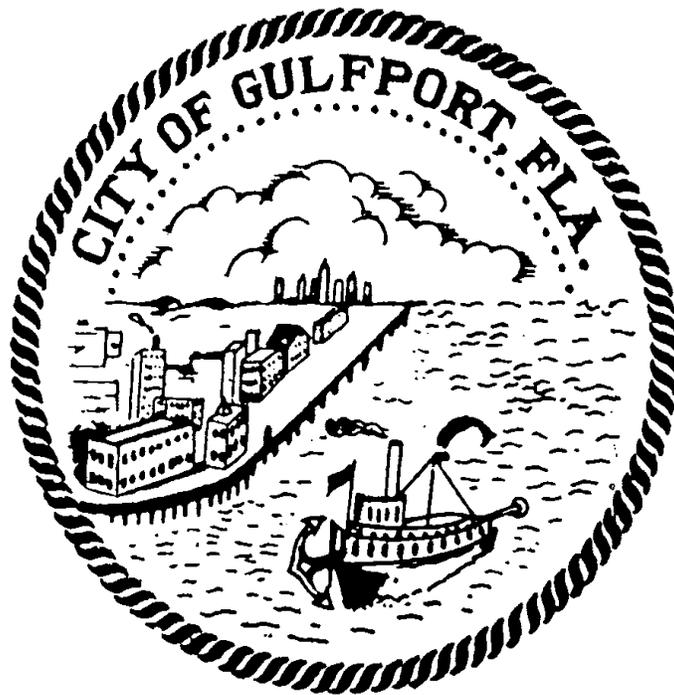


*City of Gulfport
Florida*



2012
*Comprehensive
Annual Financial Report*

Fiscal Year Ended September 30, 2012

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Comprehensive Annual Financial Report
of the
City of Gulfport, Florida
for the
Fiscal Year Ended September 30, 2012

Michael J. Yakes, Mayor
Sam Henderson, Vice Mayor
Barbara Banno
Dan Liedtke
Jennifer Salmon



City Manager
James E. O'Reilly

City Clerk
Lesley DeMuth

Administrative Services Department

Terri Gould
Administrative Services Director

Prepared by the Finance Division

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CITY OF GULFPORT, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Year Ended September 30, 2012

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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

May 30, 2013

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, 2012. 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, 2012, 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 required legislation, make additional appropriations or transfer unencumbered appropriations from one department to another department or fund. 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 \$348,175,942, or 34.6% 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 four years to a level just over \$657,170,000 for fiscal year end 2012. Declines in taxable value coupled with legislative or constitutional amendments limiting millage rates have led to an overall cumulative loss of \$989,482

in property tax revenues over the past five years when compared to collections from FY 2007. Simply stated, the City has received \$989,482 less in ad valorem revenue over the past five 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 08	FY 09	FY 10	FY 11	FY 12
TAXABLE					
VALUES	\$1,005,346,275	\$890,284,920	\$798,568,343	\$718,451,015	\$657,170,333
AD VALOREM					
REVENUES	\$3,256,529	\$3,009,208	\$2,699,875	\$2,425,528	\$2,567,103
MILLAGE					
RATES	3.3487	3.4742	3.4742	3.474	4.000

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. 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 2012 year end the reserve balance was \$4,563,499, or 47.1%. 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 2012 a total of \$1,171,715 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 08	FY 09	FY 10	FY 11	FY 12
UTILITY					
PILOT	\$317,688	\$359,137	\$0	\$539,463	\$546,715
SANITATION					
PILOT	\$136,402	\$139,491	\$100,000	\$127,727	\$350,000
MARINA					
PILOT	\$158,622	\$287,352	\$500,000	\$454,953	\$375,000

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.

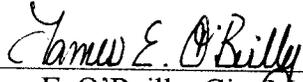
Awards and Acknowledgements

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, 2011. This was the twenty-ninth 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 unflinching 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



Terri Gould
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, 2011

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.



Christopher P. Morrell

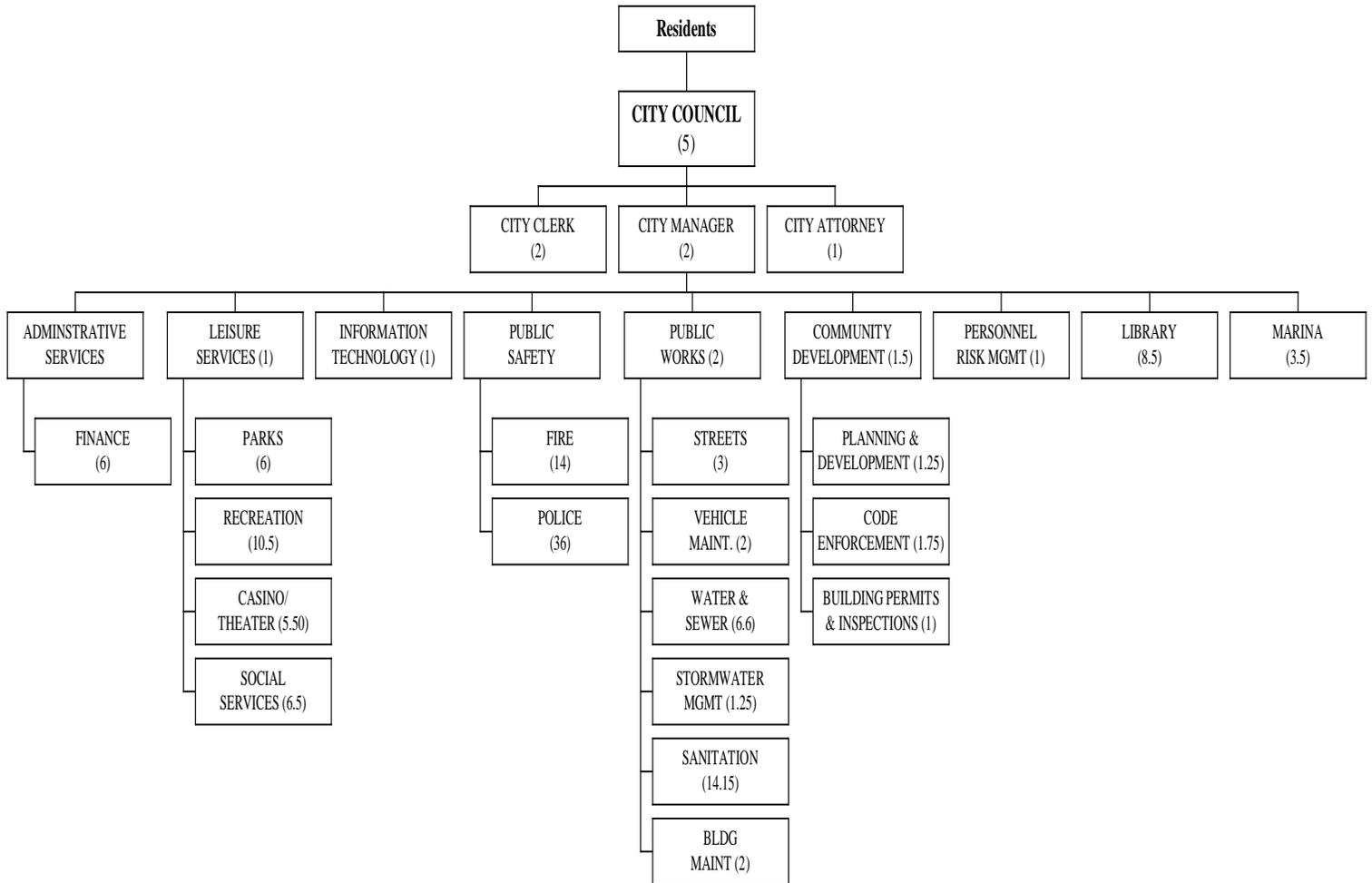
President

Jeffrey R. Enow

Executive Director

ORGANIZATIONAL CHART

For Fiscal 2011/2012 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

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, 2012, 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 the 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, 2012, and the respective changes in financial position and, cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, 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 basic 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. 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 basic financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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

Clearwater, Florida
May 30, 2013

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

The City of Gulfport's (City) 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's 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 adopted budget), and (e) identify individual fund issues or concerns.

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

Financial Condition Overview

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

- *Operating results* reflect the degree to which budgets met expectations. Both actual revenues and actual expenditures were within reasonable proximity of budgeted amounts for FY 2012.
- *Liquidity* reflects the City's ability to pay current liabilities with current assets. The City maintained sufficient, prudent liquidity levels throughout FY 2012 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 2012 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, 2012.
- *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 2012 by \$30,224,299 (net assets). Of this amount, \$4,046,054 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental Fund revenues increased by \$13,176 or .001% when compared to fiscal year 2011. Governmental Fund expenditures decreased by \$328,695 or .32% during this same period. The Excess of Revenues Over (Under) Expenditures in the Governmental Funds showed a shortage of \$1,207,420. This represents 10.71% of the total expenditures for the year.
- Business-type activities (the City's Enterprise Funds) operating revenues increased by \$606,081 or 8.32% and operating expenses increased \$203,859 or 2.79% when compared to last year.
- The City had no long-term debt as of September 30, 2012.

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 \$30,224,299.

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 September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 5,442,843	\$ 5,412,574	\$ 1,159,213	\$ 1,025,008	\$ 6,602,056	\$ 6,437,582
Capital Assets (Net)	13,110,824	12,736,483	12,291,557	13,185,782	25,402,381	25,922,265
Total Assets	18,553,667	18,149,057	13,450,770	14,210,790	32,004,437	32,359,847
Current and other liabilities	331,634	482,248	595,773	610,589	927,407	1,092,837
Long-term Liabilities	684,509	418,525	168,222	115,602	852,731	534,127
Total Liabilities	1,016,143	900,773	763,995	726,191	1,780,138	1,626,964
Net Assets:						
Invested in Capital Assets	13,110,824	12,736,483	12,291,557	13,185,782	25,402,381	25,922,265
Restricted	606,443	774,617	169,421	168,026	775,864	942,643
Unrestricted	3,820,257	3,728,184	225,797	130,791	4,046,054	3,858,975
Total Net Assets	\$ 17,537,524	\$ 17,239,284	\$ 12,686,775	\$ 13,484,599	\$ 30,224,299	\$ 30,723,883

A large portion of the City's net assets (84.05%) reflects its investment in capital assets (e.g., land, land improvements, buildings and equipment). The City has no debt related to these assets. The City uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending.

A small portion of the City's net assets (2.57%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,046,054) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a \$499,584 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. Overall, the City's total assets have decreased by \$335,410, as compared to the previous year.

As of September 30, 2012, 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.

STATEMENT OF ACTIVITIES For the Year Ended September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues:						
Charges for Services	\$ 2,568,638	\$ 2,530,935	\$ 7,886,538	\$ 7,280,457	\$ 10,455,176	\$ 9,811,392
Operating Grants and Contributions	218,670	316,360	-	-	218,670	316,360
Capital Grants and Contributions	107,877	168,861	1,395	4,050	109,272	172,911
General Revenues:						
Property Taxes	2,648,014	2,528,300	-	-	2,648,014	2,528,300
Utility Taxes and Franchise Sales, Use, and Other Taxes	2,284,618	2,387,202	-	-	2,284,618	2,387,202
Investment Income	19,821	16,355	3,138	1,952	22,959	18,307
Other	105,492	152,262	-	-	105,492	152,262
Total Revenues	10,132,679	10,220,088	7,891,071	7,286,459	18,023,750	17,506,547
EXPENSES						
General Government	1,303,256	1,510,297	-	-	1,303,256	1,510,297
Public Safety	4,876,503	4,854,216	-	-	4,876,503	4,854,216
Leisure Services	2,486,703	2,756,663	-	-	2,486,703	2,756,663
Community Development / Redevelopment	787,212	850,180	-	-	787,212	850,180
Public Works	1,552,480	1,533,943	-	-	1,552,480	1,533,943
Sanitation	-	-	1,732,447	1,629,234	1,732,447	1,629,234
Water and Sewer	-	-	4,324,359	4,183,768	4,324,359	4,183,768
Marina	-	-	1,460,374	1,500,286	1,460,374	1,500,286
Total Expenses	11,006,154	11,505,299	7,517,180	7,313,288	18,523,334	18,818,587
Excess (Deficiency) Before Transfers						
	(873,475)	(1,285,211)	373,891	(26,829)	(499,584)	(1,312,040)
Transfers	1,171,715	1,122,143	(1,171,715)	(1,122,143)	-	-
Change in Net Assets	298,240	(163,068)	(797,824)	(1,148,972)	(499,584)	(1,312,040)
Net Assets - Beginning	17,239,284	17,402,352	13,484,599	14,633,571	30,723,883	32,035,923
Net Assets - Ending	\$ 17,537,524	\$ 17,239,284	\$ 12,686,775	\$ 13,484,599	\$ 30,224,299	\$ 30,723,883

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 remained relatively static with an increase of only \$13,176 in FY 2012. 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 8.5% (see Table 5 of Statistical Section) and the City Council needed to raise the millage to 4.00 in order to raise the same tax revenue as in the previous year in order to maintain the same level of service. Infrastructure Surtax revenues also decreased again for the fifth fiscal year in a row as a result of continued decline in overall consumer spending throughout FY 2012. Franchise fees as well as the Local Communication Service Taxes also continue to decrease as a result of economic conditions. Returns available from investments continue to remain low as the Federal Reserve continued to hold the prime rate at record low rates in response to a sluggish slow to recover economy.

Grant revenues received for the year totaled \$326,547 representing a decrease of \$157,279 or 32.4% below 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 Senior Center recreational programs continued to receive grant assistance from the Florida Department of Elder Affairs.

Revenues generated from user fees or charges for services for Enterprise Fund activities within Sanitation and the Water and Sewer increased over the previous fiscal year. In total, Water & Sewer revenues increased \$484,438 or 12.6% compared to the previous year. 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. Sanitation revenues from waste pick up and recycling fees remained strong in FY 2012 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 continues. Slip rental revenue at the Marina decreased by \$94,322 or 5.7% from previous year as a result of the poor economy and continued declines in slip rentals leaving the facility below full capacity.

Expenses

Total governmental expenditures, excluding transfers, decreased by \$499,145 or 4.3%. There were no reductions to key services provided to the City of Gulfport citizens for fiscal year 2012.

No wage increases or reductions were given to the City of Gulfport employees including members of the collective bargaining units. This was the second year of a three year Police Department collective bargaining unit employees negotiated with the City under the membership of the Police Benevolent Association or PBA that provided take home vehicles for the first time to officers. No cost of living (COLA) adjustments or merit raises were provided for the City's general employee personnel and management. This City continued to participate in the Public Risk Management Pool in order to provide employee health care benefit savings and the City has combined its over 100 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.

Overall expenditures in the Business-type or Enterprise Funds increased by \$203,892 or 2.7% which is largely due to the wholesale water and sewer fee increases on potable water and sewer treatment from the City of St. Petersburg. Rates for water and sewer are subject to annual review and adjustment under the current wholesale agreement and were increased 4.6% and 5.8% respectively. The City chose not pass along the rate increase to the customer in FY 2012 and absorbed the expense. Personnel and operating savings were realized in both the Sanitation and Utility Departments in part due to employee turnover and fleet repair savings, however the savings was not enough to absorb the entire rate increase. The Marina fund operating expenses totaled \$39,912 or 2.6% less than the previous year expenditures in large part due to the economy and less fuel being purchased.

THE CITY FUNDS

Governmental Funds

As of the year-end September 30, 2012, the Governmental Funds (as presented on the balance sheet) reported a combined fund balance of \$5.046 million, which is a .7% decrease when compared to the previous year (\$5.082 million). As of fiscal year end, the expenditures exceeded the revenues in all Governmental Funds for a combined total of \$1,207,420. The Capital Projects Fund completed the fiscal year with a decrease to fund balance of \$289,458. The General Fund finished FY 2012 with net increase to fund balance of \$237,667, a difference of \$507,443 from the decrease to fund balance which took place in FY 2011.

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 \$4,563,499 exists at year end 2012. Out of this total fund balance \$4,346,495 is unassigned, \$53,365 is committed for technology upgrades, \$130,263 is restricted for special projects and \$33,376 is designated nonspendable as it related to inventories and prepaid items. The FY 2012 unassigned fund balance of \$4,346,495 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 Capital Projects Fund is now a major fund for FY 2012. This consists of the Penny for Pinellas or One-Cent sales tax funding for capital projects within the County. Reduction of this fund balance shows that the City is moving forward on planned capital projects. This current citizen voted initiative expires in 2020.

The fund balance of the Non-major Governmental Funds increased during FY 2012 to a balance of \$114,324. This group of funds is made up of the 49th Street Redevelopment Fund, the Waterfront Redevelopment District and the Library Fund. 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 \$12,686,775 which is \$797,824 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 \$284,939, which is \$112,752 larger than the operating income the fund had in 2011. During fiscal year 2012 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 \$10,612 in fiscal year 2012, as compared to a \$354,504 operating loss in the previous year. Depreciation expense for the Utility fund remained close to the previous year as minimal capital improvements and replacement of utility infrastructure work was completed during fiscal year 2012. Starting in FY 2012 and continuing today the City began identifying funding method alternatives for future infrastructure replacement.

The Marina Fund showed an operating income of \$95,959 in this fiscal year, as compared to \$149,941 the previous year. Total revenues for the Marina Fund operations continue to be hindered by the economic downturn over the last few years. The Marina Fund’s payment in lieu of taxes transfer to the General Fund has been reduced to \$375,000 from \$454,953 due to the reduction of revenue the fund has seen.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Expenditures for the General Fund final budget decreased by \$16,299 or .2% over the amount originally budgeted for fiscal year 2012.

Total actual revenues for the General Fund for fiscal year 2012 were \$342,655 or 3.8% less than final budgeted revenues. Contributing to this deficit of actual revenues versus final budgeted revenues include: \$426,020 deficit in taxes including local communication taxes and property taxes; permits and fees with a deficit of \$34,241; charges for services in the amount of \$31,085; and miscellaneous revenues of \$54,330. Revenues that came in over budgeted amounts for FY 2012 include: intergovernmental revenues of \$62,949 and fines and forfeitures of \$145,451 over budgeted amount for FY 2012.

Actual fiscal year 2012 expenditures for the General Fund were less than final budgeted expenditures by \$328,879 or 3.9%. Savings were realized across all City departments for fiscal year 2012. The largest savings for 2012 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. 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.

GENERAL FUND For the Year Ended September 30

Expenditures	<u>Original Budget</u>	<u>Final Budget</u>	<u>Difference</u>
General Government	\$ 1,316,236	\$ 1,322,720	\$ 6,484
Public Safety	4,798,956	4,798,956	-
Leisure Services	1,834,721	1,809,802	(24,919)
Community Development / Redevelopment	364,592	369,359	4,767
Public Works	1,380,856	1,378,225	(2,631)
Transfers Out	100,000	410,000	310,000
	<u>\$ 9,795,361</u>	<u>\$ 10,089,062</u>	<u>\$ 293,701</u>

Expenditures	<u>Actual</u>	<u>Final Budget</u>	<u>Difference</u>
General Government	\$ 1,254,675	\$ 1,322,720	\$ (68,045)
Public Safety	4,736,038	4,798,956	(62,918)
Leisure Services	1,664,170	1,809,802	(145,632)
Community Development / Redevelopment	366,595	369,359	(2,764)
Public Works	1,328,705	1,378,225	(49,520)
Transfers Out	410,000	410,000	-
	<u>\$ 9,760,183</u>	<u>\$ 10,089,062</u>	<u>\$ (328,879)</u>

CAPITAL ASSETS

Capital Assets

As of September 30, 2012, the City had \$25,402,381 invested in a variety of capital assets, as compared to \$25,922,265 as of September 30, 2011. This represents a net decrease of \$519,884 or 2% from the end of last year.

Capital Assets As of September 30th

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 592,072	\$ 592,072	\$ 20,000	\$ 20,000	\$ 612,072	\$ 612,072
Buildings	10,454,109	10,315,295	737,905	737,905	11,192,014	11,053,200
Improvements other than Bldg.	12,589,067	12,145,163	21,344,640	21,223,825	33,933,707	33,368,988
Equipment	3,907,821	3,351,228	2,603,565	2,588,108	6,511,386	5,939,336
Software	<u>340,612</u>	<u>328,154</u>	<u>49,410</u>	<u>49,410</u>	<u>390,022</u>	<u>377,564</u>
Total Cost of Assets	27,883,681	26,731,912	24,755,520	24,619,248	52,639,201	51,351,160
Less: Accumulated Depreciation	(14,772,857)	(13,995,429)	(12,532,868)	(11,599,503)	(27,305,725)	(25,594,932)
Construction in Progress	-	-	<u>68,905</u>	<u>166,037</u>	<u>68,905</u>	<u>166,037</u>
Total	<u>\$ 13,110,824</u>	<u>\$ 12,736,483</u>	<u>\$ 12,291,557</u>	<u>\$ 13,185,782</u>	<u>\$ 25,402,381</u>	<u>\$ 25,922,265</u>

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

Change in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Beginning Balance	\$ 12,736,483	\$ 13,185,782	\$ 25,922,265
Additions	1,283,049	42,759	1,325,808
Retirements at book value (net)		-	-
Depreciation	<u>(908,708)</u>	<u>(936,984)</u>	<u>(1,845,692)</u>
Ending Balance	<u>\$ 13,110,824</u>	<u>\$ 12,291,557</u>	<u>\$ 25,402,381</u>

ECONOMIC FACTORS AND YEAR 2013 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 three budget years persists as the main factors or considerations in preparing the City of Gulfport's budget for fiscal year 2013. 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 2013 budget. The budget development process for FY 2013 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 2013 include:

- FY 2013 property tax revenues remained constant with the adoption of 4.039 mills which represents no increase over the rolled back rate.
- Utility (Water & Sewer) PILOT fund transfers to the General Fund in the amount of \$325,000 to offset diminished recurring revenues.
- Marina PILOT fund transfers to the General Fund in the amount of \$300,000.
- Sanitation PILOT fund transfers to the General Fund in the amount of \$467,000.
- An increase of \$110,720 or 1.3% to personnel costs City-wide for all funds and activities
- City-wide salary increases (COLA) of 2%.
- A \$122,017 or 1.2% decrease to operating costs City-wide for all funds and activities.
- Increase of \$6,702 or 1.4% in total employee health insurance costs City-wide.
- Estimated increase of 20% in Building Department revenues (General Fund) due to rate increases in building permit fees.
- A \$25,000 or 9% increase in appropriated fuel costs.

FINANCIAL CONTACT

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

Basic Financial Statements

The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The government-wide financial statements present financial information about the reporting government, as a whole, except for its fiduciary activities. The fund financial statements present financial information about major funds individually and nonmajor funds in the aggregate. They also include financial information about the fiduciary funds. 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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,724,419	\$ 275,562	\$ 3,999,981
Investments	24,420	12,153	36,573
Restricted Cash and Investments	606,443	365,506	971,949
Receivables (net)	286,953	1,026,800	1,313,753
Due from Other Governments	78,842	-	78,842
Internal Balances	641,928	(641,928)	-
Inventories	18,383	108,488	126,871
Prepaid Items	14,993	12,632	27,625
Pension Asset	46,462	-	46,462
Capital Assets:			
Capital Assets not Being Depreciated	592,072	88,905	680,977
Capital Assets Being Depreciated and Amortized (Net)	<u>12,518,752</u>	<u>12,202,652</u>	<u>24,721,404</u>
Total Capital Assets	<u>13,110,824</u>	<u>12,291,557</u>	<u>25,402,381</u>
Total Assets	<u>18,553,667</u>	<u>13,450,770</u>	<u>32,004,437</u>
LIABILITIES			
Accounts Payable	160,473	289,423	449,896
Liabilities Payable from Restricted Assets	-	196,085	196,085
Accrued Liabilities	133,572	29,670	163,242
Due to Other Governments	6,697	80,595	87,292
Deposits	30,892	-	30,892
Long-term Liabilities:			
Due Within One Year	228,510	44,088	272,598
Due in More Than One Year	<u>455,999</u>	<u>124,134</u>	<u>580,133</u>
Total Liabilities	<u>1,016,143</u>	<u>763,995</u>	<u>1,780,138</u>
NET ASSETS			
Invested in Capital Assets	13,110,824	12,291,557	25,402,381
Restricted			
Sewer Projects	-	169,421	169,421
Capital Projects	389,921	-	389,921
Library Projects	86,259	-	86,259
Other Special Projects	130,263	-	130,263
Unrestricted	<u>3,820,257</u>	<u>225,797</u>	<u>4,046,054</u>
Total Net Assets	<u>\$ 17,537,524</u>	<u>\$ 12,686,775</u>	<u>\$ 30,224,299</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, 2012

<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	\$ 1,303,256	\$ 802,448	\$ 400	\$ -
Public Safety	4,876,503	980,136	38,067	44,690
Leisure Services	2,486,703	546,146	180,203	63,187
Community Development/Redevelopment	787,212	-	-	-
Public Works	1,552,480	239,908	-	-
Total Governmental Activities	<u>11,006,154</u>	<u>2,568,638</u>	<u>218,670</u>	<u>107,877</u>
Business-type Activities:				
Sanitation	1,732,447	2,017,386	-	-
Water and Sewer	4,324,359	4,313,418	-	1,395
Marina	1,460,374	1,555,734	-	-
Total Business-type Activities	<u>7,517,180</u>	<u>7,886,538</u>	<u>-</u>	<u>1,395</u>
Total	<u>\$ 18,523,334</u>	<u>\$ 10,455,176</u>	<u>\$ 218,670</u>	<u>\$ 109,272</u>

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

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

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

Governmental Activities	Business-type Activities	Total
\$ (500,408)	\$ -	\$ (500,408)
(3,813,610)	-	(3,813,610)
(1,697,167)	-	(1,697,167)
(787,212)	-	(787,212)
<u>(1,312,572)</u>	<u>-</u>	<u>(1,312,572)</u>
<u>(8,110,969)</u>	<u>-</u>	<u>(8,110,969)</u>
-	284,939	284,939
-	(9,546)	(9,546)
<u>-</u>	<u>95,360</u>	<u>95,360</u>
<u>-</u>	<u>370,753</u>	<u>370,753</u>
<u>(8,110,969)</u>	<u>370,753</u>	<u>(7,740,216)</u>
2,648,014	-	2,648,014
631,389	-	631,389
970,203	-	970,203
1,546,683	-	1,546,683
162,780	-	162,780
352,773	-	352,773
62,404	-	62,404
737,935	-	737,935
19,821	3,138	22,959
105,492	-	105,492
<u>1,171,715</u>	<u>(1,171,715)</u>	<u>-</u>
<u>8,409,209</u>	<u>(1,168,577)</u>	<u>7,240,632</u>
298,240	(797,824)	(499,584)
<u>17,239,284</u>	<u>13,484,599</u>	<u>30,723,883</u>
<u>\$ 17,537,524</u>	<u>\$ 12,686,775</u>	<u>\$ 30,224,299</u>

CITY OF GULFPORT, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 3,782,723	\$ 368,369	\$ 179,770	\$ 4,330,862
Investments	24,420	-	-	24,420
Accounts Receivable (net)	282,784	-	4,169	286,953
Due from Other Funds	689,891	-	-	689,891
Due from Other Governments	78,842	-	-	78,842
Prepaid Items	14,993	-	-	14,993
Inventories	18,383	-	-	18,383
Total Assets	<u>\$ 4,892,036</u>	<u>\$ 368,369</u>	<u>\$ 183,939</u>	<u>\$ 5,444,344</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 159,048	\$ -	\$ 1,425	\$ 160,473
Accrued Liabilities	131,900	-	1,672	133,572
Due to Other Funds	-	-	47,963	47,963
Due to Other Governments	6,697	-	-	6,697
Deposits Payable	30,892	-	-	30,892
Deferred Revenue	-	-	18,555	18,555
Total Liabilities	<u>328,537</u>	<u>-</u>	<u>69,615</u>	<u>398,152</u>
Fund Balances				
Inventories and Prepaid Items	33,376	-	-	33,376
Restricted for 49th Street				
Redevelopment	-	-	2,997	2,997
Restricted for Library	-	-	86,259	86,259
Restricted for Infrastructure	-	368,369	-	368,369
Restricted for Other Special Projects	130,263	-	-	130,263
Committed for Technology Upgrades	53,365	-	-	53,365
Assigned for Waterfront				
Redevelopment	-	-	25,068	25,068
Unassigned	4,346,495	-	-	4,346,495
Total Fund Balances	<u>4,563,499</u>	<u>368,369</u>	<u>114,324</u>	<u>5,046,192</u>
Total Liabilities and Fund Balances	<u>\$ 4,892,036</u>	<u>\$ 368,369</u>	<u>\$ 183,939</u>	<u>\$ 5,444,344</u>

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, 2012

Total fund balances of governmental funds \$ 5,046,192

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 \$27,883,681, and the accumulated depreciation and amortization is \$14,772,857. 13,110,824

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	(132,808)	
Compensated absences	(551,701)	
		(684,509)

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. 46,462

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

Total net assets of governmental activities \$ 17,537,524

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, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 4,916,960	\$ 970,203	\$ 178,452	\$ 6,065,615
Permits and Fees	179,759	-	-	179,759
Intergovernmental Revenues	1,649,146	-	-	1,649,146
Charges for Services	1,527,267	-	580	1,527,847
Fines and Forfeitures	362,300	-	-	362,300
Investment Income	19,821	-	-	19,821
Miscellaneous Revenues	260,988	2,291	1,725	265,004
Total Revenues	<u>8,916,241</u>	<u>972,494</u>	<u>180,757</u>	<u>10,069,492</u>
EXPENDITURES				
Current:				
General Government	1,254,675	-	-	1,254,675
Public Safety	4,736,038	-	-	4,736,038
Leisure Services	2,224,279	1,452	225	2,225,956
Community Development/ Redevelopment	366,595	-	204,443	571,038
Public Works	1,328,705	-	-	1,328,705
Capital Outlay	-	1,160,500	-	1,160,500
Total Expenditures	<u>9,910,292</u>	<u>1,161,952</u>	<u>204,668</u>	<u>11,276,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(994,051)</u>	<u>(189,458)</u>	<u>(23,911)</u>	<u>(1,207,420)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers In	1,331,715	-	100,000	1,431,715
Transfers (Out)	(100,000)	(100,000)	(60,000)	(260,000)
Total Other Financing Sources and (Uses)	<u>1,231,715</u>	<u>(100,000)</u>	<u>40,000</u>	<u>1,171,715</u>
Net Change in Fund Balances	237,664	(289,458)	16,089	(35,705)
Fund Balances - Beginning	<u>4,325,835</u>	<u>657,827</u>	<u>98,235</u>	<u>5,081,897</u>
Fund Balances - Ending	<u>\$ 4,563,499</u>	<u>\$ 368,369</u>	<u>\$ 114,324</u>	<u>\$ 5,046,192</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, 2012

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

Net change in fund balances - total governmental funds	\$	(35,705)
<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 cost of capital purchases (\$1,283,049) exceeds depreciation and amortization (\$908,708).</p>		
		374,341
<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	(2,870)	
Other postemployment benefits	(36,256)	
Pension asset	<u>(1,270)</u>	
		<u>(40,396)</u>
Change in net assets of governmental activities	\$	<u>298,240</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, 2012

Business-type Activities - Enterprise Funds

	Water And			Total
	Sanitation	Sewer	Marina	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 266,770	\$ 8,688	\$ 104	\$ 275,562
Investments	5,578	5,077	1,498	12,153
Restricted Assets:				
Cash Held for Customer Deposits	-	138,901	57,184	196,085
Cash Held for Sewer Impact Fees	-	169,421	-	169,421
Accounts Receivable (net)	237,456	496,136	293,208	1,026,800
Inventories	-	70,479	38,009	108,488
Prepaid Items	-	11,632	1,000	12,632
Total Current Assets	509,804	900,334	391,003	1,801,141
Noncurrent Assets:				
Capital Assets:				
Land	-	-	20,000	20,000
Buildings	230,746	411,965	95,194	737,905
Infrastructure and Improvements	295,053	16,833,422	4,216,165	21,344,640
Equipment and Machinery	1,796,614	752,538	54,413	2,603,565
Software	12,167	36,274	969	49,410
Construction in Progress	-	-	68,905	68,905
Less: Accumulated Depreciation and Amortization	(1,371,382)	(8,579,023)	(2,582,463)	(12,532,868)
Total Capital Assets (Net)	963,198	9,455,176	1,873,183	12,291,557
Total Noncurrent Assets	963,198	9,455,176	1,873,183	12,291,557
Total Assets	1,473,002	10,355,510	2,264,186	14,092,698

Continued

CITY OF GULFPORT, FLORIDA
STATEMENT OF NET ASSETS - Continued
PROPRIETARY FUNDS
September 30, 2012

Business-type Activities - Enterprise Funds

	Sanitation	Water and Sewer	Marina	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 30,969	\$ 254,815	\$ 3,639	\$ 289,423
Accrued Liabilities	19,000	7,173	3,497	29,670
Due to Other Funds	-	263,294	378,634	641,928
Due to Other Governments	-	75,528	5,067	80,595
Liabilities Payable from Restricted Assets - Deposits	-	138,901	57,184	196,085
Compensated Absences Payable	18,612	18,488	6,988	44,088
Total Current Liabilities	<u>68,581</u>	<u>758,199</u>	<u>455,009</u>	<u>1,281,789</u>
Noncurrent Liabilities:				
Other Postemployment Benefits	15,473	10,315	2,579	28,367
Compensated Absences Payable	38,841	40,334	16,592	95,767
Total Noncurrent Liabilities	<u>54,314</u>	<u>50,649</u>	<u>19,171</u>	<u>124,134</u>
Total Liabilities	<u>122,895</u>	<u>808,848</u>	<u>474,180</u>	<u>1,405,923</u>
NET ASSETS				
Invested in Capital Assets	963,198	9,455,176	1,873,183	12,291,557
Restricted for Sewer Projects	-	169,421	-	169,421
Unrestricted (Deficit)	386,909	(77,935)	(83,177)	225,797
Total Net Assets	<u>\$ 1,350,107</u>	<u>\$ 9,546,662</u>	<u>\$ 1,790,006</u>	<u>\$ 12,686,775</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, 2012

	Business-type Activities - Enterprise Funds			
	Sanitation	Water And Sewer	Marina	Total
Operating Revenues:				
Charges for Services	\$ 2,008,381	\$ 4,311,331	\$ 1,555,002	\$ 7,874,714
Miscellaneous Revenues	9,005	2,087	732	11,824
Total Operating Revenues	<u>2,017,386</u>	<u>4,313,418</u>	<u>1,555,734</u>	<u>7,886,538</u>
Operating Expenses:				
Personal Services	655,057	514,091	163,315	1,332,463
Contracted Services	446,186	2,623,371	9,046	3,078,603
Supplies and Materials	58,923	66,173	775,267	900,363
Repairs and Maintenance	216,444	43,844	29,501	289,789
Administrative Overhead	196,976	419,013	155,294	771,283
Other Services and Charges	33,398	59,603	114,206	207,207
Depreciation	125,463	597,935	213,586	936,984
Total Operating Expenses	<u>1,732,447</u>	<u>4,324,030</u>	<u>1,460,215</u>	<u>7,516,692</u>
Operating Income (Loss)	<u>284,939</u>	<u>(10,612)</u>	<u>95,519</u>	<u>369,846</u>
Nonoperating Revenues (Expenses):				
Investment Income	1,528	1,326	284	3,138
Interest Expense	-	(329)	(159)	(488)
Total Nonoperating Revenues (Expenses)	<u>1,528</u>	<u>997</u>	<u>125</u>	<u>2,650</u>
Income (Loss) Before Contributions and Transfers	286,467	(9,615)	95,644	372,496
Capital Contributions	-	1,395	-	1,395
Transfers In	-	50,000	50,000	100,000
Transfers (Out)	(350,000)	(546,715)	(375,000)	(1,271,715)
Change in Net Assets	(63,533)	(504,935)	(229,356)	(797,824)
Total Net Assets - Beginning	<u>1,413,640</u>	<u>10,051,597</u>	<u>2,019,362</u>	<u>13,484,599</u>
Total Net Assets - Ending	<u>\$ 1,350,107</u>	<u>\$ 9,546,662</u>	<u>\$ 1,790,006</u>	<u>\$ 12,686,775</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, 2012

	Business-type Activities - Enterprise Funds			
	Water And			
	Sanitation	Sewer	Marina	Total
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 1,968,474	\$ 4,258,520	\$ 1,316,430	\$ 7,543,424
Payments to Suppliers	(911,946)	(3,248,605)	(1,078,137)	(5,238,688)
Payments to Employees	(649,591)	(506,223)	(160,229)	(1,316,043)
Net Cash Provided by Operating Activities	<u>406,937</u>	<u>503,692</u>	<u>78,064</u>	<u>988,693</u>
Cash Flows from Noncapital Financing Activities				
Transfers (to) Other Funds	(350,000)	(546,715)	(375,000)	(1,271,715)
Transfers from Other Funds	-	50,000	50,000	100,000
Interfund Loan	-	-	226,639	226,639
Net Cash (Used) In Noncapital Financing Activities	<u>(350,000)</u>	<u>(496,715)</u>	<u>(98,361)</u>	<u>(945,076)</u>
Cash Flows from Capital and Related Financing Activities				
Capital Contributions	-	1,395	-	1,395
Payable interest payments	-	(329)	(159)	(488)
Net Cash Provided (Used) In Capital and Related Financing Activities	<u>-</u>	<u>1,066</u>	<u>(159)</u>	<u>907</u>
Cash Flows from Investing Activities				
Income Received from Investments	<u>1,304</u>	<u>1,160</u>	<u>315</u>	<u>2,779</u>
Net Cash Provided In Investing Activities	<u>1,304</u>	<u>1,160</u>	<u>315</u>	<u>2,779</u>
Net Increase (Decrease) in Cash and Cash Equivalents	58,241	9,203	(20,141)	47,303
Cash and Cash Equivalents at Beginning of Year	<u>208,529</u>	<u>307,807</u>	<u>77,429</u>	<u>593,765</u>
Cash and Cash Equivalents at End of Year	<u>\$ 266,770</u>	<u>\$ 317,010</u>	<u>\$ 57,288</u>	<u>\$ 641,068</u>

Continued

CITY OF GULFPORT, FLORIDA
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
For The Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds			
	Sanitation	Water And Sewer	Marina	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 284,939	\$ (10,612)	\$ 95,519	\$ 369,846
Depreciation	125,463	597,935	213,586	936,984
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(35,839)	(33,198)	(219,548)	(288,585)
(Increase) Decrease in Prepaid Items	-	(11,632)	-	(11,632)
(Increase) Decrease in Inventories	-	(21,356)	8,391	(12,965)
Increase (Decrease) in Accounts Payable	26,908	(34,096)	(20,246)	(27,434)
Increase (Decrease) in Due to Other Governments	-	4,935	25	4,960
Increase (Decrease) in OPEB	4,224	2,816	704	7,744
Increase (Decrease) in Accrued Liabilities	629	4,130	1,046	5,805
Increase (Decrease) in Compensated Absences	613	922	1,336	2,871
Increase (Decrease) in Customer Deposits	-	3,848	(2,749)	1,099
Total Adjustments	<u>121,998</u>	<u>514,304</u>	<u>(17,455)</u>	<u>618,847</u>
Net Cash Provided by Operating Activities	<u>\$ 406,937</u>	<u>\$ 503,692</u>	<u>\$ 78,064</u>	<u>\$ 988,693</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, 2012

ASSETS

Contribution Receivable	\$ 178,199
Interest Receivable	12,963
Due From Government	<u>29,685</u>
	<u>220,847</u>

Investments, at Fair Value:

Money Market Funds	470,857
Asset-Backed Securities	1,131,765
Real Estate	60,911
Equity Mutual Funds	10,093,503
Fixed Income Mutual Funds	<u>8,494,356</u>
Total Investments	20,251,392

Total Assets	<u>20,472,239</u>
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LIABILITIES

Accounts Payable	<u>46,065</u>
Total Liabilities	<u>46,065</u>

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

\$ 20,426,174

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, 2012

ADDITIONS

Employer Contributions	\$ 777,455
Employee Contributions	<u>255,655</u>
Total Contributions	<u>1,033,110</u>
Investment Income	<u>3,214,478</u>
Total Contributions and Investment Income	<u>4,247,588</u>

DEDUCTIONS

Benefits	1,081,968
Administrative Expense	<u>218,778</u>
Total Deductions	<u>1,300,746</u>

Change in Net Assets	2,946,842
Net Assets - Beginning of Year	<u>17,479,332</u>
Net Assets - End of Year	<u>\$ 20,426,174</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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Blended Component Units

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

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 Capital Projects Fund as major funds. In addition, all three of the City's Enterprise Funds are major funds. The City has reported the 49th Street Redevelopment District, Library Fund, and Waterfront Redevelopment District 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, 2012

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

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

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

1. Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income. The following is a description of the governmental funds that the City has presented:

- a) **General Fund** - This fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
- b) **Special Revenue Funds** - These funds are used to account for 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 49th 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, 2012

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, 2012

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, 2012

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, 2012 is .94896811 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 2012 and are uncollected as of September 30, 2012, 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, 2012, 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, 2012

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

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

Capital Assets

Capital assets, which include property, plant, equipment, software, 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 and amortization on all capital 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; software 5 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, 2012

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

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

Net Assets *(Continued)*

- **Restricted** - 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 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. 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.
- **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 Council or (b) a body or official to which the City Council 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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

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. The Library Fund does not adopt an annual budget.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

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.
- g) Subsequent Appropriations - Supplemental appropriations were necessary for the General Fund, Waterfront Redevelopment District Special Revenue Fund, 49th Street Redevelopment District Special Revenue Fund, Capital Projects Fund, and the Water and Sewer 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, 2012

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, 2012 was 4.00 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, 2012

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, 2012, the bank balance amount of the City's cash deposit accounts was \$2,939,714. 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, 2012

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, 2012, are as follows:

	Fair Value	Weighted Average Maturity	Credit Rating
Florida Surplus Asset Fund Trust	\$ 2,011,716	27 days (1)	S&P AAAm
Florida PRIME	20,500	39 days (1)	S&P AAAm
Fund B Surplus Funds Trust Fund	36,573	see below (2)	not rated
Total Investments	\$ 2,068,789		

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

(2) The weighted average life at September 30, 2012 was 4.08 years.

Interest Rate Risk - In compliance with the City’s investment policy, as of September 30, 2012, 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, 2012

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

Investments (Continued)

Credit Risk - In compliance with the City's Investment Policy, as of September 30, 2012, 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, 2012:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Money Market Funds	\$ 102,022	51 days	AAA
Equity Mutual Funds	5,931,344	n/a	n/a
Fixed Income Mutual Funds	5,051,222	n/a	n/a
Total Investments	<u>\$ 11,084,588</u>		

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

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2012

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

Police Pension Fund

Deposits

The Bogdahn Group 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, 2012:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Money Market Funds	\$ 245,399		
Real Estate Holdings	60,911	n/a	n/a
Equity Mutual Funds	3,871,206	n/a	n/a
Fixed Income Mutual Funds	<u>2,586,270</u>	6.6 yrs	A+
Total Investments	<u>\$ 6,763,786</u>		

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

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2012

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

Firefighters' Pension Fund

Deposits

Salem Trust 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, 2012:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Money Market Funds	\$ 123,436		
Asset-Backed Securities	1,131,765		
Equity Mutual Funds	290,953	n/a	n/a
Fixed Income Mutual Funds	856,864	5.93 yrs	AA-
Total Investments	<u>\$ 2,403,018</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, 2012

NOTE 3 - RECEIVABLES

Receivables as of September 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable:			
Billed	\$ 266,795	\$ 1,032,396	\$ 1,299,191
Unbilled	-	297,781	297,781
Payroll Advance	7,583	3,034	10,617
Code Enforcement Liens	15,042	-	15,042
Total Receivables	289,420	1,333,211	1,622,631
Allowance for Uncollectibles	(2,467)	(306,411)	(308,878)
Net Total Receivables	\$ 286,953	\$ 1,026,800	\$ 1,313,753

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers consist of the following for the year ended September 30, 2012:

Fund	Transfers In	Transfers Out
General	\$ 1,331,715	\$ 100,000
Capital Projects	-	100,000
Sanitation	-	350,000
Water and Sewer	50,000	546,715
Marina	50,000	375,000
Nonmajor Funds:		
49th Street Redevelopment District	100,000	-
Water Redevelopment District	-	60,000
Total	\$ 1,531,715	\$ 1,531,715

The transfers out made by the Marina, Sanitation, and Water and Sewer funds to the General Fund represent payments in lieu of taxes. The transfer from the General Fund to the 49th Street Redevelopment District is to fund capital projects.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

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

Interfund payables and receivables consist of the following for the year ended September 30, 2012:

Fund	Due From	Due To
General	\$ 689,891	\$ -
Water and Sewer	-	263,294
Marina	-	378,634
Nonmajor Funds:		
49th Street Redevelopment District	-	47,963
	\$ 689,891	\$ 689,891

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, 2012 was as follows:

	Beginning		Ending	
	Balance		Balance	
	10/1/2011	Additions	Deletions	9/30/2012
Governmental Activities:				
Non-depreciated Assets:				
Land	\$ 592,072	\$ -	\$ -	\$ 592,072
Depreciated and Amortized Assets:				
Buildings	10,315,295	138,814	-	10,454,109
Infrastructure and Improvements	12,145,163	443,904	-	12,589,067
Equipment	3,351,228	687,873	(131,280)	3,907,821
Software	328,154	12,458	-	340,612
Total Capital Assets at Historical Cost	26,731,912	1,283,049	(131,280)	27,883,681
Less Accumulated Depreciation and Amortization for:				
Buildings	3,396,220	253,102	-	3,649,322
Infrastructure and Improvements	7,607,671	487,454	(1,100)	8,094,025
Equipment	2,677,648	163,371	(96,410)	2,744,609
Software	313,890	4,781	(33,770)	284,901
Total Accumulated Depreciation and Amortization	13,995,429	908,708	(131,280)	14,772,857
Governmental Activities				
Capital Assets, Net	\$ 12,736,483	\$ 374,341	\$ -	\$ 13,110,824

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

NOTE 5 - CAPITAL ASSETS *(Continued)*

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

General Government	\$	62,068
Public Safety		145,943
Leisure Services		260,748
Community Development/ Redevelopment		216,174
Public Works		223,775
	<u>\$</u>	<u>908,708</u>

	Beginning Balance 10/1/2011	Additions	Deletions	Transfers/ Adjustments	Ending Balance 9/30/2012
Business-Type Activities:					
Non-depreciated Assets:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Construction in Progress	166,037	12,349	-	(109,481)	68,905
Depreciated and Amortized Assets:					
Buildings	737,905	-	-	-	737,905
Infrastructure and Improvements	21,223,825	11,334	-	109,481	21,344,640
Equipment	2,588,108	19,076	(3,619)	-	2,603,565
Software	49,410	-	-	-	49,410
Total at Historical Cost	<u>24,785,285</u>	<u>42,759</u>	<u>(3,619)</u>	<u>-</u>	<u>24,824,425</u>
Less Accumulated Depreciation and Amortization for:					
Buildings	552,480	9,628	-	-	562,108
Infrastructure and Improvements	9,666,774	777,382	-	-	10,444,156
Equipment	1,330,839	149,974	(3,619)	-	1,477,194
Software	49,410	-	-	-	49,410
Total Accumulated Depreciation and Amortization	<u>11,599,503</u>	<u>936,984</u>	<u>(3,619)</u>	<u>-</u>	<u>12,532,868</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,185,782</u>	<u>\$ (894,225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,291,557</u>

NOTE 6 - RISK MANAGEMENT

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

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2012

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, 2012, 2011, or 2010, 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:

Long Term Liabilities

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012	Due in One Year
Governmental Activities:					
Compensated Absences	\$ 548,831	\$ 456,886	\$ (454,016)	\$ 551,701	\$ 228,510
Other Postemployment Benefits	96,552	36,256	-	132,808	-
	<u>\$ 645,383</u>	<u>\$ 493,142</u>	<u>\$ (454,016)</u>	<u>\$ 684,509</u>	<u>\$ 228,510</u>
Business-Type Activities:					
Compensated Absences	\$ 136,984	\$ 105,981	\$ (103,110)	\$ 139,855	\$ 44,088
Other Postemployment Benefits	20,623	7,744	-	28,367	-
	<u>\$ 157,607</u>	<u>\$ 113,725</u>	<u>\$ (103,110)</u>	<u>\$ 168,222</u>	<u>\$ 44,088</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

Defined Benefit 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, 2012

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, 2012, the date of the latest actuarial valuations:

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

NOTE 8 - PENSION PLANS *(Continued)*

Description of Plans *(Continued)*

	General Employees	Firefighters	Police Officers
ACCOUNTING POLICIES AND PLAN ASSETS			
Establishing and amending authority	City Ordinance	City Ordinance	City Ordinance
Basis of accounting	Accrual	Accrual	Accrual
Asset valuation reporting	4 year smooth	4 year smooth	4 year smooth
Actuarial valuation	4 year smooth	4 year smooth	4 year smooth
Covered payroll (fiscal year 9/30/2012)	\$2,635,472	\$846,940	\$1,777,381
Internal loans	None	None	None
MEMBERSHIP AND PLAN PROVISIONS			
Current active employees	61	13	29
Retirees and beneficiaries	50	20	18
Terminated - vested active participants	77	10	3
Total members	<u>188</u>	<u>43</u>	<u>50</u>
New entrants allowed	Yes	Yes	Yes
NORMAL RETIREMENT BENEFIT			
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
ASSUMPTIONS AND LIABILITIES			
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)	28	30	30

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, 2012

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.

Defined Contribution Plan

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 2012, the City contributed approximately \$65,781. 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	09/30/12	\$ 417,423	100%	\$ -
	09/30/11	\$ 477,965	100%	\$ -
	09/30/10	\$ 400,232	100%	\$ -
Firefighters	09/30/12	\$ 176,164	100%	\$ -
	09/30/11	\$ 82,780	100%	\$ -
	09/30/10	\$ 80,187	100%	\$ -
Police Officers	09/30/12	\$ 421,836	100%	\$ (46,462)
	09/30/11	\$ 292,296	100%	\$ (47,732)
	09/30/10	\$ 207,828	100%	\$ (48,834)

* For 2012, APC includes both City and State portions for Firefighters and Police Officers.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

NOTE 8 - PENSION PLANS *(Continued)*

Funded Status and Funding Progress

General Employees' Pension Plan

As of October 1, 2012, the General Employees' Pension Plan Actuarial Accrued Liability (AAL) is \$11,789,309. Assets of the General Employees' Pension Plan are valued at market and the current value is \$10,875,712, resulting in an unfunded AAL (UAAL) of \$913,597 (92.25% funded ratio). The covered payroll for the year was \$2,635,472, and the ratio of the UAAL to covered payroll was 34.67%.

Firefighters' Pension Plan

As of October 1, 2012, the Firefighters' Pension Plan Actuarial Accrued Liability (AAL) is \$2,508,206. Assets of the Firefighters' Pension Plan are valued at market and the current value is \$2,367,806, resulting in an unfunded AAL (UAAL) of \$140,400 (94.40% funded ratio). The covered payroll for the year was \$846,940, and the ratio of the UAAL to covered payroll was 16.58%.

Police Officers' Pension Plan

As of October 1, 2012, the Police Officers' Pension Plan Actuarial Accrued Liability (AAL) is \$7,560,528. Assets of the Police Officers' Pension Plan are valued at market and the current value is \$6,540,927, resulting in an unfunded AAL (UAAL) of \$1,019,601 (86.51% funded ratio). The covered payroll for the year was \$1,777,381, and the ratio of the UAAL to covered payroll was 57.37%.

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, 2012

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, 2012, were as follows: General Employees - \$417,423, Firefighters - \$176,164, and Police Officers - \$420,566. 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)	\$ 420,566
Interest on NPO	(3,819)
Adjustment to (A)	5,089
Annual Pension Cost	421,836
Contributions Made	420,566
Increase in NPO	1,270
NPO Beginning of Year	(47,732)
NPO End of Year	<u>\$ (46,462)</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, 2012

NOTE 8 - PENSION PLANS *(Continued)*

Pension Plan Financial Statements

CITY OF GULFPORT, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
September 30, 2012

	General Employees'	Police Officers' Pension	Firefighters' Pension	Total
ASSETS				
Contributions Receivable	\$ 35,929	\$ 89,178	\$ 53,092	\$ 178,199
Interest Receivable	8,689	-	4,274	12,963
Due From Government	-	-	29,685	29,685
Investments, at Fair Value:				
Money Market Funds	102,022	245,399	123,436	470,857
Asset-Backed Securities	-		1,131,765	1,131,765
Real Estate	-	60,911	-	60,911
Equity Mutual Funds	5,931,344	3,871,206	290,953	10,093,503
Fixed Income Mutual Funds	5,051,222	2,586,270	856,864	8,494,356
Total Investments	<u>11,084,588</u>	<u>6,763,786</u>	<u>2,403,018</u>	<u>20,251,392</u>
Total Assets	<u>11,129,206</u>	<u>6,852,964</u>	<u>2,490,069</u>	<u>20,472,239</u>
LIABILITIES				
Accounts Payable	25,961	13,007	7,097	46,065
Total Liabilities	<u>25,961</u>	<u>13,007</u>	<u>7,097</u>	<u>46,065</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 11,103,245</u>	<u>\$ 6,839,957</u>	<u>\$ 2,482,972</u>	<u>\$ 20,426,174</u>

CITY OF GULFPORT, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For The Year Ended September 30, 2012

	General Employees'	Police Officers' Pension	Firefighters' Pension	Total
ADDITIONS				
Employer Contributions	\$ 114,507	\$ 446,440	\$ 216,508	\$ 777,455
Employee Contributions	<u>72,465</u>	<u>140,272</u>	<u>42,918</u>	<u>255,655</u>
Total Contributions	<u>186,972</u>	<u>586,712</u>	<u>259,426</u>	<u>1,033,110</u>
Investment Income	<u>1,771,006</u>	<u>1,057,588</u>	<u>385,884</u>	<u>3,214,478</u>
Total Contributions and Income	1,957,978	1,644,300	645,310	4,247,588
DEDUCTIONS				
Benefits	444,878	515,671	121,419	1,081,968
Administrative Expense	<u>88,827</u>	<u>77,269</u>	<u>52,682</u>	<u>218,778</u>
Total Deductions	<u>533,705</u>	<u>592,940</u>	<u>174,101</u>	<u>1,300,746</u>
Change in Net Assets	1,424,273	1,051,360	471,209	2,946,842
Net Assets - Beginning of Year	<u>9,678,972</u>	<u>5,788,597</u>	<u>2,011,763</u>	<u>17,479,332</u>
Net Assets - End of Year	<u>\$ 11,103,245</u>	<u>\$ 6,839,957</u>	<u>\$ 2,482,972</u>	<u>\$ 20,426,174</u>

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (*Continued*)

Year Ended September 30, 2012

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 \$491,176 at October 1, 2011. 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, 2012

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:

	FY12 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	5,859
Adjustment to ARC	(4,343)
Annual OPEB Cost (Expense)	73,445
Estimated Employer Contributions Made	(29,445)
Increase/(Decrease) in Net OPEB Obligation	44,000
Net OPEB Obligation at Beginning of Year	117,175
Net OPEB Obligation at End of Year	\$ 161,175

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended September 30, 2012

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
9/30/2012	\$ 73,445	\$ 29,445	40.09%	\$ 161,175
9/30/2011	72,415	29,445	40.66%	117,175
9/30/2010	57,326	19,938	34.78%	74,205

Funded Status and Funding Progress

As of October 1, 2011, the OPEB Plan was unfunded and the AAL for benefits is \$491,176. Assets of the OPEB Plan are valued at market; however, the current value is \$0, resulting in an unfunded AAL (UAAL) of \$491,176 (0% funded ratio). The covered payroll was \$6,154,798 and the ratio of the UAAL to covered payroll was 7.98%. 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, 2012 was 27 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, 2012

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 \$2,548,800 for these services.

Encumbrances

The General Fund has outstanding encumbrances of \$53,365 at September 30, 2012. This purchase was authorized by an ordinance resulting in committed fund balance. The Capital Projects Fund has outstanding encumbrances of \$39,554 reported as part of the restricted fund balance.

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.

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

NOTE 12 - COMMUNITY REDEVELOPMENT AGENCY ("CRA")

The 49th Street Redevelopment District and Water Redevelopment District are separate districts of the City's CRA blended component unit as discussed in Note 1. In accordance with Florida Statutes, Chapter 163.387 and Chapter 218.39, the City is presenting the following information on these two nonmajor funds.

CITY OF GULFPORT, FLORIDA
 GOVERNMENTAL BALANCE SHEET
 COMMUNITY REDEVELOPMENT AGENCY
 September 30, 2012

	49th Street Redevelopment District	Waterfront Redevelopment District
ASSETS		
Cash and Cash Equivalents	\$ 52,383	\$ 41,128
Accounts Receivable (net)	-	4,169
Total Assets	\$ 52,383	\$ 45,297
LIABILITIES		
Accounts Payable	\$ 53	\$ 1,372
Accrued Liabilities	1,370	302
Due to Other Funds	47,963	-
Deferred Revenue	-	18,555
Total Liabilities	49,386	20,229
FUND BALANCES		
Restricted for 49th Street Redevelopment	2,997	-
Assigned for Waterfront Redevelopment	-	25,068
Total Fund Balances	2,997	25,068
Total Liabilities and Fund Balances	\$ 52,383	\$ 45,297

CITY OF GULFPORT, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Year Ended September 30, 2012

NOTE 12 - COMMUNITY REDEVELOPMENT AGENCY ("CRA") *(Continued)*

	49th Street Redevelopment District	Waterfront Redevelopment District
REVENUES		
Taxes	\$ -	\$ 178,452
Charges for Services	-	580
Miscellaneous Revenues	-	1,725
Total Revenues	-	180,757
EXPENDITURES		
Current:		
Community Development/Redevelopment	57,345	147,098
Total Expenditures	57,345	147,098
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	(57,345)	33,659
OTHER FINANCING SOURCES AND (USES)		
Transfers In	100,000	-
Transfers (Out)	-	(60,000)
Total Other Financing Sources and (Uses)	100,000	(60,000)
Net Change in Fund Balances	42,655	(26,341)
Fund Balances (Deficit) - Beginning	(39,658)	51,409
Fund Balances - Ending	\$ 2,997	\$ 25,068

Required Supplementary Information

This financial statement section provides the following schedules:

Budgetary comparison schedule for

Major Fund

- General Fund

Schedules of Employer Contributions for

- Employee Retirement Plans
- Employee Other Postemployment Benefits Plan

Schedules of Funding Progress for

- Employee Retirement Plans
- Employee Other Postemployment Benefits Plan

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CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,436,871	\$ 5,342,980	\$ 4,916,960	\$ (426,020)
Permits and Fees	1,120,109	214,000	179,759	(34,241)
Intergovernmental Revenues	1,586,197	1,586,197	1,649,146	62,949
Charges for Services	1,325,528	1,325,528	1,294,443	(31,085)
Fines and Forfeitures	216,849	216,849	362,300	145,451
Investment Income	25,200	25,200	19,821	(5,379)
Miscellaneous Revenues	196,353	196,353	142,023	(54,330)
Total Revenues	<u>8,907,107</u>	<u>8,907,107</u>	<u>8,564,452</u>	<u>(342,655)</u>
EXPENDITURES				
General Government				
Legislative	274,357	278,882	261,923	(16,959)
Legal	87,500	98,523	98,523	-
Executive	205,519	203,544	199,793	(3,751)
Financial	402,849	388,762	366,165	(22,597)
Human Resources	85,121	82,571	73,826	(8,745)
Information Technology	260,890	270,438	254,445	(15,993)
Total	<u>1,316,236</u>	<u>1,322,720</u>	<u>1,254,675</u>	<u>(68,045)</u>
Public Safety				
Fire	1,351,252	1,244,748	1,231,146	(13,602)
Police	3,447,704	3,554,208	3,504,892	(49,316)
Total	<u>4,798,956</u>	<u>4,798,956</u>	<u>4,736,038</u>	<u>(62,918)</u>
Leisure Services				
Library	476,115	475,299	415,564	(59,735)
Office of Director	61,040	59,761	55,373	(4,388)
Elderly Mobility Service	-	816	815	(1)
Recreation Center	478,781	478,782	446,009	(32,773)
Casino	-	1,279	1,277	(2)
Theater	-	928	927	(1)
Parks	626,723	600,875	562,616	(38,259)
Senior Center	192,062	192,062	181,589	(10,473)
Total	<u>1,834,721</u>	<u>1,809,802</u>	<u>1,664,170</u>	<u>(145,632)</u>
Community Development				
Planning & Development	172,185	139,670	139,167	(503)
Building Inspections	192,407	229,689	227,428	(2,261)
Total	<u>364,592</u>	<u>369,359</u>	<u>366,595</u>	<u>(2,764)</u>

Continued

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE - Continued
GENERAL FUND
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public Works				
Building Maintenance	\$ 230,496	\$ 244,785	\$ 235,131	\$ (9,654)
Central Garage	572,356	607,512	586,427	(21,085)
Office of Director	124,118	124,118	118,945	(5,173)
Streets	453,886	401,810	388,202	(13,608)
Total	<u>1,380,856</u>	<u>1,378,225</u>	<u>1,328,705</u>	<u>(49,520)</u>
Total Expenditures	<u>9,695,361</u>	<u>9,679,062</u>	<u>9,350,183</u>	<u>(328,879)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(788,254)</u>	<u>(771,955)</u>	<u>(785,731)</u>	<u>(13,776)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers In	1,271,715	1,271,715	1,271,715	-
Transfers (Out)	<u>(100,000)</u>	<u>(410,000)</u>	<u>(410,000)</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>1,171,715</u>	<u>861,715</u>	<u>861,715</u>	<u>-</u>
Net Change in Fund Balance	383,461	89,760	75,984	(13,776)
Fund Balance - Beginning	<u>(383,461)</u>	<u>63,913</u>	<u>4,507,006</u>	<u>4,443,093</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 153,673</u>	<u>4,582,990</u>	<u>\$ 4,429,317</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, 2012.

Effect of combining beginning fund balances with General Fund for GEMS and Cultural Activities	(181,171)
Revenues and transfers in of the GEMS and Cultural Activities	411,789
Expenditures and transfers out of the GEMS and Cultural Activities	<u>(250,109)</u>
Ending Fund Balance of the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 4,563,499</u>

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
2012	\$ 417,423	\$ 417,423	100.00%
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%

Police Officers' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2012	\$ 420,566	\$ 420,566	100.00%
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%

Firefighters' Retirement Trust Fund

Year Ended September 30	Annual Required Contribution	Employer Contribution	Percentage Contributed
2012	\$ 176,164	\$ 176,164	100.00%
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%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
		(AAL) - Entry Age (b)					
General Employees' Pension Trust Fund							
10/01/12	\$ 10,875,712	\$ 11,789,309	\$ 913,597	92.3%	\$ 2,635,472	34.7%	
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%	

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
		(AAL) - Frozen Entry Age (b)					
Police Officers' Retirement Trust Fund							
10/01/12	\$ 6,540,927	\$ 7,560,528	\$ 1,019,601	86.5%	\$ 1,777,381	57.4%	
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%	

Firefighters' Retirement Trust Fund							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/(c)
		(AAL) - Frozen Entry Age (b)					
10/01/12	\$ 2,367,806	\$ 2,508,206	\$ 140,400	94.4%	\$ 846,940	16.6%	
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%	

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

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
9/30/2012	\$ 71,929	\$ 29,445	40.94%
9/30/2011	71,929	29,445	40.94%
9/30/2010	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.

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)
10/1/10 (1)	\$ -	\$ 491,176	\$ 491,176	0.0%	\$ 6,154,798	8.0%
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 this fiscal year; 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.

Other Supplementary Information

This financial statement section provides the following schedules:

Combining balance sheet and statement of revenues, expenditures, and changes in fund balances for nonmajor special revenue funds

Budgetary comparison schedules for

Major Fund

- Capital Projects Fund

Nonmajor Funds

- 49th Street Redevelopment District
- Waterfront Redevelopment District

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CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget - Over (Under)</u>
REVENUES			
Taxes	\$ 950,000	\$ 970,203	\$ 20,203
Intergovernmental Revenues	4,416,310	-	(4,416,310)
Investment Income	1,000	-	(1,000)
Miscellaneous Revenues	-	2,291	2,291
Total Revenues	<u>5,367,310</u>	<u>972,494</u>	<u>(4,394,816)</u>
EXPENDITURES			
General Government			
Capital Outlay	106,629	258,216	151,587
Public Safety			
Capital Outlay	3,215,000	463,264	(2,751,736)
Public Works			
Capital Outlay	199,079	173,226	(25,853)
Leisure Services			
Operating	-	1,452	1,452
Capital Outlay	253,760	265,794	12,034
Total Expenditures	<u>3,774,468</u>	<u>1,161,952</u>	<u>(2,612,516)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,592,842</u>	<u>(189,458)</u>	<u>(1,782,300)</u>
OTHER FINANCING (USES)			
Transfers (Out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total Other Financing (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balance	1,492,842	(289,458)	(1,782,300)
Fund Balance - Beginning	<u>60,968</u>	<u>657,827</u>	<u>596,859</u>
Fund Balance - Ending	<u>\$ 1,553,810</u>	<u>\$ 368,369</u>	<u>\$ (1,185,441)</u>

CITY OF GULFPORT, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2012

	49th Street Redevelopment		Waterfront Redevelopment		Total Nonmajor Special Revenue	
	District	Library Fund	District	Funds		
ASSETS						
Cash and Cash Equivalents	\$ 52,383	\$ 86,259	\$ 41,128	\$ 179,770		
Accounts Receivable (net)	-	-	4,169	4,169		
Total Assets	\$ 52,383	\$ 86,259	\$ 45,297	\$ 183,939		
LIABILITIES						
Accounts Payable	\$ 53	\$ -	\$ 1,372	\$ 1,425		
Accrued Liabilities	1,370	-	302	1,672		
Due to Other Funds	47,963	-	-	47,963		
Deferred Revenue	-	-	18,555	18,555		
Total Liabilities	49,386	-	20,229	69,615		
FUND BALANCES						
Restricted for 49th Street						
Redevelopment	2,997	-	-	2,997		
Restricted for Library	-	86,259	-	86,259		
Assigned for Waterfront						
Redevelopment	-	-	25,068	25,068		
Total Fund Balances	2,997	86,259	25,068	114,324		
Total Liabilities and Fund Balances	\$ 52,383	\$ 86,259	\$ 45,297	\$ 183,939		

CITY OF GULFPORT, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2012

	49th Street Redevelopment District	Library Fund	Waterfront Redevelopment District	Total Nonmajor Special Revenue Funds
REVENUES				
Taxes	\$ -	\$ -	\$ 178,452	\$ 178,452
Charges for Services	-	-	580	580
Miscellaneous Revenues	-	-	1,725	1,725
Total Revenues	<u>-</u>	<u>-</u>	<u>180,757</u>	<u>180,757</u>
EXPENDITURES				
Current:				
Leisure Services	-	225	-	225
Community Development/ Redevelopment	57,345	-	147,098	204,443
Total Expenditures	<u>57,345</u>	<u>225</u>	<u>147,098</u>	<u>204,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(57,345)</u>	<u>(225)</u>	<u>33,659</u>	<u>(23,911)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers In	100,000	-	-	100,000
Transfers (Out)	-	-	(60,000)	(60,000)
Total Other Financing Sources And (Uses)	<u>100,000</u>	<u>-</u>	<u>(60,000)</u>	<u>40,000</u>
Net Change in Fund Balances	42,655	(225)	(26,341)	16,089
Fund Balances (Deficit) - Beginning	<u>(39,658)</u>	<u>86,484</u>	<u>51,409</u>	<u>98,235</u>
Fund Balances - Ending	<u>\$ 2,997</u>	<u>\$ 86,259</u>	<u>\$ 25,068</u>	<u>\$ 114,324</u>

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
49TH STREET REDEVELOPMENT DISTRICT
For the Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Budget - Over (Under)
REVENUES			
Intergovernmental Revenues	\$ 300,000	\$ -	\$ (300,000)
Total Revenues	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
EXPENDITURES			
Community Development/Redevelopment			
Personal Services	57,649	56,400	(1,249)
Operating	2,266	945	(1,321)
Capital Outlay	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Total Expenditures	<u>359,915</u>	<u>57,345</u>	<u>(302,570)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(59,915)</u>	<u>(57,345)</u>	<u>2,570</u>
OTHER FINANCING SOURCES			
Transfers In	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	40,085	42,655	2,570
Fund Balance (Deficit) - Beginning	<u>(40,085)</u>	<u>(39,658)</u>	<u>427</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 2,997</u>	<u>\$ 2,997</u>

CITY OF GULFPORT, FLORIDA
BUDGETARY COMPARISON SCHEDULE
WATERFRONT REDEVELOPMENT DISTRICT
For the Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget - Over (Under)</u>
REVENUES			
Taxes	\$ 175,817	\$ 178,452	\$ 2,635
Charges for Services	-	580	580
Miscellaneous Revenues	-	1,725	1,725
Total Revenues	<u>175,817</u>	<u>180,757</u>	<u>4,940</u>
EXPENDITURES			
Community Development/Redevelopment			
Personal Services	74,558	62,971	(11,587)
Operating	78,536	73,127	(5,409)
Capital Outlay	13,000	11,000	(2,000)
Total Expenditures	<u>166,094</u>	<u>147,098</u>	<u>(18,996)</u>
Excess of Revenues Over Expenditures	<u>9,723</u>	<u>33,659</u>	<u>23,936</u>
OTHER FINANCING (USES)			
Transfers (Out)	(60,000)	(60,000)	-
Total Other Financing (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net Change in Fund Balance	(50,277)	(26,341)	23,936
Fund Balance - Beginning	<u>50,277</u>	<u>51,409</u>	<u>1,132</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 25,068</u>	<u>\$ 25,068</u>

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Statistical Section

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City of Gulfport, Florida
Statistical Section
September 30, 2012

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

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

Revenue Capacity

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

Note: As of September 30, 2012, the City had no long-term general obligation or general bonded debt outstanding, and there has been none for the prior ten years. The City Charter has established that any general obligation borrowing must be exercised in accordance with Chapter 166, Florida Statutes.

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Schedule 1
City of Gulfport, Florida

NET ASSETS BY COMPONENT
(accrual basis of accounting)
(in thousands)

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 10,940	\$ 11,826	\$ 11,678	\$ 11,484	\$ 11,421	\$ 13,553	\$ 13,268	\$ 13,040	\$ 12,736	\$ 13,111
Restricted	270	286	312	812	658	410	631	316	775	606
Unrestricted	6,972	6,367	5,347	4,622	4,245	4,488	4,658	4,047	3,728	3,820
Total governmental activities net assets	<u>\$ 18,182</u>	<u>\$ 18,479</u>	<u>\$ 17,337</u>	<u>\$ 16,918</u>	<u>\$ 16,324</u>	<u>\$ 18,451</u>	<u>\$ 18,557</u>	<u>\$ 17,403</u>	<u>\$ 17,239</u>	<u>\$ 17,537</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 9,816	\$ 10,973	\$ 11,324	\$ 11,780	\$ 12,731	\$ 12,150	\$ 12,881	\$ 13,588	\$ 13,186	\$ 12,292
Restricted	116	116	138	157	157	157	162	164	168	169
Unrestricted	965	506	1,805	2,830	3,235	2,696	1,529	881	131	226
Total business-type activities net assets	<u>\$ 10,897</u>	<u>\$ 11,595</u>	<u>\$ 13,267</u>	<u>\$ 14,767</u>	<u>\$ 16,123</u>	<u>\$ 15,003</u>	<u>\$ 14,572</u>	<u>\$ 14,633</u>	<u>\$ 13,485</u>	<u>\$ 12,687</u>
Primary government										
Invested in capital assets, net of related debt	\$ 20,756	\$ 22,799	\$ 23,002	\$ 23,264	\$ 24,152	\$ 25,703	\$ 26,149	\$ 26,628	\$ 25,922	\$ 25,403
Restricted	386	402	450	969	815	567	793	480	943	775
Unrestricted	7,937	6,873	7,152	7,452	7,480	7,184	6,187	4,928	3,859	4,046
Total primary government, net assets	<u>\$ 29,079</u>	<u>\$ 30,074</u>	<u>\$ 30,604</u>	<u>\$ 31,685</u>	<u>\$ 32,447</u>	<u>\$ 33,454</u>	<u>\$ 33,129</u>	<u>\$ 32,036</u>	<u>\$ 30,724</u>	<u>\$ 30,224</u>

Schedule 2
City of Gulfport, Florida

CHANGE IN NET ASSETS
Last Ten Fiscal Years
(in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 1,373	\$ 1,339	\$ 1,409	\$ 1,617	\$ 1,728	\$ 1,408	\$ 1,465	\$ 1,533	\$ 1,510	\$ 1,303
Public Safety - Police	2,942	3,438	3,512	3,738	3,898	3,652	3,355	3,491	3,650	3,573
Public Safety - Fire	910	918	979	971	1,094	1,135	1,097	1,058	1,204	1,304
Leisure Services - Library	538	577	581	632	499	594	601	578	497	465
Leisure Services -										
Office of Director	171	170	204	200	208	208	226	91	74	61
Leisure Services -										
Recreation Facility	443	500	472	515	537	441	535	483	456	498
Leisure Services - Parks	656	669	733	725	715	772	711	1,193	744	631
Leisure Services - GEMS										
& SPB Looper	140	186	157	160	167	179	305	317	368	145
Leisure Services -										
Human Services	155	164	179	188	182	203	196	183	179	203
Leisure Services - Casino	-	-	-	-	-	371	360	333	325	362
Leisure Services - Theater	-	-	-	-	-	128	143	119	113	122
Community Development -										
Protective Services	222	237	269	314	301	302	291	253	221	193
Community Redevelopment	284	290	446	508	478	530	711	670	629	594
Public Works - Transportation	501	506	655	639	647	664	625	348	408	453
Public Works - Central Garage	-	348	400	450	491	549	461	502	594	686
Public Works -										
Building Maintenance	-	-	133	158	165	173	226	233	414	274
Public Works - Office of Director	-	-	131	113	120	123	127	125	119	139
Total governmental activities expenses	\$ 8,335	\$ 9,342	\$ 10,260	\$ 10,928	\$ 11,230	\$ 11,432	\$ 11,435	\$ 11,510	\$ 11,505	\$ 11,006
Business-type activities:										
Sanitation	\$ 1,532	\$ 1,592	\$ 1,640	\$ 1,697	\$ 1,711	\$ 1,715	\$ 1,823	\$ 1,741	\$ 1,629	\$ 1,733
Water and Sewer	3,424	3,194	3,218	3,366	3,663	3,718	3,987	4,359	4,184	4,324
Cultural Activities	457	477	439	505	563	-	-	-	-	-
Marina	829	972	1,043	1,123	1,207	1,388	1,212	1,262	1,500	1,460
Total business-type activities expenses	6,242	6,235	6,340	6,691	7,144	6,821	7,022	7,362	7,313	7,517
Total primary government expenses	\$ 14,577	\$ 15,577	\$ 16,600	\$ 17,619	\$ 18,374	\$ 18,253	\$ 18,457	\$ 18,872	\$ 18,818	\$ 18,523
Program revenues										
Governmental activities:										
Charges for services -										
General Government	\$ 533	\$ 459	\$ 478	\$ 780	\$ 839	\$ 870	\$ 832	\$ 793	\$ 775	\$ 802
Public Safety - Police	251	239	206	82	68	133	129	171	351	461
Public Safety - Fire	98	81	83	1	8	13	11	9	424	400
Public Safety -										
Protective Services	156	148	186	249	147	194	139	109	104	119
Leisure Services - Library	15	17	17	11	10	8	11	7	19	12
Leisure Services -										
Recreation Facility	164	145	150	174	168	144	178	193	140	200
Leisure Services - Parks	7	5	7	-	4	1	2	-	1	-
Leisure Services -										
Human Services	15	16	14	6	13	19	42	29	12	14
Leisure Services - Casino	-	-	-	15	-	311	320	315	312	295
Leisure Services - Theater	-	-	-	-	1,002	27	31	26	29	25
Public Works - Transportation	76	64	67	-	-	-	-	-	31	1
Public Works - Central Garage	-	337	201	208	496	237	384	305	332	239
Operating Grants and Contributions	754	767	806	823	16	822	1,005	682	316	219
Capital Grants and Contributions	364	551	70	72	-	499	108	140	169	108
Total governmental activities program revenues	\$ 2,433	\$ 2,829	\$ 2,285	\$ 2,421	\$ 2,771	\$ 3,278	\$ 3,192	\$ 2,779	\$ 3,015	\$ 2,895

Continued next page

Schedule 2
City of Gulfport, Florida

CHANGE IN NET ASSETS - Continued
Last Ten Fiscal Years
(in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program revenues (continued)										
Business-type activities:										
Charges for Services										
Sanitation	\$ 1,676	\$ 1,701	\$ 1,770	\$ 1,816	\$ 1,811	\$ 1,736	\$ 1,723	\$ 1,772	\$ 1,801	\$ 2,017
Water and Sewer	3,092	3,556	3,592	3,847	3,932	3,605	3,725	3,830	3,829	4,313
Cultural Activities	268	296	284	370	385	-	-	-	-	-
Marina	956	1,016	1,279	1,351	1,419	1,742	1,462	1,564	1,650	1,556
Operating Grants and Contributions	32	1	7	-	-	-	-	-	-	-
Capital Grants and Contributions	42	6	3	-	-	412	211	2	4	1
Total business-type activities program revenues	\$6,066	\$6,576	\$6,935	\$7,384	\$7,547	\$7,495	\$7,121	\$7,168	\$7,284	\$7,887
Total primary government program revenues	\$8,499	\$9,405	\$9,220	\$9,805	\$10,318	\$10,773	\$10,313	\$9,947	\$10,299	\$10,782
Net (Expense) Revenue										
Governmental activities	\$ (5,902)	\$ (6,513)	\$ (7,974)	\$ (8,508)	\$ (8,458)	\$ (8,153)	\$ (8,243)	\$ (8,731)	\$ (8,489)	\$ (8,111)
Business-type activities	(176)	341	594	693	402	673	99	(194)	(29)	371
Total primary government net expenses	\$ (6,078)	\$ (6,172)	\$ (7,380)	\$ (7,815)	\$ (8,056)	\$ (7,480)	\$ (8,144)	\$ (8,925)	\$ (8,518)	\$ (7,740)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Ad Valorem	\$ 2,050	\$ 2,331	\$ 2,731	\$ 3,273	\$ 3,557	\$ 3,450	\$ 3,171	\$ 2,828	\$ 2,528	\$ 2,648
Franchise Fees	551	592	631	731	705	720	773	858	784	738
Utility Taxes	892	884	912	971	959	961	991	1,131	1,078	1,027
Communication Service Tax	511	537	560	555	576	553	605	551	526	520
Sales Tax - Infrastructure	1,000	1,078	1,141	1,316	1,202	1,134	1,047	952	917	970
Half-cent Sales Tax	669	714	713	754	723	684	619	611	624	631
Local Option Gas Tax	110	114	118	126	113	166	166	165	163	163
Transportation Impact Fees	38	16	10	22	16	-	-	-	-	-
Other Taxes	10	85	114	123	34	17	66	69	65	62
State Revenue Sharing	314	355	428	456	413	355	249	349	351	353
Investment Income	171	151	148	287	367	186	35	25	16	20
Miscellaneous	188	303	315	190	262	194	96	138	152	105
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	(255)	-	-	-	-	-
Transfers	331	(520)	(989)	(715)	(808)	1,860	531	(100)	1,122	1,172
Total governmental activities	\$ 6,835	\$ 6,640	\$ 6,832	\$ 8,089	\$ 7,864	\$ 10,280	\$ 8,349	\$ 7,577	\$ 8,326	\$ 8,409
Business-type activities:										
Investment Income	\$ 14	\$ 8	\$ 35	\$ 91	\$ 147	\$ 67	\$ -	\$ 6	\$ 2	\$ 4
Gain/(Loss) on Sale of Capital Assets	-	-	53	-	-	-	-	-	-	-
Miscellaneous	235	-	-	-	-	-	-	-	-	-
Transfers	(331)	520	989	715	808	(1,860)	(531)	100	(1,122)	(1,172)
Total business-type activities	(82)	528	1,077	806	955	(1,793)	(531)	106	(1,120)	(1,168)
Total primary government	\$ 6,753	\$ 7,168	\$ 7,909	\$ 8,895	\$ 8,819	\$ 8,487	\$ 7,818	\$ 7,683	\$ 7,206	\$ 7,241
Change in Net Assets										
Governmental activities	\$ 933	\$ 127	\$ (1,142)	\$ (419)	\$ (595)	\$ 2,127	\$ 106	\$ (1,155)	\$ (163)	\$ 298
Business-type activities	(258)	869	1,672	1,499	1,357	(1,120)	(432)	(88)	(1,149)	(798)
Total primary government	\$ 675	\$ 996	\$ 530	\$ 1,080	\$ 762	\$ 1,007	\$ (326)	\$ (1,243)	\$ (1,312)	\$ (500)

**Schedule 3
City of Gulfport, Florida**

**FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(in thousands)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>General Fund</u>										
Reserved	\$ 2,599	\$ 2,420	\$ 2,732	\$ 2,337	\$ 2,575	\$ 3,155	\$ 2,902	\$ 2,946		
Unreserved	4,600	3,932	2,712	2,362	1,720	1,279	2,231	1,695		
Nonspendable									\$ 38	\$ 33
Restricted									-	130
Committed									9	53
Unassigned									4,278	4,347
Total General Fund	\$ 7,199	\$ 6,352	\$ 5,444	\$ 4,699	\$ 4,295	\$ 4,434	\$ 5,133	\$ 4,641	\$ 4,325	\$ 4,563
<u>All other governmental funds</u>										
Reserved	\$ 98	\$ 56	\$ 128	\$ 463	\$ 403	\$ 413	\$ 175	\$ 211		
Unreserved (Deficit)										
Reported in:										
Special Revenue Funds	2	(33)	(85)	218	320	456	387	10		
Capital Projects Fund	89	448	499	440	353	89	-	31		
Restricted									\$ 758	\$ 458
Assigned									37	25
Unassigned (Deficit)									(40)	-
Total All Other Governmental Funds	\$ 189	\$ 471	\$ 542	\$ 1,121	\$ 1,076	\$ 958	\$ 562	\$ 252	\$ 755	\$ 483

Note: Prior to the implementation of GASB Statement 54 in 2011, fund balance presented using GASB 34 classifications. Prior balances were not restated due to lack of available data.

Schedule 4
City of Gulfport, Florida

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 5,004	\$ 5,422	\$ 5,976	\$ 6,845	\$ 7,015	\$ 6,807	\$ 6,030	\$ 5,679	\$ 5,256	\$ 6,065
Permits and fees	293	206	243	306	204	285	911	1,003	908	180
Intergovernmental revenues	2,143	2,586	2,227	2,355	2,300	2,554	1,891	1,834	1,857	1,649
Impact fees	38	16	10	22	-	-	-	-	-	-
Charges for services	970	1,049	1,081	1,144	1,469	1,588	1,582	1,561	1,574	1,528
Fines and forfeitures	109	124	85	75	81	86	112	108	275	362
Earnings on investments	172	156	149	287	367	186	35	24	16	20
Miscellaneous revenues	273	298	337	142	262	194	369	309	334	265
Total revenues	\$ 9,002	\$ 9,857	\$ 10,108	\$ 11,176	\$ 11,698	\$ 11,700	\$ 10,930	\$ 10,518	\$ 10,220	\$ 10,069
Expenditures										
General government	\$ 1,361	\$ 1,388	\$ 1,382	\$ 1,497	\$ 1,618	\$ 1,370	\$ 1,305	\$ 1,356	\$ 1,331	\$ 1,255
Public safety	4,639	4,668	4,466	4,829	4,877	4,772	4,326	4,383	4,745	4,736
Public services	490	808	1,255	1,311	1,402	1,373	1,257	1,311	-	-
Culture and recreation	2,039	1,925	2,229	2,247	2,406	2,946	2,818	-	-	-
Leisure services	-	-	-	-	-	-	-	2,786	2,649	2,226
Community development/ Redevelopment	774	1,054	741	743	1,036	1,149	1,452	1,384	612	571
Public works	-	-	-	-	-	-	-	-	1,350	1,329
Capital outlay	-	-	-	-	-	-	-	-	465	1,160
Total expenditures	\$ 9,303	\$ 9,843	\$ 10,073	\$ 10,627	\$ 11,339	\$ 11,610	\$ 11,158	\$ 11,220	\$ 11,152	\$ 11,277
Excess of revenues over (under) expenditures	\$ (301)	\$ 14	\$ 35	\$ 549	\$ 359	\$ 90	\$ (228)	\$ (702)	\$ (932)	\$ (1,208)
Other financing sources (uses)										
Transfers in	\$ 710	\$ 659	\$ 629	\$ 877	\$ 560	\$ 1,293	\$ 1,561	\$ 1,427	\$ 1,177	\$ 1,432
Transfers out	(366)	(1,237)	(1,652)	(1,592)	(1,368)	(1,360)	(1,030)	(1,527)	(55)	(260)
Total other financing sources (uses)	\$ 344	\$ (578)	\$ (1,023)	\$ (715)	\$ (808)	\$ (67)	\$ 531	\$ (100)	\$ 1,122	\$ 1,172
Net change in fund balances	\$ 43	\$ (564)	\$ (988)	\$ (166)	\$ (449)	\$ 23	\$ 303	\$ (802)	\$ 190	\$ (36)
Debt service as a percentage of non-capital expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Schedule 5
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	
	Residential Property	Commercial Property	Personal Property	Governmental/ Institutional	\$25,000 Homestead
2003	\$ 640,844,700	\$ 78,889,000	\$ 18,429,350	\$ 53,977,950	\$ 102,530,100
2004	757,466,400	89,275,700	17,994,220	62,324,200	103,150,000
2005	910,637,500	100,333,400	17,863,410	67,610,620	102,256,100
2006	1,118,237,400	111,485,100	18,038,951	72,953,440	102,421,400
2007	1,399,746,100	139,430,100	17,793,920	89,755,522	100,525,601
2008	1,407,482,670	154,739,500	17,880,050	91,176,597	99,251,124
2009	1,242,522,200	160,551,200	17,044,530	94,314,776	169,992,000
2010	1,073,945,817	144,038,327	16,477,353	91,738,983	166,891,870
2011	923,293,178	127,600,207	19,592,603	85,054,875	162,965,943
2012	811,188,628	123,584,412	19,978,443	81,345,121	159,531,596

Source: Pinellas County Appraiser, 2011 final certified roll (Forms DR403V and Land Use Recaps)

* The rate used in the calculation of property taxes. One mill equals \$1 per \$1,000 of taxable value. A millage of 4.0000 (which is the millage in effect for the City of Gulfport) is equal to \$4.000 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.

Homestead Assessment Differential	Widows/ Disability/ Blind	Total Taxable Assessed Value	Millage Rate *
\$ 93,071,200	\$ 3,385,600	\$ 485,198,200	4.300
137,109,300	4,032,800	558,120,020	4.300
199,949,400	4,560,500	654,457,690	4.300
282,027,600	4,828,000	785,531,011	4.300
411,556,006	6,034,645	949,098,346	3.870
377,742,972	6,585,252	1,005,346,275	3.349
258,470,796	7,055,438	890,284,920	3.474
170,486,824	6,775,477	798,568,343	3.474
97,945,583	6,068,572	718,451,015	3.474
50,474,346	6,230,087	657,170,333	4.000

**Schedule 6
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
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
2012	4.0000	4.8730	8.3850	0.7305	0.8506	1.2390	20.0781

Sources: Pinellas County Tax Collector, Pinellas County Property Appraiser

**Schedule 7
City of Gulfport, Florida**

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended Sept. 30	Total Tax Levy	Tax Collections	Percentage of Levy Collected	Amount Uncollected
2003	\$ 2,086,129	\$ 2,015,407	96.6%	\$ 70,722
2004	2,399,916	2,330,608	97.1%	69,308
2005	2,814,168	2,731,240	97.1%	82,928
2006	3,377,783	3,273,119	96.9%	104,664
2007	3,681,961	3,556,585	96.6%	125,376
2008	3,366,603	3,256,529	96.7%	110,074
2009	3,093,027	3,009,208	97.3%	83,819
2010	2,776,835	2,699,875	97.2%	76,960
2011	2,504,506	2,425,538	96.8%	78,968
2012	2,628,681	2,567,103	97.7%	61,578

Source: Pinellas County Tax Collector's Office Report

**Schedule 8
City of Gulfport, Florida**

**PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Property Description	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Seaside Villas Gulfport LLC	\$ 7,381,000	1	1.02%			
Paonessa, Jeffrey L	3,170,927	2	0.46%	\$ 3,113,700	3	0.64%
CFC Pasadena Golf LLC	3,043,507	3	0.46%	-		
Tugbaev, Igor	2,571,206	4	0.36%	-		
Lavin Gulfport Properties LLC	2,355,218	5	0.32%	-		
49th Street LLC	1,947,000	6	0.27%	-		
Hernandez, Roberto M	1,817,820	7	0.27%	-		
Heithaus, Henry Joseph	1,755,730	8	0.26%	-		
JLP Management Assoc Inc	1,738,583	9	0.25%	1,425,400	7	0.29%
Levine, Alan M	1,731,717	10	0.23%	-		
Pasadena Yacht & Club	-			4,884,500	1	1.01%
G & D Investments	-			4,150,000	2	0.86%
Lavin, Jerome V	-			2,374,500	4	0.49%
Miller, Ronnie H	-			1,554,100	5	0.32%
Damkoehler, Gary L.	-			1,548,400	6	0.32%
Gulfport Plaza, Inc	-			1,375,000	8	0.28%
Caldwell, R W III	-			1,362,300	9	0.28%
Mitchel, Jeffrey L	-			1,300,500	10	0.27%
Total	\$ 27,512,708			\$ 23,088,400		

Source: Pinellas County Tax Rolls

**Schedule 9
City of Gulfport, Florida**

**WATER SOLD BY TYPE OF CUSTOMER
Last Nine Fiscal Years**

Type of Customer	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	2,110,768	3,334,493	3,298,681	3,448,191	3,167,552	3,142,239	2,865,646	2,903,000	2,910,549
Commercial	185,994	311,633	321,935	297,895	266,362	261,856	252,456	265,310	277,520
Government	56,429	75,117	71,785	74,954	82,799	125,989	106,315	102,136	104,043
Total	2,353,191	3,721,243	3,692,401	3,821,040	3,516,713	3,530,084	3,224,417	3,270,446	3,292,112
Total direct rate per 1,000 gallons	\$4.24	\$4.24	\$4.66	\$4.66	\$4.66	\$5.02	\$5.02	\$5.52	\$5.52

Sources: City of Gulfport Utility Billing System, Incode Software

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

**Schedule 10
City of Gulfport, Florida**

**WATER AND SEWER RATES
Last Ten Fiscal Years**

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
2003	\$ 7.88	\$ 3.94	\$ 9.98	\$ 4.99
2004	8.47	4.24	10.20	5.10
2005	8.47	4.24	10.20	5.10
2006	9.32	4.66	10.20	5.10
2007	9.32	4.66	10.20	5.10
2008	9.32	4.66	10.20	5.10
2009	10.04	5.02	12.48	6.24
2010	10.04	5.02	12.48	6.24
2011	11.04	5.52	13.72	6.86
2012	11.04	5.52	13.72	6.86

Source: City of Gulfport Utility Billing System, Incode Software

**Schedule 11
City of Gulfport, Florida**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2012

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>City's Share of Debt</u>
DIRECT DEBT			
City of Gulfport	\$ -	N/A	\$ -
OVERLAPPING DEBT			
Pinellas County School District State Bonds ^b	24,760,000	1.23%	304,548
Pinellas County School District Capital Leases	20,126,433	1.23%	247,555
Total Direct and Overlapping debt			<u>\$ 552,103</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 the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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

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

**Schedule 12
City of Gulfport, Florida**

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (A)</u>	<u>Per Capita Personal Income</u>	<u>Median Age (A)</u>	<u>Unemployment Rate (B)</u>	<u>School Enrollment (C)</u>
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
2012	12,056	315,288,512	26,152	51.5	8.8%	2,137

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

**Schedule 13
City of Gulfport, Florida**

**PRINCIPAL EMPLOYERS IN CITY OF CLEARWATER, FL (A)
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2012</u>			<u>2003 (B)</u>		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Pinellas County School District	15,895	1	3.84%			
Bay Pines VA Medical Center	4,405	2	1.06%			
City of St Petersburg	3,157	3	0.76%			
All Children's Hospital	2,900	4	0.70%			
St. Petersburg College	2,705	5	0.65%			
Raymond James Financial	2,600	6	0.63%			
Pinellas County Sheriff	2,580	7	0.62%			
Morton Plant Hospital	2,550	8	0.62%			
Mease Hospital	2,100	9	0.51%			
Bayfront Medical Center	2,025	10	0.49%			
Total Employment	400,055					

(A) Data for the City of Gulfport is not currently available. The City of Clearwater is the closest large metropolitan area with data available for reporting purposes.

(B) Data not available for the lookback period of fiscal year 2003.

Source: Clearwater Regional Chamber of Commerce

Schedule 14
City of Gulfport, Florida

CITY FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
City Clerk	2	2	2.5	2.5	2.5	2	2	2	2	2
City Manager	2	2	2	2	2	2	2	2	2	2
Adminstrative Services	8.5	8	8	8	8	8	8	7.5	7.5	7
Information Technology	2	2	2	2	2	2	2	2	2	1
Public Safety										
Police	47.5	48	47	46	45	44	43	40	40	36
Fire	13	13	13	13.5	17.5	15.5	15.5	16.5	15.5	16.5
Community Development	5	5	8	8	8	7	8	8	6	5.5
Public Works	24.5	24.5	24	26	25	25	24	24	24	24
Utilities	7	7	6	6	6	6	6	6	6	6
Leisure Services	39.5	41	41.5	41.5	40.5	38.25	38	39	37	38.25
Cultural Facilities	2.5	6.5	4.25	3.25	5.5	5.5	5.5	5.5	5.5	5.5
Marina	3	3	3	3	3.5	3.5	3.5	3.5	3.5	3.5
Total	156.5	162	161.25	161.75	165.5	158.75	157.5	156	151	147.25

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.

Schedule 15
City of Gulfport, Florida

OPERATING INDICATORS BY FUNCTION / PROGRAM
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Reported crime (UCR Part One)	-	-	-	-	-	725	742	558	590	619
Felony arrests *	721	654	776	791	630	-	-	-	-	-
Reported traffic crashes	-	-	-	-	-	173	150	151	132	124
Traffic violations issued *	2,790	2,542	2,260	2,300	2,201	-	-	-	-	-
Calls for service	-	-	-	-	-	35,482	38,322	34,005	33,825	23,254
Fire										
Fires extinguished	36	20	65	90	63	41	32	27	63	32
Emergency responses	2,569	2,400	2,450	2,000	2,668	2,722	2,606	2,829	2,519	2,598
Fire inspections	-	-	-	-	-	-	-	-	430	467
Sanitation										
Refuse collected (tons/day)	33.33	34.77	31.99	30.80	29.08	27.84	24.55	24.79	23.47	23.99
Recyclables collected (tons/day)	2.83	2.60	2.87	1.69	1.94	2.39	2.90	2.13	2.42	3.15
Utilities										
Average daily consumption (thousands of gallons)	1,088	1,043	1,133	1,137	1,046	1,089	1,142	989	730	981
Average daily sewage treatment (thousands of gallons)	1,551	1,118	1,058	850	1,051	781	806	1,051	996	1,062
Recreation										
Participants in after-school program	78	78	78	85	81	54	50	45	49	50
Participants in summer camp program	162	140	140	180	198	142	127	110	108	93
Library										
Circulation of materials	105,475	104,654	114,437	111,600	115,489	81,689	93,698	90,749	88,642	92,016
Reference questions	8,097	8,762	10,422	10,900	8,114	8,113	8,772	7,990	8,110	7,081
Sponsored programs	127	218	200	225	276	252	278	253	132	192
Senior Center										
Average daily attendance	113	115	120	120	148	175	200	250	250	250
Meals served daily	140	140	140	140	140	175	60	60	50	50
Reassurance calls made daily	42	43	45	30	27	22	26	30	25	25
GEMS										
Number of rides	8,808	8,272	9,272	13,150	12,105	11,338	10,927	10,454	11,124	11,109
Number of subscriptions	133	140	147	100	145	163	157	186	180	180
Number of handicapped members	83	87	91	100	38	47	69	103	95	95
Marina										
Number of slips rented	268	247	247	247	247	237	237	209	192	180
Number of vessels fueled	6,880	7,000	7,200	7,350	6,475	5,776	3,831	3,994	4,919	5,272
Number of gallons dispensed	225,300	250,000	262,500	275,000	217,144	203,556	198,653	189,152	211,333	181,680
Cultural Facilities										
Number of dances/rentals	174	183	192	200	226	289	302	327	323	319
Number of theater rentals	98	103	108	125	118	99	85	75	89	63

Sources: Various City departments

Schedule 16
City of Gulfport, Florida

CAPITAL ASSET STATISTICS BY FUNCTION PROGRAM
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Schools*										
Elementary	1	1	1	1	1	1	1	1	1	1
Junior/Senior High	2	2	2	2	2	2	2	2	2	2
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	20	20	20	20	20	20	20	20	22
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets - Paved	67.63	67.63	67.63	67.63	67.63	67.63	67.63	67.63	67.63	67.63
Streets - Unpaved	32	32	32	32	32	32	32	32	32	32
Streetlights	1,368	1,368	1,368	1,368	1,368	1,368	1,368	1,368	1,368	1,368
Sanitation										
Collection trucks	6	6	6	6	6	6	6	6	6	6
Utilities										
Water mains (miles)	67	67	67	67	68	68	68	68	68	68
Fire hydrants	258	258	258	260	265	265	265	265	265	284
Lift stations	2	2	2	2	2	2	2	2	2	2
Sanitary sewer (miles)	105	105	105	105	105	105	105	105	105	105
Storm drain lines (miles)	23	23	23	23	23	23	23	23	23	23
Stormwater treatment lakes	2	2	2	2	2	2	2	2	2	2
Parks										
Acreage	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75
Playgrounds	6	6	6	6	6	6	6	6	6	6
Tennis courts	2	2	2	2	2	2	2	2	2	2
Skate parks	1	1	1	1	1	1	1	1	1	1
Volleyball courts	2	2	2	2	2	2	2	2	2	4
Basketball courts	1	1	1	1	1	1	1	1	1	1
Bocce courts	2	2	2	2	2	2	2	2	2	1
Recreation buses	1	1	1	1	1	1	1	1	1	1
Library										
Catalogued items	68,040	75,380	70,916	74,500	73,665	74,100	74,100	74,438	75,250	95,393
GEMS										
Vehicles	3	3	3	3	3	3	3	3	4	4
Marina										
Number of slips	268	268	247	247	247	247	247	247	247	247
Dry storage slips	-	-	-	-	-	-	-	-	73	80

Sources: Various City departments

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

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**

Honorable Mayor and Members of the City Council

City of Gulfport, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gulfport, Florida (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2013. 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 of the City 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 and 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.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 management, City Commission, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
May 30, 2013

Honorable Mayor and Members of the City Council

City of Gulfport, Florida

We have audited the financial statements of the City of Gulfport, Florida (the "City"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated May 30, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Schedule of Findings. Disclosures in those reports and schedule, which are dated May 30, 2013, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such violations.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such matters.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Section 10.551(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 the same. This assessment was done for the year ended September 30, 2012.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
May 30, 2013

CITY OF GULFPORT, FLORIDA

SCHEDULE OF FINDINGS

September 30, 2012

Prior Year Comment

2011-1 Capital Assets

This comment has been resolved by the City.