

CITY OF MADEIRA BEACH, FLORIDA

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
September 30, 2011**

**Comprehensive
Annual Financial Report
of the
City of Madeira Beach, Florida**

**For the Fiscal Year Ended
September 30, 2011**

Prepared by: City of Madeira Beach Finance Department

CITY OF MADEIRA BEACH, FLORIDA
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2011

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Introductory Section



Madeira Beach

...two miles long and a SMILE wide!

May 29, 2012

Honorable Mayor and
Members of the Board of City Commissioners, and
Citizens of the City of Madeira Beach, Florida

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Madeira Beach, Florida, for the fiscal year ended September 30, 2011. In addition to meeting legal requirements of the City Charter, Florida Statutes and the Rules of the Auditor General of the State of Florida, the report continues to present the City's tradition of full financial disclosure. This report was compiled by the staff of the Finance Department, and represents the official report of the City's financial position and operations to the citizens, Board of City Commissioners, 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. We believe the data as presented are accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial activity of the various funds and that all disclosures necessary to enable the reader to gain a complete understanding of the City's financial generally accepted activities have been included.

To provide 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 authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of 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 Madeira Beach has been completed by the City's independent certified public accountants, Mayer Hoffman McCann P.C., 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Madeira Beach's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with accounting principles generally accepted in the United States of America.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Madeira Beach's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Madeira Beach originally began as a fishing village. Located on a barrier island at John's Pass with direct access to the Gulf of Mexico, Madeira Beach connects to the mainland near St. Petersburg by a free causeway and to the other barrier islands by bridges. The City of Madeira Beach was incorporated in 1947 with a City Manager form of government. The City has a land area of approximately one square mile and a year round resident population of 4,295. The white sandy beaches of the city are an attraction to approximately 8,000 tourists annually.

The City of Madeira Beach provides a traditional mix of services, including fire protection and EMS; maintenance of parks, streets and other infrastructure; stormwater and sanitation collection services; a municipal marina; and recreational programs and events. The City contracts with the Pinellas County Sheriff's Department for police protection. Pinellas County provides potable water, sanitary sewerage, solid waste disposal and treatment, and the jail/court systems.

The annual budget serves as the foundation for the City's financial planning and control. Department heads are required to submit their budget requests to the City Manager, who then uses these requests as the starting point for developing a proposed budget. The City Manager is required by the City Charter to present the proposed budget to the Board of City Commissioners prior to July 1. The Board of City Commissioners 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 Board of City Commissioners may, by ordinance, make additional appropriations or transfer any unencumbered appropriation from any department or from contingency to another department or contingency. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General and Special Projects Funds, this comparison is presented on pages 18-19 as part of the basic financial statements for the governmental funds.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Madeira Beach operates.

The City of Madeira Beach is one of twenty-four incorporated municipalities in Pinellas County. The sunny climate and long stretches of white sandy beaches along the Gulf of Mexico attract visitors and new residents each year. Tourism is the primary industry of Pinellas County as well as the City of Madeira Beach. When there is an overall decline in the economy, it is felt in our community. Madeira Beach has experienced a decrease in tourism over the past couple of years, and a decrease in investment income as a result of the slow-down in the economy.

John's Pass is the entryway from the Gulf of Mexico to the marinas, restaurants and docks of Madeira Beach, which is the homeport and off loading port for 60-70% of the reef fish bottom longlining fleet in the Gulf of Mexico. It is also the homeport to several vertical line and recreational vessels catching reef fish, particularly gag, black and red grouper. These vessels are part of an integrated industry in nearby cities and Pinellas County that includes dealers, processors, transportation, distribution and retail outlets. These firms reflect a relatively stable economic environment.

Long-term financial planning

The City allocates one-third of the coming year's general fund budget for unforeseen emergencies. Assignments of general fund balance are also made for vehicle replacements and compensated absences. These assignments, although not legally required, reflect funds that are earmarked for specific purposes as identified by management.

Relevant financial policies

The sale of the City's sewer system to Pinellas County on October 1, 2006 resulted in a large cash inflow to the sewer fund. It was determined that the sewer fund was no longer needed following the sale and transfer of most assets to Pinellas County; therefore, the remaining capital assets as well as cash and cash equivalents were transferred to the general fund. The proceeds from the sale of the sewer system are not intended for a specific use at the present time; however, the amount has been set aside as assignment of the general fund balance to earmark those funds for a future use, which has yet to be determined.

Major Initiatives

Property tax reform legislation that passed in 2007 continues to affect general fund revenues. In a special session in June of 2007, the Florida Legislature approved a two phase reform package. The first phase, which affected the 2008 budget, stipulated a 9% reduction from a rollback to the fiscal year 2006-07 base year. This required the City to reduce the millage rate from 1.90 to 1.7954 mills. The second part of the package resulted in Amendment 1, which was passed by Florida voters on January 29, 2008. This further reduced the City's taxable value in fiscal year 2009 by implementing an increased homestead exemption and introducing the concept of "portability" of the Save Our Homes limits on taxable value.

These reductions, coupled with a reduction in taxable value as the real estate market continues to correct itself, have served to negatively impact the City's ability to fund operations for the foreseeable future.

Although a number of projects have been identified by management and the Board of Commissioners as priorities in the City's strategic plan, many of these initiatives have been placed on hold due to the effects of property tax reform legislation and the downturn in the economy.

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 Madeira Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2010. This was the 13th 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. This report must satisfy both Accounting Principles Generally Accepted in the United States of America, and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this Comprehensive Annual Financial Report was made possible through the efficient, dedicated and professional efforts of everyone in the Finance Department. The significant amount of year-end closing procedures required prior to the audit could not have been accomplished without much hard work and personal sacrifice. Appreciation must also be expressed to the City's auditors, Mayer Hoffman McCann P.C., whose suggestions and attention to detail enhanced the quality of this report.

Other City departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year.

We believe that this report clearly illustrates the financial position of the City of Madeira Beach and wish to thank you for your support and commitment to maintaining the financial integrity of the City.

Respectfully submitted,



Shane Crawford
City Manager



Vince Tenaglia
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Madeira Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2010

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



Linda C. Davidson
President

Jeffrey L. Esser
Executive Director

CITY OF MADEIRA BEACH, FLORIDA

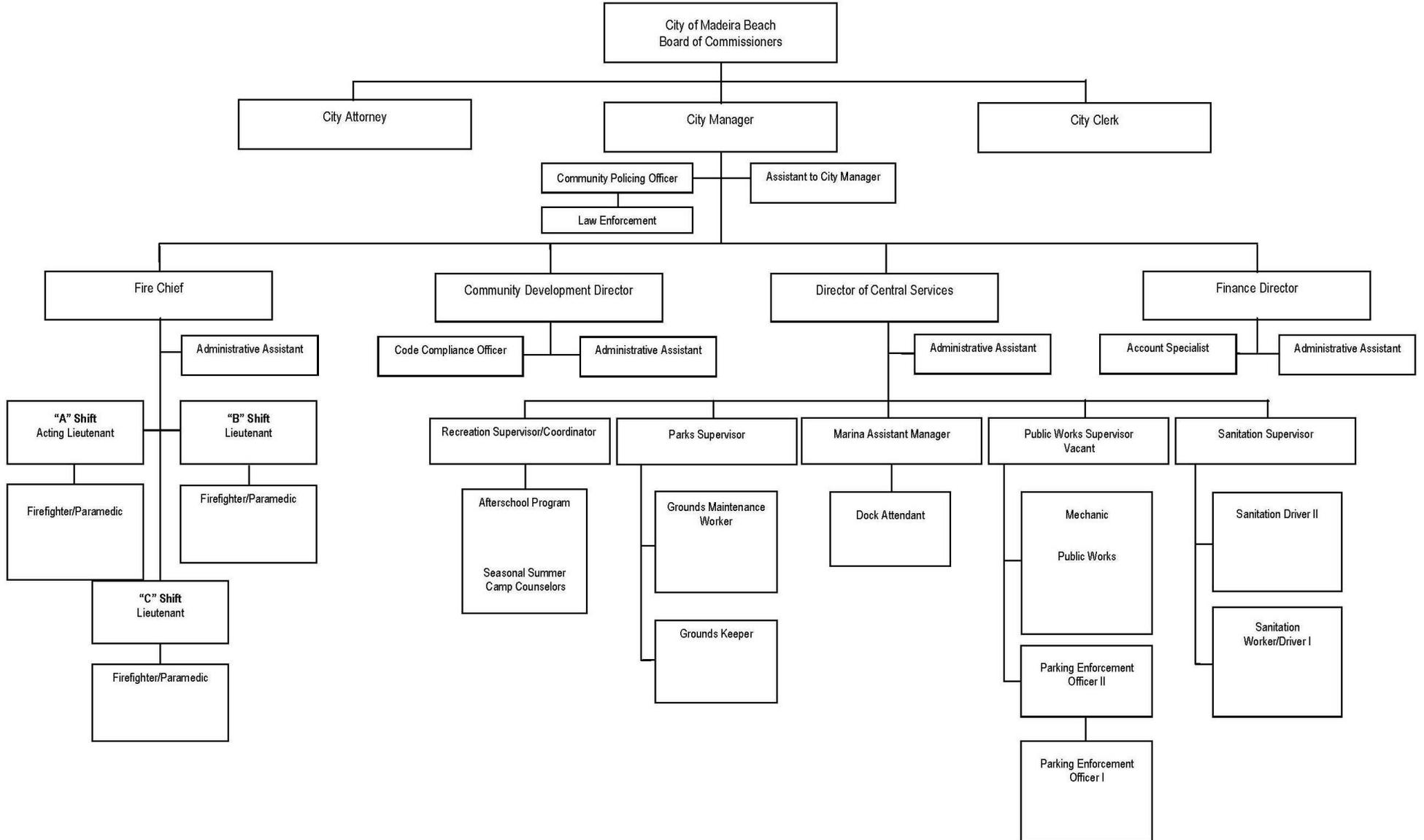
Principal City Officials*

September 30, 2011

Mayor	Travis Palladeno
Commissioner District 1	Terry Lister
Commissioner District 2	Nancy Hodges
Commissioner/ District 3	Nancy Oakley
Commissioner Vice Mayor District 4	Robin Vander Velde
City Manager	Shane B. Crawford
City Attorney	Thomas Trask
City Clerk	Ginger Stilton
Finance Director	Vince Tenaglia
Fire Chief	Derryl O'Neal
Marina Director	David J. Marsicano

*** Officials as of financial report date.**

THE CITY OF MADEIRA BEACH, FLORIDA
ORGANIZATIONAL CHART
SEPTEMBER 2011



Financial Section



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

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Clearwater, FL 33762
Phone: 727.572.1400 ■ 813.879.1400
Fax: 727.571.1933
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Independent Auditors' Report

To the Honorable Mayor and Members of the City Commission
City of Madeira Beach, Florida:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and special projects 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 29, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, be presented to supplement the basic financial statements. Such information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis 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. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mayra Hoffman Mc Cera P.C.

May 29, 2012
Clearwater, Florida

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2011

(Unaudited)

The City of Madeira Beach's (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 approved budget), and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 13).

Financial Highlights

The assets of the City of Madeira Beach exceeded its liabilities at September 30, 2011 by \$30,049,825 (net assets). Of this amount, \$14,415,932 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$788,170. The Special Projects Fund in particular experienced an increase in net assets of \$313,680, largely due to the collection in Penny for Pinellas revenues which have been set aside for future capital projects.

As of September 30, 2011, the City of Madeira Beach's governmental funds reported combined ending fund balances of \$14,047,494, an increase of \$617,639 in comparison with the prior year. Approximately 60 percent of the total fund balance amount, \$7,160,890, is available for spending at the City's discretion (unassigned fund balance). The unassigned fund balance decreased by \$369,611 from the prior year which is due to the addition of the nonspendable balance for a 2011 advance made to the marina fund.

Long-term liabilities for compensated absences decreased \$41,115 from the prior year within the General Fund, while long-term liabilities for the City's other post-employment benefits amounted to \$21,622 in the second year of recording this liability. The City has no other long-term obligations.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Madeira Beach's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on "activities", rather than "fund types".

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2011
(Unaudited)

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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 governmental fund current 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* presents information showing how the City's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, physical environment, transportation, public safety, and culture and recreation. The business-type activities of the City consist of Sanitation, Stormwater, the Municipal Marina, John's Pass Village and the Parking Fund, which was introduced in fiscal year 2010 to account for the revenues and expenses associated with the City's metered parking lots.

The government-wide financial statements include only the City of Madeira Beach (known as the primary government). There are no component units.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2011
(Unaudited)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Special Projects Fund, both of which are major funds.

The City adopts annual appropriations for its General Fund and Special Projects Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary funds. The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sanitation, Stormwater, Municipal Marina, John's Pass Village and Parking. Internal service funds, an accounting device used to accumulate and allocate costs internally among a government's various functions, are not utilized by the City.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 24-45 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$30,049,825.

Nearly forty-five percent (45%) of the City's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, and vehicles and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. There is no debt associated with the City's capital assets.

None of the City's net assets are subject to external restrictions on how they may be used. The balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

**September 30, 2011
(Unaudited)**

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 on page 13.

City of Madeira Beach's Net Assets

	Governmental activities		Business-type activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 14,283,463	13,648,983	\$ 2,897,467	2,907,638	\$ 17,180,930	16,556,621
Capital assets	6,776,719	6,976,034	6,700,068	6,308,041	13,476,787	13,284,075
Total assets	21,060,182	20,625,017	9,597,535	9,215,679	30,657,717	29,840,696
Long-term liabilities outstanding	153,209	183,513	67,944	61,515	221,153	245,028
Other liabilities	235,969	219,127	150,770	114,886	386,739	334,013
Total liabilities	389,178	402,640	218,714	176,401	607,892	579,041
Net assets:						
Invested in capital assets	6,776,719	6,976,034	6,700,068	6,308,041	13,476,787	13,284,075
Restricted	2,157,106	1,843,426	-	-	2,157,106	1,843,426
Unrestricted	11,737,179	11,402,917	2,678,753	2,731,237	14,415,932	14,134,154
Total net assets	\$ 20,671,004	20,222,377	\$ 9,378,821	9,039,278	\$ 30,049,825	29,261,655

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

The following table reflects the condensed Statement of Activities for the current year as compared to the previous year. For more detailed information see the Statement of Activities on page 14.

City of Madeira Beach's Changes in Net Assets

	Governmental activities		Business-type activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 966,261	916,944	3,594,943	3,285,851	4,561,204	4,202,795
Operating grants and contributions	390,330	298,564	-	3,407	390,330	301,971
Capital grants and contributions	-	-	-	19,848	-	19,848
General revenues:						
Property taxes	1,506,269	1,694,316	-	-	1,506,269	1,694,316
Other taxes	1,207,346	1,298,111	-	-	1,207,346	1,298,111
Other	1,228,743	1,390,200	7,544	13,262	1,236,287	1,403,462
Total revenues	5,298,949	5,598,135	3,602,487	3,322,368	8,901,436	8,920,503

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

**September 30, 2011
(Unaudited)**

	Governmental activities		Business-type activities		Totals	
	2011	2010	2011	2010	2011	2010
Expenses:						
General government	1,341,581	1,312,167	-	-	1,341,581	1,312,167
Physical environment	318,218	237,705	-	-	318,218	237,705
Transportation	340,079	342,946	-	-	340,079	342,946
Public safety	2,256,879	2,093,721	-	-	2,256,879	2,093,721
Culture and recreation	931,641	859,420	-	-	931,641	859,420
Sanitation	-	-	1,026,855	954,521	1,026,855	954,521
Stormwater	-	-	163,079	191,310	163,079	191,310
Marina	-	-	1,260,832	1,200,024	1,260,832	1,200,024
John's Pass Village	-	-	308,891	423,876	308,891	423,876
Parking	-	-	165,211	145,345	165,211	145,345
Total expenses	<u>5,188,398</u>	<u>4,845,959</u>	<u>2,924,868</u>	<u>2,915,076</u>	<u>8,113,266</u>	<u>7,761,035</u>
Increase (decrease) in net assets before transfers and special items	110,551	752,176	677,619	407,292	788,170	1,159,468
Transfers	338,076	293,900	(338,076)	(293,900)	-	-
Proceeds from sale of sewer system	-	-	-	-	-	-
Increase (decrease) in net assets	448,627	1,046,076	339,543	113,392	788,170	1,159,468
Net assets - October 1	<u>20,222,377</u>	<u>19,176,301</u>	<u>9,039,278</u>	<u>8,925,886</u>	<u>29,261,655</u>	<u>28,102,187</u>
Net assets - September 30	<u>\$ 20,671,004</u>	<u>20,222,377</u>	<u>9,378,821</u>	<u>9,039,278</u>	<u>30,049,825</u>	<u>29,261,655</u>

Governmental activities

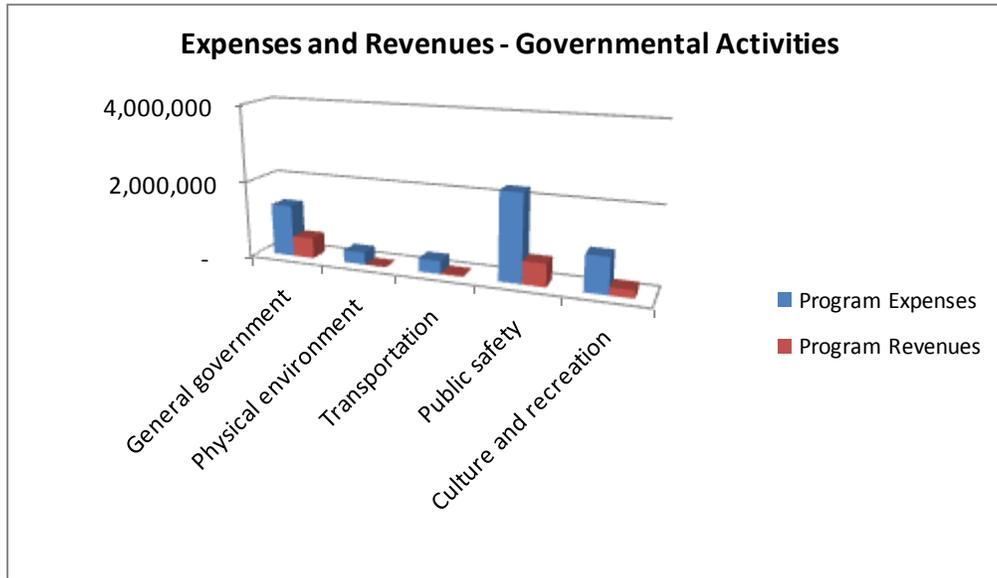
Total expenses for governmental activities increased by 7% while revenues decreased by 5%. As a result, net assets increased by \$448,627 compared to \$1,046,076 in the prior year. Ad valorem tax revenues decreased 11% from the prior year due to reductions in taxable value, following a 16% decrease in FY 2010. The decrease in ad valorem tax revenues was offset by a 5% increase in charges for services. Increase in charges for services due to code enforcement fines in current year higher than normal.

57% of the increase in total governmental activity expenditures is attributed to higher personnel costs in the Fire/EMS Department. Specifically, overtime expenditures increased within the department by 67% as a result of Insurance Services Office (ISO) fire company staffing recommendations.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

**September 30, 2011
(Unaudited)**



Business-type activities

Business-type activities increased the City's net assets by \$339,543, compared to \$113,392 in the previous year.

The Sanitation and Stormwater funds posted increases in net assets of \$155,185 and \$213,423 respectively, while the Parking fund posted an increase of \$64,062 in its second year of operation.

The Marina and John's Pass Village funds showed net asset decreases of \$38,356 and \$54,771, respectively.

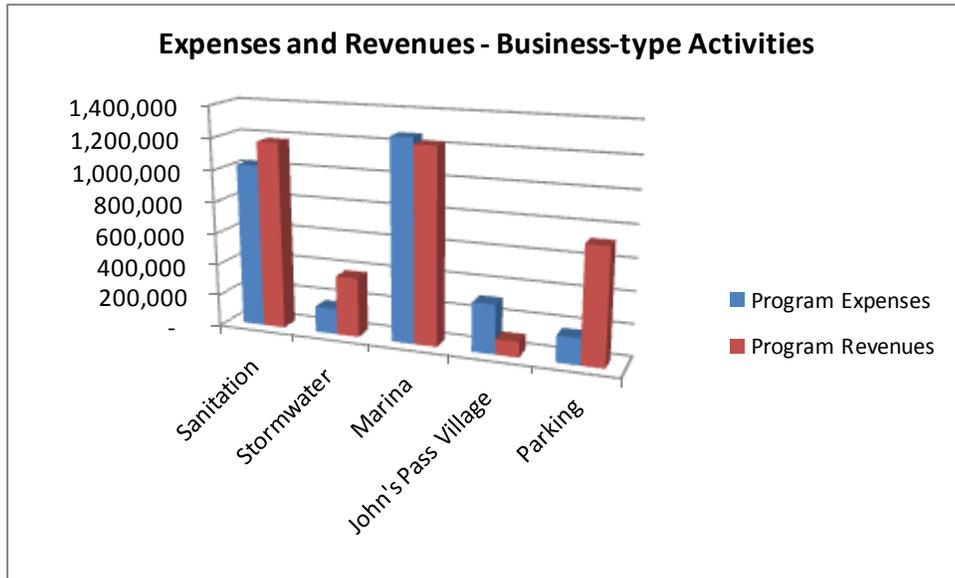
The Marina fund reported a 21% increase in charges for sales and services, resulting in additional revenue totaling \$208,167. However, expenditures continued to outpace revenue growth, driven by the cost of fuel for resale, resulting in an operating loss of \$38,356.

The Administrative Service Allocation for John's Pass Village decreased in FY 2011, however much of this reduction was offset by additional maintenance activity. The Parking Fund also transferred 38.4% fewer funds to John's Pass compared to the prior year.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2011
(Unaudited)



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

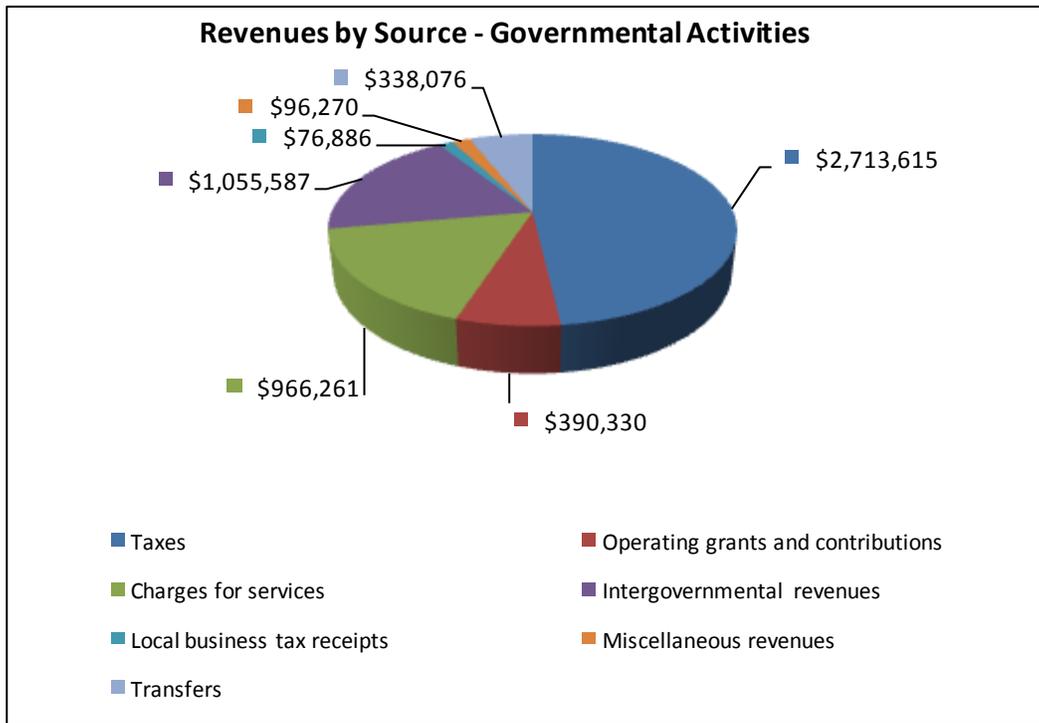
As of September 30, 2011, the City's governmental funds reported combined ending fund balances of \$14,047,494, an increase of \$617,639 in comparison with the prior year. \$526,744 of this amount is classified as non-spendable to indicate that it is not available for new spending, \$2,157,106 is classified as restricted because it is restricted for purposes that are externally imposed, \$4,202,754 is classified as assigned to reflect management's intent to use these resources for specific purposes, and \$7,160,890 constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At September 30, 2011, the unassigned fund balance of the General Fund was \$7,160,890 while the total fund balance was \$11,890,388. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 135 percent of total General Fund expenditures, while total fund balance represents 225 percent of that same amount.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2011
(Unaudited)



General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to \$14,226. Approximately 80% of this amount (\$80,000) is attributed to the Fire/EMS Department, in which the overtime budget was increased to temporarily allow for additional staffing on fire engines, per ISO recommendations. Significant budgetary variances between the final amended budget and actual results are as follows:

- ❖ Intergovernmental Revenue – Revenues exceeded budgetary estimates by 24% due to the receipt of pass-through funding from the Florida Department of Community Services, in the amount of \$353,636, for flood mitigation grants. The corresponding expenditure is recorded in the Community Development Department.
- ❖ Fines and Forfeitures – Total revenues (\$176,945) exceeded the budgeted amount (\$40,000) by \$136,945, driven by code enforcement fines. One specific code enforcement case generated \$141,809 in fines.
- ❖ Investment Earnings – Investment earnings failed to record positive revenue totals and included unrealized losses related to SBA Fund B that resulted in earnings falling short of the budgeted amount by \$79,515.
- ❖ The City Manager's office exceeded its expenditure budget, driven by severance costs associated with the prior City Manager's termination process.
- ❖ Community Development expenditures exceeded the budgeted amount due to the expenditure of grant funds received from the Florida Department of Community Services in the amount of \$353,636. The corresponding grant revenue is recorded as Intergovernmental Revenue.

CITY OF MADEIRA BEACH, FLORIDA

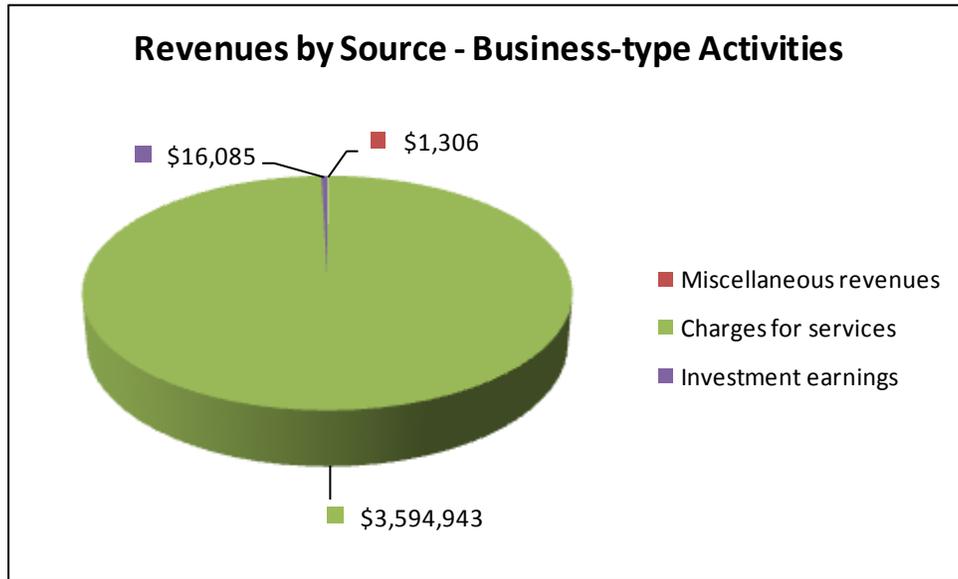
Management’s Discussion and Analysis

**September 30, 2011
(Unaudited)**

- ❖ City Clerk/Commission expenditures were approximately 25% lower than budgeted, primarily because contingency funds in the amount of \$73,700 were not expended.
- ❖ Fire/EMS Department expenditures exceeded the budgeted amount by \$67,605 based on personnel expenses. Overtime expenditures exceeded the final appropriation by \$75,428 despite an \$80,000 budget increase throughout the year. Salaries and Wages exceeded appropriations by \$34,887.

Proprietary funds. The City’s proprietary (enterprise) fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at September 30, 2011 amounted to \$2,678,753.



Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$13,476,767 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, equipment and construction in progress. Infrastructure has historically been recorded by the City under the classification of improvements; therefore, no retroactive reporting of infrastructure was necessary to comply with GASB-34.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

**September 30, 2011
(Unaudited)**

City of Madeira Beach's Capital Assets (net of depreciation)

		Governmental activities		Business-type activities		Totals	
		2011	2010	2011	2010	2011	2010
Land	\$	2,370,228	2,370,228	414,447	414,447	2,784,675	2,784,675
Buildings		195,692	220,818	554,720	108,769	750,412	329,587
Improvements other than buildings		3,615,637	3,630,216	5,259,284	5,459,534	8,874,921	9,089,750
Vehicles and equipment		595,162	722,397	360,527	224,936	955,689	947,333
Construction in progress		-	32,375	111,090	100,355	111,090	132,730
Total	\$	<u>6,776,719</u>	<u>6,976,034</u>	<u>6,700,068</u>	<u>6,308,041</u>	<u>13,476,787</u>	<u>13,284,075</u>

Additional information on the City's capital assets can be found on pages 36 – 37 of the Notes to the Financial Statements in this report.

Long-term debt. The City has no long-term debt as of September 30, 2011.

Next Year's Budgets and Rates

The City was able to balance the 2012 fiscal year budget while maintaining the ad valorem tax rate at 1.7954 mills, without appropriating fund balance for General Fund operations.

Requests for Information

This financial report is designed to provide a general overview of the City of Madeira Beach's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 300 Municipal Drive, Madeira Beach, FL 33708.

CITY OF MADEIRA BEACH, FLORIDA

Statement of Net Assets

September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,578,531	3,004,683	16,583,214
Accounts receivable, net	112,925	8,822	121,747
Internal balances	483,926	(483,926)	-
Due from other governmental units	65,263	276,981	342,244
Inventories	35,419	63,740	99,159
Prepaid items	7,399	2,200	9,599
Restricted assets:			
Cash and cash equivalents	-	24,967	24,967
Capital assets (net of accumulated depreciation):			
Land	2,370,228	414,447	2,784,675
Buildings	195,692	554,720	750,412
Improvements other than buildings	3,615,637	5,259,284	8,874,921
Vehicles and equipment	595,162	360,527	955,689
Construction in progress	-	111,090	111,090
	21,060,182	9,597,535	30,657,717
Liabilities			
Accounts payable and other current liabilities	184,497	124,885	309,382
Unearned revenue	51,472	918	52,390
Liabilities payable from restricted assets	-	24,967	24,967
Noncurrent liabilities:			
Due within one year	13,159	6,038	19,197
Due in more than one year	140,050	61,906	201,956
	389,178	218,714	607,892
Net Assets			
Invested in capital assets	6,776,719	6,700,068	13,476,787
Restricted for:			
Capital acquisitions and improvements	2,157,106	-	2,157,106
Unrestricted	11,737,179	2,678,753	14,415,932
	20,671,004	9,378,821	30,049,825

CITY OF MADEIRA BEACH, FLORIDA

Statement of Activities

For the Year Ended September 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-type Activities
Functions/Programs							
Primary Government:							
Governmental activities:							
General government	\$ 1,341,581	177,728	353,636	-	(810,217)	-	(810,217)
Physical environment	318,218	-	-	-	(318,218)	-	(318,218)
Transportation	340,079	-	33,738	-	(306,341)	-	(306,341)
Public safety	2,256,879	585,333	2,956	-	(1,668,590)	-	(1,668,590)
Culture and recreation	931,641	203,200	-	-	(728,441)	-	(728,441)
Total governmental activities	<u>5,188,398</u>	<u>966,261</u>	<u>390,330</u>	<u>-</u>	<u>(3,831,807)</u>	<u>-</u>	<u>(3,831,807)</u>
Business-type activities:							
Sanitation	1,026,855	1,178,605	-	-	-	151,750	151,750
Stormwater	163,079	374,918	-	-	-	211,839	211,839
Marina	1,260,832	1,221,047	-	-	-	(39,785)	(39,785)
John's Pass Village	308,891	96,707	-	-	-	(212,184)	(212,184)
Parking	165,211	723,666	-	-	-	558,455	558,455
Total business-type activities	<u>2,924,868</u>	<u>3,594,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>670,075</u>	<u>670,075</u>
Total primary government	<u>\$ 8,113,266</u>	<u>4,561,204</u>	<u>390,330</u>	<u>-</u>	<u>(3,831,807)</u>	<u>670,075</u>	<u>(3,161,732)</u>
General revenues:							
Taxes:							
Property taxes					1,506,269	-	1,506,269
Franchise taxes					519,756	-	519,756
Utility taxes					687,590	-	687,590
Intergovernmental revenues:							
Local option gas tax					56,341	-	56,341
Local option sales tax					322,822	-	322,822
Communications services tax					250,921	-	250,921
Half-cent sales tax, unrestricted					218,928	-	218,928
State revenue sharing, unrestricted					203,099	-	203,099
Alcoholic beverage license tax, unrestricted					2,080	-	2,080
Motor fuel tax					1,396	-	1,396
Local business tax receipts					76,886	-	76,886
Investment earnings (loss)					(599)	1,306	707
Miscellaneous revenues					130,715	16,085	146,800
Transfers					338,076	(338,076)	-
Loss on disposal of capital assets					(33,846)	(9,847)	(43,693)
Total general revenues and transfers					<u>4,280,434</u>	<u>(330,532)</u>	<u>3,949,902</u>
Change in net assets					448,627	339,543	788,170
Net assets - beginning					<u>20,222,377</u>	<u>9,039,278</u>	<u>29,261,655</u>
Net assets - ending					<u>\$ 20,671,004</u>	<u>9,378,821</u>	<u>30,049,825</u>

CITY OF MADEIRA BEACH, FLORIDA

**Balance Sheet
Governmental Funds**

September 30, 2011

	<u>General Fund</u>	<u>Special Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 11,443,997	2,134,534	13,578,531
Accounts receivable	112,925	-	112,925
Advance to other funds	483,926	-	483,926
Due from other governmental units	42,691	22,572	65,263
Inventories	35,419	-	35,419
Prepaid items	7,399	-	7,399
	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>12,126,357</u>	<u>2,157,106</u>	<u>14,283,463</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 94,224	-	94,224
Accrued expenditures	90,273	-	90,273
Unearned revenue	51,472	-	51,472
	<hr/>	<hr/>	<hr/>
Total liabilities	235,969	-	235,969
Fund Balances:			
Nonspendable:			
Inventories	35,419	-	35,419
Prepaid items	7,399	-	7,399
Advance due to other funds	483,926	-	483,926
Restricted:			
Capital acquisitions and improvements	-	2,157,106	2,157,106
Assigned:			
Encumbrances	98,014	-	98,014
Vehicle replacements	628,447	-	628,447
Compensated absences	131,587	-	131,587
Proceeds from sale of sewer system	3,344,706	-	3,344,706
Unassigned	7,160,890	-	7,160,890
	<hr/>	<hr/>	<hr/>
Total fund balances	11,890,388	2,157,106	14,047,494
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ <u>12,126,357</u>	<u>2,157,106</u>	
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.			6,776,719
Compensated absences and other post-employment benefits not due and payable in the current period are not reported in the funds.			<u>(153,209)</u>
Net assets of governmental activities			\$ <u>20,671,004</u>

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

CITY OF MADEIRA BEACH, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended September 30, 2011

	<u>General Fund</u>	<u>Special Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Property taxes	\$ 1,506,269	-	1,506,269
Franchise taxes	519,756	-	519,756
Utility taxes	687,590	-	687,590
Licenses and permits	88,378	-	88,378
Intergovernmental revenue	1,697,719	322,822	2,020,541
Charges for services	447,560	-	447,560
Fines and forfeitures	176,945	-	176,945
Investment earnings (loss)	(4,015)	3,416	(599)
Miscellaneous revenue	130,715	-	130,715
	<u>5,250,917</u>	<u>326,238</u>	<u>5,577,155</u>
Total revenues			
Expenditures			
Current:			
General government	1,612,823	12,558	1,625,381
Physical environment	310,116	-	310,116
Transportation	239,990	-	239,990
Public safety	2,261,063	-	2,261,063
Culture and recreation	844,573	-	844,573
Capital outlay:			
General government	1,155	-	1,155
Physical environment	2,084	-	2,084
Transportation	-	-	-
Public safety	6,638	-	6,638
Culture and recreation	6,592	-	6,592
	<u>5,285,034</u>	<u>12,558</u>	<u>5,297,592</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(34,117)</u>	<u>313,680</u>	<u>279,563</u>
Other Financing Sources			
Transfers in	<u>338,076</u>	<u>-</u>	<u>338,076</u>
Total other financing sources	<u>338,076</u>	<u>-</u>	<u>338,076</u>
Net change in fund balances	303,959	313,680	617,639
Fund balances - beginning	<u>11,586,429</u>	<u>1,843,426</u>	<u>13,429,855</u>
Fund balances - ending	\$ <u><u>11,890,388</u></u>	<u><u>2,157,106</u></u>	<u><u>14,047,494</u></u>

CITY OF MADEIRA BEACH, FLORIDA

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**

For the Year Ended September 30, 2011

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

Net change in fund balances - total governmental funds (page 16)	\$	617,639
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current year expenditures for capital assets	141,736	
Current year depreciation	<u>(307,205)</u>	(165,469)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase (decrease) net assets		(33,847)
The non-current portion of compensated absences does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		41,115
The non-current portion of other post-employment benefits does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		<u>(10,811)</u>
Change in net assets of governmental activities (page 14)	\$	<u><u>448,627</u></u>

CITY OF MADEIRA BEACH, FLORIDA

**General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual**

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>(Negative)</u>
Revenues				
Taxes:				
Property tax	\$ 1,484,300	1,484,300	1,506,269	21,969
Franchise tax	533,000	533,000	519,756	(13,244)
Utility tax	625,000	625,000	687,590	62,590
Licenses and permits	100,600	100,600	88,378	(12,222)
Intergovernmental revenue	1,372,840	1,372,840	1,697,719	324,879
Charges for services	589,445	589,445	447,560	(141,885)
Fines and forfeitures	40,000	40,000	176,945	136,945
Investment earnings	75,500	75,500	(4,015)	(79,515)
Miscellaneous revenue	71,030	71,030	130,715	59,685
Fire prior year reappropriation	500,000	500,000	-	(500,000)
	<u>5,391,715</u>	<u>5,391,715</u>	<u>5,250,917</u>	<u>(140,798)</u>
Expenditures				
General government:				
City Manager	194,945	194,945	201,505	(6,560)
Community Development	250,655	250,655	471,322	(220,667)
Finance	346,700	364,000	350,712	13,288
City Clerk/Commission	450,125	450,125	337,516	112,609
Non-Departmental	280,745	269,245	252,923	16,322
Total general government	<u>1,523,170</u>	<u>1,528,970</u>	<u>1,613,978</u>	<u>(85,008)</u>
Physical environment:				
Public Works	319,570	321,140	312,200	8,940
Total physical environment	<u>319,570</u>	<u>321,140</u>	<u>312,200</u>	<u>8,940</u>
Transportation:				
Streets	252,685	252,685	239,990	12,695
Total transportation	<u>252,685</u>	<u>252,685</u>	<u>239,990</u>	<u>12,695</u>
Public safety:				
Fire	1,274,950	1,268,854	1,336,459	(67,605)
Law Enforcement	932,100	932,100	931,242	858
Total public safety	<u>2,207,050</u>	<u>2,200,954</u>	<u>2,267,701</u>	<u>(66,747)</u>
Culture and recreation:				
Parks	432,140	432,140	475,638	(43,498)
Recreation	951,500	936,000	375,527	560,473
Total culture and recreation	<u>1,383,640</u>	<u>1,368,140</u>	<u>851,165</u>	<u>516,975</u>
Total expenditures	<u>5,686,115</u>	<u>5,671,889</u>	<u>5,285,034</u>	<u>386,855</u>
Excess (deficiency) of revenues over expenditures	<u>(294,400)</u>	<u>(280,174)</u>	<u>(34,117)</u>	<u>246,057</u>
Other Financing Sources				
Transfers in	294,400	294,400	338,076	43,676
Total other financing sources	<u>294,400</u>	<u>294,400</u>	<u>338,076</u>	<u>43,676</u>
Net change in fund balances	-	14,226	303,959	289,733
Fund balances - beginning	10,814,321	10,797,863	11,586,429	(788,566)
Fund balances - ending	\$ <u>10,814,321</u>	<u>10,812,089</u>	<u>11,890,388</u>	<u>(498,833)</u>

CITY OF MADEIRA BEACH, FLORIDA

**Special Projects Fund
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual**

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental revenue	\$ 398,000	398,000	322,822	(75,178)
Investment earnings	2,500	2,500	3,416	916
Total revenues	<u>400,500</u>	<u>400,500</u>	<u>326,238</u>	<u>(74,262)</u>
Expenditures				
General government:				
Non-Departmental	<u>10,000</u>	<u>10,000</u>	<u>12,558</u>	<u>(2,558)</u>
Total general government	<u>10,000</u>	<u>10,000</u>	<u>12,558</u>	<u>(2,558)</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>12,558</u>	<u>(2,558)</u>
Net change in fund balances	390,500	390,500	313,680	(76,820)
Fund balances - beginning	<u>1,843,426</u>	<u>1,843,426</u>	<u>1,843,426</u>	<u>-</u>
Fund balances - ending	\$ <u><u>2,233,926</u></u>	<u><u>2,233,926</u></u>	<u><u>2,157,106</u></u>	<u><u>(76,820)</u></u>

CITY OF MADEIRA BEACH, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2011

	Business-type Activities - Enterprise Funds					
	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,010,091	1,120,548	154,689	648,728	70,627	3,004,683
Accounts receivable, net	4,289	216	4,317	-	-	8,822
Due from other governmental units	190,974	84,017	-	-	1,990	276,981
Inventories	-	-	63,740	-	-	63,740
Prepaid items	-	-	2,200	-	-	2,200
Restricted cash and cash equivalents:						
Customer deposits	-	-	24,967	-	-	24,967
Total current assets	1,205,354	1,204,781	249,913	648,728	72,617	3,381,393
Capital assets:						
Land	-	-	-	414,447	-	414,447
Buildings	-	-	473,512	235,564	-	709,076
Improvements other than buildings	-	2,562,401	956,659	4,463,088	-	7,982,148
Vehicles and equipment	657,298	67,152	97,899	8,800	2,720	833,869
Construction in progress	-	-	111,090	-	-	111,090
Less accumulated depreciation	(389,998)	(440,162)	(521,680)	(1,996,752)	(1,970)	(3,350,562)
Total capital assets (net of accumulated depreciation)	267,300	2,189,391	1,117,480	3,125,147	750	6,700,068
Total assets	1,472,654	3,394,172	1,367,393	3,773,875	73,367	10,081,461

CITY OF MADEIRA BEACH, FLORIDA

Statement of Net Assets – Continued

Proprietary Funds

September 30, 2011

	Business-type Activities - Enterprise Funds					
	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	Total
Liabilities						
Current liabilities:						
Accounts payable and other current liabilities	45,403	111	70,147	1,028	8,196	124,885
Advance from other funds	-	-	24,111	-	-	24,111
Compensated absences	3,680	-	2,301	-	57	6,038
Unearned revenue	-	-	918	-	-	918
Current liabilities payable from restricted assets:						
Customer deposits payable	-	-	24,967	-	-	24,967
Total current liabilities	49,083	111	122,444	1,028	8,253	180,919
Noncurrent liabilities:						
Compensated absences	33,123	-	20,704	-	512	54,339
Other post-employment benefits	4,865	540	1,622	-	540	7,567
Advance from other funds	-	-	459,815	-	-	459,815
Total noncurrent liabilities	37,988	540	482,141	-	1,052	521,721
Total liabilities	87,071	651	604,585	1,028	9,305	702,640
Net Assets						
Invested in capital assets	267,300	2,189,391	1,117,480	3,125,147	750	6,700,068
Unrestricted	1,118,283	1,204,130	(354,672)	647,700	63,312	2,678,753
Total net assets	\$ 1,385,583	3,393,521	762,808	3,772,847	64,062	9,378,821

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

CITY OF MADEIRA BEACH, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended September 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>					<u>Total</u>
	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>John's Pass Village Fund</u>	<u>Parking Fund</u>	
Operating revenues:						
Charges for sales and services	\$ 1,178,605	374,918	1,221,047	96,707	723,666	3,594,943
Miscellaneous	3,223	-	11,033	1,829	-	16,085
Total operating revenues	<u>1,181,828</u>	<u>374,918</u>	<u>1,232,080</u>	<u>98,536</u>	<u>723,666</u>	<u>3,611,028</u>
Operating expenses:						
Personnel	438,441	38,383	185,301	-	81,845	743,970
Supplies and services	532,792	61,681	1,039,466	134,630	82,620	1,851,189
Depreciation	55,622	63,015	36,065	174,261	746	329,709
Total operating expenses	<u>1,026,855</u>	<u>163,079</u>	<u>1,260,832</u>	<u>308,891</u>	<u>165,211</u>	<u>2,924,868</u>
Operating income (loss)	<u>154,973</u>	<u>211,839</u>	<u>(28,752)</u>	<u>(210,355)</u>	<u>558,455</u>	<u>686,160</u>
Non operating revenues (expenses):						
Investment earnings (loss)	696	1,584	(950)	223	(247)	1,306
Gain (loss) on disposal of capital assets	(484)	-	(8,654)	-	(709)	(9,847)
Total nonoperating revenues (expenses)	<u>212</u>	<u>1,584</u>	<u>(9,604)</u>	<u>223</u>	<u>(956)</u>	<u>(8,541)</u>
Income (loss) before transfers	155,185	213,423	(38,356)	(210,132)	557,499	677,619
Transfers in	-	-	-	199,761	-	199,761
Transfers out	-	-	-	(44,400)	(493,437)	(537,837)
Change in net assets	155,185	213,423	(38,356)	(54,771)	64,062	339,543
Total net assets - beginning	<u>1,230,398</u>	<u>3,180,098</u>	<u>801,164</u>	<u>3,827,618</u>	<u>-</u>	<u>9,039,278</u>
Total net assets - ending	\$ <u>1,385,583</u>	<u>3,393,521</u>	<u>762,808</u>	<u>3,772,847</u>	<u>64,062</u>	<u>9,378,821</u>

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

CITY OF MADEIRA BEACH, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2011

	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	Total
Cash Flows from Operating Activities						
Receipts from customers	\$ 1,186,187	360,043	1,265,870	99,167	724,706	3,635,973
Payments to suppliers	(427,581)	(49,828)	(948,971)	(113,744)	(51,692)	(1,591,816)
Payments to employees	(438,441)	(40,440)	(176,356)	-	(81,290)	(736,527)
Payments to general fund for services	(96,012)	(13,351)	(83,575)	(22,643)	(29,793)	(245,374)
Net cash provided (used) by operating activities	<u>224,153</u>	<u>256,424</u>	<u>56,968</u>	<u>(37,220)</u>	<u>561,931</u>	<u>1,062,256</u>
Cash Flows from Noncapital Financing Activities						
Transfers (to) from other funds	-	-	-	155,361	(493,437)	(338,076)
Cash Flows from Capital and Related Financing Activities						
Purchase, acquisition and construction of capital assets, net	(171,994)	(36,713)	(491,456)	(31,400)	-	(731,563)
Proceeds from advance from other funds	-	-	500,000	-	-	500,000
Payment on advance from other funds	-	-	(16,074)	-	-	(16,074)
Net cash provided (used) by capital and related financing activities	<u>(171,994)</u>	<u>(36,713)</u>	<u>(7,530)</u>	<u>(31,400)</u>	<u>-</u>	<u>(247,637)</u>
Cash Flows from Investing Activities						
Receipt and payment of interest	696	1,584	(970)	223	(247)	1,286
Net increase (decrease) in cash and cash equivalents	52,855	221,295	48,468	86,964	68,247	477,829
Cash and cash equivalents - October 1	957,236	899,253	131,188	561,764	2,380	2,551,821
Cash and cash equivalents - September 30	\$ <u>1,010,091</u>	<u>1,120,548</u>	<u>179,656</u>	<u>648,728</u>	<u>70,627</u>	<u>3,029,650</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 154,973	211,839	(28,752)	(210,355)	558,455	686,160
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	55,622	63,015	36,065	174,261	746	329,709
(Increase) decrease in accounts receivable	233	-	10,551	268	-	11,052
(Increase) decrease in due from other funds	-	-	-	-	270	270
(Increase) decrease in due from other governments	4,126	(14,875)	19,848	363	770	10,232
(Increase) decrease in inventories	-	-	(16,760)	-	-	(16,760)
(Increase) decrease in prepaid items	52	-	(450)	-	-	(398)
Increase (decrease) in accounts payable, non capital	10,161	(1,498)	26,547	(1,487)	1,135	34,858
Increase (decrease) in due to other funds	-	-	-	(270)	-	(270)
Increase (decrease) in unearned revenue	-	-	(175)	-	-	(175)
Increase (decrease) in compensated absences	(3,447)	(2,326)	8,133	-	286	2,646
Increase (decrease) in other post-employment benefits	2,433	269	812	-	269	3,783
Increase (decrease) in customer deposits	-	-	1,149	-	-	1,149
Net cash provided (used) by operating activities	\$ <u>224,153</u>	<u>256,424</u>	<u>56,968</u>	<u>(37,220)</u>	<u>561,931</u>	<u>1,062,256</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets from government	\$ -	-	-	-	-	-

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies

The City of Madeira Beach, Florida, is a political subdivision of the State of Florida located in Pinellas County. The legislative branch of the City is composed of a five (5) member elected Board of Commissioners. The Board of Commissioners is governed by the City Charter and by state and local laws and regulations. The Board of Commissioners is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City Manager.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies:

(a) Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

In applying the above criteria, management has determined that there are no component units to be included within the reporting entity.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all activities of the City. Certain interfund activities, such as internal balances and the administrative services allocation, have been removed from these statements. Individual funds are not displayed, but the statements distinguish governmental activities, which normally are supported by taxes and intergovernmental revenues, from business-type activities, which rely to a significant extent on fees and charges for support. The Statement of Net Assets presents the financial position of the City's governmental and business-type activities at year-end.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for the governmental funds and enterprise funds. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements. All funds of the City are considered major.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. This approach differs from the manner in which the governmental activities of the City are presented in the government-wide financial statements. The governmental fund financial statements, therefore, include a reconciliation to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenditures vs. expenses. Under the modified accrual basis, property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund, and is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

The *Special Projects Fund* is a Special Revenue Fund used to account for the general government's major construction activities, which are financed by specific revenue sources that are restricted by law to expenditure for specific purposes. The primary source of revenue on an ongoing basis is the 7th Cent Sales Tax, also known as Penny for Pinellas. From time to time, other one-time revenues and the related expenditures for specific projects are accounted for in this fund as well.

The City reports the following major proprietary funds, which are enterprise funds that are financed and operated in a manner similar to private business enterprises, where costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges:

Sanitation Fund – To account for the City's solid waste collection and disposal services provided to residential and commercial customers in the City. Collection and disposal of recyclable items is performed by a vendor under contract.

Stormwater Fund – To account for the stormwater utility fee revenues, and expenses for drainage and stormwater related projects, including National Pollutant Discharge Elimination System (NPDES) reporting and compliance.

Marina Fund – To account for the operations of the Madeira Beach Municipal Marina.

John's Pass Village Fund – To account for the rental income and beautification and maintenance expenses of John's Pass Village.

Parking Fund – To account for revenues and expenses associated with the City's metered parking lots.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation, however the City has elected not to apply subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources not restricted to specific functions or activities, are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, interest revenue, and other miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Assets, Liabilities and Net Assets or Equity

1. Deposits 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 reported at fair value.

Chapter 218.415(17), Florida Statutes, was adopted as the City's investment policy by Ordinance 1025 on July 13, 2004. It authorizes the City to invest in the following:

- (a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(d) Assets, Liabilities and Net Assets or Equity - Continued

(d) Direct obligations of the U.S. Treasury.

2. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (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.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Property Taxes

Property taxes are levied on October 1 of each year, on property values assessed on January 1 of the same year, and are due and payable on March 31 of the following year. 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. Taxes paid in March are not subject to discount. Delinquent taxes on real property bear interest at 18% per year. All unpaid taxes are delinquent on April 1 following the year in which they are assessed. On or about May 31 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made to the certificate holder after a period of two years. Unsold certificates are held by the County.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Restricted Assets

The use of certain assets of the Marina Fund are restricted in accordance with agreements with various parties (i.e., customer deposits for wet slips and dry storage spaces). Assets so designated are identified as restricted assets on the statement of net assets for proprietary funds.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(d) Assets, Liabilities and Net Assets or Equity - Continued

6. Capital Assets

Capital assets, which include land, buildings, improvements, vehicles and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as items with an individual cost of \$1,000 or more and an estimated useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the fiscal year ended September 30, 2011.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	20 - 40
Improvements	10 - 50
Vehicles and Equipment	3 - 10

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vested or accumulated vacation leave is recorded as an expense and liability of the appropriate fund as the benefits accrue to employees. No liability is recorded for nonvesting accumulating right to receive sick pay benefits; however, a liability is recognized for that portion estimated to be paid at separation.

The enterprise funds report 100% of compensated absences in both the Government-wide and the Proprietary Fund statements, because they are accrued when incurred. The General Fund reports 100% of the amount due in the Government-wide statements because it is accrued when incurred, but only the amount the City estimates to be due and payable as of the balance sheet date is recorded as a liability in the governmental fund statements. The remaining amount is presented as assigned fund balance. The City estimates that approximately 10% of compensated absences will become due and payable within one year.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(d) Assets, Liabilities and Net Assets or Equity - Continued

8. Accrued Liabilities and Long-Term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

9. Fund Equity

The City has elected to implement GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, for the fiscal year ended September 30, 2010. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Each classification of fund balance is based on the relative strength of the constraints that control how specific amounts can be spent. The order of spending would follow the same hierarchy; that is, if an amount for a specific purpose is categorized as restricted or committed, then spending for such purpose would come from that classification before any lower classification, and could not come from amounts categorized at a higher level.

Nonspendable fund balance represents amounts that cannot be spent, such as inventories, prepaid amounts, and amounts that are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal vote of the Board of Commissioners, including encumbrances for purchase orders in excess of \$15,000 which require the approval of the Board.

Assigned fund balance includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed because they are supported by management's intent rather than a formal action of the Board of City Commissioners. Encumbrances for purchase orders of \$15,000 or less are also included in this category. In the general fund, assigned amounts represent intended uses established by the City Manager or Finance Director.

Unassigned fund balance can only be found in the general fund; it represents the residual amount of fund balance not contained in the other classifications.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(d) Assets, Liabilities and Net Assets or Equity - Continued

9. Fund Equity - Continued

The City of Madeira Beach does not have a formally adopted stabilization arrangement or minimum fund balance policy; however, one third of the following year's general fund budget has historically been earmarked for unforeseen emergencies. This amount was previously reported as a designation of fund balance, but is now included in the unassigned fund balance of the general fund. For the fiscal year ending September 30, 2011, \$1,841,916 of the unassigned fund balance has been earmarked for unforeseen emergencies. These funds would be available for use with the approval of the Board of City Commissioners following an event such as a flood or hurricane.

(2) Stewardship, Compliance and Accountability

(a) Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The appropriated budget is adopted by fund and department. The legal level of budgetary control is at the department level, since the City Manager may transfer funds between line items within a department. The City cannot legally exceed the budget; however, at any time during the year, the Board of City Commissioners may, by ordinance, transfer part or all of any unencumbered appropriation balance among departments.

The Board of City Commissioners may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenues. During fiscal year 2011, the City made several amendments to the budget, consisting of line item transfers. Supplemental appropriations are different than line item transfers because they have the effect of changing the originally adopted budget total by recognizing additional revenue or taking funds from unbudgeted reserves and appropriating them for spending. There were no supplemental appropriations made during 2011 in any funds.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as committed or assigned fund balance, depending on the dollar amount and authorization required, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(2) Stewardship, Compliance and Accountability - Continued

(b) Excess of expenditures over appropriations

For the year ended September 30, 2011, expenditures exceeded appropriations in the general fund in various departments and overall in the special projects fund by \$76,820. Expenditures exceeded appropriations in the general fund as follows:

- ❖ Intergovernmental revenue exceeded budgetary estimates by 24% due to the receipt of pass-through funding from the Florida Department of Community Services, in the amount of \$353,636, for flood mitigation grants. The corresponding expenditure is recorded in the Community Development Department.
- ❖ Fines and forfeitures revenues (\$176,945) exceeded the budgeted amount (\$40,000) by \$136,945, driven by code enforcement fines. One specific code enforcement case generated \$141,809 in fines.
- ❖ Investment Earnings failed to record positive revenue totals and included unrealized losses related to SBA Fund B that resulted in earnings falling short of the budgeted amount by \$79,515.
- ❖ The City Manager's office exceeded its expenditure budget, driven by severance costs associated with the prior City Manager's termination process.
- ❖ Community Development expenditures exceeded the budgeted amount due to the expenditure of grant funds received from the Florida Department of Community Services in the amount of \$353,636. The corresponding grant revenue is recorded as Intergovernmental Revenue.
- ❖ Fire/EMS Department expenditures exceeded the budgeted amount by \$67,605 based on personnel expenses incurred. Overtime expenditures exceeded the final appropriation by \$75,428 despite an \$80,000 budget increase throughout the year. Salaries and Wages exceeded appropriations by \$34,887.
- ❖ Parks expenditures exceeded the budgeted amount by \$43,498 due to capital improvements during the year approved by the City Commissioners but not appropriated as a budget amendment.

The special projects fund expenditures exceeded the budgeted amount due to additional professional services expenditures in 2011 than expected. The special projects fund also received less sales tax revenue than budgeted due to the current economy.

(c) Deficit Fund Equity

There were no funds with deficit fund equity balance as of September 30, 2011.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds

(a) Deposits and Investments

At year-end, the carrying amount of the City's deposits was \$3,762,895 and the bank balance was \$3,869,959. All bank deposits were covered by Federal Depository Insurance or held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law, which limits local government deposits to "qualified public depositories." The State of Florida Collateral Pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if a member institution fails. For this reason, the City considers its deposits insured or collateralized. The City's pooled cash account is held pursuant to a banking services agreement, under which interest is earned on excess funds.

Interest earnings on pooled cash are allocated monthly among the funds based on the percentage of each fund's cash balances to the total.

Florida Municipal Investment Trust

The Florida Municipal Investment Trust (FMIVT) is a local government investment pool and is considered an external investment pool for GASB reporting requirements. The FMIVT offers several fixed income and equity funds. The City owns shares in the FMIVT 0-2 Year High Quality Bond Fund. The City's investment is the FMIVT portfolio, not the individual securities held within the portfolio.

The City's balance in the 0-2 Year High Quality Bond Fund as of September 30, 2011 was \$12,717,928.

Credit Risk:

GASB 40 requires disclosure of credit quality ratings for investments in external investment pools. The 0-2 Year High Quality Bond Fund received a rating of AAf/S1 from Standard & Poor's, a nationally recognized statistical rating organization. The S1 volatility rating signifies that the fund will typically possess low sensitivity to changing market conditions, and a level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of six months to two years.

Custodial Credit Risk:

GASB 40 requires disclosure if investments are uninsured, unregistered and held by either the counterparty or the counterparty's trust department or agent but not in the government's name. Since members' investments in the FMIVT are evidenced by shares of the pool and not by securities that exist in physical or book-entry form, no disclosure is required.

Concentration risk:

GASB 40 requires disclosure of concentration of credit risk if five percent or more of the total assets of the government's investment portfolio are with a single issuer. Investments in external investment pools are excluded from the concentration of credit risk disclosure requirements.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(a) Deposits and Investments - Continued

Interest Rate Risk:

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Interest rate risk disclosures are required for external investment pools. The FMIvT 0-2 Year High Quality Bond Fund has an Effective Duration of .84 years, and a Weighted Average Maturity of .73 years.

Foreign Currency Risk:

Members' investments in the FMIvT are not subject to foreign currency risk.

State Board of Administration Local Government Investment Pool

The City's balance of \$127,359 at September 30, 2011 includes \$115,712 in Fund B and \$11,647 in Fund A. As a participant in Fund B, the City invests in pools of investments and therefore owns a share of the pool, not the underlying securities. Although the City has redeemed 80% of the original amount allocated to Fund B, full realization of the entire principal value of Fund B assets is still not readily determinable. The SBA's interpretation in regards to Fund B is that because it does not meet the requirements of a SEC 2a-7-like fund, it is not permitted to use amortized cost to maintain a constant net asset value of \$1.00 per share. Therefore, the SBA provides a Fair Value Factor (Net Asset Value divided by the Participant Balance) which equates to a Net Asset Value for the City of Madeira Beach of \$115,712 and an Unrealized Loss of \$37,177 as of September 30, 2011.

Credit Quality Risk:

Because Fund B is not rated by a nationally recognized statistical rating agency as of September 30, 2011, credit quality risk is not applicable.

Interest Rate Risk:

The weighted average life (based on expected future cash flows) of Fund B at September 30, 2011 is estimated to be 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

Securities Lending:

Fund B did not participate in a securities lending program during the fiscal year ending September 30, 2011.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(b) Receivables

Receivables balances for the year ended September 30, 2011 were as follows:

	<u>General</u>	<u>Special Projects</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Marina</u>	<u>Parking</u>	<u>Total</u>
Accounts Receivable	\$ 112,925	-	4,289	216	4,317	-	\$ 121,747
Due from other Governments	42,691	22,572	190,974	84,017	-	1,990	342,244
Total	155,616	22,572	195,263	84,233	4,317	1,990	463,991
Less: Allowance for Uncollectible Accounts	-	-	-	-	(2,598)	-	(2,598)
Accounts Receivable, net	\$ 155,616	22,572	195,263	84,233	1,719	1,990	\$ 461,393

(c) Advances to/from

In 2011, the Marina Fund received a loan from the General Fund for \$500,000 to be paid back over 20 years with an interest rate of 1.5% which creates an annual payment of \$24,111. The balance as of September 30, 2011 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Marina Fund	\$ 483,926
Total		\$ 483,926

(d) Unearned Revenue

Governmental funds report deferred revenue in conjunction with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. The amount reported for unearned revenue on both the government-wide statement of net assets and the governmental fund balance sheet consists of payments received during July, August and September for local business tax receipts which were billed in July for the coming fiscal year.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(e) Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,370,228	-	-	2,370,228
Construction in progress	32,375	-	(32,375)	-
Total capital assets, not being depreciated	2,402,603	-	(32,375)	2,370,228
Capital assets, being depreciated:				
Buildings	1,362,396	-	-	1,362,396
Improvements other than buildings	7,623,110	123,266	(115,201)	7,631,175
Vehicles and equipment	1,989,692	18,470	-	2,008,162
Total capital assets, being depreciated	10,975,198	141,736	(115,201)	11,001,733
Less accumulated depreciation for:				
Buildings	(1,141,578)	(25,126)	-	(1,166,704)
Improvements other than buildings	(3,992,894)	(136,374)	113,730	(4,015,538)
Vehicles and equipment	(1,267,295)	(145,705)	-	(1,413,000)
Total accumulated depreciation	(6,401,767)	(307,205)	113,730	(6,595,242)
Total capital assets, being depreciated, net	4,573,431	(165,469)	(1,471)	4,406,491
Governmental activities capital assets, net	\$ 6,976,034	(165,469)	(33,846)	6,776,719
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 414,447	-	-	414,447
Construction in progress	100,355	465,457	(454,722)	111,090
Total capital assets, not being depreciated	514,802	465,457	(454,722)	525,537
Capital assets, being depreciated:				
Buildings	254,354	454,722	-	709,076
Improvements other than buildings	7,942,194	39,954	-	7,982,148
Vehicles and equipment	809,583	226,172	(201,886)	833,869
Total capital assets, being depreciated	9,006,131	720,848	(201,886)	9,525,093
Less accumulated depreciation for:				
Buildings	(145,585)	(8,771)	-	(154,356)
Improvements other than buildings	(2,482,660)	(240,204)	-	(2,722,864)
Vehicles and equipment	(584,647)	(80,734)	192,039	(473,342)
Total accumulated depreciation	(3,212,892)	(329,709)	192,039	(3,350,562)
Total capital assets, being depreciated, net	5,793,239	391,139	(9,847)	6,174,531
Business-type activities capital assets, net	\$ 6,308,041	856,596	(464,569)	6,700,068

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(e) Capital Assets - Continued

Depreciation expense was charged to activities of the City as follows:

Governmental activities:	
General government	\$ 24,827
Physical environment	15,925
Transportation	100,370
Public safety	75,691
Culture and recreation	<u>90,392</u>
 Total depreciation expense - governmental activities	 \$ <u>307,205</u>
 Business-type activities:	
Sanitation	\$ 55,622
Stormwater	63,015
Marina	36,065
John's Pass Village	174,261
Parking	<u>746</u>
 Total depreciation expense - business-type activities	 <u>329,709</u>
 Total depreciation expense	 \$ <u><u>636,914</u></u>

(f) Construction Commitments

The City does not have any open purchase orders related to the construction in progress as of September 30, 2011. Therefore, there are no construction commitments at year end.

(g) Interfund Transfers

Transfers to/from other funds for the year ended September 30, 2011 were as follows:

Recipient Fund	Amount	Purpose
General Fund	44,400	Transfers from the John's Pass Village Fund to reimburse the cost of employee's wages and benefits as well as funding for the construction of the Archibald Park Deck.
General Fund	293,676	Transfer from the Parking fund to reimburse parking meter revenues that were previously recorded in the Parking Fund.
John's Pass Village	199,761	Transfer from the Parking Fund to reimburse parking meter revenues that were previously recorded in the Parking Fund

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(h) Long-term Liabilities

There are no general obligation or revenue bonds outstanding. Long-term liability activity for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 172,702	20,045	(61,160)	131,587	\$ 13,159
Other postemployment benefits	10,811	10,811	-	21,622	-
Long-term liabilities	<u>\$ 183,513</u>	<u>30,856</u>	<u>(61,160)</u>	<u>153,209</u>	<u>\$ 13,159</u>
Business-type activities:					
Compensated absences	\$ 57,731	17,056	(14,410)	60,377	\$ 6,038
Other postemployment benefits	3,784	3,783	-	7,567	-
Long-term liabilities	<u>\$ 61,515</u>	<u>20,839</u>	<u>(14,410)</u>	<u>67,944</u>	<u>\$ 6,038</u>

Long-term liabilities of governmental activities are generally liquidated by the General Fund.

(i) Restricted Assets

The balance of restricted assets in the Marina Fund consists of customer deposits for wet slips and dry storage spaces.

(4) Other Information

(a) Risk Management

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City does not retain risk. Commercial insurance coverage is maintained in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have a material impact on the financial position of the City. The amount of insurance settlements has not exceeded insurance coverage for any of the past three fiscal years.

(b) Contingent Liabilities

The City participates in several programs that are fully or partially funded by grants received from state, county or federal governmental agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor. As of September 30, 2011, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(c) Other Postemployment Benefits (OPEB)

The City does not provide any postretirement health care or life insurance benefits for employees. As mandated by Chapter 112.0801, Florida Statutes, retirees and their eligible dependents are offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The entire premium cost is paid by the retirees.

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, in the fiscal year ended September 30, 2010. The requirements of this statement are being applied prospectively, with the actuarially determined liability of \$14,595 as of the September 30, 2010 actuarial date. Even though the City does not provide any postretirement health care or life insurance benefits for employees, there is an implicit rate subsidy because retirees are able to purchase insurance coverage at the same premium cost applicable to active employees. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees, and the retirees are therefore subsidized by the active employees. This liability must be actuarially determined and recognized in the financial statements. The City was eligible to utilize the alternative measurement method for the OPEB actuarial requirements. Under this alternative measurement method, the City may obtain actuarial valuations triennially. The latest actuarial report used for the year ended September 30, 2011 is the September 30, 2010 actuarial date.

Plan Description: The City administers a single-employer defined benefit healthcare plan that provides medical and dental coverage to retirees as well as their eligible spouses. Benefits are provided through the City's group health insurance plan, which covers both active and retired members.

Number of Covered Participants:

Actives	48
Retirees	5
Eligible Spouses	1
	<hr/>
Total	54

Funding Policy: For all retired employees, the employee contributes 100% of the active premium rate and may also purchase spouse coverage at the active premium rate. The City does not contribute any amount. Plan provisions and contribution requirements are established and may be amended by the City Manager. The postretirement medical and dental benefits are currently funded on a pay-as-you go basis (i.e., the City funds on a cash basis as benefits are paid). No assets have been segregated and restricted to provide postretirement benefits. No trust or agency fund has been established for the plan.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(c) Other Postemployment Benefits (OPEB) - Continued

Annual OPEB Cost and Net OPEB Obligation: The City’s annual OPEB expense is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to 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 OPEB obligation:

Description	Calculated Amount
Annual Required Contribution (ARC)	\$ 30,260
Interest on Net OPEB Obligation (NOO)	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB Cost (Expense)	30,260
Age Adjusted Contributions Made	<u>(15,665)</u>
Change in Net OPEB Obligation (NOO)	14,595
Net OPEB Obligation (NOO) - Beginning of Year	<u>14,595</u>
Net OPEB Obligation (NOO) - End of Year	\$ <u><u>29,190</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/30/2011	N/A	N/A	N/A	N/A	N/A	N/A
9/30/2010	-	\$394,926	\$394,926	0.0%	\$2,432,872	16.2%
9/30/2009	N/A	N/A	N/A	N/A	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions by the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial assumptions included: (a) 1% payroll growth rate; (b) 5% healthcare discount rate. The actuarial accrued liability is being amortized as a level percentage of payroll over thirty years (closed basis).

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(c) Other Postemployment Benefits (OPEB) - Continued

Funded Status and Funding Progress: As of September 30, 2010, the actuarial accrued liability for benefits was \$394,926, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,432,872, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.23 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$30,260	\$15,665	51.8%	\$29,190
9/30/2010	\$30,260	\$15,665	51.8%	\$14,595
9/30/2008	N/A	N/A	N/A	N/A

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial costs method used in the valuation to determine the Actuarial Accrued Liability (AAL) and the Actuarial Required Contribution (ARC) was the Entry Age Method.

The AAL is the present value of projected benefits (other than pension benefits, or OPEB) for retirees plus a portion of expected OPEB for active members that have been earned but are not going to be paid in the current year. The AAL is calculated using one of six actuarial cost methods acceptable under GASB 45. The retiree portion of the AAL consists of the current year OPEB and the present value of future OPEB payments.

The active member portion of the AAL consists of the present value of expected future benefit payments attributable to prior service, excluding payment of active member benefits for the current year. The AAL does not include future benefit payment for future services.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans

Florida Retirement System

General employees hired before January 1, 1996 and all firefighters, regardless of date of hire, participate in the Florida Retirement System (“System”), a cost-sharing multiple employer public employee retirement system administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

For general employees in the Regular Class, the System provides vesting of benefits after the member completes six (6) years of creditable service and attains age 62, or completes 30 years of creditable service, regardless of age, which may include a maximum of 4 years of military service credit as long as such credit is not claimed under any other system.

For firefighters in the Special Risk Class, the System provides vesting of benefits after the member completes 6 or more years of creditable service in the Special Risk Class and attains age 55; completes 25 years of creditable service in the Special Risk Class, regardless of age; or completes 25 years of creditable service and attains age 52, which service may include a maximum of 4 years of military service credit as long as such credit is not claimed under any other system and the remaining years are in the Special Risk Class.

Early retirement benefits may also be provided; however, there is a reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. There is no requirement for employees to contribute to the System; the employer pays all contributions.

The statutory contribution rates as a percent of earnings were as follows:

	<u>10/1/2010 - 6/30/2011</u>	<u>7/1/2011- 9/30/2011</u>
Regular employees - members not qualifying for other classes	10.77%	4.91%
Special Risk Employees - members employed as firefighters	23.25%	14.10%
DROP - members enrolled in the Deferred Retirement Option Program	12.25%	4.42%

The 2011 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support both the FRS Pension Plan and the FRS Investment Plan.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

Under this system, employers contribute based upon blended rates determined as a percentage of the total payroll for each class or subclass of FRS membership, regardless of which retirement plan individual employees may elect.

Employer contribution rates for regular and special risk employees include the 1.11% Health Insurance Subsidy (HIS) contribution rate and the 0.05% assessment for administering the FRS Investment Plan and funding an educational component of the FRS. The DROP rate includes the 1.11% HIS contribution, but the 0.05% administrative/educational fee for the FRS Investment Plan does not apply to DROP participants.

Contributions required and made to the System for City employees were as follows:

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>% Contributed</u>
9/30/2011	\$174,231	100%
9/30/2010	\$181,629	100%
9/30/2009	\$195,632	100%

For a stand-alone report of the Florida Retirement System, contact the Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

During the fiscal year, the System held no securities issued by the employer.

General Employee 401(a) Plan

The City maintains a single-employer defined contribution plan for all general employees and elected officials hired after January 1, 1996. This is a tax-qualified plan pursuant to section 401(a) of the Internal Revenue Code. This plan was established by Resolution 98.20. Amendments to the plan provisions or contribution requirements may be made by resolution.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

The plan, administered by the ICMA Retirement Corporation, provides for the employer to contribute 9% of earnings. Employees are not required to contribute to this plan; however, each employee directs the investment of his or her account. Employees are eligible to participate after one year of employment, and the vesting schedule provides for employees to be fully vested after five years of service, or upon reaching the plan retirement age of 65 while employed by the City. The plan permits distributions of the vested amount for retirement, death, disability, hardship or direct rollover to another eligible retirement plan. For the year ended September 30, 2011, employer contributions required and made totaled \$81,154 and covered payroll totaled \$901,711. Participation in the plan at September 30, 2011 was as follows:

<u>Years of Service</u>	<u>Percent Vested</u>	<u>Number of Employees</u>
5 or more	100%	16
4	0%	0
3	0%	2
2	0%	0
1	0%	2

The City also maintains a defined contribution plan for the Senior Management Class, which includes the City Manager. This is a tax-qualified plan pursuant to section 401(a) of the Internal Revenue Code and is administered by the ICMA Retirement Corporation. This plan was established by Resolution 96.02. Amendments to the plan provisions or contribution requirements may be made by resolution. It provides for the employer to contribute 10% of the City Manager's base salary. The City Manager is eligible to participate immediately upon employment and is immediately vested. The City has designated a retirement age of 62 for this plan. Distributions of the vested amount for retirement, death, disability, hardship or direct rollover to another eligible retirement plan are permitted.

Deferred Compensation Plan

The City offers its employees a choice of three deferred compensation plans created in accordance with Internal Revenue Code Section 457(b). The plans, which are available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or other unforeseen non-reimbursed emergency. Because all assets of the plans must be held in trust for the exclusive benefit of plan participants and their beneficiaries, these plans are not accounted for in the City's financial statements.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(e) Single Audit Act

The City did not expend more than the \$500,000 single audit threshold for the fiscal year ended September 30, 2011, and therefore it is not subject to the requirements of the Single Audit Act.

(f) Termination Benefits

The City is not obligated to any past or current employees for termination benefits, such as early retirement incentives or severance benefits, as of September 30, 2011.

(g) Subsequent Events

Management has adopted the provisions set forth in SFAS No. 165, Subsequent Events, and has determined that there are no reportable subsequent events through the date of the audit report.

Statistical Section

Statistical Section

This part of the City of Madeira Beach’s comprehensive annual financial reports presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the government’s overall health.

Contents	Page
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<u>Financial Trends</u>	47
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These schedules contain trend information to help the reader understand and assess how the City’s financial position has changed over time.

<u>Revenue Capacity</u>	52
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These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate own-source revenues, such as property taxes.

<u>Debt Capacity</u>	56
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These schedules present information to help the reader understand and assess the City’s debt burden and its ability to issue additional debt.

There are no limitations placed upon the amount of debt the City of Madeira Beach may issue by either the City Charter or the City’s Code of Ordinances, or by Florida Statutes.

<u>Demographic and Economic Information</u>	57
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place, and to facilitate comparison of financial statement information over time and among governments.

<u>Operating Information</u>	59
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These schedules contain contextual information about the City’s operations and resources to assist readers in using financial statement information to understand and assess the City’s economic condition.

CITY OF MADEIRA BEACH, FLORIDA

Net Assets by Component

**Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities										
Invested in capital assets, net of related debt	*	\$ 4,578,156	4,791,669	5,450,410	6,934,604	7,353,902	7,232,486	7,097,593	6,976,034	6,776,719
Restricted	*	-	-	-	-	-	-	-	1,843,426	2,157,106
Unrestricted	*	<u>4,685,582</u>	<u>5,543,365</u>	<u>6,232,005</u>	<u>5,799,196</u>	<u>9,269,916</u>	<u>10,586,636</u>	<u>12,078,708</u>	<u>11,402,917</u>	<u>11,737,179</u>
Total governmental activities net assets	*	<u>\$ 9,263,738</u>	<u>10,335,034</u>	<u>11,682,415</u>	<u>12,733,800</u>	<u>16,623,818</u>	<u>17,819,122</u>	<u>19,176,301</u>	<u>20,222,377</u>	<u>20,671,004</u>
Business-type activities										
Invested in capital assets, net of related debt	*	\$ 7,252,316	8,395,581	8,405,077	8,944,507	6,391,839	6,329,622	6,424,302	6,308,041	6,700,068
Restricted	*	-	-	-	-	-	-	-	-	-
Unrestricted	*	<u>3,604,357</u>	<u>2,474,061</u>	<u>2,235,639</u>	<u>2,538,792</u>	<u>1,789,131</u>	<u>2,304,286</u>	<u>2,501,584</u>	<u>2,731,237</u>	<u>2,678,753</u>
Total business-type net assets	*	<u>\$ 10,856,673</u>	<u>10,869,642</u>	<u>10,640,716</u>	<u>11,483,299</u>	<u>8,180,970</u>	<u>8,633,908</u>	<u>8,925,886</u>	<u>9,039,278</u>	<u>9,378,821</u>
Primary government										
Invested in capital assets, net of related debt	*	\$ 11,830,472	13,187,250	13,855,487	15,879,111	13,745,741	13,562,108	13,521,895	13,284,075	13,476,787
Restricted	*	-	-	-	-	-	-	-	1,843,426	2,157,106
Unrestricted	*	<u>8,289,939</u>	<u>8,017,426</u>	<u>8,467,644</u>	<u>8,337,988</u>	<u>11,059,047</u>	<u>12,890,922</u>	<u>14,580,292</u>	<u>14,134,154</u>	<u>14,415,932</u>
Total government net assets	*	<u>\$ 20,120,411</u>	<u>21,204,676</u>	<u>22,323,131</u>	<u>24,217,099</u>	<u>24,804,788</u>	<u>26,453,030</u>	<u>28,102,187</u>	<u>29,261,655</u>	<u>30,049,825</u>

Note:

* Information not available prior to the implementation of GASB Statement 34.

CITY OF MADEIRA BEACH, FLORIDA

Changes in Net Assets

**Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses										
Governmental activities:										
General government	*	\$ 1,108,319	1,194,170	1,166,824	1,122,940	1,813,398	1,130,296	1,086,703	1,312,167	1,341,581
Physical environment	*	343,827	108,769	199,371	198,930	220,830	257,527	260,610	237,705	318,218
Transportation	*	188,931	328,840	297,571	381,944	496,778	405,240	337,064	342,946	340,079
Public safety	*	1,938,079	1,952,298	2,117,793	2,215,395	2,340,684	2,460,537	2,394,698	2,093,721	2,256,879
Culture and recreation	*	780,703	844,920	924,474	951,054	1,117,355	1,053,540	976,627	859,420	931,641
Total governmental activities expenses	*	\$ 4,359,859	4,428,997	4,706,033	4,870,263	5,989,045	5,307,140	5,055,702	4,845,959	5,188,398
Business-type activities:										
Sanitation	*	\$ 950,404	951,066	1,039,268	1,084,902	1,151,053	1,165,309	1,111,563	954,521	1,026,855
Sewer	*	1,352,345	1,006,931	987,424	952,421	868,932	-	-	-	-
Stormwater	*	128,129	113,462	121,713	160,835	195,439	207,037	207,445	191,310	163,079
Marina	*	387,816	576,235	658,556	716,146	889,377	1,298,083	1,034,711	1,200,024	1,260,832
John's Pass Village	*	222,648	271,285	250,374	277,805	341,919	306,732	299,483	423,876	308,891
Parking	*	-	-	-	-	-	-	-	145,345	165,211
Total business-type activities expenses	*	\$ 3,041,342	2,918,979	3,057,335	3,192,109	3,446,720	2,977,161	2,653,202	2,915,076	2,924,868
Total government expenses	*	\$ 7,401,201	7,347,976	7,763,368	8,062,372	9,435,765	8,284,301	7,708,904	7,761,035	8,113,266
Program Revenues										
Governmental activities:										
Charges for services:										
General government	*	\$ 21,141	26,096	20,025	9,131	40,100	38,353	60,420	98,119	177,728
Physical Environment	*	-	-	500	48,000	10,000	500	-	-	-
Public safety	*	675,264	691,619	669,540	722,257	714,202	750,530	789,634	618,752	585,333
Culture and recreation	*	498,367	519,962	545,478	519,891	508,616	488,054	490,086	200,073	203,200
Operating grants and contributions	*	5,499	20,634	30,699	30,441	31,063	32,268	32,490	298,564	390,330
Capital grants and contributions	*	251,632	374,456	2,885	-	78,795	-	10,500	-	-
Total governmental activities program revenues	*	\$ 1,451,903	1,632,767	1,269,127	1,329,720	1,382,776	1,309,705	1,383,130	1,215,508	1,356,591
Business-type activities:										
Charges for services:										
Sanitation	*	\$ 962,388	997,343	971,553	1,091,642	1,177,699	1,207,575	1,156,865	1,154,523	1,178,605
Sewer	*	895,214	925,745	772,814	1,218,377	-	-	-	-	-
Stormwater	*	134,542	147,425	141,715	352,261	359,856	362,219	360,048	356,465	374,918
Marina	*	391,506	528,652	604,709	708,350	877,384	1,203,823	969,331	1,012,880	1,221,047
John's Pass Village	*	364,016	323,509	331,114	320,210	378,360	530,492	530,633	95,736	96,707
Parking	*	-	-	-	-	-	-	-	666,247	723,666
Operating grants and contributions	*	24	597	2,422	2,426	3,393	4,701	3,406	3,407	-
Capital grants and contributions	*	36,996	-	444,675	2,787	198,013	264,537	84,580	19,848	-
Total business-type activities program revenues	*	\$ 2,784,686	2,923,271	3,269,002	3,696,053	2,994,705	3,573,347	3,104,863	3,309,106	3,594,943
Total government program revenues	*	\$ 4,236,589	4,556,038	4,538,129	5,025,773	4,377,481	4,883,052	4,487,993	4,524,614	4,951,534

CITY OF MADEIRA BEACH, FLORIDA

Changes in Net Assets - Continued

**Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue										
Governmental activities	*	(2,907,956)	(2,796,230)	(3,436,906)	(3,540,543)	(4,606,269)	(3,997,435)	(3,672,572)	(3,630,451)	(3,831,807)
Business-type activities	*	(256,656)	4,292	211,667	503,944	(452,015)	596,186	451,661	394,030	670,075
Total governmental net expense	*	\$ (3,164,612)	(2,791,938)	(3,225,239)	(3,036,599)	(5,058,284)	(3,401,249)	(3,220,911)	(3,236,421)	(3,161,732)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	*	\$ 1,257,207	1,501,476	1,733,117	2,061,249	2,417,146	2,232,709	2,018,974	1,694,316	1,506,269
Franchise and utility taxes	*	918,316	911,971	928,499	1,022,197	1,060,469	1,062,953	1,166,572	1,298,111	1,207,346
Intergovernmental revenues	*	1,149,206	1,170,549	1,231,641	1,233,980	1,209,167	1,240,610	1,140,996	1,086,522	1,055,587
Local business tax receipts		81,245	77,504	73,741	80,141	80,524	84,356	79,969	78,535	76,886
Investment earnings	*	60,588	56,797	155,637	305,879	508,916	272,689	74,681	87,888	(599)
Gain/(loss) on disposal of capital assets	*	14,945	1,633	9,576	2,197	11,970	3,472	(19,492)	6,220	(33,846)
Miscellaneous revenues	*	138,677	60,616	108,376	91,555	69,586	100,150	174,051	131,035	130,715
Transfers	*	(248,025)	96,225	543,700	(199,945)	2,942,701	195,800	194,000	293,900	338,076
Proceeds from sale of sewer system	*	-	-	-	-	-	-	200,000	-	-
Transfer of capital assets, net	*	(2,950,705)	(11,675)	-	-	-	-	-	-	-
Total governmental activities	*	\$ 421,454	3,865,096	4,784,287	4,597,253	8,300,479	5,192,739	5,029,751	4,676,527	4,280,434
Business-type activities:										
Investment earnings	*	\$ 39,397	31,609	69,293	121,535	79,925	43,357	10,589	11,119	1,306
Gain/(loss) on disposal of capital assets	*	2,529	3,555	7,650	720	-	3,025	15,753	(17,964)	(9,847)
Miscellaneous revenues	*	46,018	58,063	26,164	16,439	12,462	6,170	7,975	20,107	16,085
Transfers	*	248,025	(96,225)	(543,700)	199,945	(2,942,701)	(195,800)	(194,000)	(293,900)	(338,076)
Transfer of capital assets, net	*	2,950,705	11,675	-	-	-	-	-	-	-
Total business-type activities	*	3,286,674	8,677	(440,593)	338,639	(2,850,314)	(143,248)	(159,683)	(280,638)	(330,532)
Total government	*	\$ 3,708,128	3,873,773	4,343,694	4,935,892	5,450,165	5,049,491	4,870,068	4,395,889	3,949,902
Change in Net Assets										
Governmental activities	*	(2,486,502)	1,068,866	1,347,381	1,056,710	3,694,210	1,195,304	1,357,179	1,046,076	448,627
Business-type activities	*	3,030,018	12,969	(228,926)	842,583	(3,302,329)	452,938	291,978	113,392	339,534
Total government	*	\$ 543,516	1,081,835	1,118,455	1,899,293	391,881	1,648,242	1,649,157	1,159,468	788,170

Note:

* Information not available prior to the implementation of GASB Statement 34.

CITY OF MADEIRA BEACH, FLORIDA

Fund Balances of Governmental Funds

**Last Ten Fiscal Years
(modified accrual basis of accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund										
Nonspendable	\$ *	*	*	*	*	*	*	*	10,276	526,744
Assigned	*	*	*	*	*	*	*	*	4,045,652	4,202,754
Unassigned	*	*	*	*	*	*	*	*	7,530,501	7,160,890
Total general fund	\$ <u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>11,586,429</u>	<u>11,890,388</u>
All other governmental funds	\$									
Restricted	*	*	*	*	*	*	*	*	1,843,426	2,157,106
Total all other governmental funds	\$ <u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>1,843,426</u>	<u>2,157,106</u>

Note:

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

CITY OF MADEIRA BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

**Last Ten Fiscal Years
(modified accrual basis of accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Taxes	\$ 2,716,090	2,880,429	3,130,414	3,397,444	3,835,389	3,477,615	3,295,662	3,185,546	2,992,427	2,713,615
Licenses and permits	106,576	94,376	91,198	86,073	90,908	100,457	101,810	104,013	94,809	88,378
Intergovernmental revenue	1,231,768	959,585	825,895	503,738	1,092,890	1,700,625	1,665,507	1,833,017	1,986,794	2,020,541
Charges for services	238,719	675,233	1,067,660	1,129,927	520,041	727,777	716,605	490,086	581,914	447,560
Fines and forfeitures	104,023	160,828	171,685	118,442	143,871	133,608	150,249	176,783	98,693	176,945
Special assessments	-	87,426	6,501	500	48,000	10,000	500	-	-	-
Investment earnings (1)	-	60,588	56,797	155,637	305,879	508,916	272,689	74,681	87,888	(599)
Miscellaneous revenue	630,101	138,677	61,531	108,376	87,743	69,586	100,150	174,247	131,035	130,715
Total revenues	\$ 5,027,277	5,057,142	5,411,681	5,500,137	6,124,721	6,728,584	6,303,172	6,038,373	5,973,560	5,577,155
Expenditures										
General Government	\$ 800,594	1,002,911	1,118,056	1,098,861	1,053,569	1,745,631	1,113,760	1,052,308	1,576,040	1,625,381
Physical Environment	113,509	110,652	94,252	175,291	178,268	192,853	233,223	242,947	345,023	310,116
Transportation	187,131	187,462	200,747	179,545	262,726	318,961	237,105	234,854	239,738	239,990
Public Safety	2,028,452	1,822,139	1,909,747	2,030,356	2,146,816	2,268,692	2,353,055	2,314,135	2,043,324	2,261,063
Culture and recreation	729,335	703,370	737,896	803,727	839,961	996,456	947,981	884,700	765,942	844,573
Capital outlay	770,709	1,048,819	582,783	1,059,875	1,872,004	675,131	273,106	205,034	190,978	16,469
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 4,629,730	4,875,353	4,643,481	5,347,655	6,353,344	6,197,724	5,158,230	4,933,978	5,161,045	5,297,592
Excess of revenue over expenditures	\$ 397,547	181,789	768,200	152,482	(228,623)	530,860	1,144,942	1,104,395	812,515	279,563
Other Financing Sources (Uses)										
Transfers in	\$ 93,085	661,975	96,225	543,700	100,055	180,695	195,800	194,000	293,900	338,076
Transfers out	(433)	(910,000)	-	-	(300,000)	(382,700)	-	-	-	-
Sale of capital assets	3,319	14,945	1,633	9,576	2,197	11,970	3,472	-	8,595	-
Proceeds from sale of sewer system	-	-	-	-	-	3,144,706	-	200,000	-	-
Total other financing sources (uses)	95,971	(233,080)	97,858	553,276	(197,748)	2,954,671	199,272	394,000	302,495	338,076
Net change in fund balances	\$ 493,518	(51,291)	866,058	705,758	(426,371)	3,485,531	1,344,214	1,498,395	1,115,010	617,639
Debt services as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

(1) Prior to 2003, Investment earnings were included in Miscellaneous Revenue.

CITY OF MADEIRA BEACH, FLORIDA

Taxable and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Tax Roll	Real Property Taxable Value	Personal Property Taxable Value	Total Taxable Value	Exempt Real and Personal Property	Total Estimated Actual Value	Ratio of Total Taxable Value to Total Estimated Actual Value
2002	2001	485,819,860	19,296,310	505,116,170	99,248,750	604,364,920	83.58%
2003	2002	573,192,670	18,769,940	591,962,610	138,279,530	730,242,140	81.06%
2004	2003	684,493,900	18,226,930	702,720,830	179,743,590	882,464,420	79.63%
2005	2004	795,009,700	18,099,150	813,108,850	220,588,710	1,033,697,560	78.66%
2006	2005	986,163,400	19,015,622	1,005,179,022	272,894,490	1,278,073,512	78.65%
2007	2006	1,293,733,749	18,086,020	1,311,819,769	408,428,517	1,720,248,286	76.26%
2008	2007	1,273,943,913	17,068,930	1,291,012,843	354,121,147	1,645,133,990	78.47%
2009	2008	1,139,281,968	12,213,643	1,151,495,611	306,939,779	1,458,435,390	78.95%
2010	2009	952,765,601	12,313,001	965,078,602	246,661,893	1,211,740,495	79.64%
2011	2010	852,605,969	12,262,542	864,868,511	193,983,539	1,058,852,050	81.68%

Source:
Pinellas County Property Appraiser

Note:
Estimated Actual Value is the "Just Value" of the properties per Chapter 193.011, Florida Statutes, without exemptions.

CITY OF MADEIRA BEACH, FLORIDA

**Property Tax Rates
Direct and Overlapping Governments
Per \$1,000 of Assessed Valuation**

Last Ten Fiscal Years

Fiscal Year	Tax Roll	City of Madeira Beach Operating Millage	Overlapping Rates				Total Direct & Overlapping Rates
			County	School	Transit District	Other*	
2002	2001	2.2000	6.1410	8.4870	0.6501	2.3162	19.7943
2003	2002	2.2000	6.1410	8.4490	0.6319	2.3162	19.7381
2004	2003	2.2000	6.8010	8.2430	0.6319	1.6562	19.5321
2005	2004	2.2000	6.8010	8.1220	0.6377	1.6557	19.4164
2006	2005	2.1200	6.8010	8.3900	0.6377	1.6555	19.6042
2007	2006	1.9000	5.4700	8.2100	0.6074	2.2678	18.4552
2008	2007	1.7954	5.4562	7.7310	0.5601	1.5121	17.0548
2009	2008	1.7954	5.4562	8.0610	0.5601	1.5551	17.4278
2010	2009	1.7954	5.4562	8.3460	0.5601	1.5106	17.6683
2011	2010	1.7954	5.4562	8.3460	0.5601	1.5106	17.6683

Source:
Pinellas County Property Appraiser

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

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

Chapter 200.081, Florida Statutes, limits the operating millage that may be levied to 10 mills.

CITY OF MADEIRA BEACH, FLORIDA

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	2011			2002		
	Taxable Value	Rank	Percentage Total Assessed Valuation	Taxable Value	Rank	Percentage Total Assessed Valuation
Hubbard Properties LLC	\$ 10,600,000	1	1.2%	3,328,800	7	0.7%
919 Land Trust	6,273,896	2	0.7%	-	-	-
Madeira Beach Corp	5,404,063	3	0.6%	-	-	-
Poseidon Ventures LTD	5,207,468	4	0.6%	4,329,700	3	0.9%
Barefoot Beach Resort South LLC	5,005,733	5	0.6%	-	-	-
Pines-Carter FLA Inc	4,495,000	6	0.6%	4,072,000	4	0.8%
R N J Madeira Beach Inc	4,300,000	7	0.5%	-	-	-
Dag Bros Inc	4,272,157	8	0.5%	-	-	-
Extra Space Properties Forty Eight LLC	3,900,000	9	0.5%	-	-	-
B C T M Group LLC	2,795,000	10	0.3%	-	-	-
American General Hospitality				7,577,100	1	1.5%
Madeira Shopping Center, Inc.				4,460,200	2	0.9%
All Seasons Resort, Inc.				4,004,000	5	0.8%
Lock, Charles I, Trustee				3,486,300	6	0.7%
Hondur, Inc.				3,064,400	8	0.6%
Sands Madeira Realty, Inc.				2,859,100	9	0.6%
Storage Spot				2,595,300	10	0.5%
Total Taxable Valuation of Ten Largest Taxpayers	52,253,317		6.0%	39,776,900		7.9%
Total Taxable Valuation of Other Taxpayers	812,615,194		94.0%	465,339,270		92.1%
Total Taxable Valuation of All Taxpayers	\$ 864,868,511		100.0%	\$ 505,116,170		100.0%

Source:
Pinellas County Property Appraiser

CITY OF MADEIRA BEACH, FLORIDA

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate in Mills</u>	<u>Taxes Levied for the Fiscal Year*</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002	2001	505,116,170	2.2000	1,111,256	1,075,404	96.77%	563	1,075,967	96.82%
2003	2002	591,962,610	2.2000	1,302,318	1,256,645	96.49%	45,724	1,302,369	100.00%
2004	2003	702,720,830	2.2000	1,545,986	1,455,751	94.16%	40,276	1,496,027	96.77%
2005	2004	813,108,850	2.2000	1,788,839	1,692,841	94.63%	56,297	1,749,138	97.78%
2006	2005	1,005,179,022	2.1200	2,130,980	2,004,952	94.09%	122,293	2,127,245	99.82%
2007	2006	1,311,819,769	1.9000	2,492,458	2,294,853	92.07%	102,677	2,397,530	96.19%
2008	2007	1,291,012,843	1.7954	2,317,884	2,130,032	91.90%	181,766	2,311,798	99.74%
2009	2008	1,151,495,611	1.7954	2,067,395	1,837,207	88.87%	115,578	1,952,785	94.46%
2010	2009	965,078,602	1.7954	1,732,864	1,578,738	91.11%	-	1,578,738	91.11%
2011	2010	864,868,511	1.7954	1,563,704	1,412,914	90.36%	20,701	1,433,615	91.68%

*Gross taxes before discounts of 1% - 4%, depending on month paid.

Source:
Pinellas County Tax Collector

CITY OF MADEIRA BEACH, FLORIDA

Computation of Direct and Overlapping Debt

September 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Madeira Beach</u>	<u>Amount Applicable to City of Madeira Beach</u>
Debt repaid with property taxes	\$ -	N/A	\$ -
Other debt:			
Pinellas County Capital Leases	Unavailable	1.5%	Unavailable
Pinellas County School District State Bonds	27,400,000	1.5%	411,000
Pinellas County School District Capital Leases	<u>17,181,756</u>	1.5%	<u>257,726</u>
Total overlapping debt			668,726
City direct debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 668,726</u></u>

The City's share is calculated based on the ratio of the City's taxable value of \$864,868,511 to the County's taxable value of \$58,280,632,666 for the 2010 tax roll.

Source: Pinellas County Property Appraiser
 Pinellas County Finance Department
 Pinellas County School Board

CITY OF MADEIRA BEACH, FLORIDA

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Personal Income (2)	Personal Income	Median Age (3)	Unemployment Rate (4)
2002	4,521	\$33,361	150,825,081	43.90	4.6%
2003	4,529	\$33,658	152,437,082	44.00	5.2%
2004	4,504	\$37,230	167,683,920	44.20	4.5%
2005	4,510	\$39,602	178,605,020	44.20	3.8%
2006	4,514	\$42,178	190,391,492	44.50	3.4%
2007	4,525	\$42,919	194,208,475	44.50	4.2%
2008	4,519	\$43,064	194,606,216	45.00	6.5%
2009	4,427	*	*	45.30	11.1%
2010	4,263	*	*	*	*
2011	4,295	*	*	*	*

* Data not available

Source: Florida Statistical Abstract 2009

(1) Table 1.25. Data for City of Madeira Beach

(2) Table 5.10. Data for Pinellas County

(3) Table 1.38. Data for Pinellas County.

(4) Table 6.12. Data for Tampa-St. Petersburg-Clearwater Metropolitan Service Area (MSA).

CITY OF MADEIRA BEACH, FLORIDA

Principal Employers

Current Year and Nine Years Ago

Employer	2011			2002		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment*
Winn Dixie	200	1	6.90%	125	4	*
Broaderick Management Corp.	150	2	5.18%	-	-	-
Pinellas County Schools (Madeira Beach Elementary and Middle Schools)	150	3	5.18%	180	1	*
Publix	150	4	5.18%	140	3	*
Bubba Gump Shrimp Co.	100	5	3.45%	-	-	-
Friendly Fisherman	100	6	3.45%	-	-	-
Hooters	55	7	1.90%	-	-	-
City of Madeira Beach	51	8	1.76%	60	6	*
Begins Enterprise	39	9	1.35%	-	-	-
Daiquiri Deck and Oceanside Grill	35	10	1.21%	-	-	-
Hubbard Enterprises				150	2	*
Santa Madeira Restaurant				100	5	*
Holiday Inn Motel				53	7	*
U.S. Post Office				35	8	*
Walgreens				30	9	*
Garrett Plumbing				30	10	*
Total employment of ten largest employers	1,030		35.56%	903		
Total employment of other employers	1,868		64.44%	*		
Total employment of all employers	2,898		100.00%	*		

*Data not available

Source:
Pinellas County Economic Development

CITY OF MADEIRA BEACH, FLORIDA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	13	13	12.5 (2)	13.5 (3)	13 (4)	13	13	11 (12)	9	5
Public Works:										
Administration	3	3	3	3	3	3	4	4	4	4
Streets	2.2	2.2	2.2	2.2	2.2	2.8	2	2	2	2
Sanitation	9	9	9	9	9	9	9	9	9	9
Sewer	1.6	1.6	1.6	1.6	1.6	0 (11)	0	0	0	0
Stormwater	1.2	1.2	1.2	1.2	1.2	1.2	1	1	1	1
Public Safety:										
Fire:										
Firefighters and officers	13	13	13	13	13	13	13	13	11 (12)	11 (12)
Civilians	2	2	2	2	2	2	2	2	1 (12)	1 (12)
Parking Enforcement	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Parks and Recreation	12.5 (7)	12.5	15 (8)	15	15	15	14.5 (12)	13 (12)	12 (12)	12 (12)
Municipal Marina	0	3 (9)	4 (10)	4	4	4	3 (12)	3	3.5 (13)	3.5 (13)
Total	60	63	66	67	66.5	65.5	64	60.5	55	51

Source:
Adopted Budgets - City of Madeira Beach

- Notes:
- (1) Community Development Director position reinstated.
 - (2) Building Maintenance position reduced from full-time to part-time.
 - (3) One full-time Building Maintenance position added.
 - (4) Part-time Building Maintenance position eliminated.
 - (5) Fire Inspector Coordinator position added.
 - (6) Part-time Groundskeeper position added.
 - (7) Part-time Groundskeeper position upgraded to full-time.
 - (8) Full-time Groundskeeper position added.
 - (9) Marina operations resumed by City.
 - (10) Building Maintenance position added.
 - (11) Net reduction of one employee due to sale of the sewer system to Pinellas County.
 - (12) Positions not funded due to budget cuts necessitated by Property Tax Reform.
 - (13) Part-time Marina Attendant position converted to full-time Marina Assistant.

CITY OF MADEIRA BEACH, FLORIDA

Operating Indicators by Function

Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>General Government</u>										
Building permits issued (1)	663	593	614	731	558	503	456	452	595	637
Occupational Licenses / Local Business Tax receipts issued	852	641	877	832	778	909	836	879	781	1,033
Checks deposited	*	*	*	5,150	4,983	4,821	4,216	4,430	4,022	*
A/P checks issued	*	*	*	2,854	2,723	2,760	2,352	2,703	2744	2443
Employees paid										
Direct deposit	*	*	*	1,879	1,865	* (3)	*	*	*	*
Payroll checks issued	*	*	*	547	533	* (3)	*	*	*	*
Purchase orders processed	637	985	947	885	431	429	392	378	428	474
<u>Public Safety</u>										
<u>Police (2)</u>										
Arrests made	613	540	490	446	500	592	495	564	514	495
Traffic citations issued	1,227	1,336	1,212	1,221	1,494	2,307	1,776	1,771	1,828	1,759
<u>Fire Department</u>										
Emergency responses	1,648	1,573	1,594	1,508	1,476	1,430	1,308	1,496	1,549	1,847
Fires and other non-medical emergencies	536	553	717	658	592	587	511	542	576	524
Emergency medical calls	1,112	1,020	877	850	884	843	797	954	973	1,323
Inspections completed	457	414	360	330	494	475	218	225	109	122
Parking tickets processed	*	*	*	4,657	6,491	4,548	5,524	5,735	4,153	3,757
<u>Public Works</u>										
Refuse collected (tons per day)	*	*	21	19	18	18	18	16	15	16

Source:

Various City departments
Pinellas County Sheriff's Office
Pinellas County Building Department
City of Treasure Island

Notes:

* Data not available

(1) Building permits issued by the Pinellas County Building Department until March of 2010, and thereafter by the City of Treasure Island.

(2) Law Enforcement services are provided by the Pinellas County Sheriff's Office.

(3) Payroll outsourced during the fiscal year.

CITY OF MADEIRA BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation										
Streets - paved (miles)	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
Streets - unpaved (miles)	0	0	0	0	0	0	0	0	0	0
Traffic signals	7	7	7	7	7	7	7	7	7	7
Public safety										
Fire Stations (1)	1	1	1	1	1	1	1	1	1	1
Police Stations (2)	0	0	0	0	0	0	0	0	0	0
Culture and recreation										
Parkland acreage	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6
Playgrounds	1	1	1	1	1	1	1	1	1	1
Athletic fields	4	4	4	4	4	4	4	4	4	4
Tennis courts	4	4	4	4	4	4	4	4	4	4
Basketball courts	1	1	1	1	1	1	1	1	1	1
Community center	1	1	1	1	1	1	1	1	1	1
Marina	1	1	1	1	1	1	1	1	1	1
Beach access areas	12	12	12	12	12	12	12	12	12	12
Picnic areas	5	5	5	5	5	5	5	5	5	5
Sewers (3)										
Sanitary sewer lines	16.8	16.8	16.8	17.5	17.5	0	0	0	0	0
Number of lift stations	7	7	7	7	7	0	0	0	0	0
Average daily flow (MGD)	0.571	0.571	1	0.613	0.613	0	0	0	0	0

Source:

Various City departments

Notes:

- (1) The fire station is located within City Hall.
- (2) Law Enforcement services are provided by the Pinellas County Sheriff's Department. They have an office inside City Hall.
- (3) The sewer system was sold to Pinellas County on October 1, 2006.

Other Reports



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Commission
City of Madeira Beach, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Madeira Beach, Florida (the “City”), as of and for the year ended September 30, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated May 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management 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 for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *Appendix A – Current Year Findings and Recommendations*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2011-01 and 2011-02 described in the accompanying *Appendix A – Current Year Findings and Recommendations* to be material weaknesses.

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*.

We noted certain matters that we reported to management of the City of Madeira Beach in a separate letter dated May 29, 2012.

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

Mayra Hoffman Mc Conn P.C.

May 29, 2012
Clearwater, Florida



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To the Honorable Mayor and
Members of the City Commission
City of Madeira Beach, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Madeira Beach, Florida (the “City”) as of and for the year ended September 30, 2011 and have issued our report thereon dated May 29, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated May 29, 2012, 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 government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned report:

- 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. There were no findings and recommendations made during the preceding annual financial audit.
- 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, nothing came to our attention that caused us to believe the City was not in compliance 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 identify findings and recommendations; see Appendix A – Current Year Findings and Recommendations.

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, 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 identify any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not identify any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), *Florida Statutes* and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by same.

Pursuant to Chapter 119, *Florida Statutes*, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Honorable Mayor, Members of the City Commission, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Mayor Hoffman Mc Crea P.C.

May 29, 2012
Clearwater, Florida

City of Madeira Beach, Florida

Appendix A – Current Year Findings and Recommendations

September 30, 2011

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, and each major fund of the City of Madeira Beach, Florida (the “City”), as of and for the year ended September 30, 2011, which collectively comprise the City’s basis financial statements, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control.

Material Weakness

2011-01: Financial Reporting

Observation: During the 2011 fiscal year the City has experienced high turnover in management positions including the finance department. As a result, the April through September month-end close procedures and internal financial statements were not completed and provided to those charged with governance in a timely manner. The City did not have a current accounting manual or accounting closing manual available for employees to utilize after the departure of the Finance Director. This resulted in delays in producing closing entries, audit schedules, reconciliations, and account analysis.

Recommendation: We recommend the City hire a Finance Director to complete necessary daily and closing accounting responsibilities at the City. Since the Finance Director position at the City also includes functions related to human resources, we recommend this person have sufficient skills and background to complete the following:

- Daily accounting functions at the City
- Month-end closing processes
- Annual closing processes
- Preparation of fiscal budget
- Complete required human resources tasks and payroll processing
- Preparation of monthly internal statements
- Preparation of annual CAFR
- Ability to assist with bond issuances

As part of this process, we also recommend developing a formal month-end and year-end closing schedule to document accounting procedures necessary to be performed and support used to complete all the necessary accounting functions. In addition, the City should evaluate that it has proper checks and balance and appropriate oversight.

Management Response: The City is aware of the conditions in financial reporting during 2011 and has hired a full time Finance Director subsequent to year-end.

2011-02: Budgetary Control

Observation: Due to the high turnover in management positions at the City during the year, budget amendments and budget tracking was not completed and provided to those charged with governance. The City did not timely document and record necessary budget changes throughout the year. As a result of not providing budget tracking to those charged with governance, many budgetary lines items exceeded appropriations.

Recommendation: We recommend the City hire a Finance Director to complete necessary budget tracking procedures as well as providing those charged with governance with timely budget to actual information.

Management Response: The City is aware of the conditions related to budgetary controls in 2011 and has hired a full time Finance Director subsequent to year-end.