levy</u>	<u>Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Amount Uncollected</u>
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
2011	\$2,504,506	\$2,425,538	96.85%	\$78,968

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

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Type of Customer</b>										
Residential	2,903,000	2,865,646	3,142,239	3,167,552	3,448,191	3,298,681	3,334,493	2,110,768		
Commercial	265,310	252,456	261,856	266,362	297,895	321,935	311,633	185,994		
Governmental	102,136	106,315	125,989	82,799	74,954	71,785	75,117	56,429		
<b>Total</b>	3,270,446	3,224,417	3,530,084	3,516,713	3,821,040	3,692,401	3,721,243	2,353,191		
Total direct rate per 1,000 gallons	\$5.52	\$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><u>Water</u></b>		<b><u>Sewer</u></b>	
	<b><u>Monthly Base Rate</u></b>	<b><u>Rate per 1,000 Gallons</u></b>	<b><u>Monthly Base Rate</u></b>	<b><u>Rate per 1,000 Gallons</u></b>
2011	\$11.04	\$5.52	\$13.72	\$6.86
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

Source: City of Gulfport Utility Billing System, Incode Software

**City of Gulfport, Florida**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2011**

<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	\$ -	N/A	\$ -
<b>OVERLAPPING DEBT</b>			
Pinellas County Capital Leases	\$ -	N/A	0
Pinellas County School District State Bonds <sup>b</sup>	27,400,000	1.23%	337,020
Pinellas County School District Capital Leases	17,181,856	1.23%	211,337
Total Direct and Overlapping debt			<u>\$ 337,020</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			
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	12.2%	2,332
2011	12,022	323,981,840	26,740	49.9	10.0%	2,126

**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**

Employer	2011 a			2002 b		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Pinellas County School District	13,905	1	3.48%			
Home Shopping Network	4,000	2	1.00%			
City of St Petersburg	3,500	3	0.87%			
Times Publishing	3,187	4	0.80%			
Raymond James	3,022	5	0.76%			
Pinellas County Sheriff	2,800	6	0.70%			
Nielsen Media Research	2,669	7	0.67%			
Mortin Plant	2,448	8	0.61%			
Bay Pines VA Medical Center	2,330	9	0.58%			
Raytheon	2,200	10	0.55%			
Total Employment a	400,055		100.00%			

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

<sup>b</sup> Source: Data for 2002 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>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General Government					
City Clerk	2.5	2	2	2	2
City Manager	2	2	2	2	2
Administrative Services	8	8	8	7.5	7.5
Information Technology	2	2	2	2	2
Public Safety					
Police	45	43	43	40	40
Fire	17.5	15.5	15.5	16.5	15.5
Community Development	8	7	8	8	6
Public Works	25	24	24	24	24
Utilities	6	6	6	6	6
Leisure Services	40.5	38.25	38	39	37
Cultural Facilities	5.5	5.5	5.5	5.5	5.5
Marina	3.5	3.5	3.5	3.5	3.5
<b>Total</b>	<b>165.5</b>	<b>156.75</b>	<b>157.5</b>	<b>156</b>	<b>151</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**

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Police</b>					
Reported Crime (UCR Part One)	698	725	742	558	590
Reported Traffic Crashes	161	173	150	151	132
Calls for Service	34,111	35,482	38,322	34,005	33,825
<b>Fire</b>					
Fires Extinguished	63	41	32	27	63
Emergency responses	2,668	2,700	2,606	2,829	2,519
Fire Inspections					430
<b>Sanitation</b>					
Refuse collected (tons/day)	29.08	27.84	24.55	24.79	23.47
Recyclables collected (tons/day)	1.94	2.39	2.90	2.13	2.42
<b>Utilities</b>					
Average daily consumption (thousands of gallons)	1,046	1,089	1,142	989	730
Average daily sewage treatment (thousands of gallons)	1,051	781	806	1,051	996
<b>Recreation</b>					
Participants in After-School Program	81	54	50	45	49
Participants in Summer Camp Program	198	142	127	110	108
<b>Library</b>					
Circulation of materials	115,489	81,689	93,698	90,749	88,642
Reference questions	8,114	8,113	8,772	7,990	8,110
Sponsored programs	276	252	278	253	132
<b>Senior Center</b>					
Average daily attendance	148	175	200	250	250
Meals served daily	140	175	60	60	50
Reassurance calls made daily	27	22	26	30	25
<b>GEMS</b>					
Number of rides	12,105	11,338	10,927	10,454	11,124
Number of subscriptions	145	163	157	186	180
Number of handicapped members	38	47	69	103	95
<b>Marina</b>					
Number of slips rented	247	237	237	209	192
Number of vessels fueled	6,475	5,776	3,831	3,994	4,919
Number of gallons dispensed	217,144	203,556	198,653	189,152	211,333
<b>Cultural Facilities</b>					
Number of dances/rentals	300	289	302	327	323
Number of theater rentals	112	99	85	75	89

**Sources:** Various government departments

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

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Schools*					
Elementary	1	1	1	1	1
Junior/Senior High	2	2	2	2	2
Police					
Stations	1	1	1	1	1
Patrol units	20	20	20	20	22
Fire					
Stations	1	1	1	1	1
Fire Trucks	2	2	2	2	2
Other Public Works					
Streets - Paved	67.63	67.63	67.63	67.63	67.63
Streets - Unpaved	32	32	32	32	32
Streetlights	1,368	1,368	1,368	1,368	1,368
Sanitation					
Collection trucks	6	6	6	6	6
Utilities					
Water mains (miles)	68	68	68	68	68
Fire hydrants	265	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
Parks					
Acreage	36.75	36.75	36.75	36.75	36.75
Playgrounds	6	6	6	6	6
Tennis Courts	2	2	2	2	2
Skate Parks	1	1	1	1	1
Volleyball Courts	2	2	2	2	2
Basketball Courts	1	1	1	1	1
Bocce Courts	2	2	2	2	2
Recreation Buses	1	1	1	1	1
Library					
Catalogued items	73,665	74,100	74,100	74,438	75,250
GEMS					
Vehicles	3	3	3	3	4
Marina					
Number of slips	247	247	247	247	247
Dry Storage Slips					73

**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 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**

To the Honorable Mayor  
and City Commission  
City of Gulfport, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Florida (the "City") for the year ended September 30, 2011, and have issued our report thereon dated March 28, 2012. 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

Management is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

*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 a 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. We consider the deficiency described in the accompanying schedule of findings, as item 2011-1, to be a material weakness.

### Compliance and Other Matters

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

This report is intended solely for the information and use of the Honorable Mayor and City Commission, management, federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carri Riggs & Ingram, L.L.C.*

Clearwater, Florida  
March 28, 2012

## MANAGEMENT LETTER

To the Honorable Mayor  
and City Commission  
City of Gulfport, Florida

We have audited the financial statements of the City of Gulfport, Florida (the "City"), as of and for the year ended September 30, 2011, and have issued our report thereon dated March 28, 2012.

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.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida.

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. Those recommendations not fully completed, if any, have been included in the attached Schedule of Findings.

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)7.a., Rules of the Auditor General, requires that a statement must be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, 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 year ended September 30, 2011, 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 year ended September 30, 2011. In connection with our report we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)(7)c. and 10.556(7), Rules of the Auditor General, 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 the City Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Carly Riggs & Ingram, L.L.C.*

Clearwater, Florida  
March 28, 2012

# City of Gulfport, Florida

## Schedule of Findings

Fiscal year Ended September 30, 2011

### Prior Year Comment

#### Other Matter

#### 2008-1 – 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

This issue has been fully resolved.

### Current Year Comment

#### Material Weakness

#### 2011-1 Capital Assets

##### Condition

During our audit, we noted that depreciation lives were not being consistently applied and in accordance with City policy on all business-type activities capital assets, specifically the water and sewer and marina capital assets. Material adjustments were posted to prior year accumulated depreciation and current year depreciation to properly state business-type activities net capital assets.

##### Management Response

Prior to the completion of audit fieldwork, the City revised their capital asset policy to include a monthly review by the Accounting Manager to review all capital asset activity for the month and for a final review by the Administrative Services Director to ensure accurate recording of capital asset activity.