

# **CITY OF MADEIRA BEACH, FLORIDA**

## **Comprehensive Annual Financial Report**



**For the Fiscal Year Ended  
September 30, 2012**

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

**For the Fiscal Year Ended  
September 30, 2012**

Prepared by: City of Madeira Beach Finance Department

**CITY OF MADEIRA BEACH, FLORIDA**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2012**

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# **Introductory Section**



April 29, 2013

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, 2012. In addition to meeting legal requirements of the City Charter, Florida Statutes and the Rules of the Auditor General of the State of Florida, the report continues to present the City's tradition of full financial disclosure. This report 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 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, 2012, 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 4,263. 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 17-18 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.

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 set aside as assignment of general fund balance to earmark the funds for future capital investment.

### **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 impacted the FY 2008 budget, stipulated a 9% reduction from a rollback to the fiscal year 2007 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 One, 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 declined, have negatively impacted the City's long-term ability to support General Fund operations.

Several capital improvements projects have been identified by management and the Board of Commissioners as community priorities. Although the cost of several projects remains uncertain, the City has significant fund balance available to support many of these initiatives.

## **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, 2011. This was the 14<sup>th</sup> 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 B. Crawford  
City Manager



Vincent M. 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, 2011

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



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF MADEIRA BEACH, FLORIDA**

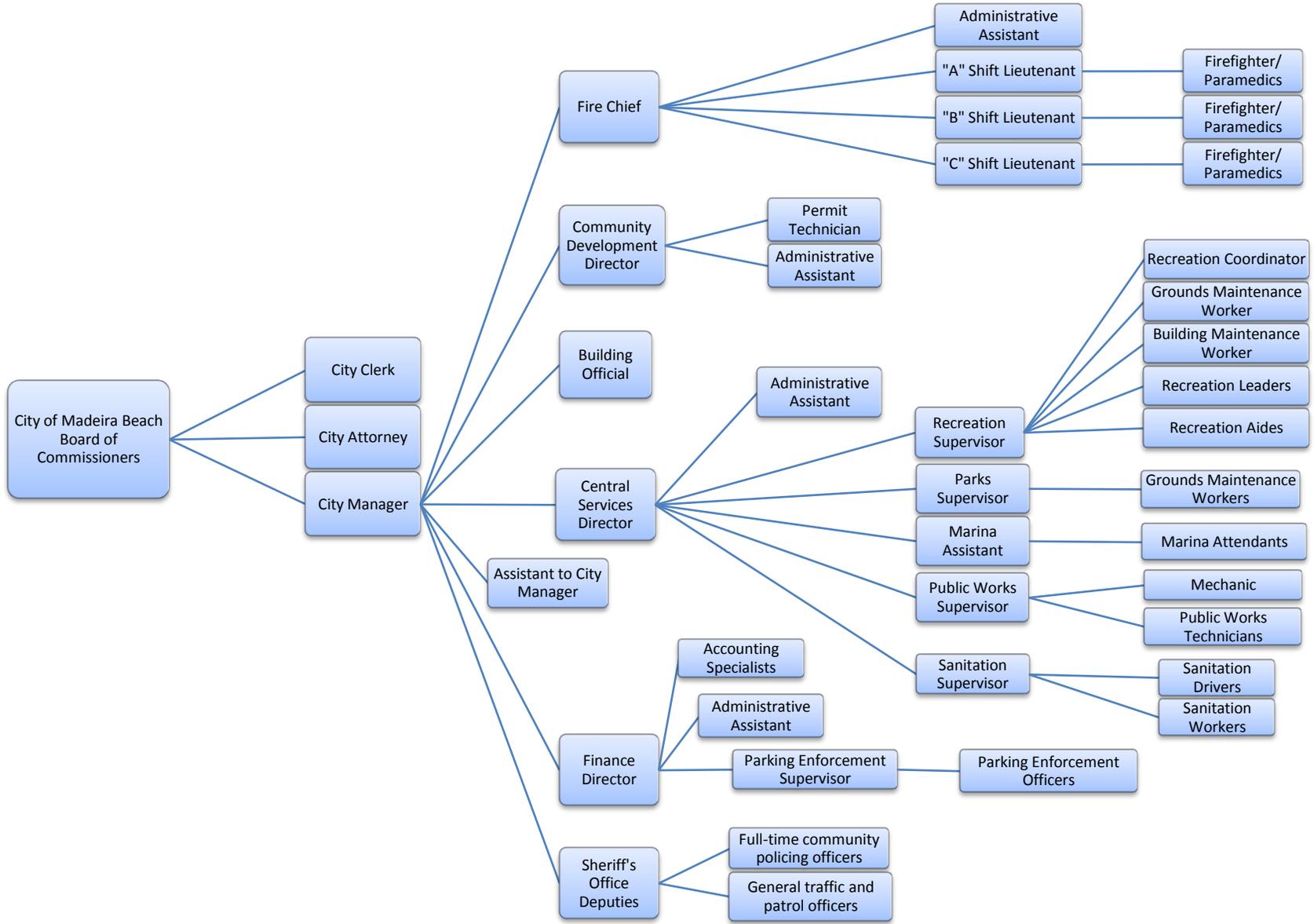
**Principal City Officials\***

**September 30, 2012**

Mayor:	Travis Palladeno
Commissioner Vice Mayor, District 1:	Terry Lister
Commissioner, District 2:	Nancy Hodges
Commissioner, District 3:	Elaine Poe
Commissioner, District 4:	Pat Shontz
City Manager:	Shane B. Crawford
City Attorney:	Thomas Trask
City Clerk Pro Tem:	Aimee Servedio
Finance Director:	Vincent M. Tenaglia
Fire Chief:	Derryl O'Neal
Central Services Director:	David J. Marsicano

\*Officials as of financial report date

# City of Madeira Beach Organizational Chart



# **Financial Section**



**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

**KRMT Tampa Bay Division**

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## **Independent Auditor's 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and the 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 April 29, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 as listed in the table of contents on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary 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 or provide any assurance on them.

*Maya Hoffman Molera P.C.*

April 29, 2013  
Clearwater, Florida

# CITY OF MADEIRA BEACH, FLORIDA

## Management's Discussion and Analysis

September 30, 2012

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, 2012 by \$30,489,519 (net assets). Of this amount, \$15,194,972 (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 \$439,694. The Governmental Funds experienced a decrease in net assets of \$98,913 while the Proprietary Funds reported an increase of \$538,607, primarily driven by the Parking Fund. Parking Fund net assets increased by \$311,374, compared to just \$64,062 in the prior year, based on revised inter-fund transfer policies adopted in the FY 2012 budget.

As of September 30, 2012, the City of Madeira Beach's governmental funds reported combined ending fund balances of \$14,143,440, an increase of \$95,946 in comparison with the prior year. The \$14,143,440 includes \$3,344,706 generated from the sale of the City's sanitary sewer system, which the City has chosen to dedicate (assign) for future capital improvements. Total fund balance also includes \$2,226,885 restricted for capital investment, in accordance with eligible use criteria for Penny for Pinellas revenue.

Approximately 51 percent of total fund balance, \$7,272,878, is available (unassigned) for spending at the City's discretion. Of this amount, \$1,692,233, or one-third of the FY 2013 adopted General Fund budget, is considered the City's emergency operations fund.

### 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".

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

# CITY OF MADEIRA BEACH, FLORIDA

## Management's Discussion and Analysis

September 30, 2012

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.

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.

# CITY OF MADEIRA BEACH, FLORIDA

## Management's Discussion and Analysis

September 30, 2012

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 \$30,489,519.

Approximately 42.9% of the City's net assets, \$13,067,662, reflect 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.

Approximately 7.3% of the City's net assets are restricted by County guidelines, which establish eligible uses for Penny for Pinellas revenue. The \$2,226,885 balance of restricted net assets is set aside to be used solely for infrastructure projects. The remaining balance of unrestricted net assets, \$15,194,972, 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, 2012**

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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 14,430,355	\$ 14,283,463	\$ 3,681,746	\$ 2,897,467	\$ 18,112,101	\$ 17,180,930
Capital assets	<u>6,597,288</u>	<u>6,776,719</u>	<u>6,470,374</u>	<u>6,700,068</u>	<u>13,067,662</u>	<u>13,476,787</u>
Total assets	<u>21,027,643</u>	<u>21,060,182</u>	<u>10,152,120</u>	<u>9,597,535</u>	<u>31,179,763</u>	<u>30,657,717</u>
Long-term liabilities outstanding	168,637	153,209	74,709	67,944	243,346	221,153
Other liabilities	<u>286,915</u>	<u>235,969</u>	<u>159,983</u>	<u>150,770</u>	<u>446,898</u>	<u>386,739</u>
Total liabilities	<u>455,552</u>	<u>389,178</u>	<u>234,692</u>	<u>218,714</u>	<u>690,244</u>	<u>607,892</u>
Net assets:						
Invested in capital assets	6,597,288	6,776,719	6,470,374	6,700,068	13,067,662	13,476,787
Restricted	2,226,885	2,157,106	-	-	2,226,885	2,157,106
Unrestricted	<u>11,747,918</u>	<u>11,737,179</u>	<u>3,447,054</u>	<u>2,678,753</u>	<u>15,194,972</u>	<u>14,415,932</u>
Total net assets	<u>\$ 20,572,091</u>	<u>\$ 20,671,004</u>	<u>\$ 9,917,428</u>	<u>\$ 9,378,821</u>	<u>\$ 30,489,519</u>	<u>\$ 30,049,825</u>

At September 30, 2012, the City is able to report positive balances in total net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous fiscal year.

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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,102,793	\$ 966,261	\$ 3,917,762	\$ 3,594,943	\$ 5,020,555	\$ 4,561,204
Operating grants & contributions	49,504	390,330	-	-	49,504	390,330
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	1,444,836	1,506,269	-	-	1,444,836	1,506,269
Other taxes	1,167,978	1,207,346	-	-	1,167,978	1,207,346
Other	<u>1,388,411</u>	<u>1,228,743</u>	<u>39,543</u>	<u>7,544</u>	<u>1,427,954</u>	<u>1,236,287</u>
Total revenues	<u>5,153,522</u>	<u>5,298,949</u>	<u>3,957,305</u>	<u>3,602,487</u>	<u>9,110,827</u>	<u>8,901,436</u>

**CITY OF MADEIRA BEACH, FLORIDA**

**Management's Discussion and Analysis**

**September 30, 2012**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Expenses:						
General government	\$ 1,414,883	\$ 1,341,581	\$ -	\$ -	\$ 1,414,883	\$ 1,341,581
Physical environment	212,283	318,218	-	-	212,283	318,218
Transportation	424,878	340,079	-	-	424,878	340,079
Public safety	2,313,010	2,256,879	-	-	2,313,010	2,256,879
Culture and recreation	931,781	931,641	-	-	931,781	931,641
Sanitation	-	-	1,011,249	1,026,855	1,011,249	1,026,855
Stormwater	-	-	193,432	163,079	193,432	163,079
Marina	-	-	1,654,840	1,260,832	1,654,840	1,260,832
John's Pass Village	-	-	353,162	308,891	353,162	308,891
Parking	-	-	161,615	165,211	161,615	165,211
Total expenses	<u>5,296,835</u>	<u>5,188,398</u>	<u>3,374,298</u>	<u>2,924,868</u>	<u>8,671,133</u>	<u>8,113,266</u>
Increase (decrease) in net assets before transfers and special items	(143,313)	110,551	583,007	677,619	439,694	788,170
Transfers	<u>44,400</u>	<u>338,076</u>	<u>(44,400)</u>	<u>(338,076)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(98,913)	448,627	538,607	339,543	439,694	788,170
Net assets: October 1	<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>
Net assets: September 30	<u>\$ 20,572,091</u>	<u>\$ 20,671,004</u>	<u>\$ 9,917,428</u>	<u>\$ 9,378,821</u>	<u>\$ 30,489,519</u>	<u>\$ 30,049,825</u>

***Governmental activities***

Governmental activity expenses increased 2.09% as compared to the prior year, largely driven by the reorganization of two General Fund departments. The City increased its Community Development Department by staffing its own Building Division in FY 2012, after providing building permit services contractually through another municipality in previous years. The City also expanded the scope of its law enforcement contract with Pinellas County Sheriff's Office in FY 2012, to include an additional full-time community policing deputy position. The City also hosted several new special events throughout the community in FY 2012, which increased promotions expenses in the General Fund by \$30,675 compared to the prior year.

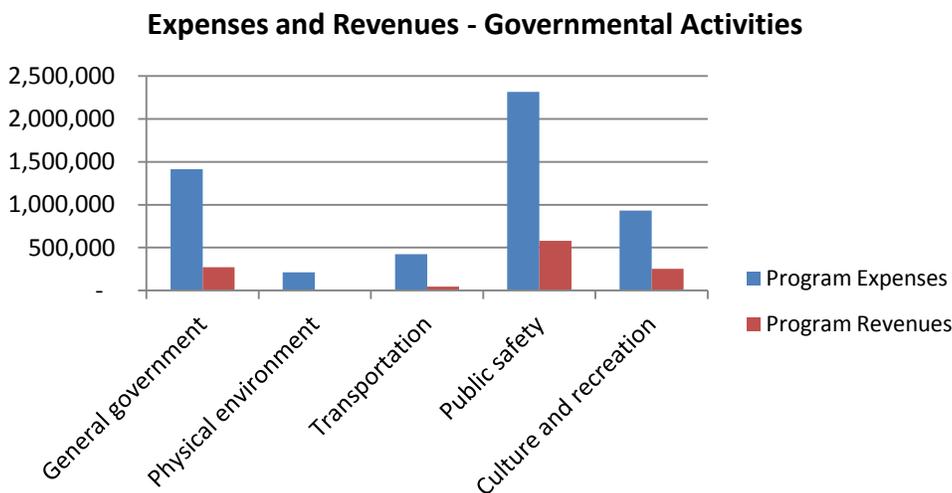
Several improvement projects were initiated in the Special Projects Fund, resulting in \$261,859 in additional capital investment compared to the prior year. Projects included seawall replacements, basketball court improvements, and engineering services pertaining to pending street resurfacing and municipal complex reconstruction projects.

Meanwhile, revenues decreased by 2.7%, driven by the fifth consecutive year of property tax reductions. As a result, governmental activities decreased the City's net assets by \$98,913.

# CITY OF MADEIRA BEACH, FLORIDA

## Management's Discussion and Analysis

September 30, 2012



### *Business-type activities*

The Sanitation fund increased net assets by \$96,789, which included non-operating revenues of \$18,975 generated by the disposal of a refuse vehicle. As vacancies developed throughout the year, Sanitation positions were not filled or were replaced with temporary-contractual positions. As a result, personnel expenses decreased by 12.5%.

In the Stormwater Fund, the City continued to build funds in anticipation of citywide storm system improvements. Net assets increased by \$130,746 despite an operating revenue decrease of 16.2% and expenditure increase of 18.6% compared to the prior year. The City engaged an engineering firm to conduct a stormwater improvement study and will implement a long-term management plan to address the study's findings.

Parking meter revenue collections increased throughout the City for the second consecutive year. The John's Pass Village and Parking Funds, each primarily supported by parking meter revenue, increased net assets by \$2,964 and \$311,374 respectively. The FY 2012 budget restructured these funds' revenue sources based on the physical location of parking lots throughout the City. The John's Pass Village Fund includes the parking meter revenue collected on lots located in John's Pass Village, rather than transferring this revenue from the Parking Fund into the John's Pass Village Fund as in prior years. A transfer of \$134,369 was still recorded from the John's Pass Village Fund to the Parking Fund to cover the John's Pass Village share of parking enforcement's personnel and operating expenses.

The Marina Fund decreased net assets by \$3,266, although this represents the best performance at the Marina since FY 2009. Operation of the Marina's new Ship Store, constructed in FY 2011, contributed to significant increases in both re-sale item purchases and corresponding sales. Operating expenses increased by 31.3%, largely driven by the price of fuel purchased for re-sale, while operating revenues increased by 34.1%.

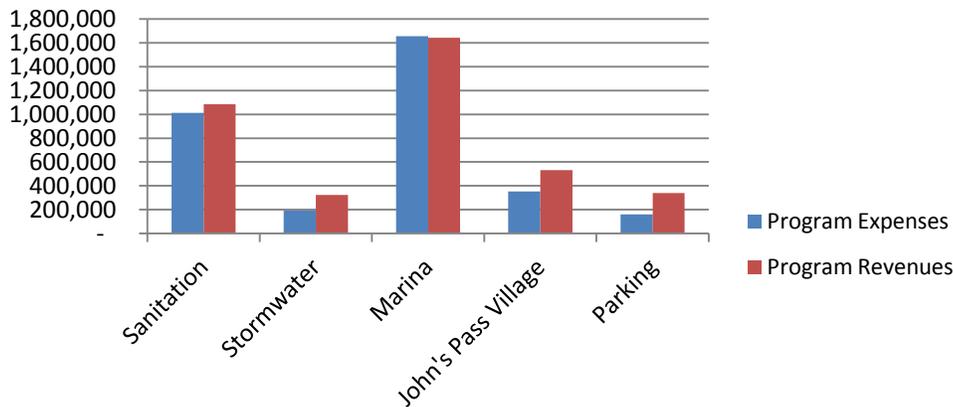
The total impact of business-type activities increased net assets by \$538,607.

# CITY OF MADEIRA BEACH, FLORIDA

## Management's Discussion and Analysis

September 30, 2012

### Expenses and Revenues - Business-type Activities



### 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, 2012, the City's governmental funds reported combined ending fund balances of \$14,143,440, an increase of \$95,946 in comparison with the prior year. \$523,089 of this amount is classified as non-spendable to indicate that it is not available for new spending, \$2,226,885 is classified as restricted because it is restricted for purposes that are externally imposed, \$4,157,086 is classified as assigned to reflect management's intent to use these resources for specific purposes, and \$7,236,380 constitutes unassigned fund balance, which is available for spending at the City's discretion.

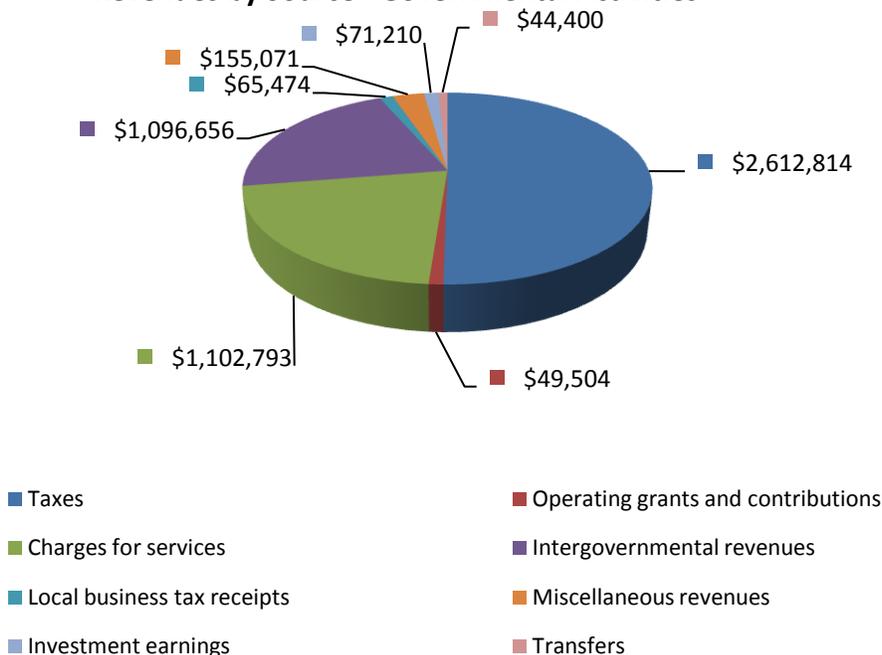
The General Fund is the chief operating fund of the City. At September 30, 2012, the unassigned fund balance of the General Fund was \$7,236,380 while the total fund balance was \$11,916,555. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 149.9 percent of total General Fund expenditures, while total fund balance represents 246.8 percent of the same amount. The City is planning several major capital investments for which unassigned fund balance, as well as \$3,344,706 from total fund balance, is considered readily available. The \$3,344,706 represents proceeds generated by the sale of the City's sanitary sewer system in October 2006, which have been set aside for capital investment.

**CITY OF MADEIRA BEACH, FLORIDA**

**Management's Discussion and Analysis**

**September 30, 2012**

**Revenues by Source - Governmental Activities**



**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to \$95,044. Significant amendments were based on the activities described in the following table:

Department	Amendments
City Manager's Office	Revised to increase budget for City Manager selection recruitment process
Community Development	Revised to increase staffing for internal Building Division, which had previously been contracted
Finance	Revised to increase budget for contractual accounting services during periods of vacancy
Non-Departmental	Revised to increase budget for facility maintenance
Fire/EMS Department	Revised to decrease personnel budget and reclassify previous Inspector position
Law Enforcement	Revised to increase Sherriff's Office contract, including an additional full-time community policing deputy
Parks	Revised to increase project budget for 9/11 Memorial

Significant budgetary variances between the final amended budget and actual results are as follows:

- Budgeted estimates for Franchise and Utility tax revenues were based on anticipated increases which did not develop. Both revenues fell short of budgeted amounts and decreased compared to the prior year by a combined \$39,368.
- Fines and Forfeiture revenue decreased by \$148,820 compared to the prior year and fell short of the budgeted estimate by \$16,875. Both the budget amount and prior year totals were based on occasional code enforcement cases which generated significant revenues, however the City experienced no such cases in FY 2012.
- Miscellaneous revenue surpassed the budget by \$69,241, largely driven by donations received from the community for the 9/11 Memorial project.

# CITY OF MADEIRA BEACH, FLORIDA

## Management's Discussion and Analysis

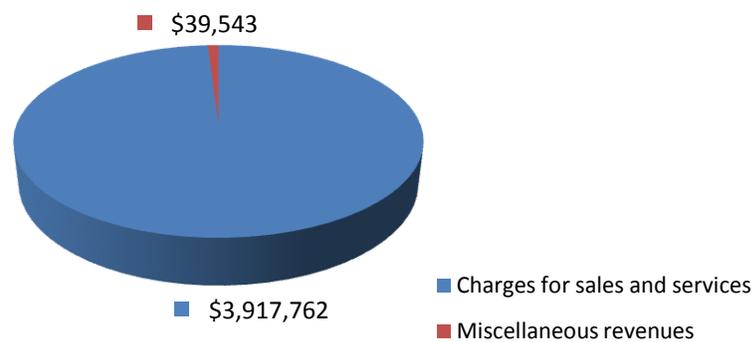
September 30, 2012

- Expenditures for all General Fund departments were within budgeted amounts after revising the original budget as previously identified

*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, 2012 amounted to \$3,447,054.

### Revenues by Source - Business-type Activities



# CITY OF MADEIRA BEACH, FLORIDA

## Management's Discussion and Analysis

September 30, 2012

### 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, 2012 amounts to \$13,067,662 (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's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,370,228	\$ 2,370,228	\$ 414,447	\$ 414,447	\$ 2,784,675	\$ 2,784,675
Buildings	152,068	195,692	571,124	554,720	723,192	750,412
Improvements other than buildings	3,308,660	3,615,637	5,019,648	5,259,284	8,328,308	8,874,921
Vehicles and equipment	496,559	595,162	327,205	360,527	823,764	955,689
Construction in progress	<u>269,773</u>	<u>-</u>	<u>137,950</u>	<u>111,070</u>	<u>407,723</u>	<u>111,070</u>
Total	<u>\$ 6,597,288</u>	<u>\$ 6,776,719</u>	<u>\$ 6,470,374</u>	<u>\$ 6,700,048</u>	<u>\$ 13,067,662</u>	<u>\$ 13,476,767</u>

Additional information on the City's capital assets can be found on pages 35-36 of the Notes to the Financial Statements in this report.

**Long-term debt.** The City has no long-term debt as of September 30, 2012.

### Next Year's Budgets and Rates

The City decreased its millage rate from 1.7954 to 1.7900 mills and adopted the FY 2013 budget 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, 2012**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,668,925	3,803,243	17,472,168
Accounts receivable, net	132,306	18,823	151,129
Internal balances	484,623	(484,623)	-
Due from other governments, net	87,060	203,060	290,120
Inventories	50,038	70,319	120,357
Prepaid items	7,403	2,165	9,568
Restricted assets:			
Cash and cash equivalents	-	30,809	30,809
Capital assets (net of accumulated depreciation):			
Land	2,370,228	414,447	2,784,675
Buildings	152,068	571,124	723,192
Improvements other than buildings	3,308,660	5,021,113	8,329,773
Vehicles and equipment	496,559	325,740	822,299
Construction in progress	269,773	137,950	407,723
	<u>21,027,643</u>	<u>10,114,170</u>	<u>31,141,813</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	243,136	128,256	371,392
Unearned revenue	43,779	918	44,697
Liabilities payable from restricted assets	-	30,809	30,809
Noncurrent liabilities:			
Due within one year	13,620	6,336	19,956
Due in more than one year	155,017	68,373	223,390
	<u>455,552</u>	<u>234,692</u>	<u>690,244</u>
<b>Net Assets</b>			
Invested in capital assets	6,597,288	6,470,374	13,067,662
Restricted for:			
Capital acquisitions and improvements	2,226,885	-	2,226,885
Unrestricted	11,747,918	3,447,054	15,194,972
	<u>20,572,091</u>	<u>9,917,428</u>	<u>30,489,519</u>

**CITY OF MADEIRA BEACH, FLORIDA**

**Statement of Activities**

**For the Year Ended September 30, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs</b>							
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,414,883	272,485	-	-	(1,142,398)	-	(1,142,398)
Physical environment	212,283	-	-	-	(212,283)	-	(212,283)
Transportation	424,878	-	46,801	-	(378,077)	-	(378,077)
Public safety	2,313,010	575,210	2,703	-	(1,735,097)	-	(1,735,097)
Culture and recreation	931,781	255,098	-	-	(676,683)	-	(676,683)
Total governmental activities	5,296,835	1,102,793	49,504	-	(4,144,538)	-	(4,144,538)
Business-type activities:							
Sanitation	1,011,249	1,084,248	-	-	-	72,999	72,999
Stormwater	193,432	322,611	-	-	-	129,179	129,179
Marina	1,654,840	1,640,660	-	-	-	(14,180)	(14,180)
John's Pass Village	353,162	531,490	-	-	-	178,328	178,328
Parking	161,615	338,753	-	-	-	177,138	177,138
Total business-type activities	3,374,298	3,917,762	-	-	-	543,464	543,464
Total primary government	\$ 8,671,133	5,020,555	49,504	-	(4,144,538)	543,464	(3,601,074)
General revenues:							
Taxes:							
Property taxes					1,444,836	-	1,444,836
Franchise taxes					506,015	-	506,015
Utility taxes					661,963	-	661,963
Intergovernmental revenues:							
Local option gas tax					57,215	-	57,215
Local option sales tax					340,660	-	340,660
Communications services tax					255,508	-	255,508
Half-cent sales tax, unrestricted					224,573	-	224,573
State revenue sharing, unrestricted					203,612	-	203,612
Alcoholic beverage license tax, unrestricted					13,451	-	13,451
Motor fuel tax					1,637	-	1,637
Local business tax receipts					65,474	-	65,474
Investment earnings (loss)					71,210	2,486	73,696
Miscellaneous revenues					155,071	18,082	173,153
Transfers					44,400	(44,400)	-
Gain on disposal of capital assets					-	18,975	18,975
Total general revenues and transfers					4,045,625	(4,857)	4,040,768
Change in net assets					(98,913)	538,607	439,694
Net assets - beginning					20,671,004	9,378,821	30,049,825
Net assets - ending					\$ 20,572,091	9,917,428	30,489,519

**CITY OF MADEIRA BEACH, FLORIDA**

**Balance Sheet  
Governmental Funds**

**September 30, 2012**

	<u>General Fund</u>	<u>Special Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 11,421,352	2,247,573	13,668,925
Accounts receivable	132,306	-	132,306
Advance to other funds	465,648	-	465,648
Due from other governments, net	82,588	23,447	106,035
Inventories	50,038	-	50,038
Prepaid items	7,403	-	7,403
	<hr/>	<hr/>	<hr/>
Total assets	\$ 12,159,335	2,271,020	14,430,355
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 127,977	44,135	172,112
Accrued expenditures	71,024	-	71,024
Unearned revenue	43,779	-	43,779
	<hr/>	<hr/>	<hr/>
Total liabilities	242,780	44,135	286,915
Fund Balances:			
Nonspendable:			
Inventories	50,038	-	50,038
Prepaid items	7,403	-	7,403
Advance due to other funds	465,648	-	465,648
Restricted:			
Capital acquisitions and improvements	-	2,226,885	2,226,885
Assigned:			
Encumbrances	121,831	-	121,831
Vehicle replacements	517,847	-	517,847
Compensated absences	136,204	-	136,204
Proceeds from sale of sewer system	3,344,706	-	3,344,706
Unassigned	7,272,878	-	7,272,878
	<hr/>	<hr/>	<hr/>
Total fund balances	11,916,555	2,226,885	14,143,440
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 12,159,335	2,271,020	
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.			6,597,288
Compensated absences and other post-employment benefits not due and payable in the current period are not reported in the funds.			<u>(168,637)</u>
Net assets of governmental activities			\$ <u>20,572,091</u>

**CITY OF MADEIRA BEACH, FLORIDA**

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

**For the Year Ended September 30, 2012**

	<u>General Fund</u>	<u>Special Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes:			
Property taxes	\$ 1,444,836	-	1,444,836
Franchise taxes	506,015	-	506,015
Utility taxes	661,963	-	661,963
Licenses and permits	78,584	-	78,584
Intergovernmental revenue	1,367,600	340,660	1,708,260
Charges for services	499,458	-	499,458
Fines and forfeitures	28,125	-	28,125
Investment earnings	67,674	3,536	71,210
Miscellaneous revenue	155,071	-	155,071
	<u>4,809,326</u>	<u>344,196</u>	<u>5,153,522</u>
Total revenues			
<b>Expenditures</b>			
Current:			
General government	1,344,016	2	1,344,018
Physical environment	188,376	-	188,376
Transportation	222,965	-	222,965
Public safety	2,203,613	-	2,203,613
Culture and recreation	782,263	-	782,263
Capital outlay:			
General government	58,395	274,415	332,810
Physical environment	8,235	-	8,235
Transportation	3,139	-	3,139
Public safety	13,597	-	13,597
Culture and recreation	2,960	-	2,960
	<u>4,827,559</u>	<u>274,417</u>	<u>5,101,976</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(18,233)</u>	<u>69,779</u>	<u>51,546</u>
<b>Other Financing Sources</b>			
Transfers in	44,400	-	44,400
	<u>44,400</u>	<u>-</u>	<u>44,400</u>
Total other financing sources			
Net change in fund balances	26,167	69,779	95,946
Fund balances - beginning	11,890,388	2,157,106	14,047,494
Fund balances - ending	\$ <u>11,916,555</u>	<u>2,226,885</u>	<u>14,143,440</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, 2012**

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

Net change in fund balances - total governmental funds (page 16)	\$	95,946
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	356,099	
Current year depreciation	<u>(535,419)</u>	(179,320)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase (decrease) net assets		(111)
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.		(4,617)
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>(98,913)</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes:				
Property tax	\$ 1,415,714	1,415,714	1,444,836	29,122
Franchise tax	562,000	562,000	506,015	(55,985)
Utility tax	726,500	726,500	661,963	(64,537)
Licenses and permits	98,900	98,900	78,584	(20,316)
Intergovernmental revenue	1,359,550	1,359,550	1,367,600	8,050
Charges for services	499,933	499,933	499,458	(475)
Fines and forfeitures	45,000	45,000	28,125	(16,875)
Investment earnings	75,200	75,200	67,674	(7,526)
Miscellaneous revenue	85,830	85,830	155,071	69,241
	<u>4,868,627</u>	<u>4,868,627</u>	<u>4,809,326</u>	<u>(59,301)</u>
<b>Expenditures</b>				
General government:				
City Manager	137,200	197,200	188,671	(8,529)
Community Development	167,161	204,924	166,385	(38,539)
Finance	288,651	375,652	359,639	(16,013)
City Clerk/Commission	476,476	416,606	370,614	(45,992)
Non-Departmental	291,595	302,615	286,044	(16,571)
Total general government	<u>1,361,083</u>	<u>1,496,997</u>	<u>1,371,353</u>	<u>(125,644)</u>
Physical environment:				
Public Works	228,856	215,883	196,611	(19,272)
Total physical environment	<u>228,856</u>	<u>215,883</u>	<u>196,611</u>	<u>(19,272)</u>
Transportation:				
Streets	259,854	252,808	226,104	(26,704)
Total transportation	<u>259,854</u>	<u>252,808</u>	<u>226,104</u>	<u>(26,704)</u>
Public safety:				
Fire	1,309,739	1,234,584	1,226,682	(7,902)
Law Enforcement	936,104	991,027	990,528	(499)
Total public safety	<u>2,245,843</u>	<u>2,225,611</u>	<u>2,217,210</u>	<u>(8,401)</u>
Culture and recreation:				
Parks	389,331	475,100	433,616	(41,484)
Recreation	475,536	389,148	382,665	(6,483)
Total culture and recreation	<u>864,867</u>	<u>864,248</u>	<u>816,281</u>	<u>(47,967)</u>
Total expenditures	<u>4,960,503</u>	<u>5,055,547</u>	<u>4,827,559</u>	<u>(227,988)</u>
Excess (deficiency) of revenues over expenditures	<u>(91,876)</u>	<u>(186,920)</u>	<u>(18,233)</u>	<u>168,687</u>
<b>Other Financing Sources</b>				
Transfers in	<u>657,121</u>	<u>67,676</u>	<u>44,400</u>	<u>(23,276)</u>
Total other financing sources	<u>657,121</u>	<u>67,676</u>	<u>44,400</u>	<u>(23,276)</u>
Net change in fund balances	565,245	(119,244)	26,167	145,411
Fund balances - beginning	<u>10,814,321</u>	<u>10,812,089</u>	<u>11,890,388</u>	<u>(498,833)</u>
Fund balances - ending	\$ <u>11,379,566</u>	<u>10,692,845</u>	<u>11,916,555</u>	<u>(353,422)</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenue	\$ 382,000	382,000	340,660	(41,340)
Investment earnings	5,000	5,000	3,536	(1,464)
Total revenues	<u>387,000</u>	<u>387,000</u>	<u>344,196</u>	<u>(42,804)</u>
<b>Expenditures</b>				
General government:				
Non-Departmental	10,000	10,000	2	(9,998)
Capital outlay	1,925,000	1,086,512	274,415	(812,097)
Contingency	10,000	10,000	-	(10,000)
Total general government	<u>1,945,000</u>	<u>1,106,512</u>	<u>274,417</u>	<u>(832,095)</u>
Total expenditures	<u>1,945,000</u>	<u>1,106,512</u>	<u>274,417</u>	<u>(832,095)</u>
Net change in fund balances	(1,558,000)	(719,512)	69,779	789,291
Fund balances - beginning	<u>2,233,926</u>	<u>2,233,926</u>	<u>2,157,106</u>	<u>(76,820)</u>
Fund balances - ending	\$ <u><u>675,926</u></u>	<u><u>1,514,414</u></u>	<u><u>2,226,885</u></u>	<u><u>(712,471)</u></u>

**CITY OF MADEIRA BEACH, FLORIDA**

**Statement of Net Assets**

**Proprietary Funds**

**September 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>					
	<b>Sanitation Fund</b>	<b>Stormwater Fund</b>	<b>Marina Fund</b>	<b>John's Pass Village Fund</b>	<b>Parking Fund</b>	<b>Total</b>
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 1,126,780	1,322,966	156,299	832,250	364,948	3,803,243
Accounts receivable, net	11,233	216	7,374	-	-	18,823
Due from other governments, net	165,919	50,567	-	-	5,549	222,035
Inventories	-	-	70,319	-	-	70,319
Prepaid items	(35)	-	2,200	-	-	2,165
Restricted cash and cash equivalents:						
Customer deposits	-	-	30,809	-	-	30,809
Total current assets	<u>1,303,897</u>	<u>1,373,749</u>	<u>267,001</u>	<u>832,250</u>	<u>370,497</u>	<u>4,147,394</u>
Capital assets:						
Land	-	-	-	414,447	-	414,447
Buildings	-	-	513,514	235,564	-	749,078
Improvements other than buildings	-	2,586,856	956,659	4,490,838	-	8,034,353
Vehicles and equipment	600,580	78,217	97,899	8,800	7,700	793,196
Construction in progress	-	49,238	72,938	-	15,774	137,950
Less accumulated depreciation	<u>(360,279)</u>	<u>(516,388)</u>	<u>(575,297)</u>	<u>(2,203,756)</u>	<u>(2,930)</u>	<u>(3,658,650)</u>
Total capital assets (net of accumulated depreciation)	<u>240,301</u>	<u>2,197,923</u>	<u>1,065,713</u>	<u>2,945,893</u>	<u>20,544</u>	<u>6,470,374</u>
Total assets	<u>1,544,198</u>	<u>3,571,672</u>	<u>1,332,714</u>	<u>3,778,143</u>	<u>391,041</u>	<u>10,617,768</u>

**CITY OF MADEIRA BEACH, FLORIDA**

**Statement of Net Assets – Continued**

**Proprietary Funds**

**September 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>					
	<b>Sanitation Fund</b>	<b>Stormwater Fund</b>	<b>Marina Fund</b>	<b>John's Pass Village Fund</b>	<b>Parking Fund</b>	<b>Total</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and other current liabilities \$	28,042	37,211	45,878	2,332	14,793	128,256
Advance from other funds	-	-	22,120	-	-	22,120
Compensated absences	2,649	9,384	2,749	-	2	14,784
Unearned revenue	-	-	918	-	-	918
Current liabilities payable from restricted assets:						
Customer deposits payable	-	-	30,809	-	-	30,809
<b>Total current liabilities</b>	<b>30,691</b>	<b>46,595</b>	<b>102,474</b>	<b>2,332</b>	<b>14,795</b>	<b>196,887</b>
Noncurrent liabilities:						
Compensated absences	23,838	-	24,737	-	-	48,575
Other post-employment benefits	7,297	810	2,433	-	810	11,350
Advance from other funds	-	-	443,528	-	-	443,528
<b>Total noncurrent liabilities</b>	<b>31,135</b>	<b>810</b>	<b>470,698</b>	<b>-</b>	<b>810</b>	<b>503,453</b>
<b>Total liabilities</b>	<b>61,826</b>	<b>47,405</b>	<b>573,172</b>	<b>2,332</b>	<b>15,605</b>	<b>700,340</b>
<b>Net Assets</b>						
Invested in capital assets	240,301	2,197,923	1,065,713	2,945,893	20,544	6,470,374
Unrestricted	1,242,071	1,326,344	(306,171)	829,918	354,892	3,447,054
<b>Total net assets</b>	<b>\$ 1,482,372</b>	<b>3,524,267</b>	<b>759,542</b>	<b>3,775,811</b>	<b>375,436</b>	<b>9,917,428</b>

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, 2012**

	<b>Business-type Activities - Enterprise Funds</b>					
	<b>Sanitation Fund</b>	<b>Stormwater Fund</b>	<b>Marina Fund</b>	<b>John's Pass Village Fund</b>	<b>Parking Fund</b>	<b>Total</b>
Operating revenues:						
Charges for sales and services	\$ 1,084,248	322,611	1,640,660	531,490	338,753	3,917,762
Miscellaneous	3,364	-	11,869	2,849	-	18,082
Total operating revenues	<u>1,087,612</u>	<u>322,611</u>	<u>1,652,529</u>	<u>534,339</u>	<u>338,753</u>	<u>3,935,844</u>
Operating expenses:						
Personnel	383,665	49,101	203,945	-	76,598	713,309
Supplies and services	597,063	68,105	1,397,278	146,158	84,057	2,292,661
Depreciation	30,521	76,226	53,617	207,004	960	368,328
Total operating expenses	<u>1,011,249</u>	<u>193,432</u>	<u>1,654,840</u>	<u>353,162</u>	<u>161,615</u>	<u>3,374,298</u>
Operating income (loss)	<u>76,363</u>	<u>129,179</u>	<u>(2,311)</u>	<u>181,177</u>	<u>177,138</u>	<u>561,546</u>
Non operating revenues (expenses):						
Investment earnings (loss)	1,451	1,567	(955)	556	(133)	2,486
Gain on disposal of capital assets	18,975	-	-	-	-	18,975
Total nonoperating revenues (expenses)	<u>20,426</u>	<u>1,567</u>	<u>(955)</u>	<u>556</u>	<u>(133)</u>	<u>21,461</u>
Income (loss) before transfers	96,789	130,746	(3,266)	181,733	177,005	583,007
Transfers in	-	-	-	-	134,369	134,369
Transfers out	-	-	-	(178,769)	-	(178,769)
Change in net assets	96,789	130,746	(3,266)	2,964	311,374	538,607
Total net assets - beginning	<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>
Total net assets - ending	\$ <u>1,482,372</u>	<u>3,524,267</u>	<u>759,542</u>	<u>3,775,811</u>	<u>375,436</u>	<u>9,917,428</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, 2012**

	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>John's Pass Village Fund</u>	<u>Parking Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 1,105,723	356,061	1,649,472	534,339	335,194	3,980,789
Payments to suppliers	(519,391)	(17,654)	(1,340,873)	(122,211)	(47,667)	(2,047,796)
Payments to employees	(391,549)	(39,447)	(198,653)	-	(76,895)	(706,544)
Payments to general fund for services	(94,998)	(13,351)	(83,575)	(22,643)	(29,793)	(244,360)
Net cash provided by operating activities	<u>99,785</u>	<u>285,609</u>	<u>26,371</u>	<u>389,485</u>	<u>180,839</u>	<u>982,089</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers (to) from other funds	-	-	-	(178,769)	134,369	(44,400)
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase, acquisition and construction of capital assets, net	(63,762)	(84,758)	(1,850)	(27,750)	(20,754)	(198,874)
Proceeds from sale of equipments	60,240	-	-	-	-	60,240
Gain on sale of equipment	18,975	-	-	-	-	18,975
Payment on advance from other funds	-	-	(16,114)	-	-	(16,114)
Net cash provided (used) by capital and related financing activities	<u>15,453</u>	<u>(84,758)</u>	<u>(17,964)</u>	<u>(27,750)</u>	<u>(20,754)</u>	<u>(135,773)</u>
<b>Cash Flows from Investing Activities</b>						
Receipt of and loss on interest	1,451	1,567	(955)	556	(133)	2,486
Net increase in cash and cash equivalents	116,689	202,418	7,452	183,522	294,321	804,402
Cash and cash equivalents - October 1	1,010,091	1,120,548	179,656	648,728	70,627	3,029,650
Cash and cash equivalents - September 30	\$ <u>1,126,780</u>	<u>1,322,966</u>	<u>187,108</u>	<u>832,250</u>	<u>364,948</u>	<u>3,834,052</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 76,363	129,179	(2,311)	181,177	177,138	561,546
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	30,521	76,226	53,617	207,004	960	368,328
(Increase) in accounts receivable	(6,944)	-	(3,057)	-	-	(10,001)
(Increase) in due from other funds	(18,975)	-	-	-	-	(18,975)
(Increase) decrease in due from other governments	44,030	33,450	-	-	(3,559)	73,921
(Increase) in inventories	-	-	(6,579)	-	-	(6,579)
(Increase) in prepaid items	(17)	-	-	-	-	(17)
Increase (decrease) in accounts payable, non capital	(17,309)	37,100	(26,433)	1,304	6,597	1,259
Increase (decrease) in compensated absences	(10,316)	9,384	4,481	-	(567)	2,982
Increase in other post-employment benefits	2,432	270	811	-	270	3,783
Increase in customer deposits	-	-	5,842	-	-	5,842
Net cash provided by operating activities	\$ <u>99,785</u>	<u>285,609</u>	<u>26,371</u>	<u>389,485</u>	<u>180,839</u>	<u>982,089</u>

# CITY OF MADEIRA BEACH, FLORIDA

## Notes to Financial Statements

September 30, 2012

### (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. 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. Special Projects Fund assets are also restricted based on eligible use criteria of County “Penny for Pinellas” revenues. These funds may only be used for infrastructure improvements.

**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, 2012.

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 follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. 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, 2012, \$1,692,233 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 2012, the City made several amendments to the budget, consisting of line item transfers and supplemental appropriations. 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.

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) Deficit Fund Equity**

There were no funds with deficit fund equity balance as of September 30, 2012.

**(3) Detailed Notes on All Funds**

**(a) Deposits and Investments**

At year-end, the carrying amount of the City's deposits was \$4,579,247 and the bank balance was \$4,598,798. 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, 2012 was \$12,762,793.

**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.

**CITY OF MADEIRA BEACH, FLORIDA**

**Notes to Financial Statements - Continued**

**(3) Detailed Notes on All Funds - Continued**

**(a) Deposits and Investments - Continued**

**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.

**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 .83 years, and a Weighted Average Maturity of .83 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 \$158,193 at September 30, 2012 includes \$119,402 in Fund B and \$38,791 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 \$119,402 and an Unrealized Gain of \$30,756 as of September 30, 2012.

**Credit Quality Risk:**

Because Fund B is not rated by a nationally recognized statistical rating agency as of September 30, 2012, 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, 2012 is estimated to be 4.08 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, 2012.

**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, 2012 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	\$ 134,574	-	11,233	216	13,527	-	\$ 159,550
Due from other Governments	82,588	23,447	181,122	63,906	-	5,549	356,612
 Total	 217,162	 23,447	 192,355	 64,122	 13,527	 5,549	 516,162
Less: Allowance for Uncollectible Accounts	(2,268)	-	(15,203)	(13,339)	(6,153)	-	(36,963)
 Receivable, net	 <u>\$ 214,894</u>	 <u>23,447</u>	 <u>177,152</u>	 <u>50,783</u>	 <u>7,374</u>	 <u>5,549</u>	 <u>\$ 479,199</u>

**(c) Advances to/from**

In 2011, the Marina Fund received a 1.5% loan from the General Fund for \$500,000, to be repaid over 20 years at an annual rate of \$24,111. The unpaid balance as of September 30, 2012 was \$465,648. In addition, the General Fund is to repay the Sanitation Fund \$18,975 related to the sale of capitalized equipment.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Marina Fund	\$ 465,648
Sanitation Fund	General Fund	<u>18,975</u>
 Total		 <u>\$ 484,623</u>

**(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, 2012 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,370,228	-	-	2,370,228
Construction in progress	-	269,773	-	269,773
<b>Total capital assets, not being depreciated</b>	<b>2,370,228</b>	<b>269,773</b>	<b>-</b>	<b>2,640,001</b>
Capital assets, being depreciated:				
Buildings	1,362,396	-	-	1,362,396
Improvements other than buildings	7,631,175	31,058	-	7,662,233
Vehicles and equipment	2,008,162	55,268	(96,000)	1,967,430
<b>Total capital assets, being depreciated</b>	<b>11,001,733</b>	<b>86,326</b>	<b>(96,000)</b>	<b>10,992,059</b>
Less accumulated depreciation for:				
Buildings	(1,166,704)	(43,624)	-	(1,210,328)
Improvements other than buildings	(4,015,538)	(338,035)	-	(4,353,573)
Vehicles and equipment	(1,413,000)	(153,760)	95,889	(1,470,871)
<b>Total accumulated depreciation</b>	<b>(6,595,242)</b>	<b>(535,419)</b>	<b>95,889</b>	<b>(7,034,772)</b>
<b>Total capital assets, being depreciated, net</b>	<b>4,406,491</b>	<b>(449,093)</b>	<b>(111)</b>	<b>3,957,287</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 6,776,719</b>	<b>(179,320)</b>	<b>(111)</b>	<b>6,597,288</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 414,447	-	-	414,447
Construction in progress	111,090	65,012	(38,152)	137,950
<b>Total capital assets, not being depreciated</b>	<b>525,537</b>	<b>65,012</b>	<b>(38,152)</b>	<b>552,397</b>
Capital assets, being depreciated:				
Buildings	709,076	40,002	-	749,078
Improvements other than buildings	7,982,148	52,205	-	8,034,353
Vehicles and equipment	833,869	19,567	(58,775)	794,661
<b>Total capital assets, being depreciated</b>	<b>9,525,093</b>	<b>111,774</b>	<b>(58,775)</b>	<b>9,578,092</b>
Less accumulated depreciation for:				
Buildings	(154,356)	(23,598)	-	(177,954)
Improvements other than buildings	(2,722,864)	(291,841)	-	(3,014,705)
Vehicles and equipment	(473,342)	(52,889)	58,775	(467,456)
<b>Total accumulated depreciation</b>	<b>(3,350,562)</b>	<b>(368,328)</b>	<b>58,775</b>	<b>(3,660,115)</b>
<b>Total capital assets, being depreciated, net</b>	<b>6,174,531</b>	<b>(256,554)</b>	<b>-</b>	<b>5,917,977</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 6,700,068</b>	<b>(191,542)</b>	<b>(38,152)</b>	<b>6,470,374</b>

**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	\$ 61,350
Physical environment	23,143
Transportation	201,414
Public safety	103,055
Culture and recreation	<u>146,457</u>
 Total depreciation expense - governmental activities	 \$ <u>535,419</u>
 Business-type activities:	
Sanitation	\$ 30,521
Stormwater	76,226
Marina	53,617
John's Pass Village	207,004
Parking	<u>960</u>
 Total depreciation expense - business-type activities	 <u>368,328</u>
 Total depreciation expense	 \$ <u><u>903,747</u></u>

**(f) Construction Commitments**

The City has several open purchase orders related to construction in progress, totaling \$330,707 as of September 30, 2012.

<u>Capital Project Description</u>	<u>Fund Total</u>
9/11 Memorial	\$ 31,634
Seawall Replacement	141,150
Municipal Complex Reconstruction (Design)	57,031
Municipal Complex Reconstruction	6,512
Stormwater Master Plan	74,854
Archibald Park Rehabilitation	<u>19,526</u>
	<u>\$ 330,707</u>

**CITY OF MADEIRA BEACH, FLORIDA**

**Notes to Financial Statements - Continued**

**(3) Detailed Notes on All Funds - Continued**

**(g) Interfund Transfers**

Transfers to/from other funds for the year ended September 30, 2012 were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 44,400	\$ -
Parking Fund	134,369	-
John's Pass Village Fund	<u>-</u>	<u>178,769</u>
	<u>\$ 178,769</u>	<u>\$ 178,769</u>

The transfer of \$44,400 from the John's Pass Village Fund to General Fund was to reimburse the cost of employee's wages and benefits as well as funding for the construction of the Archibald Park Deck.

A transfer of \$134,369 was recorded from the John's Pass Village Fund to Parking Fund to cover the John's Pass Village share of parking enforcement's personnel and operating expenses.

**(h) Long-term Liabilities**

There are no general obligations or revenue bonds outstanding. Long-term liability activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 131,587	122,721	(118,104)	136,204	\$ 13,620
Other postemployment benefits	<u>21,622</u>	<u>10,811</u>	<u>-</u>	<u>32,433</u>	<u>-</u>
Long-term liabilities	<u>\$ 153,209</u>	<u>133,532</u>	<u>(118,104)</u>	<u>168,637</u>	<u>\$ 13,620</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 60,377	42,052	(39,069)	63,360	\$ 6,336
Other postemployment benefits	<u>7,567</u>	<u>3,783</u>	<u>-</u>	<u>11,350</u>	<u>-</u>
Long-term liabilities	<u>\$ 67,944</u>	<u>45,835</u>	<u>(39,069)</u>	<u>74,710</u>	<u>\$ 6,336</u>

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

**CITY OF MADEIRA BEACH, FLORIDA**

**Notes to Financial Statements - Continued**

**(3) Detailed Notes on All Funds - Continued**

**(i) Restricted Assets**

The balance of restricted assets in the Marina Fund consists of customer deposits for wet slips and dry storage spaces. Special Projects Fund assets are also restricted based on eligible use criteria of County “Penny for Pinellas” revenues. These funds may only be used for infrastructure improvements.

**(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, 2012, 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.

**(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.

**CITY OF MADEIRA BEACH, FLORIDA**

**Notes to Financial Statements - Continued**

**(4) Other Information – Continued**

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 every three years. The latest actuarial report used for the year ended September 30, 2012 is the September 30, 2010 actuarial date.

**(c) Other Postemployment Benefits (OPEB) - Continued**

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	43
Retirees	2
Eligible	0
Spouses	<u>5</u>
Total	<u>50</u>

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.

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.

**CITY OF MADEIRA BEACH, FLORIDA**

**Notes to Financial Statements - Continued**

**(4) Other Information - Continued**

**(c) Other Postemployment Benefits (OPEB) - Continued**

The following table shows the components of the City’s net OPEB obligation:

<b>Description</b>	<b>Calculated Amount</b>
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>29,190</u>
Net OPEB Obligation (NOO) - End of Year	\$ <u><u>43,785</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 2012 and the two preceding fiscal years were as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a/c)</b>
9/30/2012	N/A	N/A	N/A	N/A	N/A	N/A
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%

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).

**Funded Status and Funding Progress:** As of September 30, 2010, the latest actuarial valuation date, 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.

**CITY OF MADEIRA BEACH, FLORIDA**

**Notes to Financial Statements - Continued**

**(4) Other Information - Continued**

**(c) Other Postemployment Benefits (OPEB) - Continued**

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.

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Age Adjusted Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2012	\$30,260	\$15,665	51.8%	\$43,785
9/30/2011	\$30,260	\$15,665	51.8%	\$29,190
9/30/2010	\$30,260	\$15,665	51.8%	\$14,595

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. Effective July 1, 2011, the Florida Legislature required employees to start contributing 3% contributions to the retirement system.

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.

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

	<u>10/1/2011 - 6/30/2012</u>	<u>7/1/2012- 9/30/2012</u>
Regular employees - members not qualifying for other classes	4.91%	5.18%
Special Risk Employees - members employed as firefighters	14.10%	14.90%
DROP - members enrolled in the Deferred Retirement Option Program	4.22%	5.44%

**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 0.03% 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 0.03% 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>
9/30/2012	\$103,329	97%
9/30/2011	\$174,231	100%
9/30/2010	\$181,629	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, 2012, employer contributions required and made totaled \$73,557 and covered payroll totaled \$808,894. Participation in the plan at September 30, 2012 was as follows:

<u>Years of Service</u>	<u>Percent Vested</u>	<u>Number of Employees</u>
5 or more	100%	19
4	0%	2
3	0%	2
2	0%	1
1	0%	6

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 two 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, 2012, 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, 2012.

**(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.

<b>Contents</b>	<b>Page</b>
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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>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>	<u>2012</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	6,597,288
Restricted	-	-	-	-	-	-	-	1,843,426	2,157,106	2,226,885
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>	<u>11,747,918</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>	<u>20,572,091</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	6,470,374
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>	<u>3,447,054</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>	<u>9,917,428</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	13,067,662
Restricted	-	-	-	-	-	-	-	1,843,426	2,157,106	2,226,885
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>	<u>15,194,972</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>	<u>30,489,519</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>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>	<u>2012</u>
<b>Expenses</b>										
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	1,414,883
Physical environment	343,827	108,769	199,371	198,930	220,830	257,527	260,610	237,705	318,218	212,283
Transportation	188,931	328,840	297,571	381,944	496,778	405,240	337,064	342,946	340,079	424,878
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	2,313,010
Culture and recreation	780,703	844,920	924,474	951,054	1,117,355	1,053,540	976,627	859,420	931,641	931,781
Total governmental activities expenses	<u>\$ 4,359,859</u>	<u>4,428,997</u>	<u>4,706,033</u>	<u>4,870,263</u>	<u>5,989,045</u>	<u>5,307,140</u>	<u>5,055,702</u>	<u>4,845,959</u>	<u>5,188,398</u>	<u>5,296,835</u>
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	1,011,249
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	193,432
Marina	387,816	576,235	658,556	716,146	889,377	1,298,083	1,034,711	1,200,024	1,260,832	1,654,840
John's Pass Village	222,648	271,285	250,374	277,805	341,919	306,732	299,483	423,876	308,891	353,162
Parking	-	-	-	-	-	-	-	145,345	165,211	161,615
Total business-type activities expenses	<u>3,041,342</u>	<u>2,918,979</u>	<u>3,057,335</u>	<u>3,192,109</u>	<u>3,446,720</u>	<u>2,977,161</u>	<u>2,653,202</u>	<u>2,915,076</u>	<u>2,924,868</u>	<u>3,374,298</u>
Total government expenses	<u>\$ 7,401,201</u>	<u>7,347,976</u>	<u>7,763,368</u>	<u>8,062,372</u>	<u>9,435,765</u>	<u>8,284,301</u>	<u>7,708,904</u>	<u>7,761,035</u>	<u>8,113,266</u>	<u>8,671,133</u>
<b>Program Revenues</b>										
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	272,485
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	575,210
Culture and recreation	498,367	519,962	545,478	519,891	508,616	488,054	490,086	200,073	203,200	255,098
Operating grants and contributions	5,499	20,634	30,699	30,441	31,063	32,268	32,490	298,564	390,330	49,504
Capital grants and contributions	251,632	374,456	2,885	-	78,795	-	10,500	-	-	-
Total governmental activities program revenues	<u>\$ 1,451,903</u>	<u>1,632,767</u>	<u>1,269,127</u>	<u>1,329,720</u>	<u>1,382,776</u>	<u>1,309,705</u>	<u>1,383,130</u>	<u>1,215,508</u>	<u>1,356,591</u>	<u>1,152,297</u>
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	1,084,248
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	322,611
Marina	391,506	528,652	604,709	708,350	877,384	1,203,823	969,331	1,012,880	1,221,047	1,640,660
John's Pass Village	364,016	323,509	331,114	320,210	378,360	530,492	530,633	95,736	96,707	531,490
Parking	-	-	-	-	-	-	-	666,247	723,666	338,753
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	<u>2,784,686</u>	<u>2,923,271</u>	<u>3,269,002</u>	<u>3,696,053</u>	<u>2,994,705</u>	<u>3,573,347</u>	<u>3,104,863</u>	<u>3,309,106</u>	<u>3,594,943</u>	<u>3,917,762</u>
Total government program revenues	<u>\$ 4,236,589</u>	<u>4,556,038</u>	<u>4,538,129</u>	<u>5,025,773</u>	<u>4,377,481</u>	<u>4,883,052</u>	<u>4,487,993</u>	<u>4,524,614</u>	<u>4,951,534</u>	<u>5,070,059</u>

**CITY OF MADEIRA BEACH, FLORIDA**

**Changes in Net Assets - Continued**

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

	<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>	<u>2012</u>
<b>Net (Expense)/Revenue</b>										
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)	(4,144,538)
Business-type activities	(256,656)	4,292	211,667	503,944	(452,015)	596,186	451,661	394,030	670,075	534,469
Total governmental net expense	<u>\$ (3,164,612)</u>	<u>(2,791,938)</u>	<u>(3,225,239)</u>	<u>(3,036,599)</u>	<u>(5,058,284)</u>	<u>(3,401,249)</u>	<u>(3,220,911)</u>	<u>(3,236,421)</u>	<u>(3,161,732)</u>	<u>(3,610,069)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
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	1,444,836
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	1,167,978
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	1,096,656
Local business tax receipts	81,245	77,504	73,741	80,141	80,524	84,356	79,969	78,535	76,886	65,474
Investment earnings	60,588	56,797	155,637	305,879	508,916	272,689	74,681	87,888	(599)	71,210
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	155,071
Transfers	(248,025)	96,225	543,700	(199,945)	2,942,701	195,800	194,000	293,900	338,076	44,400
Proceeds from sale of sewer system	-	-	-	-	-	-	200,000	-	-	-
Transfer of capital assets, net	(2,950,705)	(11,675)	-	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 421,454</u>	<u>3,865,096</u>	<u>4,784,287</u>	<u>4,597,253</u>	<u>8,300,479</u>	<u>5,192,739</u>	<u>5,029,751</u>	<u>4,676,527</u>	<u>4,280,434</u>	<u>4,045,625</u>
Business-type activities:										
Investment earnings	\$ 39,397	31,609	69,293	121,535	79,925	43,357	10,589	11,119	1,306	2,486
Gain/(loss) on disposal of capital assets	2,529	3,555	7,650	720	-	3,025	15,753	(17,964)	(9,847)	18,975
Miscellaneous revenues	46,018	58,063	26,164	16,439	12,462	6,170	7,975	20,107	16,085	18,082
Transfers	248,025	(96,225)	(543,700)	199,945	(2,942,701)	(195,800)	(194,000)	(293,900)	(338,076)	(44,400)
Transfer of capital assets, net	2,950,705	11,675	-	-	-	-	-	-	-	-
Total business-type activities	<u>3,286,674</u>	<u>8,677</u>	<u>(440,593)</u>	<u>338,639</u>	<u>(2,850,314)</u>	<u>(143,248)</u>	<u>(159,683)</u>	<u>(280,638)</u>	<u>(330,532)</u>	<u>(4,857)</u>
Total government	<u>\$ 3,708,128</u>	<u>3,873,773</u>	<u>4,343,694</u>	<u>4,935,892</u>	<u>5,450,165</u>	<u>5,049,491</u>	<u>4,870,068</u>	<u>4,395,889</u>	<u>3,949,902</u>	<u>4,040,768</u>
<b>Change in Net Assets</b>										
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	(98,913)
Business-type activities	3,030,018	12,969	(228,926)	842,583	(3,302,329)	452,938	291,978	113,392	339,543	538,612
Total government	<u>\$ 543,516</u>	<u>1,081,835</u>	<u>1,118,455</u>	<u>1,899,293</u>	<u>391,881</u>	<u>1,648,242</u>	<u>1,649,157</u>	<u>1,159,468</u>	<u>788,170</u>	<u>439,699</u>

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>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>	<u>2012</u>
General fund										
Nonspendable	\$ *	*	*	*	*	*	*	10,276	526,744	523,089
Assigned	*	*	*	*	*	*	*	4,045,652	4,202,754	4,157,086
Unassigned	*	*	*	*	*	*	*	7,530,501	7,160,890	7,272,878
Total general fund	\$ <u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>11,586,429</u>	<u>11,890,388</u>	<u>11,953,053</u>
All other governmental funds	\$									
Restricted	*	*	*	*	*	*	*	1,843,426	2,157,106	2,226,885
Total all other governmental funds	\$ <u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>1,843,426</u>	<u>2,157,106</u>	<u>2,226,885</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>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>	<u>2012</u>
<b>Revenues</b>										
Taxes	\$ 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	2,612,814
Licenses and permits	94,376	91,198	86,073	90,908	100,457	101,810	104,013	94,809	88,378	78,584
Intergovernmental revenue	959,585	825,895	503,738	1,092,890	1,700,625	1,665,507	1,833,017	1,986,794	2,020,541	1,708,260
Charges for services	675,233	1,067,660	1,129,927	520,041	727,777	716,605	490,086	581,914	447,560	499,458
Fines and forfeitures	160,828	171,685	118,442	143,871	133,608	150,249	176,783	98,693	176,945	28,125
Special assessments	87,426	6,501	500	48,000	10,000	500	-	-	-	-
Investment earnings	60,588	56,797	155,637	305,879	508,916	272,689	74,681	87,888	(599)	71,210
Miscellaneous revenue	138,677	61,531	108,376	87,743	69,586	100,150	174,247	131,035	130,715	155,071
<b>Total revenues</b>	<b>\$ 5,057,142</b>	<b>5,411,681</b>	<b>5,500,137</b>	<b>6,124,721</b>	<b>6,728,584</b>	<b>6,303,172</b>	<b>6,038,373</b>	<b>5,973,560</b>	<b>5,577,155</b>	<b>5,153,522</b>
<b>Expenditures</b>										
General Government	\$ 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	1,344,018
Physical Environment	110,652	94,252	175,291	178,268	192,853	233,223	242,947	345,023	310,116	188,376
Transportation	187,462	200,747	179,545	262,726	318,961	237,105	234,854	239,738	239,990	222,965
Public Safety	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	2,203,613
Culture and recreation	703,370	737,896	803,727	839,961	996,456	947,981	884,700	765,942	844,573	782,263
Capital outlay	1,048,819	582,783	1,059,875	1,872,004	675,131	273,106	205,034	190,978	16,469	360,741
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 4,875,353</b>	<b>4,643,481</b>	<b>5,347,655</b>	<b>6,353,344</b>	<b>6,197,724</b>	<b>5,158,230</b>	<b>4,933,978</b>	<b>5,161,045</b>	<b>5,297,592</b>	<b>5,101,976</b>
Excess of revenue over expenditures	\$ 181,789	768,200	152,482	(228,623)	530,860	1,144,942	1,104,395	812,515	279,563	51,546
<b>Other Financing Sources (Uses)</b>										
Transfers in	\$ 661,975	96,225	543,700	100,055	180,695	195,800	194,000	293,900	338,076	44,400
Transfers out	(910,000)	-	-	(300,000)	(382,700)	-	-	-	-	-
Sale of capital assets	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	-	-	-
<b>Total other financing sources (uses)</b>	<b>(233,080)</b>	<b>97,858</b>	<b>553,276</b>	<b>(197,748)</b>	<b>2,954,671</b>	<b>199,272</b>	<b>394,000</b>	<b>302,495</b>	<b>338,076</b>	<b>44,400</b>
<b>Net change in fund balances</b>	<b>\$ (51,291)</b>	<b>866,058</b>	<b>705,758</b>	<b>(426,371)</b>	<b>3,485,531</b>	<b>1,344,214</b>	<b>1,498,395</b>	<b>1,115,010</b>	<b>617,639</b>	<b>95,946</b>
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%

**CITY OF MADEIRA BEACH, FLORIDA**

**Taxable and Estimated Actual Value of Taxable Property**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Tax Roll</b>	<b>Real Property Taxable Value</b>	<b>Personal Property Taxable Value</b>	<b>Total Taxable Value</b>	<b>Exempt Real and Personal Property</b>	<b>Total Estimated Actual Value</b>	<b>Ratio of Total Taxable Value to Total Estimated Actual Value</b>
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%
2012	2011	815,231,351	12,352,060	827,583,411	128,269,057	998,848,811	82.85%

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**

<b>Fiscal Year</b>	<b>Tax Roll</b>	<b>City of Madeira Beach Operating Millage</b>	<b>Overlapping Rates</b>				<b>Total Direct &amp; Overlapping Rates</b>
			<b>County</b>	<b>School</b>	<b>Transit District</b>	<b>Other*</b>	
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
2012	2011	1.7954	4.8730	8.3850	0.7305	2.0896	17.8735

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	2012			2003		
	Taxable Value	Rank	Percentage Total Assessed Valuation	Taxable Value	Rank	Percentage Total Assessed Valuation
Hubbard Properties LLC	\$ 11,525,000	1	1.4%	3,418,800	7	0.6%
Publix Super Markets Inc.	6,416,063	2	0.8%	-	-	-
919 Land Trust	6,107,816	3	0.7%	-	-	-
Poseidon Ventures LTD	4,697,538	4	0.6%	4,400,000	3	0.7%
Barefoot Beach Resort South LLC	4,560,985	5	0.6%	-	-	-
Pines-Carter FLA Inc	4,523,000	6	0.5%	4,159,100	4	0.7%
R N J Madeira Beach Inc	4,215,000	7	0.5%	-	-	-
Dag Bros Inc	3,856,360	8	0.5%	-	-	-
Extra Space Properties Forty Eight LLC	3,760,000	9	0.5%	-	-	-
B C T M Group LLC	2,928,354	10	0.4%	-	-	-
American General Hospitality				7,700,000	1	1.3%
Madeira Shopping Center, Inc.				4,569,100	2	0.8%
All Seasons Resort, Inc.				4,138,500	5	0.7%
Lock, Charles I., Trustee				3,679,600	6	0.6%
Hondur, Inc.				3,220,000	8	0.5%
Sands Madeira Realty, Inc.				2,860,000	9	0.5%
Storage Spot				2,592,900	10	0.4%
Total Taxable Valuation of Ten Largest Taxpayers	52,590,116		6.4%	40,738,000		6.9%
Total Taxable Valuation of Other Taxpayers	<u>774,993,295</u>		<u>93.6%</u>	<u>551,224,610</u>		<u>93.1%</u>
Total Taxable Valuation of All Taxpayers	<u>\$ 827,583,411</u>		<u>100.0%</u>	<u>\$ 591,962,610</u>		<u>100.0%</u>

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>
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%
2012	2011	827,583,411	1.7954	1,490,466	1,439,301	96.57%	5,535	1,444,836	96.94%

\*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, 2012**

<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>
<b>Debt repaid with property taxes</b>	\$ -	N/A	\$ -
<b>Other debt:</b>			
Pinellas County Capital Leases	-	1.5%	-
Pinellas County School District State Bonds	24,760,000	1.5%	371,400
Pinellas County School District Capital Leases	<u>20,126,433</u>	1.5%	<u>301,897</u>
Total overlapping debt			673,297
<b>City direct debt</b>			<u>-</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 673,297</u></u>

The City's share is calculated based on the ratio of the City's taxable value of \$827,583,411 to the County's taxable value of \$55,437,302,023 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**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Personal Income (2)</b>	<b>Personal Income</b>	<b>Median Age (3)</b>	<b>Unemployment Rate (4)</b>
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	\$40,487	179,235,949	45.30	11.1%
2010	4,263	\$42,986	183,249,318	46.30	11.5%
2011	4,295	\$44,622	191,651,490	46.50	10.5%
2012	4,263	\$44,622	190,223,586	46.50	8.5%

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	2012			2003		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment*
Winn Dixie	280	1	11.25%	*	*	*
Publix	175	2	7.03%	*	*	*
Real Estate Champions	125	3	5.02%	*	*	*
Pinellas County Schools (Madeira Beach Elementary and Middle Schools)	150	4	6.03%	*	*	*
Bubba Gump Shrimp Co.	100	5	4.02%	*	*	*
Friendly Fisherman	100	6	4.02%	*	*	*
Hooters	56	7	2.25%	*	*	*
McDonald's	49	8	1.97%	*	*	*
Begins Enterprises	39	9	1.57%	*	*	*
Daiquiri Deck and Oceanside Grill	35	10	1.41%	*	*	*
Total employment of ten largest employers	1,109		44.57%	*		*
Total employment of other employers	1,379		55.43%	*		*
Total employment of all employers	2,488		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**

<b>Function</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General Government	13	12.5 (2)	13.5 (3)	13 (4)	13	13	11 (12)	9	5	14.09
Public Works:										
Administration	3	3	3	3	3	4	4	4	4	2.3
Streets	2.2	2.2	2.2	2.2	2.8	2	2	2	2	2
Sanitation	9	9	9	9	9	9	9	9	9	9
Sewer	1.6	1.6	1.6	1.6	0 (11)	0	0	0	0	0
Stormwater	1.2	1.2	1.2	1.2	1.2	1	1	1	1	1
Public Safety:										
Fire:										
Firefighters and officers	13	13	13	13	13	13	13	11 (12)	11 (12)	13
Civilians	2	2	2	2	2	2	2	1 (12)	1 (12)	1
Parking Enforcement	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3.25
Parks and Recreation	12.5	15 (8)	15	15	15	14.5 (12)	13 (12)	12 (12)	12 (12)	12.9
Municipal Marina	3 (9)	4 (10)	4	4	4	3 (12)	3	3.5 (13)	3.5 (13)	3.5
<b>Total</b>	<b>63</b>	<b>66</b>	<b>67</b>	<b>66.5</b>	<b>65.5</b>	<b>64</b>	<b>60.5</b>	<b>55</b>	<b>51</b>	<b>62.04</b>

Source:

Adopted Budgets - City of Madeira Beach

Notes:

- (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.
- (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**

<b>Function</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<u>General Government</u>										
Building permits issued (1)	593	614	731	558	503	456	452	595	637	790
Occupational Licenses / Local Business Tax receipts issued	641	877	832	778	909	836	879	781	1,033	771
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	2318
Employees paid										
Direct deposit	*	*	1,879	1,865	* (3)	*	*	*	*	1546
Payroll checks issued	*	*	547	533	* (3)	*	*	*	*	161
Purchase orders processed	985	947	885	431	429	392	378	428	474	505
<u>Public Safety</u>										
Police (2)										
Arrests made	540	490	446	500	592	495	564	514	495	73
Traffic citations issued	1,336	1,212	1,221	1,494	2,307	1,776	1,771	1,828	1,759	1304
Fire Department										
Emergency responses	1,573	1,594	1,508	1,476	1,430	1,308	1,496	1,549	1,847	1850
Fires and other non-medical emergencies	553	717	658	592	587	511	542	576	524	548
Emergency medical calls	1,020	877	850	884	843	797	954	973	1,323	1302
Inspections completed	414	360	330	494	475	218	225	109	122	107
Parking tickets processed	*	*	4,657	6,491	4,548	5,524	5,735	4,153	3,757	4443
<u>Public Works</u>										
Refuse collected (tons per day)	*	21	19	18	18	18	16	15	16	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**

<b>Function</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
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	17.5	17.5	0	0	0	0	0	0
Number of lift stations	7	7	7	7	0	0	0	0	0	0
Average daily flow (MGD)	0.571	1	0.613	0.613	0	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**



## Mayer Hoffman McCann P.C.

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### **Independent Auditor's 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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated April 29, 2013.

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

*Mayor Hoffman Mc Cann P.C.*

April 29, 2013  
Clearwater, Florida



**Mayer Hoffman McCann P.C.**

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**Independent Auditor's Management Letter**

To the Honorable Mayor and  
Members of 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, 2012 and have issued our report thereon dated April 29, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated April 29, 2013, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken to address the findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the City was 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, the recommendations are noted in the accompanying Appendix A to this Management Letter.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such 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 identified areas for strengthening internal control, as noted in the accompanying Appendix A to this Management Letter.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, require 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, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. 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 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 Mo Law P.C.*

April 29, 2013  
Clearwater, Florida

**CITY OF MADEIRA BEACH, FLORIDA**  
**Appendix A – Management Letter Comments**  
**September 30, 2012**

**Current Year Recommendations:**

**2012-01: Bank Statement Reconciliation**

**Observation:** During review of the City’s bank statements and walkthrough of internal controls over the cash reconciliation process, it was noted that the bank reconciliations were not prepared and reviewed on a timely basis during the year ended September 30, 2012. We also noted that there was no evidence that a review was performed, except on the September 2012 reconciliation.

**Recommendation:** We recommend that the reconciliation of bank statements be completed on a regular and timely basis. We also recommend that both the preparer and the reviewer initial and date the bank statement reconciliation as evidence that the review has been performed in a timely manner. Bank reconciliations are a critical control over cash and this practice would greatly enforce the checks and balances necessary for strong controls over cash.

**Management Response:** Cash reconciliations were performed by various personnel as available due to ongoing staff turnover. Management agrees with this recommendation and has reorganized staffing in the Finance Department to address this issue.

**2012-02: Investment Policy Compliance**

**Observation:** During the walkthrough of investment controls, we noted the City’s investment policy (Ordinance 1025), which adopts Florida Statute 218.415 as the City’s investment policy, states that officials responsible for making investment decisions must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products. We also noted that the Finance Director, who is the official responsible for making investment decisions for the City, did not receive this continuing education during the fiscal year.

**Recommendation:** We recommend that the Finance Director attain 8 hours of investment related continuing education annually.

**Management Response:** Management agrees with this recommendation. The Finance Director completed 8 hours of investment training within the first year of employment, which occurred subsequent to fiscal year-end.

**2012-03: Information Technology**

**Observation:** The City had an Information Technology (IT) Assessment performed in 2012 to test the operating effectiveness of the City’s Information Technology environment. As a result, there were recommendations noted in the report dated January 25, 2013, based on vulnerability and threats from both internal and external sources. During the IT Assessment, deficiencies were noted related to the City’s general control environment with respect to access, security and general awareness.

**Recommendation:** We recommend that the City review the recommendations from the IT Security Assessment and perform a thorough IT risk assessment. This should include the establishment of formalized IT policies and procedures that include a disaster recovery plan as well as addressing backup procedures and a review of backup failures. The IT policies and procedures as well as the disaster recovery plan should be reviewed, tested and documented as completed on an annual basis to confirm that the policies and procedures are still current, accurate, and that in the event of a disaster, the disaster recovery plan will operate as intended.

We also recommend that the City develop and implement a formalized process surrounding IT operations. Management should review the IT operations, password parameters, and user access.

These recommendations will enhance the security around the City's systems and strengthen internal controls over fraud detection and prevention. A risk assessment will also ensure the City is aware of any potential threats resulting from unauthorized activity in the IT environment.

**Management Response:** Management agrees with this recommendation.